Foundation for Growth:

Restoring the Promise *of* American Opportunity

The Fiscal Year 2014 Senate Budget Resolution

Chairman Patty Murray (D-WA)

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A Letter From Senate Budget Committee Chairman Patty Murray

Four years after the greatest economic crisis since the Great Depression, there is a serious division between the two major political parties in America about what government should be doing to keep our economy and our national finances moving in the right direction.

One approach, urged by leaders in the Republican Party, would take us back to the failed economic and fiscal policies that led to the Great Recession. This is the path of tax cuts for the rich, deregulation of Wall Street, increased costs of health care, more instability and uncertainty for middle class families, and the breaking of promises we've made to our seniors and families.

It is an approach pushed by those who believe that government has no business supporting our national competitiveness and by those who think that the highest priority should be radically shrinking government, not improving it.

The other approach is the one urged by the vast majority of the American people who believe that we need to be moving forward, not backwards. This is the approach that says we should learn from history so we are not doomed to repeat it. It is an approach that prioritizes fairness, opportunity for the middle class, and a return to the responsible fiscal and economic policies that have worked for our country before. It is an approach that maintains that government can't solve every problem, but that it can and should work to create jobs, support the middle class, and offer a hand up to families that need some support while they work to get back on their feet.

The Senate Budget reflects the values, priorities, and goals of those who support this second approach. It reflects the pro-middle class agenda that the American people went to the polls in support of last election. And I believe it is a strong and responsible vision for building a foundation for growth and restoring the promise of American opportunity.

<u>The highest priority of the Senate Budget is to create the conditions for job creation, economic growth, and prosperity built from the middle out, not the top down.</u> This is what people across the country say they want first and foremost, and this budget delivers on it.

At a time when too many middle class families across the country are still struggling, and far too many workers continue fighting to get back on the job, the last thing our economy needs right now is for political dysfunction or extreme and irresponsible budget policies to threaten our fragile recovery.

This budget replaces sequestration responsibly and invests in job creation to help families and the economy right away. It tackles our growing national deficits in education, infrastructure, and innovation to make sure we are laying down a strong foundation for broad-based economic growth for years to come. And it absolutely rejects a return to the failed trickle-down economic policies that devastated the middle class and led us to the Great Recession.

<u>The Senate Budget tackles our deficit and debt the way the American people have told us they want it done: with a balanced mix of responsible spending cuts and new revenue from the wealthiest Americans and biggest corporations.</u>

To me, this is just common sense. We have a serious deficit and debt problem that we need to tackle and we certainly don't want to leave our children and grandchildren with an unmanageable pile of our bills. So I think that means we should be examining every part of the federal budget for smart and responsible savings: from health care spending, to defense spending, to the loopholes and deductions in the tax code that benefit the wealthiest Americans and biggest corporations, and more.

Democrats have been very clear about this; we think everything should be on the table, and we believe that everyone should be asked to contribute to the solution. Like the vast majority of the American people, we don't think deficit reduction should be done through spending cuts alone, and we don't think it should come only from new revenue. It should be a balanced and responsible mix of both.

Unfortunately, many Republicans in Congress don't share this view. They believe that we should make massive cuts to education, health care, and other investments that benefit the middle class, seniors, and the most vulnerable families. But they think the wealthiest Americans and biggest corporations shouldn't be asked to pay their fair share. In fact, recent Republican proposals have actually *cut* taxes for the rich and asked middle class families to pick up the tab, a policy position that is far outside the mainstream of how the American people believe we should approach this.

In 2010, the bipartisan Simpson-Bowles Commission laid out a goal of reducing the deficit by $4 trillion over ten years and Democrats and Republicans embraced this as reasonable and responsible. Other bipartisan groups including the Senate's Gang of Six agreed.

Since that time, Congress has worked to reduce the deficit by $2.4 trillion, with most of that coming from spending cuts. The Senate Budget builds on this savings with an additional $1.85 trillion in deficit reduction, for a total of $4.25 trillion in deficit reduction since the Simpson-Bowles Commission report.

The new deficit reduction in this budget comes from an equal mix of responsible spending cuts made across the federal budget and new revenue raised by closing loopholes and ending wasteful spending in the tax code that benefits the wealthiest Americans and biggest corporations.

And because we believe that it makes sense to reduce the deficit the way we did it in the '90s, by growing the economy and creating millions of middle class jobs, this budget includes a $100 billion jobs and investment package to get workers back on the job and begin fixing the worst of the crumbling infrastructure that is holding back economic growth.

In addition to investing in jobs and economic growth and tackling our deficit and debt responsibly, the Senate Budget keeps the promises we've made to seniors, families, veterans and communities.

And importantly, it rejects attempts by Republicans to dismantle or privatize Medicare for our seniors, and instead works to preserve, protect, and strengthen this critical program.

This budget makes the investments we need to keep our nation secure and keep the promises we've made to our veterans.

And it protects the strong safety net that has helped millions of families get back on their feet when they were struggling. When my dad developed Multiple Sclerosis and had to stop working, I know that my six siblings and I would never have made it if we didn't have a government that was there to help us put food on the table, help my mom get the training she needed to get back to work, and help us all go to college with federal student loans and tuition support. We are a nation that comes together to help families like mine, and the Senate Budget would make sure that continues.

Middle class families across America are sick and tired of the gridlock that has paralyzed the budget process in Washington, D.C. They are looking to their elected officials to end the constant artificial crises and political brinksmanship that is threatening our fragile economic recovery, and to work together to responsibly tackle the serious economic and fiscal challenges we face as a nation.

I believe the Senate Budget offers a path forward to accomplish this. And I am proud of the work the Senate Budget Committee has done to put this budget together with a lot of input from our colleagues outside the Committee and members of the public across the country.

I am confident that our country can move beyond this division and work together to tackle our fiscal and economic problems fairly and responsibly. Our nation has faced far greater challenges in our history, and time and again the American people have come together with our unique brand of ingenuity, diversity, and compassion to do the right thing.

I am hopeful that the House of Representatives will join the Senate at the bargaining table and we can work together toward the responsible and bipartisan budget deal the American people expect and deserve.

Sincerely,

Senator Patty Murray (D-WA)
Chairman of the Senate Budget Committee
March 13, 2013

Foundation for Growth: Restoring the Promise of American Opportunity

The Fiscal Year 2014 Senate Budget builds on the work done over the last two years to create jobs, invest in broad-based economic growth, and tackle our deficit and debt responsibly.

This budget takes the balanced and responsible approach to our fiscal challenges that every bipartisan group has endorsed and that the American people support. It includes responsible spending cuts made across the federal budget, as well as significant new savings achieved by eliminating loopholes and cutting wasteful spending in the tax code that benefits the wealthiest Americans and biggest corporations.

The Senate Budget is grounded in the understanding that our country's long-term fiscal and economic goals will only be met with policies that support a strong and growing middle class. And it keeps the promises we have made to our seniors, our families, and our communities.

The American people are sick and tired of watching their government lurch from crisis to crisis. The Senate Budget offers a serious and credible path away from this gridlock and dysfunction and toward a long-term plan to create jobs, lay down a strong foundation for broad-based economic growth, replace sequestration, and tackle our deficit and debt responsibly and credibly.

This budget reflects the values of a diverse Senate serving a diverse nation, and it is guided by the principles and priorities that are strongly supported by the constituents we were elected to represent.

The highest priority of the Senate Budget is to create the conditions for job creation, economic growth, and prosperity built from the middle out, not the top down.

The Senate Budget takes the position that trickle-down economics has failed as an economic policy and that true national prosperity comes from the middle out, not the top down. We believe that deficit reduction at the expense of economic growth is doomed to failure, and policies that promote a strong middle class are essential to tackling our long-term deficit and debt challenges.

The policies President Barack Obama and Congress put in place in response to the Great Recession pulled our economy back from the brink and helped to add back jobs. But with an unemployment rate that remains stubbornly high, and a middle class that has seen their wages stagnate for far too long, we simply cannot afford any threats to our fragile recovery. Therefore, the Senate Budget:

- Fully replaces the harmful cuts from sequestration with smart, balanced, and responsible deficit reduction, which would save hundreds of thousands of jobs while protecting families, communities, and the fragile economic recovery.

- Invests in long-term economic growth and national competitiveness by tackling our serious deficits in infrastructure, education, job training, and innovation to create jobs now and lay down a strong foundation for broad-based growth.

- Includes a $100 billion targeted jobs and infrastructure package that would start creating new jobs quickly, begin repairing the worst of our crumbling roads and bridges, and help train our workers to fill 21st century jobs. This jobs investment package is fully paid for by eliminating loopholes and cutting wasteful spending in the tax code that benefits the wealthiest Americans and biggest corporations.

- Protects and continues tax cuts for the middle class and low-income working families.

The Senate Budget builds on the work we have done over the last two years to tackle our deficit and debt responsibly.

At the end of 2010, the bipartisan Simpson-Bowles Commission report laid out a responsible goal of reducing our deficit by $4 trillion over ten years. Since that time, Congress and the administration have implemented $2.4 trillion in deficit reduction, with $1.8 trillion coming from spending cuts and $600 billion coming from new revenue from the wealthiest Americans. The Senate Budget:

- Surpasses the bipartisan goal of $4 trillion in 10-year deficit reduction and puts our deficit and debt on a downward, sustainable, and responsible path.

- Builds on the $2.4 trillion in deficit reduction already done with an additional $1.85 trillion in new deficit reduction for a total of $4.25 trillion in deficit reduction since the Simpson-Bowles report.

- Includes an equal mix of responsible spending cuts and new revenue raised by closing loopholes and ending wasteful spending in the tax code.

- Achieves $975 billion in deficit reduction through responsible spending cuts made across the federal budget:

    - $493 billion saved on the domestic spending side, including $275 billion in health care savings made in a way that does not harm seniors or families.

    - $240 billion saved by carefully and responsibly cutting defense spending to align with the drawdown of troops in our overseas operations.

    - $242 billion saved in reduced interest payments.

- Achieves $975 billion in deficit reduction by closing loopholes and eliminating wasteful spending in the tax code that benefits the wealthiest Americans and biggest corporations.

- Includes reconciliation instructions, a fast-track process that makes sure that the new revenue from the wealthiest Americans and biggest corporations cannot be filibustered in the Senate.

The Senate Budget keeps the promises we have made to our seniors, families, veterans, and communities.

The Senate Budget takes the position that the promises we made to our seniors, families, veterans, and communities ought to be fulfilled. This budget:

- Preserves and protects Medicare so that it is strong for seniors today and will be there for our children and grandchildren.
- Rejects calls to dismantle, privatize, or voucherize Medicare.
- Builds on the responsible changes made in the Affordable Care Act to continue reducing health care costs while protecting patients.
- Protects the expansion of health insurance to nearly 30 million Americans and ensures the federal-state partnership on Medicaid is preserved.
- Rejects efforts to simply shift health care costs to states or make cuts that harm seniors and the most vulnerable families.
- Maintains the key principle that deficit reduction should not be done on the backs of the most vulnerable families and communities.
- Continues to make the investments we need in national defense, homeland security, and law enforcement to keep our country and our communities strong and secure.
- Keeps the promise we have made to our veterans that their country will be there for them and provide the resources and support they need when they come home.

The House Republican approach would hurt middle class families and the economy and break the promises we have made to our seniors.

The Senate Budget offers a very different vision than the approach taken by House Republicans.

Their proposals would cut the legs out from under our fragile economic recovery and threaten millions of jobs. They would slash the investments in infrastructure, education, and innovation that we need to lay down a strong foundation for broad-based growth and that would position us to compete and win in the 21st century global economy.

House Republicans would dismantle Medicare and cut off programs that support the middle class and most vulnerable families. And they would do all that while refusing to ask the wealthiest Americans and biggest corporations to contribute their fair share.

We believe that the American people strongly support the pro-growth, pro-middle class approach taken in the Senate Budget. And we look forward to engaging with families and seniors across the country as we work to pass the responsible, fair, and bipartisan budget deal the American people expect and deserve.

A Look Back: The Path to Today's Challenges

While we have made significant progress over the last few years, our country continues to face serious but surmountable challenges as we work to grow the economy and tackle our deficit and debt responsibly. And as we confront the challenges ahead of us, it is important to keep in mind the path that brought us to this point.

The work done in the 1990s helped grow the economy, create jobs, balance the budget, and put our government on track to eliminate the national debt. That was all reversed between 2001 and 2008. From 2009 until today we have fought to pull our economy back from the precipice, move from monthly job losses to slow but steady job gains, and begin the hard work of reducing our deficit and debt responsibly.

- Following President Clinton's 1993 tax deal that brought in new revenue from the wealthiest Americans and the bipartisan responsible spending cuts, our country created 22 million new jobs and achieved a balanced budget. President Clinton's tax policies were not the only driver of economic growth, but our leaders' ability to agree on a fiscally sustainable and economically sound path provided valuable certainty for American families and businesses.

- Between 2001 and 2008 we faced a combination of tax cuts weighted toward the wealthiest Americans, costly and unpaid-for wars in Iraq and Afghanistan, and irresponsible deregulation of Wall Street. These decisions reversed the fiscal and economic progress made in the prior eight years, devastated workers and the economy, and turned a budget surplus into a growing deficit.

- President Obama entered office facing the greatest economic crisis since the Great Depression, as millions of Americans lost their jobs and experienced the pain of foreclosure. The President worked with Congress to turn the economy around, and while our economic recovery remains fragile and more work needs to get done, we are moving in the right direction.

Budget deficits in the early '90s: We tackled this challenge responsibly during the Clinton years while creating millions of new jobs

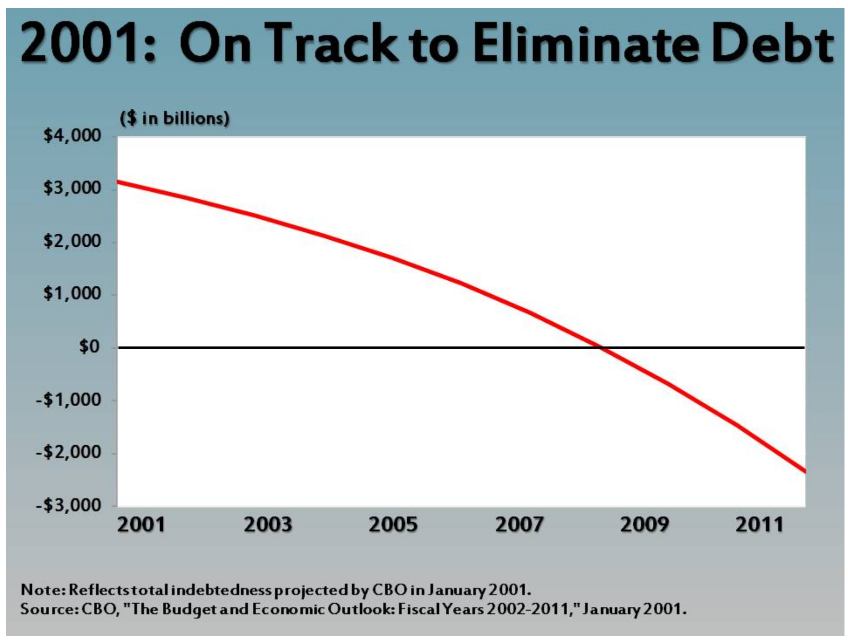
This country's recent history shows that our nation is strongest when our policies are designed to encourage prosperity built from the middle out, rather than the top down. And that while it is absolutely critical to address our deficit and debt challenges, attempting to do so at the expense of jobs and broad-based economic growth is not only unfair, it just will not work.

President Bill Clinton entered office in 1993 at a time when the country was facing serious deficit and debt problems. The year before, the federal government was taking in revenue equal 17.5 percent of GDP, but spending was 22.1 percent of the economy—a deficit of 4.7 percent.[1]

His proposal to raise the top income tax rate to 39.6 percent passed the Senate and House without a single Republican vote. At the time, Republican leaders claimed the proposal would devastate the economy and cause massive jobs losses. Republican Senator Phil Gramm (R-TX) predicted that "…this program is going to make the economy weak. I believe hundreds of thousands of people are going to lose their jobs."[2]

As we know, the opposite happened. The unemployment rate went from 7 percent at the beginning of 1993 to 3.9 percent at the end of 2000.[3] Between 1993 and 2001, our economy gained more than 22 million jobs[4] and experienced the longest economic expansion in our history.[5]

As Americans gained jobs and our economy continued to grow, revenue increased from 17.5 percent to 20.6 percent of GDP. Despite fears from Republicans that more revenue would cause spending to go up, federal spending dropped from 22.1 percent of GDP to 18.2 percent of GDP.[6] Our budget reached balance and our nation was on track to completely eliminate the federal debt over the next decade.[7]



While President Clinton's tax changes were not the only driver of our economic growth, the ability of elected officials to come together and agree on a fiscally sustainable path played a role in keeping

[1] Office of Management and Budget, Historical Tables, Table 1.2. accessed 3/8/12.
[2] "The Budget Struggle; Clinton Wins Approval Of His Budget Plan As Gore Votes To Break Senate Deadlock," New York Times, 8/7/93.
[3] U.S. Department of Labor, Bureau of Labor Statistics, "Civilian Unemployment Rate," accessed 3/8/13.
[4] "All Employees: Total Nonfarm," U.S. Department of Labor, Bureau of Labor Statistics, accessed 3/8/13,
[5] "US Business Cycle Expansions and Contractions," National Bureau of Economic Research, accessed 3/8/13.
[6] Office of Management and Budget, Historical Tables, Table 1.2, accessed 3/8/12.
[7] Congressional Budget Office, "Budget and Economic Outlook: Fiscal Years 2002-2011," January 2001.

interest rates low and giving markets and small businesses the confidence they needed to expand and create jobs.

Those gains were reversed over the following eight years

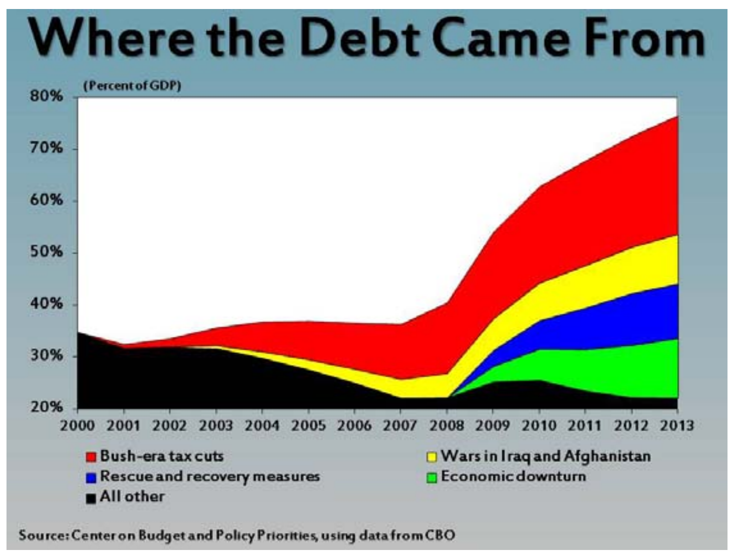
In 2001, Democrats saw the surplus as an opportunity to free ourselves from debt and invest in national priorities. Under the leadership of President George W. Bush, however, our country's fiscal course took a dramatic turn for the worse.

Costly tax cuts weighted toward the wealthy, wars in Iraq and Afghanistan that were not paid for, and other fiscally disastrous policy decisions eroded the surplus inherited from the previous administration.

This was not a surprise, of course. Former Senator Paul Sarbanes (D-MD) predicted these tax cuts would "put us on the glide path to dissipate this hard-earned fiscal restraint."[8] And President Bush's own Treasury Secretary, Paul O'Neill, also tried to warn that cutting the tax rates on capital gains and dividends would blast a hole in the deficit. But Vice President Dick Cheney informed him that "deficits do not matter."[9]

By 2008, federal revenues had declined to 17.6 percent of GDP, while spending increased to 20.8 percent— a deficit of 3.2 percent.[10] Our country was on a path toward record deficits as the legacy of the Bush administration's policies lived beyond the President's time in office. And despite the rosy fiscal projections at the turn of the century, the decade was marked by an almost doubling of the federal debt.[11]

Deregulation and irresponsibility on Wall Street only made things worse. They precipitated a devastating financial crisis, leading to the deepest recession since the Great Depression, beginning in December 2007. The economic turmoil and instability that followed touched all corners of our country. Through no fault of their own, Americans saw their retirement accounts that had taken years to accumulate lose value almost overnight. Millions of workers lost their jobs, and countless families lost their homes or had to scramble to keep up with their mortgages.



This economic downturn, together with the fiscal policies of the Bush administration, generated a significant portion of today's debt.[12] They also help explain the decade of middle class stagnation, with the average American family earning less in President Bush's last year in office than they did during his first.[13] And importantly, instead of laying

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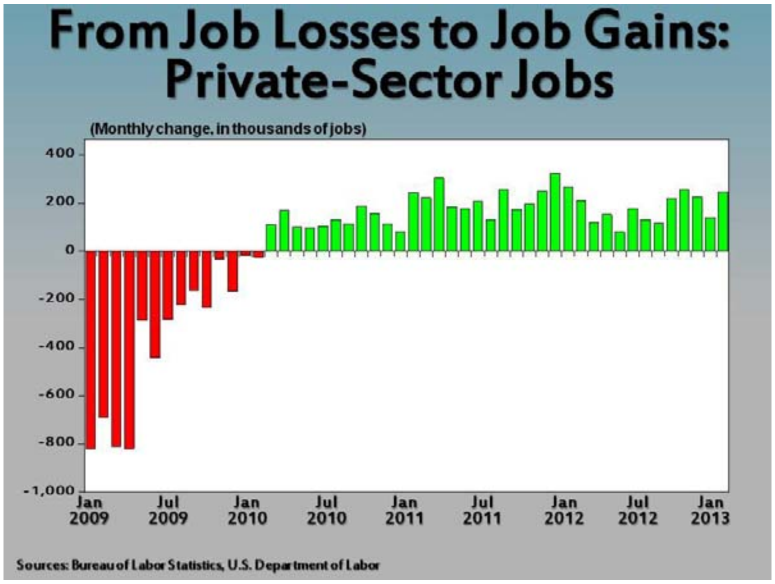
[8] "Greenspan Sees Room for Tax Cut," ABC News, 1/25/01.
[9] "Confessions of a White House Insider," TIME Magazine, 1/10/04.
[10] Office of Management and Budget, Historical Tables, Table 1.2, accessed 3/8/12.
[11] Office of Management and Budget, Historical Tables, Table 7.1, accessed 3/8/12.
[12] Center on Budget and Policy Priorities, "Economic Downturn and Legacy of Bush Policies Continue to Drive Large Deficits," 2/28/13.
[13] Census Bureau, Table H-6, accessed 2/28/13.

the foundation for long-term middle class growth, the Bush Administration left us with crumbling infrastructure and an economy that increasingly worked for only the wealthiest.

Four years fighting to turn the economy around

When President Obama took office in January 2009, our country faced challenges of historic proportions. More than 700,000 Americans were losing their jobs each month,[14] and a record number of mortgages were in foreclosure or underwater.[15] Banks were collapsing or teetering on the verge of collapse and threatening even further devastation. And manufacturers and other employers were unable to finance investments or operations and risked being forced to close their doors.

Working with Democrats in Congress, President Obama acted quickly to pass a package of tax cuts for millions of American families, relief for those hardest hit by the recession, and initiatives to support economic growth.[16]



This response, in combination with the actions taken by the Federal Reserve, produced a dramatic turnaround. Before the end of 2009, positive growth had returned.[17] The unemployment rate began to decline shortly after,[18] and in the years since we have continued to make progress on both measures. Yet, the economy is still struggling, millions of workers are looking for too few jobs, and aggregate demand is still far below its potential.

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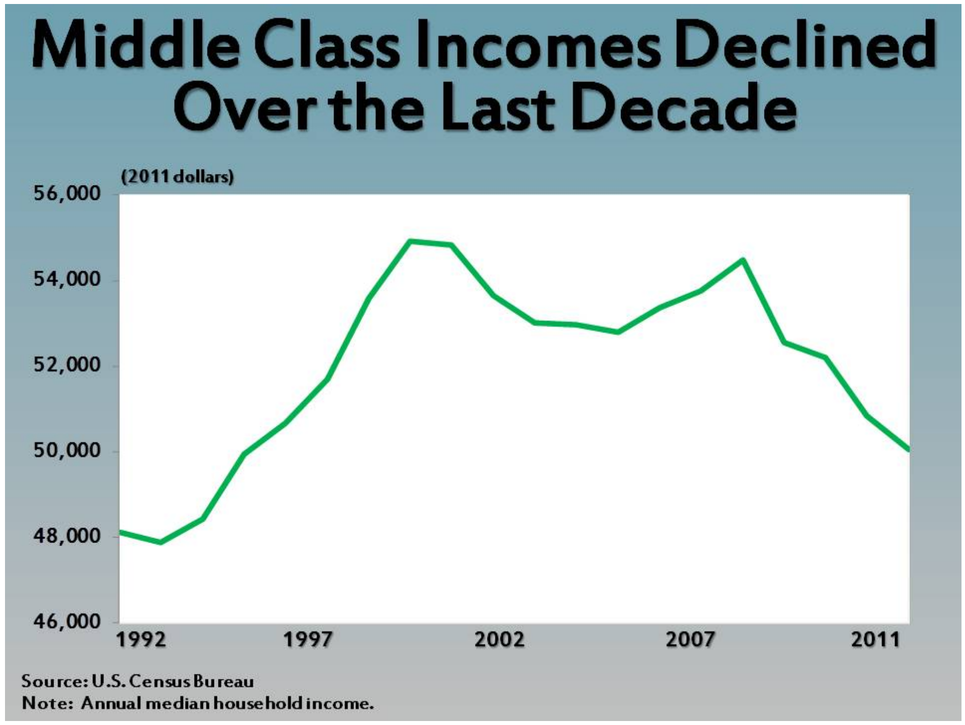
[14] U.S. Department of Labor, Bureau of Labor Statistics, "All Employees: Total Nonfarm," accessed 3/8/13,
[15] "Foreclosures Up A Record 81% in 2008," CNN Money, 1/15/09.
[16] Recovery.gov, accessed 3/8/13.
[17] National Bureau of Economic Research, "US Business Cycle Expansions and Contractions," accessed 3/8/13.
[18] U.S. Department of Labor, Bureau of Labor Statistics, "Civilian Unemployment Rate," accessed 3/8/13.

We have made progress, but middle class families continue to struggle



The slow pace of the recovery means that too many American workers and families are struggling to keep up. Income inequality is growing, while economic mobility and opportunity are not. There are still many Americans who wonder whether we can leave a stronger country, with greater opportunity, for the next generation.

We have seen an increasing gap between the wealthy and everyone else, a trend that hinders economic growth, undermines confidence in our institutions, and goes against a fundamental promise of our country—that hard work, not where you begin in life, should determine your success and ability to leave a better future for your children and grandchildren. Building a strong middle class is the key to reducing our deficit and debt and ensuring that we compete and win in the 21st century economy.

Maintaining our leadership in the world depends on our ability to reverse the trends of the last several decades and grow the economy from the middle out. The Senate Budget will move us away from the crisis-to-crisis style of governing we have seen far too much of in recent years and toward solutions that work for middle class families.

Typical middle class families have seen their incomes decline over the last decade. In 2011, median household income was just over $50,000, nearly $5,000 below the 2000 level, and lower than it had been at any time since 1995.[19] This stagnation makes it harder to buy a house, finance a college education, and take the risks that have allowed this country to be home to some of the world's most innovative and productive enterprises.

And while women saw meaningful wage growth in the 1980s and 1990s, that growth leveled off in the last decade. Today, women continue to earn substantially less than men—a woman working full time year round in 2011 could expect to earn just three-quarters of her male counterparts.[20]

At the same time, the rich have been getting much richer. The top one percent of households has seen their incomes more than double since the 1970s.[21]

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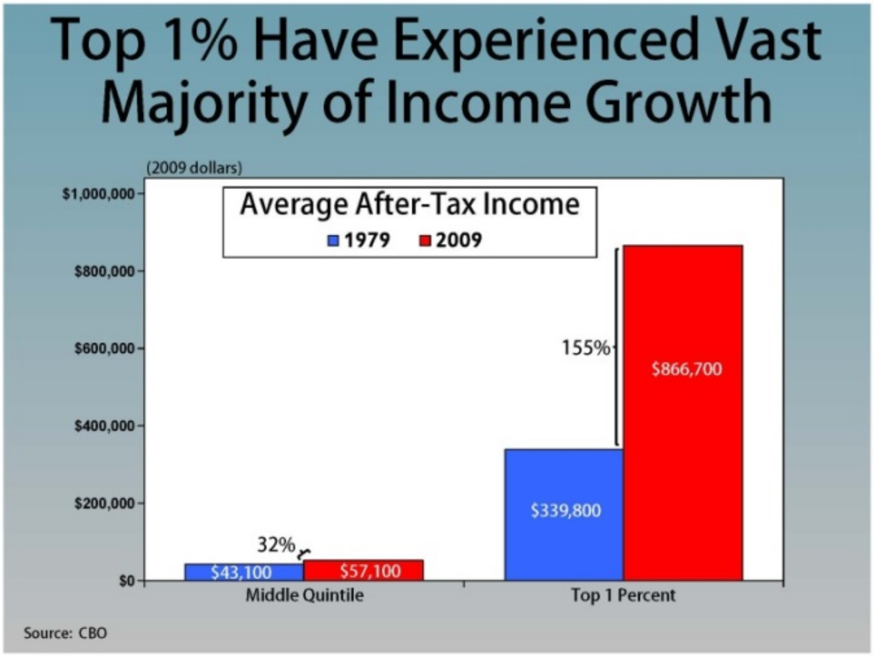
[19] Census Bureau, Table H-6, accessed 2/28/13.
[20] Census Bureau, Table P-40, accessed 2/28/13.
[21] CBO, Supplemental Data Table 3, 7/10/12.



For those at the very top, the trend is even more pronounced. By 2007, the 400 highest-income taxpayers had seen their income rise five-fold since just the mid-1990s.[22] And when you consider measures beyond income, the imbalance is even greater.

Today, the top one percent of households own more than 35 percent of all of the nation's wealth and 38 percent of all financial assets.[23] The wealthiest 400 individuals hold more wealth than the 150 million people that comprise the bottom 50 percent of wealth holders.[24]

Our country can restore the promise that if someone works hard, they will have every opportunity they deserve to leave a better future for their children and grandchildren. Doing so requires investing in jobs, long-term economic growth, and national competitiveness. This approach will allow us to build prosperity from the middle out, tackle our deficits and debt responsibly, and keep the promises we have made to our seniors, families, and communities for generations to come.

[22] IRS, "The 400 Individual Income Tax Returns Reporting the Largest Adjusted Gross Incomes Each Year, 1992-2009," 2012.
[23] "The Myth of Living Beyond Our Means," Robert Reich, Truthdig, 1/29/2013.
[24] "The Wrecking Ball," Sylvia Allegretto, the Berkley Blog, 7/16/12.

Investing in jobs, long-term economic growth, national competitiveness, and prosperity built from the middle out

The highest priority of the Senate Budget is to create the conditions for job creation, economic growth, and prosperity built from the middle out, not the top down. Our country has serious deficit and debt challenges, but we also face equally significant deficits in jobs, education, worker skills, infrastructure, and innovation.

The Senate Budget tackles these challenges by:

- <u>Fully replacing sequestration in a balanced and responsible way</u> to save jobs and support our fragile economic recovery.

- <u>Including a targeted jobs and infrastructure package</u> that will start creating new jobs quickly, make much-needed repairs to our roads and bridges, and help train our workers for jobs in high-demand industries.

- <u>Investing in our people</u> by making sure students and workers across the country can access high quality education and training, expanding their opportunities and strengthening our economy for the long term.

- <u>Investing in rebuilding our crumbling infrastructure</u> and making sure we are laying down a strong foundation for long-term economic growth.

- <u>Investing in research and innovation</u> so we can continue to compete in the global economy and grow our middle class.

These investments will create jobs and help the middle class right now, they will help lay down a strong foundation for long term and broad-based economic growth, and they will allow our country to compete and win in the 21st century global economy.

Our economic theory: Prosperity is created from the middle out

The Senate Budget takes the position that a resilient middle class and a robust economy reinforce one another. Our economic policy is therefore built on the values and principles that build a broad middle class, support strong and stable demand, and invest in and encourage the ingenuity and innovation that leads to job creation and true broad-based prosperity.

For the economy to grow, demand for the goods and services our businesses produce must be strong. A broad middle class that is doing well provides the market with the consumers necessary to purchase products. That creates stability, which in turn encourages firms and entrepreneurs to pursue productivity-enhancing investments that grow the economy and foster new enterprises, expanding employment opportunities even further.

Nick Hanauer, who runs a venture capital firm and was an initial investor in Amazon.com, Inc., put it this way: "[O]nly consumers can set in motion a virtuous cycle that allows companies to survive and thrive and business owners to hire. An ordinary middle class consumer is far more of a job creator than I ever have been or ever will be."[25]

As strong demand spurs economic growth and job creation, a well-trained and flexible workforce is necessary to maintain these gains. Cultivating a diverse set of skills further supports the stability of the American economy. By preparing our people to contribute in a broad range of established and growing industries, we will make sure our workers have the skills and training they need to compete and win in the 21st century global economy.

The middle out approach taken in the Senate Budget offers an alternative to the theory of trickle-down economics. Trickle-down economics asserts that growth and prosperity happen from the top down. According to this theory, the best way to create jobs and grow the economy is to cut taxes for the wealthiest Americans and expect their spending to benefit everyone else.

It is this theory that has led Republicans to advocate for tax cuts for the rich as an economic policy. But recent economic history has shown that this theory simply doesn't work. It's a failed ideology, not an economic policy.

Weighting tax cuts toward the wealthy rather than the middle class exacerbates inequality. And as inequality increases, the middle class can no longer participate in the economy as consumers and entrepreneurs. Businesses create fewer jobs as demand for their products declines. And as access to skill-enhancing training suffers, more and more workers find they are ill-prepared to fill the jobs that do remain.

<u>Republicans want to take us back to failed policies, but the Senate Budget builds on what is working to move us forward toward prosperity built from the middle out.</u>

In recent years Congress and the administration have taken significant action to confront some of our nation's biggest challenges. Wall Street Reform was passed to reign in the most egregious practices on Wall Street and protect our economy from the kind of financial crisis that caused the Great Recession.

[25] "Raise Taxes on Rich to Reward True Job Creators," Nick Hanauer, Bloomberg, <u>11/20/11</u>.

And the Affordable Care Act was passed so that all Americans can access affordable, high-quality health care.

Democrats want to build on this progress and the Senate Budget would do exactly that. Republicans, however, would take us back to the failed policies of the past. House Republicans would roll back health care reform, protect the wealthiest from paying their fair share, and place the entire burden of deficit reduction on the backs of the middle class, seniors, and most vulnerable Americans. Under their plans, the investments that have the greatest benefit for future generations, like education, infrastructure, and research and innovation, would be slashed.

Rather than reverting to a failed trickle-down ideology, this budget takes the position that we should build on what is working to secure middle class growth and prosperity. By focusing on creating jobs now and making smart investments in long-term and broad-based economic growth, the Senate Budget presents a responsible plan to do exactly this.

Replacing sequestration in a balanced and responsible way

"Intended as a mechanism to force action, the imposition of the sequester would undercut key responsibilities of the federal government."[26]

–House Budget Committee Chairman Paul Ryan

The damaging cuts from sequestration that were included in the bipartisan Budget Control Act were never intended to be implemented, but they now threaten hundreds of thousands of jobs, government services that families and communities depend on, national security, and our fragile economic recovery.

Since the highest priority of this budget is creating jobs and boosting the economy, replacing sequestration in a balanced way is a key component of its approach to tackling our fiscal and economic challenges responsibly.

The Senate Budget therefore includes $1.85 trillion in total deficit reduction, <u>$960 billion of which consists of a full and balanced replacement of the cuts from sequestration.</u>

This budget replaces sequestration using the following <u>equal mix of responsible spending cuts and new revenue from the wealthiest Americans</u>, which builds on the precedent set in the bipartisan year-end deal:

- $480 billion in new revenue raised by closing loopholes and ending wasteful deductions that benefit the wealthiest Americans and biggest corporations;
- $240 billion in responsible savings across domestic spending; and
- $240 billion from reductions to defense spending that coincide with the drawdown of troops from Afghanistan and that can be implemented responsibly by the Pentagon.

The Senate Budget lays out a credible and responsible framework to replace sequestration in a balanced and bipartisan way.

Since a budget resolution is not permitted to change the Budget Control Act that created sequestration, this budget calls for additional legislation that would make the technical changes to the law <u>using the framework laid out in this budget of an equal mix of responsible spending cuts and new revenue from the wealthiest Americans and biggest corporations.</u>

Senate Republicans have consistently filibustered legislation that included any new revenue from the wealthiest Americans, so the Senate Budget includes reconciliation instructions to create a fast-track process to prevent a filibuster of the new revenue raised to replace sequestration and for additional deficit reduction, which would then be combined with additional responsible spending cuts.

Since Democrats have been clear that sequestration should be replaced with responsible spending cuts in addition to the new revenue from the wealthiest Americans, this budget calls for any additional legislation changing the BCA to replace sequestration with an equal mix of responsible spending cuts to match the new revenue raised through reconciliation or other means.

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[26] House Budget Committee Chairman Paul Ryan, Website, accessed <u>1/25/13</u>.

The goal of sequestration was to bring both sides to the table to reduce the deficit in a balanced and responsible way. But while Democrats have been very clear that we are willing to make the tough concessions a balanced and bipartisan deal requires, Republicans have been so focused on protecting the wealthiest Americans and biggest corporations from paying their fair share that they've refused to move out of their partisan corner and work with us to get a deal.

While we haven't been able to get a bipartisan deal yet, the Senate Budget offers a responsible and credible path forward.

Putting the economy first with a targeted infrastructure and jobs package

"Although the issue of fiscal sustainability must urgently be addressed, fiscal policymakers should not, as a consequence, disregard the fragility of the current economic recovery.

"Fortunately, the two goals of achieving fiscal sustainability—which is the result of responsible policies set in place for the longer term—and avoiding the creation of fiscal headwinds for the current recovery are not incompatible.

"Acting now to put in place a credible plan for reducing future deficits over the longer term, while being attentive to the implications of fiscal choices for the recovery in the near term, can help serve both objectives."[27]

–Federal Reserve Chairman Ben Bernanke, August 2011

Since experts and economists across the political spectrum agree that it makes sense to boost the economy in the short term while tackling our deficit and debt responsibly over the medium and long term, the Senate Budget includes a $100 billion targeted jobs and infrastructure package that would start creating new jobs quickly, begin repairing the worst of our crumbling roads, bridges, and schools, and help train our workers to fill open jobs.

- <u>$50 billion to put workers back on the job repairing our nation's highest priority deteriorating transportation infrastructure</u>. Fixing these crumbling roads, bridges, and airports, as well as updating our mass transit, will not only create jobs in the short-term, it will also reduce the time families have to sit in traffic, help small businesses deliver goods to their customers quicker and cheaper, and lay down a strong foundation for long-term economic growth in communities across the country.

- <u>$10 billion to create jobs fixing our nation's major dams and dredging and maintaining economically critical ports.</u> This will move workers into jobs where they will help local economies and small businesses by making sure key ports remain open and competitive, and it will protect families by making sure critical water supplies remain safe and uncontaminated.

- <u>$10 billion to create an infrastructure bank that will leverage investment from the private sector</u> or other sources of funding to provide direct loans and loan guarantees for significant infrastructure projects like roads and bridges, rail and transit systems, port and water infrastructure, or other critical investments that would help the economy.

- <u>$20 billion to jump-start repairs and technology infrastructure investments</u> in schools across America that are crumbling or lack critical educational tools like broadband access that are required in the 21st century economy. This will help engineers and construction workers get back on the job, and it is an investment in our students that will pay off down the line.

[27] Chairman Ben Bernanke speech at the Federal Reserve Bank of Kansas City Economic Symposium, Jackson Hole, Wyoming, <u>August 26, 2011</u>

- $10 billion to invest in worker training programs for young people and adults to expand their skills and allow them to move into one of the approximately 3.6 million job openings that businesses across the country are struggling to fill.[28] This investment will go toward targeted programs that have documented outcomes and returns for employers and employees, and that are specifically designed to meet the needs of employers in fields that are in demand now, and that are expected to be in strong demand for years to come.

The Senate Budget includes these investments and urges the appropriate Congressional committees to move quickly to pass legislation that will meet these goals and start creating jobs today while investing in long-term economic growth.

[28] "Bureau of Labor Statistics, JOLTS Table 1, 02/12/13

Investing in our families, workers, and small business owners

Our families, workers and small business owners—current and future—are our nation's greatest resource. We cannot expect to lead the way in the 21st century unless our workforce is skilled, our small business owners have the support they need to succeed, and our families are secure.
The Senate Budget therefore prioritizes education and training from early childhood through career, expanding opportunity for job-creating small businesses, and making it possible for families to achieve the dream of homeownership. The budget:

- Protects investments in education and job training, including expansion of innovative early learning programs, keeping student loans affordable, and implementing proven job training models tailored to match employer demand;

- Makes support for small business a priority by maintaining effective public-private partnerships that provide growth capital to start-ups, and continuing Small Business Administration (SBA) small business loan programs; and

- Helps put homeownership within the reach of responsible, hardworking middle class Americans by ensuring the market is affordable, accessible, and stable.

An approach that drastically cuts these investments, as past House Republican budgets have, would not only make it harder for many students and families to reach their goals, but it would also seriously undermine the fundamental strength behind our economic leadership: the skill, drive, and innovative spirit of the American people.

Investing in education and a skilled workforce

While this budget seeks to address the long-term deficit and debt challenges our country faces, it also provides the framework necessary to address other growing challenges, including our nation's skills and education deficits. Failing to invest in schools, student aid, and worker training increases the skills gap, furthers income inequality, and fails to fully tap the potential of our greatest resource—the American people. This is a bad outcome for our students, workers, and businesses, and it is devastating for our economy over the long term.

Investments in education, from early childhood programs through college, are some of the smartest and most important the federal government can make. Economists have long studied the returns to education and have produced estimates indicating that "each additional year of schooling appears to raise earnings by about ten percent in the U.S.,"[29] with strong evidence of returns to education at all levels and an increased return for higher levels of education in recent decades.[30] According to a study done at the University of Chicago by Nobel Prize winner Dr. James Heckman, each dollar invested in high-quality early childhood education programs has a 14 percent rate of return through better educational outcomes.[31]

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[29] Krueger, Alan and Lindahl, Mikael, "Education for Growth: Why and For Whom?" December 2001.
[30] Autor, David, "The Polarization of Job Opportunities in the U.S. Labor Market, Implications for Employment and Earnings," April 2010.
[31] Heckman, James, Moon, Seong Hyeok, Pinto, Rodrigo, Savelyev, Peter, and Yavitz, Adam, "The Rate of Return to the High/Scope Perry Preschool Program," November 2009.

Federal Reserve Chairman Ben Bernanke has acknowledged the importance of these programs, saying, "[o]ne critical means of fostering healthy economic growth is by ensuring an adequate investment in human capital—that is, in the knowledge and skills of our people. No economy can succeed without a high-quality workforce, particularly in an age of globalization and technical change." [32]

The Senate Budget takes the position that investments in education and training are critical to our nation's long-term prosperity and competitiveness and ought to be protected.

We simply cannot expect our economy to grow in a way that creates broad-based prosperity if we continue allowing our skills and education deficits to increase. Our businesses are going to be creating 21st century jobs and we need our students and workers to be ready to meet their needs.

This is especially important when it comes to making sure low-income communities have the support they need to succeed. Although education is primarily a state and local responsibility, federal funding makes a critical contribution to schools and communities across the country. The Senate Budget invests in education, reflecting our commitment to reach at-risk and low-income students, close the achievement gap, and promote educational equity.

Early learning

To remain competitive in a global economy, our nation must provide our students with a world-class education that puts them on the path to college and career readiness. Research shows that a child's early years are a critical development stage, and early childhood education offers benefits extending through the first years of school and beyond in terms of both cognitive and non-cognitive skills.[33] Children who attend high-quality pre-kindergarten programs are less likely to be held back in school, require remedial education, engage in criminal activity, or use social safety net programs later in life. They are also more likely to graduate from high school and have higher earnings as adults. In fact, the rate of return for each dollar invested in high-quality early learning programs is $60-$300 over the lifetime of the child.[34] Investments in early learning are some of the smartest the federal government can make.

The Senate Budget recognizes that high-quality investments in early childhood education programs result in better health, learning, and economic outcomes later in life. While the House Republican approach would require drastic cuts to investments in early childhood education, this budget reflects the importance of helping our children get a strong start to their academic and professional careers.

- The Senate Budget includes strong support for Head Start and Early Head Start. These core commitments currently serve almost one million low-income children nationwide, enhancing their cognitive, social, and emotional development.

- The Senate Budget also invests in the Child Care Development and Block Grant (CCDBG), which provides vital support for working families and assists in closing the achievement gap for low-

[32] Speech by Federal Reserve Chairman Ben Bernanke at the 2011 Annual Awards Dinner of the Citizens Budget Commission, 3/2/2011.
[33] Heckman, James, "Skill Formation and the Economics of Investing in Disadvantaged Children," 6/30/06 and Heckman, James, "The Case for Investing in Disadvantaged Young Children," accessed 03/09/13.
[34] Heckman, James, "Letter to the Joint Select Committee on Deficit Reduction," 9/21/11.

income children. Research has shown that parents receiving child care subsidies are more likely to be employed, work more hours, sustain employment, and earn higher wages than their peers.[35]

- The Senate Budget also reflects important new investments to ensure that more children have access to voluntary public preschool programs through federal-state partnerships. This expansion of high-quality pre-kindergarten will help allow more children arrive at kindergarten ready to succeed.

- Since parents are their child's first and most influential teacher, the Senate Budget supports expansion of the existing Maternal, Infant, and Early Childhood Home Visiting (MIECHV) Program, which was enacted in the Affordable Care Act. This program improves maternal and child health and increases school readiness in vulnerable populations by delivering voluntary parent education and family support services directly to parents with young children. The home visiting program funds effective, research-based, and cost-efficient early learning opportunities, and should be extended and expanded.

These vital investments stand in sharp contrast to House Republican proposals, which, combined with sequestration, would cut almost 200,000 vulnerable children from Head Start in Fiscal Year 2014 alone[36] and would slash CCDBG discretionary funding by 19 percent. While this lack of investment would leave thousands of children behind the curve of kindergarten readiness, it would also have an immediate effect on employment, directly cutting thousands of Head Start positions and reducing support for working parents who would struggle to stay employed without child care.

Investments in early childhood education have been widely recognized as valuable by a wide range of stakeholders, including business leaders, law enforcement, and scholars. In a recent opinion piece, John E. Pepper, Jr., the former chairman and chief executive of the Procter & Gamble Company and a former chairman of The Walt Disney Company, and James M. Zimmerman, a former chairman and chief executive of Macy's, Inc. wrote: "We have spent most of our careers in business and have come to support quality pre-kindergarten for all children, especially those whose families cannot afford it, because we know these programs work. The only question is how to bring them to a huge scale. Our nation's future demands it."[37]

Elementary and secondary education

The nation's economic future is dependent on a strong, educated workforce. Today, however, many schools are struggling to prepare our young people for success in school and work. More than 20 percent of students do not graduate on time, if at all. The achievement gap between white students and minority students continues to be a pervasive problem, and one that deserves federal attention and resources. For students of color, approximately one-third do not graduate on time, if at all.[38] And Hispanic and African American students continue to lag behind their white peers in mathematics and reading achievement.[39]

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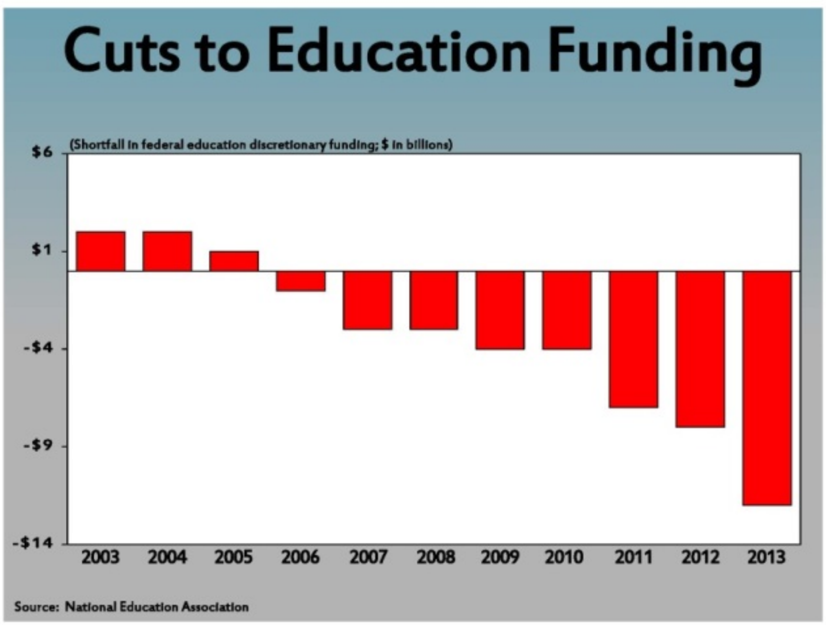
[35] Schaefer, Stephanie, Kreader, J. Lee, and Lawrence, Sharmila, "Parent Employment and the Use of Child Care Subsidies," 2006.
[36] National Education Association, "House FY2013 Budget Resolution Impact on Head Start," 3/26/12.
[37] "Capitalists for Preschool," Pepper, John.E.Jr., Zimmerman, James, New York Times, 3/1/13.
[38] Department of Education, National Center for Education Statistics, "Public School Graduates and Dropouts: School Year 2009-2010," January 2013.
[39] National Center for Education Statistics, "How Hispanic and White Students in Public Schools Perform in Mathematics and Reading on the National Assessment of Educational Progress," June 2011 and National Center for Education Statistics, "How Black and White Students in Public Schools Perform in Mathematics and Reading on the National Assessment of Educational Progress," July 2009.

The failure to fully tap the potential of all young Americans has direct and damaging economic consequences. Students who do not complete high school earn about $260,000 less over their lifetimes than their peers who graduate.[40] Those with a high school diploma or less are more likely to be unemployed[41], and to be among the long-term unemployed.[42] If the country's 23 million high school dropouts had instead gone on to graduate, the country would garner $50 billion annually in increased federal and state income taxes.[43]

As we are struggling to prepare our students, other countries are gaining a significant and lasting advantage. Today, international comparisons show that in literacy, and particularly in mathematics, and science, U.S. students lag behind many of their peers in our biggest global competitor countries.[44]

The Senate Budget reflects the need to invest in our nation's young people. It strongly supports elementary and secondary education funding to states and districts, including programs like Title I, to improve the education of low-income children, and IDEA, which provides early intervention and special education services to children with disabilities. Additionally, continued investments in literacy, STEM, and career and technical education programs will help ensure students are on a path to college and career readiness by high school graduation.



While the Senate Budget provides vital support for K-12 education programs, House Republicans would cut programs that support students, leaving our children unprepared to compete in the 21st century global economy. The Republican plan would cut IDEA by 19 percent, which would shift the cost of providing special education services for over 1 million children to states and school districts, reneging on the federal government's already woefully neglected promise to cover 40 percent of the cost of IDEA.[45]

Additionally, the House Republican plan would slash $2.76 billion from Title I, reducing or eliminating much-needed supportive services for over 4 million low-income children in fiscal year 2014 alone.[46] These cuts would continue a disturbing trend where the shortfall in federal education funding has grown larger and larger each year.

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[40] Teachers College Symposium on Educational Equity, "The Social Costs of Inadequate Education," 10/26/05.
[41] Bureau of Labor Statistics, "The Employment Situation – February 2013," 03/08/13.
[42] Joint Economic Committee, "Addressing Long-Term Unemployment After The Great Recession: The Crucial Role of Workforce Training," August 2011.
[43] Teachers College Symposium on Educational Equity, "The Social Costs of Inadequate Education," 10/26/05.
[44] National Center for Education Statistics, "Highlights from PISA 2009," December 2010.
[45] National Education Association, "House FY2013 Budget Resolution Impact on Special Education Grants to States," 3/26/12.
[46] National Education Association, "House FY2013 Budget Resolution Impact on Grants to Local Educational Agencies," 3/26/12.

Post-secondary education and training

To win the global race on talent, our nation must provide strong educational opportunities from preschool to career. This requires maintaining the superiority of our colleges and universities and helping students afford tuition. But we must also confront the growing need for post-baccalaureate degrees and credentials that can help fill gaps in specific skills today's employers demand. The Senate Budget moves us forward on each of these crucial priorities.

In the 2011 report "The College Payoff," experts verify that "a college degree is key to economic opportunity."[47] The earnings advantage to attending college has grown enormously in recent decades,[48] and a worker with a master's degree earns nearly twice as much as a person with a high school degree. Higher education provides an important pathway to the middle class; students from the bottom income quintile are more upwardly mobile than their parents when they have a degree.[49] [50]

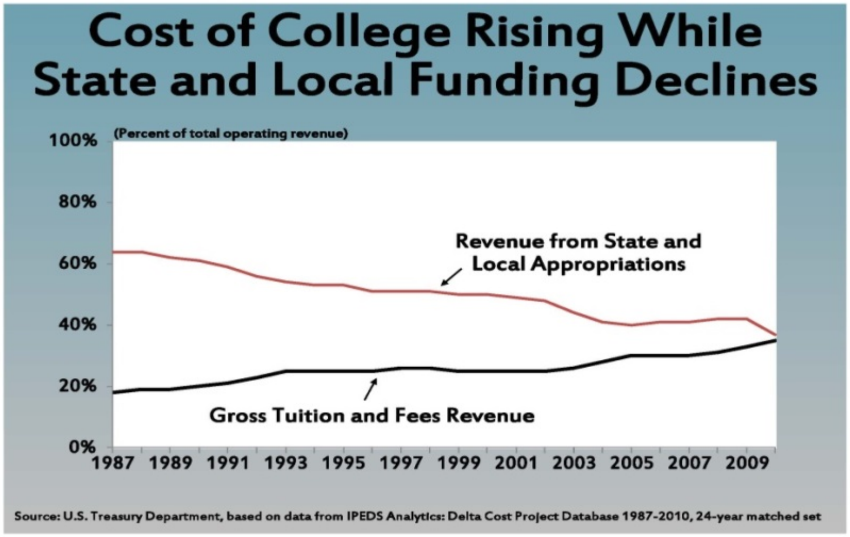
As a country, we need to prepare our students to compete for high-skill, high-wage or high-demand jobs. Increasingly, these occupations require post-secondary credentials or degrees. For example, during the Great Recession, four out of five jobs lost were held by Americans with a high school education or less. By comparison, Americans with a bachelor's degree or higher steadily gained jobs during the recession and have seen an increase of more than 2 million jobs during the recovery.

Bringing down the costs of higher education

Despite the benefits of higher education for individuals and our economy as a whole, recent trends indicate that there are barriers to both access and completion. Nearly half of all college students do not complete their degree within six years,[51] cumulative student loan debt is now $1 trillion,[52] and student loan default rates are rising.[53]

In addition, college is increasingly unaffordable. Tuition and fees are growing at rates above inflation and college costs are being shifted to students and their families in two key ways. First, states have reduced their support for higher education. And with additional federal spending cuts from sequestration, state budget are going to face further fiscal challenges.[54]

[47] Center on Education and the Workforce, "The College Payoff: Education, Occupations, Lifetime Earnings," 8/5/2011.
[48] Autor, David, "The Polarization of Job Opportunities in the U.S. Labor Market Implications for Employment and Earnings," April 2010.
[49] Economic Mobility Project, "Getting Ahead or Losing Ground: Economic Mobility in America," 02/26/2013.
[50] Department of the Treasury, "The Economic Case for Higher Education," 2012.
[51] HCM Strategies, "American Dream 2.0," 03/08/13.
[52] New York Federal Reserve, "Quarterly Report on Household Debt and Credit," February 2013.
[53] Department of Education, "First Official Three-Year Student Loan Default Rates Published," 09/28/12.
[54] Pew Center on the States, "The Impact of the Fiscal Cliff on the States," 03/08/13.

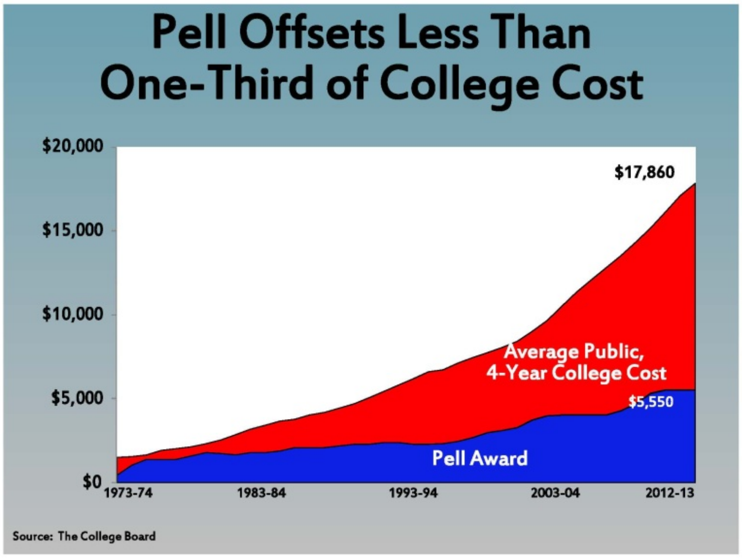


Even while a college education has become more necessary, college costs have accelerated dramatically. This is true even at public universities because state governments have had to cut back considerably on support. Students are increasingly bearing a greater share of college costs. [55]

But given the current fiscal environment, taxpayers can no longer afford to keep subsidizing escalating tuition costs. We must ask states and colleges to be part of the solution. To that end, the Senate Budget assumes Congress will enact proposals to reduce college costs while expanding college access and completion.

Securing Pell grants

The Pell grant program, established in 1972, has served more than 60 million students[56] and currently helps over nine million low-income students access higher education.[57] While the House Republican approach would severely reduce our ability to make college affordable for millions of students through Pell grants, the Senate Budget reflects the belief that expanding college access is a priority and maintains a strong commitment to this program.



Pell grants are critical to expanding access to higher education for low-income students. Unlike a loan, Pell grants do not have to be repaid. In the current academic year, the maximum Pell award is $5,550. This covers about one-third of tuition and fees at a public four-year university.

The Pell grant program has been running shortfalls for many years. Eligibility changes and the economic recession expanded Pell enrollments,[58] which increased the costs of the program. Congress limited student aid eligibility and benefits[59] on an ad hoc basis in order to reduce Pell costs and address the

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[55] US Department of Treasury, "The Economics of Higher Education," December 2012.
[56] Department of Education, "Statement by Arne Duncan," 06/22/12.
[57] Department of Education, "2010-2011 Federal Pell Grant End-of-Year Report", 03/08/13.
[58] Department of Education, "FY12 Budget Justifications, Student Financial Aid," 02/14/11.
[59] Committee for Education Funding, "The Budget Response for Fiscal Year 2013," 03/02/13.

shortfall. After many years of large shortfalls, enrollments estimates have been revised and the Pell grant program has a surplus of funds for the current fiscal year (academic year 2013-2014).[60]

While Democrats are committed to expanding access to higher education for all Americans, Republican proposals would have eliminated the inflation adjustment to Pell grants, cutting a million students out of the program, reducing the maximum Pell award and increasing college costs for students and their families.[61]

Keeping student loans affordable

Created in the 1960s, the student loan program provides a vital support system that has helped millions of Americans access post-secondary education, paving the way for better job security, more earnings potential, and increased upward mobility.

In 2010, Congress eliminated the duplicative bank-based student loan program and used the savings to invest in our students and reduce the deficit. Today, taxpayers save billions of dollars by lending directly to students through the Department of Education. These federal student loans have beneficial protections: interest rates are fixed and often lower than private student loans, there are opportunities for repayment relief through deferment, forbearance, loan consolidation and income based repayment, and there are several loan forgiveness programs.

The federal government provides over $110 billion annually for student loans. Congressional Budget Office (CBO) data shows that over a quarter of these loans are subsidized loans[62] for low and middle income students.[63] When the average cost of one year of attendance at a four-year public college is over $17,000,[64] and more than twice that amount at private non-profit and for-profit colleges,[65] these loans are critical to expanding college access.

The Senate Budget eliminates the student loan fee increases from sequestration, keeps student loans affordable by retaining subsidized loans and important repayment programs, and facilitates passage of legislation to ensure student loan interest rates remain affordable given the challenging economic climate.

Job training

The Senate Budget supports investments in proven strategies to build skills, facilitate matches between employers and employees, and eliminate frictions that keep willing workers from participating in the labor market. While there have been signs of growing economic activity during the recovery, there have also been signs that employers are having a hard time filling jobs. Indeed, numerous surveys and reports document significant skill gaps among job candidates that prevent employers from being able to fill their openings.[66]

[60] Congressional Budget Office, "Pell Grant Programs—February 2013 Baseline," 02/06/13.
[61] "Pell Grants For Poor Students Lose $170 Billion In Ryan Budget," Huffington Post, 03/27/12.
[62] Congressional Budget Office, "Student Loan Programs—February 2013 Baseline," 2/06/13.
[63] Congressional Research Service, Table 3, "Interest Rates on Subsidized Student Loans for Undergraduate Students," 01/10/13.
[64] College Board, "Trends in Higher Education, Published Prices—National," Table 2, 03/08/13.
[65] National Center for Education Statistics, "Digest of Education Statistics, 2011," Chapter 3, 03/08/13.
[66] Society for Human Resource Management, "The Ill-Prepared U.S. Workforce," 3/08/13, and Manufacturing Institute, "Boiling Point? The Skills Gap in US Manufacturing," 2011.

While important efforts are underway to reform the education system to better meet the needs of employers in the future, we know that 60 percent of the workforce our country will have available in 2020 is already in the workforce today—beyond the reach of high school and dependent on job training and workforce development systems in the post-secondary world.

If our workers do not have the skills they need to fill the jobs of today and tomorrow, our economy and businesses pay the price. Among our nation's manufacturers, 67 percent report a moderate to serious skills gap in their skilled positions, with the gap reported as up to 83 percent in some sectors. 75 percent say that this skills gap has negatively impacted their business, and 56 percent expect it to only get worse.[67]

U.S. investment in employment and training programs is far below that of other countries. We invest just 0.1 percent of our GDP on active labor market programs (training, counseling, job matching, etc.), while Korea invests 0.42 percent of its GDP, Germany invests 0.9 percent of its GDP, and Denmark invests 1.9 percent of GDP, just to name a few.[68] Funding for the three major grant programs under Title I of the Workforce Investment Act fell roughly 20 percent between 2000 and 2012.[69] This is true at a time when our country's workforce is more than 50 percent larger than it was in 1980,[70] and the economy as measured by GDP is more than twice as large.[71]

As technologies and markets evolve over time, workers need to be lifetime learners and adapt their skills appropriately. This budget invests in proven strategies that train workers to meet the needs of today's employers, and supports a system of lifelong skill development. On-the-job training and related approaches such as customized training involves employers directly in the design and delivery of training to ensure that employers are provided with the specific knowledge, skills and abilities required for fields that are in demand now, and that are expected to be in strong demand for years. In addition, the Senate Budget invests in sector, career pathway, registered apprenticeship, and reemployment models that have documented outcomes and returns for employers and employees, and that are specifically designed to meet the common needs of employers in in-demand sectors.

Two populations that have been especially hard hit by the economic downturn and slow recovery are the long-term unemployed and youth, each of which stand to remain disproportionally impacted if proactive steps are not taken to support them.

Long-term unemployment causes tremendous suffering for unemployed individuals, but it can also hurt economic growth in the long-run. Persistent long-term unemployment prompts some workers to leave the workforce and erodes the skills of many other workers. This makes it harder for them to find work in the coming years. On balance, this means fewer workers working, and those that are working will have weaker skills, limiting the economy's ability to produce.[72] The CBO estimates that this persistent long-term unemployment will lower output by about one half percent of GDP by 2023.[73] The investments in workforce development and job training programs will target a portion to specifically meeting the needs of the long-term unemployed.

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[67] Ibid.
[68] OECD, "Public Expenditure of LMP by Main Categories, Employment Outlook," 2012.
[69] Office Of Management and Budget Fiscal Year 2013, Table 3.2, accessed 03/11/13.
[70] Calculations based on Toossi, Mitra, "A century of change: the U.S. labor force, 1950-2050," Table 5, May 2002.
[71] U.S. Bureau of Economic Analysis, Table of U.S. Real GDP. NIPA 1.1.5, accessed 03/09/13.
[72] Congressional Budget Office, "Budget and Economic Outlook: Fiscal Years 2013-2023," February 2013.
[73] Ibid.

Young workers also face challenges that can have similarly damaging consequences for economic growth. Youth employment is at its lowest level since World War II; only about half of all young people in the U.S. (ages 16 to 24) held jobs in 2010.[74] The issue is not just about youth employment. A September 2012 report found that one out of every seven youth ages 16 to 24 are disconnected; that is, are neither in school or working. The total cost to the country is estimated to be approximately $94 billion annually.[75] In addition, workers who enter the labor market during a downturn may face long-term consequences. For example, college graduates entering the workforce during a recession may have lower initial wages and it may take years to catch up to similar workers who graduated in good times.[76]

High youth unemployment is particularly damaging because early work experience has proven to be vital to long-term career success and income levels, reduced likelihood of unemployment later in life, and reduced social costs borne by the government and taxpayers. The Senate Budget's investments in workforce development and job training will also target a portion to disconnected youth through on-the-job training, summer and year-round employment, and the use of career pathways to prepare them for existing jobs and for their long-term career success.

All of these efforts will focus on filling good jobs that will help grow the economy and expand the middle class. However, the nature of work has changed over the past several decades. As a country, we must focus on preparing our workforce for the jobs that are available today and will be open in the future.

One example is the field of nursing, which represents the largest segment of the health care workforce with more than 3 million members.[77] Over the next ten years, the need for new nurses will spike dramatically as our experienced nurses retire. A recent Health Affairs article indicates that the shortfall of registered nurses will grow to about 260,000 by 2025.[78] Additionally, the Association of American Medical Colleges estimates that by 2020, the U.S. will face a shortage of more than 90,000 physicians and by 2025 that shortage will grow to more than 130,000.[79]

The Senate Budget continues to fund critical programs that will help to educate and train the next generation of health care providers as part of its targeted investments in skills development and job training. Further, the budget includes funding for the National Health Service Corps to increase the number of health professionals practicing in medically underserved areas, such as physicians, dentists, mental health providers, and nurse practitioners. These funds are especially critical this year in light of the growing and aging population and the upcoming insurance expansions. Investments in our health care workforce also boost our economy—not only creating jobs, but also helping to keep the American workforce healthy and productive.

Although workforce training has become more important than ever in today's economy, the House Republicans have proposed drastic cuts to investments in these programs. Last year, House Republicans proposed cutting the Employment and Training Administration's budget in half, effectively eliminating all

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[74] Sum, Andrew, "The Deterioration in the Labor Market Fortunes of America's Young Adults During the Lost Decade of 2000-2010," 9/29/11.
[75] Burd-Sharps, Sarah and Lewis, Kristin, "One in Seven: Ranking Youth Disconnection in the 25 Largest Metro Areas," September 2012.
[76] Oreopoulos, Phillip, von Wachter, Till, and Heisz, Andrew, "The Short and Long-Term Career Effects of Graduating in a Recession: Hysteresis and Heterogeneity in the Market for College Graduates," 2012.
[77] Institute of Medicine, "The Future of Nursing: Leading Change, Advancing Health," 2010.
[78] Buerhaus, Peter, Auerbach, David, and Staiger, Douglas, "The Recent Surge in Nurse Employment: Causes and Implications," 06/12/09.
[79] American Association of Medical Colleges, "Physician Shortages to Worsen Without Increases in Residency Training."

funding for the adult, dislocated worker, and youth grant programs under the Workforce Investment Act, discontinuing the YouthBuild program, and cutting Job Corps by more than half. Based on service levels at that time, these drastic cuts would have eliminated critical workforce development and job training services to more than 8 million job seekers and workers each year, including 130,000 veterans.

Investing in small business owners

American small businesses have long been the backbone of our economy. From high growth and high-tech firms to Main Street storefronts, our nation's small businesses drive entrepreneurship and innovation.

Small businesses are job creators and play a vital role in our economic recovery. For two decades, small and new businesses have led job creation in the U.S. For every three net new jobs, two were created by small and new businesses. Half of the private sector workforce is employed by small businesses and 28 million small firms currently employ 60 million American workers.[80]

Small businesses drive innovation in America. Small businesses employ nearly 40 percent of our nation's scientists and engineers and produce more than 14 times the number of patents than do large businesses and universities.[81] Small businesses have time and time again demonstrated they are willing to take on the high-risk, high-reward research that drives innovation and, by extension, our nation's economy.[82]

Over the past several years, the volatility in the marketplace caused by the financial crisis and Great Recession, coupled with lack of consumer demand and limited access to capital, contributed to what Dr. Martin N. Bailey, of the Brookings Institution, characterized as "a big toll on small business."[83] Under the best of circumstances, start-up small business firms have high failure rates, with half failing within the first five years.[84] Compounding this failure rate, following the Great Recession credit standards tightened, causing many small businesses to struggle for access to capital.[85] In fact, because many entrepreneurs historically looked to home equity as a source of capital, the collapse of the housing market contributed to a significant drop in the number of start-up firms.[86]

While small businesses are beginning to launch and hire again, many continue to feel the effects of the recession. Now more than ever it is critical that Congress invest in programs and support policies that will help American small businesses rebuild. Yet last year, the House Republicans proposed cuts to small business assistance,[87] and in 2010, House Republicans voted against the Small Business Jobs Act, which increased contracting opportunities for small businesses and also increased the Small Business Administration's lending capacity to firms.[88]

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[80] National Economic Council, "Moving America's Small Businesses & Entrepreneurs Forward: Creating an Economy Built to Last," May 2012.
[81] Wessner, Charles W., National Research Council, "Government Programs to Encourage Innovation by Startups & SMEs: The Role of Innovation Awards," 2009.
[82] Ibid.
[83] Martin N. Bailey, Testimony before the U.S. House Committee on Small Business, 2/1/2012.
[84] Ibid.
[85] Ibid.
[86] Ibid.
[87] H.R. Rep. No. 112-421, at 71 (2012).
[88] 156 Cong. Rec. H4618 (daily ed. June 17, 2010).

Whereas Republicans would cut programs that support our nation's small businesses, Democrats view investments in small businesses as investments in America's future. Since President Obama took office, Democrats in Congress have worked with the administration to pass 18 direct tax breaks for small businesses.[89] These include 100 percent expensing of new investments, which allow businesses to immediately deduct the full cost of machinery, equipment, and other qualifying property, tax breaks for small businesses that hire unemployed veterans and those with service-connected disabilities, and a small business health care tax credit covering up to 35 percent of an eligible employer's contribution to employee health insurance premiums.[90] This tax credit, created under the Affordable Care Act, increases to 50 percent of an employer's contribution in 2014.[91]

Smart investment in our nation's small businesses also means helping businesses grow from small to large. Programs such as the Small Business Investment Companies initiative, and the Small Business Innovation Research and Small Business Technology Transfer programs, enable high growth firms to leverage capital investments, spurring job growth and innovation. In Fiscal Year 2011, 1,300 small businesses, in industries touching every aspect of American life, benefited from financing provided through the Small Business Investment Companies (SBIC) initiative.[92]

The SBIC, a public-private partnership supported by the Small Business Administration, provides growth capital to promising small business throughout America. In Fiscal Year 2012, $3.13 billion in financing was invested in small businesses through the SBIC initiative. Twenty-nine percent of the businesses financed that year were minority or women-owned small businesses, or were located in low to moderate income areas.[93] Many of America's most well-known companies, including Costco, Amgen, Apple, Intel, and Sun Microsystems, received crucial funding through the SBIC initiative as small businesses in the early years of their development.[94] Because the SBIC initiative is an innovative public-private partnership, the billions in financing provided to small businesses through the program come at no cost to the taxpayer.[95]

Similarly, the Small Business Innovation Research (SBIR) and Small Business Technology Transfer (SBIT) programs, which are the largest federal research and development programs for small business, provide critical funding to high growth firms revolutionizing the marketplace through high-tech innovation. From the Sonicare power toothbrush, to the wireless communications company Qualcomm, high growth and high-tech small businesses benefit from federal research and development dollars, enabling them to disrupt the marketplace with bold ideas and groundbreaking new technologies.[96]

At this critical juncture in our economic recovery, the Senate Budget builds on these smart investments in our nation's entrepreneurs, innovators and small businesses. This budget supports proven programs by restoring necessary funding to the SBA at pre-sequestration levels. The budget supports public-private partnerships, like the SBIC initiative and investment in high growth firms through the SBIR and SBTT programs. It promotes expanded access to capital through the 7(a) loan program[97] and works to

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[89] National Economic Council, "Moving America's Small Businesses & Entrepreneurs Forward: Creating an Economy Built to Last," May 2012.
[90] Ibid.
[91] Ibid.
[92] Small Business Administration, "Funding the SBIC Program: An Overview (2013)," accessed 3/8/13
[93] Small Business Administration, "SBIC Program Overview (2013)," accessed 3/8/13.
[94] Ibid.
[95] Ibid.
[96] *See also:* "Small Businesses make a big impact," U.S. Senator Mary Landrieu, Politico, 3/18/11.
[97] Small Business Administration, "7(a) Loan Program (2013)," accessed 3/8/13.

harnesses the full potential of our nation's entrepreneurs and innovators by supporting free counseling and technical assistance through the SBA.[98]
Of critical importance, the Senate Budget also prioritizes leveling the playing field for minority- and women-owned small businesses, many of which operate in underserved communities and rely upon SBA loans to access capital. By restoring funding to the SBA at pre-sequestration levels, the Senate Budget helps to ensure that minority and women-owned small businesses can continue to access this much-needed source of capital.

Further, this budget supports the Obama Administration's work to expand federal contracting opportunities and award federal prime contracts to minority and women-owned small businesses, ensuring that these firms have a fair shot at doing business with the federal government.[99]

Finally, through funding of watchdog agencies and support for implementation of Wall Street Reform, the Senate Budget also works to protect small businesses from unfair lending practices.

Investing in middle class families trying to buy a home

Americans have long considered homeownership part of the American Dream. Families want to put down roots in a neighborhood, find a place to raise their kids, and see the results of their hard work. Housing is also a central element of our economy, offering homeowners a chance to build wealth and generate investment in our communities. It creates jobs for realtors, builders, small businesses, and retailers.

During the housing boom, many Americans became homeowners—many through exotic mortgage products that required little documentation, and included attractive offers like interest-only payments and no down payment. But the promises made to homeowners and investors alike were too good to be true. When the risks associated with these mortgages began to materialize, it was too late. And when defaults and foreclosures skyrocketed, the impact was felt not only by defaulting homeowners, but also by entire communities that watched their home values plummet, investors who bet on these products and lost, and older Americans who saw their retirement savings dwindle.

In response to the housing crisis, the federal government stepped in to provide liquidity in the market and access to credit for qualified homeowners when private capital disappeared. As a result, families were still able to get a mortgage and homeowners were able to refinance into more affordable loans. The Federal Housing Administration (FHA) played the role it was supposed to, ensuring a functioning mortgage market during the housing crisis.

FHA has also ensured access to mortgages for minority homebuyers who are often shut out of the market or offered riskier mortgage products. A recent study from Brandeis University identified housing as a significant contributor to the racial wealth gap.[100] FHA helps to address this problem by offering homeownership opportunities to eligible minorities; in 2011, 50 percent of home purchases by African Americans and 49 percent by Hispanic or Latino borrowers were completed through FHA insured loans.[101]

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[98] National Economic Council, "Moving America's Small Businesses & Entrepreneurs Forward: Creating an Economy Built to Last," May 2012.
[99] Ibid.
[100] Shapiro, Thomas, Meschede, Tatjana, and Orso, Sam, "The Roots of the Widening Racial Wealth Gap: Explaining the Black-White Economic Divide, February 2013.
[101] Department of Housing and Urban Development, "Annual Report to Congress Fiscal Year 2012 Financial Status FHA Mutual Mortgage Insurance Fund", 12/16/2012.

Like other institutions involved in the housing market during the boom, FHA is paying the price for falling home prices and increasing defaults. The Obama Administration has taken significant steps to improve the solvency of its insurance fund, including raising insurance premiums five times since 2009, increasing down payment requirements for riskier borrowers, and going after lenders that broke the rules.[102] However, if FHA had not stepped in during the crisis, the consequences for our economy would have been far worse. According to preliminary estimates by Moody's, if FHA had stopped doing business in 2010, home prices would have fallen an additional 25 percent. Furthermore, by avoiding an even deeper housing recession, FHA's actions saved an estimated 3 million jobs.[103]

The effects of the housing crisis are still felt by Americans every day. Millions of homeowners lost equity in their homes as home prices fell, leaving them underwater on their mortgages.[104] These homeowners remain trapped in their homes, unable to move for a job or take advantage of low interest rates through refinancing. As a result, they are spending money on their homes instead of in their community. So while recovery is starting to take hold, it is important to continue to look for solutions for families still struggling with underwater mortgages and high interest rates.

The Senate Budget recognizes that while homeownership is not the best option for everyone, responsible middle class families should have the opportunity to own a home.

The Senate Budget ensures that FHA, the Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Company (Freddie Mac) can continue to provide stability in a still fragile housing market. As we move forward, we must build on the successful efforts to stabilize the housing market and make sure homeownership is affordable and accessible for middle class families. This remains a priority even while there is bipartisan agreement that the federal government is playing too large a role in the housing market, and its role must be reduced. In fact, we have already started to see private capital beginning to return to the mortgage market.[105]

As we consider the future of our housing finance system, smart and measured reform of the housing market should include stabilizing and ensuring the long-term solvency of FHA's Mutual Mortgage Insurance (MMI) Fund, and determining the appropriate role of government-sponsored enterprises, like Fannie Mae and Freddie Mac. However, such reform must not come at the expense of promoting economic growth and upward mobility for families who work hard, save, and are creditworthy, but who still struggle to access mortgage credit.

In comparison, the House Republicans have advocated for the privatization of Fannie Mae and Freddie Mac and the revision of the FHA credit subsidy rate calculation—policies that would come at the expense of creditworthy first-time home-buyers.

The impact of Republican proposals to eliminate GSEs with little consideration for the future of our housing finance system would create additional uncertainty in the market, once again threatening to limit access to mortgages and a retrenchment of private capital.[106]

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[102] Ibid. and Department of Housing and Urban Development, "FHA takes additional Steps to Bolster Capital Reserves," Press Release, 1/13/2013 .

[103] Griffith, John, "The Federal Housing Administration Saved the Housing Market", 10/11/2012.

[104] CoreLogic©, "CoreLogic© Reports 1.4 Million Borrower Returned to 'Positive Equity,'" Press Release, 1/17/13.

[105] Carol Galante, Testimony before the U.S. House, Committee on Financial Services, 2/13/2013.

[106] Departments of Treasury and Housing and Urban Development, "Reforming America's Housing Finance Market: A Report to Congress", February 2011.

The Senate Budget takes the position that the response to the housing crisis should not be to unnecessarily limit homeownership. Rather, the response should be to ensure sound underwriting occurs and safe mortgage products are available to qualified homeowners. This budget balances the need for stability and access to credit with the need to examine the future of the nation's housing finance system.

Investing in our infrastructure to lay down a strong foundation for long-term growth

On February 22, 1955, President Dwight D. Eisenhower delivered a message to the U.S. Congress, explaining why the country needed more investment in its national highway system. He began with the following:

> *"Our unity as a nation is sustained by free communication of thought and by easy transportation of people and goods. The ceaseless flow of information throughout the Republic is matched by individual and commercial movement over a vast system of interconnected highways crisscrossing the country and joining at our national borders with friendly neighbors to the north and south.*
>
> *"Together, the united forces of our communication and transportation systems are dynamic elements in the very name we bear—U.S. Without them, we would be a mere alliance of many separate parts."* [107]

Today, we are still held together by free communication and a reliable transportation system, but we are again facing the need to reinvest in the infrastructure that makes it all possible.

We need to strengthen the roads and bridges, transit and rail systems, ports and waterways, and air transportation systems that connect people across town and across the country. We need to invest in broadband technology, which makes it possible to communicate and share information. We need to fix our water infrastructure in order to provide clean drinking water and protect our communities from floods. Finally, we need to update our energy and transmission system at a time when so much of our daily lives depend on access to reliable electric power.

Restoring the competitive advantage afforded by a strong and modern transportation system will create a more productive environment for American businesses to expand and grow and will help families and communities. The shortsighted, cuts-only Republican approach to our infrastructure needs leaves little room for needed upgrades, but the Senate Budget prioritizes them—tackling a major obstacle to our future economic strength and potential for broad-based growth.

Investing in transportation infrastructure

For decades, the U.S. enjoyed the benefits that came with having one of the most modern transportation networks in the world. Thanks to American ingenuity and pragmatism, freight moved efficiently, air travel was reliable, and our highways were the envy of the world. Massive investments in infrastructure, much of it initiated by President Eisenhower, built the networks we have today. That vision helped create decades of economic prosperity and supported the rise of a strong middle class.

Fifty years later, much of our transportation system is old and crumbling, a reality as evident to the average commuter or traveler as it is to those who evaluate the overall condition of the nation's infrastructure. Those assessments are alarming:

- The Federal Highway Administration rates 70,000 of the country's bridges as "structurally deficient;"[108]

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[107] Letter from President Eisenhower to the Congress, Office of the Press Secretary to the President, 2/22/55

[108] White House Office of the Press Secretary, "Fact Sheet: The President's Plan to Make America a Magnet for Jobs by Investing in Infrastructure," 02/20/13.

- The World Economic Forum now rates the quality of U.S. roads 20th in world, just ahead of Taiwan and Cyprus; [109]
- Our roads, transit and aviation systems fared no better than a grade of "D" on the American Society of Civil Engineers 2009 report card.[110]

The failure to adequately maintain and modernize our transportation infrastructure, and to expand it to keep pace with the needs of a population that has grown almost 40 percent since 1980, has real consequences. According to the President's Economic Recovery Advisory Board, freight congestion alone now costs $200 billion a year, equal to 1.6 percent of U.S. gross domestic product.[111] We now waste 2.9 billion gallons of fuel each year in congested traffic,[112] and as roads become more clogged, Americans spend more time in their cars, putting them at greater risk of accidents. An estimated 36,000 Americans were killed on our roads in 2012, an increase of about five percent.[113]

We continue to rely on the Highway Trust Fund as the principle source of revenue to cover the costs of maintaining our road and transit networks. However, each year it generates less revenue, even as Americans drive more miles. States, desperate for funding, have tried to make up the shortfall, with the result that in 2010 they owed almost three times as much road debt as they did in 1995.[114] Many of the nation's largest transit agencies are in the same predicament,[115] incapable of generating the revenue they need to modernize their systems. Like the roads it helped build, the Eisenhower-era funding structure for surface transportation programs is in desperate need of an overhaul.

In aviation, the story is only slightly better. The Federal Aviation Administration (FAA) handles more aircraft each year than does any other country, moving an average of almost 2 million passengers each day with an unequalled safety record. Yet the expected future growth in air travel risks overwhelming our air traffic control system. At a time when tens of millions of Americans carry smart phones that take advantage of the latest computer and satellite networks, the FAA continues to rely on ground-based radar developed during World War II. The result is a quarter of U.S. flights arrive more than 15 minutes late, a situation that is likely to worsen as air travel increases.[116]

Increases are a certainty because the U.S. is projected to grow an additional 100 million people or more in the next 35 years, with most of that growth expected to occur in already congested areas. Consider that if car ownership rates remain unchanged, the country would see an additional 81 million vehicles on our roads by the time we reach this population milestone. Clearly, to do nothing in the face of these realities is to leave the next generation with levels of congestion that will strangle the economy.

A vision for transportation in the 21st century

The U.S. needs a new transportation vision that will serve its people as well as President Eisenhower's proposal for the Interstate Highway System did in the 1950s, when our population was half its present size. That vision must modernize the existing aging infrastructure and provide innovative new solutions

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[109] Schwab, Klaus, "The Global Competitiveness Report," World Economic Forum, 2012.
[110] American Society of Civil Engineers, "2009 Report Card for America's Infrastructure," 03/25/09.
[111] The President's Economic Recovery Advisory Board, "Infrastructure Investment and the Creation of a National Infrastructure Bank," 12/04/09.
[112] Texas A&M Transportation Institute, "As traffic jams worsen, commuters allowing extra time for urgent trips." 02/05/13.
[113] "U.S. traffic deaths rose 5 percent in 2012," The Detroit News, 02/20/13.
[114] Polly Trottenberg, Testimony before the U.S. Senate, Committee on the Budget, 02/26/13.
[115] Ibid.
[116] Puentes, Robert, and Adie Tomer, "Expect Delays: An Analysis of Air Travel Trends in the United States," 10/08/09.

that help us to compete successfully in the 21st century. It must take advantage of new and emerging technologies to make travel speedier and safer. It should be transformative, as the creation of the FAA in 1958 was for air safety. Central to its success will be strategies that support economic growth and strengthen the middle class. To be successful, it will need to solve one of our greatest challenges, the lack of resources, by leveraging private capital and identifying a sustainable source of federal funding.

- Roads – Our nation's roads and bridges are a legacy that we need to protect. Today, the Interstate Highway System is over 50 years old. It needs repairs and reconstruction so that it can continue to serve the U.S. economy for another 50 years. The Federal Highway Administration has designated over 143,000 bridges as either structurally deficient or functionally obsolete.[117] Those designations mean that either the condition of the bridge has deteriorated and the bridge no longer performs as it should, or that the design of the bridge no longer meets the needs of the surrounding road system. Without additional investment, we will continue to lose the kind of mobility and safety that we have been able to take for granted for so many years.

  We must also add to our legacy, and continue to shape and improve our communities. More than ever, state and local governments are planning road projects that make room for bicyclists and pedestrians, bridge projects that include transit as well as cars and trucks, and regional plans that require multiple jurisdictions to work together. While we continue investing in our roads and bridges, we need to make sure that federal programs remain compatible with each other to accommodate the innovation happening at the State and local level.

- Freight – Freight transportation serves as the backbone of the global economy, and over the past 30 years, the efficient movement of goods has helped drive U.S. economic growth. Retailers rely on our transportation network to efficiently deliver a steady stream of goods from across the country and around the world. U.S. manufacturers rely on just-in-time delivery to produce their goods and get them to market. But the increased congestion on our highways, railroads, and ports adds to the cost of moving freight.[118] The investment in our transportation systems has not kept pace with basic maintenance, nor has it added capacity to meet our growth needs for the future. The value of U.S. trade in goods is expected to double in the next 13 years[119] and if U.S. infrastructure does not keep pace, we risk diminishing productivity and higher costs for businesses and consumers alike.

Major changes in transportation planning and funding will be necessary to keep pace with anticipated growth. The federal government must partner with states, local governments and private entities to target investments at improving the national and regional movement of freight, reducing congestion, fostering economic growth and promote global competiveness. Freight investments should focus on projects that involve multiple states or jurisdictions, or that involve both public and private resources, such as multi-state trade corridors.

- Transit – As Building America's Future, a bipartisan coalition of elected officials, notes, building more roads alone will not solve the nation's congestion challenge.[120] We must also expand access to public transit to more Americans, offering a reliable, lower-cost and energy-efficient alternative to the large portion of the population that has no other alternative today but the automobile. This is a pragmatic

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117 Federal Highway Administration, "Deficient Bridges by State and Highway System," 02/07/12.
118 Federal Highway Administration, "Public Roads, Vol. 68 – No. 3," November/December 2004.
119 IHS Global Insight, "The U.S. Economy: The 30-Year Focus," First Quarter 2012.
120 Building America's Future, "Falling Apart and Falling Behind" 2011.

recognition that in many heavily congested areas, we will never be able to build enough new bridges or roads to ease congestion, especially as our population continues to grow.

- Passenger rail – The growth in passenger rail ridership in the Northeast U.S. offers an energy-efficient and environmentally-friendly mode of transportation that could be replicated in other parts of the country. However, in the Northeast and elsewhere, reliance on track, tunnels and bridges that are over a century old limits our ability to provide reliable service and increase capacity to meet demand. Currently, the corridor serves 13 million Amtrak passengers, 200 million commuter rail passengers, and 25,000 freight trains annually.[121] This volume is expected to increase 59 percent by 2030.[122] To accommodate this growth, the U.S. will need to establish more reliable passenger service comparable to the world class systems operating across Europe and Asia. These systems increase mobility and promote regional economic development, and the demand for new passenger rail equipment will create new jobs in the nation's manufacturing sector.

- Aviation – The technology that our air traffic controllers use to keep air travel safe is outdated. We need to continue our investments in the FAA's modernization to make possible projected future growth in air travel.

- Ports and waterways –Ports are the gateway to the nation's transportation web, handling more than 95 percent of our overseas trade.[123] However, as the volume of trade quickly increases, we must ensure that our ports can handle the additional volume to support US economic growth. We need to ensure our ports can accommodate the new deep draft post-Panamax vessels, and seamlessly integrate the movement of cargo into the nation's vast multi-modal transportation systems.

Using innovative approaches to investing in our infrastructure

While we need to strengthen the federal programs that provide basic investments in our nation's infrastructure, that is not going to be enough to keep the US competitive. We also need to create new opportunities for financing our infrastructure needs.

For this reason, the Senate Budget proposes two innovations for financing infrastructure investments: tax-credit bonds, and an infrastructure bank. Both initiatives build on past successes of the federal government to make strategic investments in transportation projects that make a difference in regions and communities across the country, and leverage investments from the private sector and other sources.

Tax-credit bonds to support new jobs and infrastructure

The Senate Budget allows the use of tax-credit bonds, such as recent proposals for TRIP bonds, as part of a fiscally responsible infrastructure plan. Under a tax-credit bond program, states or local governments are authorized to issue bonds and use the proceeds of those bond sales to fund roads, bridges, railroad projects, transit systems, ports, inland waterways, or other kinds of infrastructure. Investors who buy the bonds will receive tax credits instead of interest on the bond.

Authorizing tax-credit bonds would build on the success of Build America Bonds, which expired on December 31, 2010. In less than two years, there were 2,275 separate issues of Build America Bonds, and

[121] National Railroad Passenger Corporation (Amtrak), "National Railroad Passenger Corporation: 2012 Update Report," July 2012.
[122] National Railroad Passenger Corporation (Amtrak), "The Northeast Corridor Infrastructure Master Plan," 03/24/10.
[123] Frittelli, John, "Port and Maritime Security: Background and Issues for Congress," Rep. no. RL31733. 27 05/27/05.

all 50 states participated in the program. The bonds supported over $181 billion of financing for new infrastructure projects such as schools, bridges and hospitals.[124]

Traditionally, the federal government used tax-exempt bonds to support infrastructure investments by state and local governments. However, according to the CBO, tax-credit bonds offer a more cost-effective way for the federal government to support state and local investments.[125] Build America Bonds show what happens when you put better tools into the hands of our states and local communities.

Infrastructure bank

The Senate Budget includes $10 billion to start an infrastructure bank, which can provide direct loans and loan guarantees for a variety of infrastructure investments. These investments may include roads and bridges; transit and rail systems; port and water infrastructure; or other critical projects that help sustain our economy.

By providing credit assistance, an infrastructure bank can leverage federal dollars to achieve significantly more project funding through private investment and other sources.
An infrastructure bank can also provide an opportunity to support crucial infrastructure projects that currently seem out of reach, particularly projects that cross state boundaries, involve several local jurisdictions, or include more than one mode of transportation or sector of the economy. These projects can be difficult to fund through traditional federal programs or formula grants.

An infrastructure bank would build on the success of the Department of Transportation's (DOT) Transportation Infrastructure Finance and Innovation Act (TIFIA) program. This program provides direct loans and loan guarantees to support transportation projects of regional or national significance. Because the TIFIA program offers credit assistance and only covers 33 percent of a project's total cost, the federal investment leverages significant contributions from the private sector and other sources of funding. In fact, every dollar used through the TIFIA program can provide about $10 in loans and support up to $30 in total infrastructure investments.[126]

However, the demand for investment opportunities is greater than what our current infrastructure programs can provide. An infrastructure bank would create new opportunities to build the kind of infrastructure that our economy demands.

The Senate Budget approach: lay down a strong foundation for long-term economic growth

Given the high stakes for our country and its future, this budget protects investment in transportation infrastructure and makes sure that as we save money responsibly, our investments go toward the highest-value projects that help the greatest number of families and communities. By comparison, House Republicans would damage our national economic prospects by making deep cuts to transportation investment, accelerating the deterioration of roads, bridges and transit systems.

Last year, Congress passed legislation that continues our investments in highways, transit and road safety. This budget protects those investments and makes room for needed growth in them in responsible ways if Congress can agree on how to produce the additional revenue they require. It also

[124] Department of the Treasury, "Treasury Analysis of Build America Bonds Issuance and Savings," 05/16/11.
[125] Frank Sammartino, Testimony before the U.S. Senate, Committee on Finance, 04/25/12.
[126] Federal Highway Administration, "Transportation Infrastructure Finance and Innovation Act (TIFIA) program" accessed 3/8/13.

replaces the damaging automatic reductions to the FAA, transit, and transportation safety programs as a result of sequestration with alternatives that save money without hurting our economy.

The House Republican solution: make it worse

Over the past decade, a long list of think tanks, bipartisan coalitions and blue ribbon panels have pressed for action to address America's crumbling transportation infrastructure, and warned of the danger inaction poses to our economic competitiveness. Even the U.S. Chamber of Commerce and AFL-CIO, which disagree on most issues, joined together to press for greater federal investment in the nation's transportation infrastructure.

The Chamber's President, Tom Donohue, warned in February 2011 that the "consequences of an underperforming system are hundreds of billions of dollars annually in wasted fuel, lost productivity,"[127] and other costs. Yet, as our levels of investment lags behind other countries, the House Republicans have proposed deep cuts to what funding remains available. In doing so, they offer no explanation of how disinvestment supports the long-term growth of the economy, or addresses the daily transportation challenges facing millions of Americans.

Despite warnings about the economic consequences of allowing our infrastructure to fall still further behind, the House Republicans' vision of small government drowns out other considerations, even if short-term savings result in far greater long-term costs. Their proposals make no mention of how transportation fits in their vision for the future. Other countries have a far better idea of its importance.

China, one of our major economic competitors, has used public-private partnerships to develop a transportation system focused on competing in a global economy, as well as supporting the transportation needs of its people. After 20 years of investment, it now has a state-of-the-art 53,000-mile-long network of expressways modeled on our own interstate highway system.[128] The productivity of its ports, according to a 2008 DOT analysis, is unmatched by any port in the U.S. It is making rapid progress in rail and aviation. As the same DOT report notes, "China competes as a nation. For the U.S. to remain competitive globally, it needs to invest in transportation infrastructure".[129]

Investing in broadband

From a family's living room in Seattle, Washington, to an emergency room in Milwaukee, Wisconsin, to a small businesses in Richmond, Virginia, broadband access drives not only the speed by which information is accessed through the internet, but also how technology can be harnessed to provide a competitive advantage to American companies, and improve the quality of our education, health care, energy grid, government, and public safety.

The Federal Communications Commission, in The National Broadband Plan, described broadband as "the great infrastructure challenge of the early 21st century." Broadband touches every aspect of American life today:

> *"Like electricity a century ago, broadband is a foundation for economic growth, job creation, global competitiveness and a better way of life. It is enabling entire new industries and*

[128] Central Intelligence Agency, "The World Factbook: China," 02/14/13.
[129] Federal Highway Administration, "Freight Mobility and Intermodal Connectivity in China," May 2008.

> *unlocking vast new possibilities for existing ones. It is changing how we educate children, deliver health care, manage energy, ensure public safety, engage government, and access, organize and disseminate knowledge."*[130]

Our nation's small businesses rely on broadband for everything from processing credit card transactions to ordering products. Broadband enables air traffic control towers to safely land airplanes, and is helping to modernize our energy grid—making it more efficient and reliable. When a doctor accesses a patient's electronic health record to make a life or death decision, she is using broadband. And, when a child uses high-speed internet to learn more about the world around her, broadband is the tool that brings that information to her fingertips.

Broadband is also essential for American corporations managing global supply chains and small businesses relying on the internet to compete against foreign companies on an unprecedented scale. Yet according to the FCC, and based on 2011 data from the Organization for Economic Co-operation and Development, compared to other countries, the U.S. ranks only seventh for wireless broadband penetration on a per capita basis. For DSL or cable broadband, America ranks fifteenth. The FCC reported "[U.S.] wired broadband adoption continues to lag behind such countries as South Korea, the United Kingdom, and Germany, but exceeds adoption rates in Israel, Australia, and the EU average"[131] Within a fiercely competitive global economy, American companies need every advantage technology can provide. To ensure such a competitive advantage, full scale investment in broadband is essential.

While America's broadband infrastructure matters for companies doing business abroad, it is also important for Americans at home. For many in our nation, broadband access is as ordinary as picking up the morning paper. Yet for others, there remains a digital divide —a gap between those with access to high-speed internet and advanced telecommunications services and those without.

Especially for Americans living in rural areas, broadband access impacts not just the speed by which information can be accessed, but better access can also mean greater economic growth and job creation. According to the Massachusetts Institute of Technology, in a February 2006 report, "between 1998 and 2002, communities in which mass-market broadband was available by December 1999 experienced more rapid growth in employment, the number of businesses overall, and businesses in IT-intensive sectors, relative to comparable communities without broadband at that time."[132] Likewise, in a 2007 study, the Brookings Institution "found that for every one percentage point increase in broadband penetration in a state, employment is projected to increase by 0.2 percent to 0.3 percent per year. For the entire U.S. private non-farm economy, the study projected an increase of about 300,000 jobs."[133]

The Senate Budget reflects a commitment to broadband deployment and access throughout the U.S., from rural communities to inner-city neighborhoods. By restoring key programs, such as the Rural Utilities Service of the Department of Agriculture, to pre-sequestration levels of funding, the budget ensures sustained investment in our nation's broadband infrastructure.

In contrast, the House Republicans have proposed reducing funding for certain agencies, including the Department of Commerce and its National Telecommunications and Information Administration, one of

[130] Federal Communications Commission, "Connecting America: The National Broadband Plan," 03/17/10.
[131] Federal Communications Commission, "International Broadband Data Report, Third Report," 08/21/12.
[132] Congressional Research Service, "Broadband Internet Access and the Digital Divide: Federal Assistance Programs," 1/28/13.
[133] Congressional Research Service, "Broadband Internet Access and the Digital Divide: Federal Assistance Programs," 1/28/13.

the lead agencies responsible for expanding access to broadband access throughout the U.S., by nearly $19 billion over ten years.[134]

By cutting funding to agencies like the National Telecommunications and Information Administration, the House Republicans would cut investment in broadband. These cuts risk furthering the digital divide and come at the expense of local communities relying upon broadband access in order to harness and leverage cutting edge technology, and in so doing, create jobs and strengthen their local economies.

Investing in our power grid and national energy infrastructure

The country's electric transmission grid is vulnerable and outdated. Much of the transmission system in the U.S. was built decades ago and has not been upgraded. In addition to the age of our power grid, weather events that are both more extreme and more frequent batter our transmission system, causing outages and delays in bringing power back online. The Electric Power Research Institute has estimated that these outages and delays cost U.S. businesses $104 billion to $164 billion per year.[135]

Yet, physically upgrading our grid is only part of the challenge. We also need to encourage utilities and households to make smarter electricity usage choices by automating transmission assets and installing technology that allows for easy communication between the grid, our power companies, and our households. These types of "smart grid" technologies will increase efficiency in the system while saving middle class families and small businesses on their power bills.

Investing in our power grid will help us modernize our power supply to meet the demands of a vibrant 21st century American economy. Investments in the power grid help us increase reliability, lower power prices, and bring renewable energy resources to our homes and businesses.

The Senate Budget realizes the importance of the power grid and continues to make crucial investments in modernizing our grid infrastructure by increasing funding for several infrastructure programs. For instance, this budget invests in research and development funding in cybersecurity measures to help ensure that our grid is safe from foreign attacks. It helps utilities implement smart grid technologies to increase energy efficiency and lower household power bills. And it protects large-scale funding programs that aim to increase redundancy and resiliency in the system while bringing renewable energy resources to market.

House Republicans' proposals, on the other hand, slashed billions of dollars in funding for electric transmission projects that would improve reliability and help bring all energy resources to market. Their cuts also cost the American economy thousands of high-paying middle class construction jobs throughout the country. Under the Republican plan, it would be far likelier that each time our communities face severe weather, they will also face prolonged power outages that affect our homes, schools and businesses.

[134] Calculation based on the difference between the Ryan FY2013 Chairman's Mark for function 370 over 10 years (2023 projection based on percentage change year-over-year) and the FY2014 Adjusted CBO January Baseline "Regular"

[135] Consortium for Electric Infrastructure for a Digital Society, "The Cost of Power Disturbances to Industrial & Digital Economy Companies," 06/29/01.

Investing in our water and community infrastructure

The United States faces critical challenges to providing our families with the life-saving water infrastructure we need. From clean drinking water supplies, to wastewater facilities, to large-scale waterworks that protect our families from flooding, our water infrastructure provides the foundation for healthy, safe communities.

However, federal, state, and local agencies consistently report that our water infrastructure is crumbling and in dire need of repair and replacement. For example, the Environmental Protection Agency's most recent estimate of funding needs for drinking water and wastewater facilities in the U.S. exceeds $660 billion.[136] On top of that, water infrastructure constructed by the Army Corps of Engineers and the Bureau of Reclamation is desperately underfunded. This funding is critical, as it protects our communities from flooding, maintains our harbors, restores highly degraded ecosystems like the Everglades, the Puget Sound, and the Chesapeake Bay for future generations, and provides clean, affordable hydropower for American families. The Army Corps of Engineers alone receives less than $2 billion annually for construction while facing a construction backlog of more than $60 billion.[137] The Army Corps of Engineers and the Bureau of Reclamation also face maintenance backlogs on existing facilities totaling billions of dollars.

As a nation, we must make investments in critical water infrastructure to protect the safety and well-being of our families and communities in a fiscally-responsible manner. Hard-working families, through the rates they pay, currently invest nearly 90 percent of all funds in the country for drinking water supplies and wastewater treatment, [138] yet there remains a roughly $11 billion gap in what is invested per year and what is needed.[139] Instead of placing more hardship on strained family budgets the federal government should help close that gap in investment. Similarly, many of the nation's large dams and levees were built by the federal government, and the federal government is responsible for their maintenance and operation.

The Senate Budget emphasizes investments in water infrastructure in two ways. First and foremost, this budget pledges funding to provide the critical maintenance necessary to keep existing facilities working safely and effectively. To accomplish this, it increases funding for operation and maintenance activities done by the Army Corps of Engineers and the Bureau of Reclamation. For the Army Corps of Engineers in particular, this budget includes new measures to ensure that the Harbor Maintenance Trust Fund will fully expend the collections that are deposited into it annually.

Second, this budget ensures that adequate federal funding is available to construct new infrastructure that is critically lacking in too many communities. Investments in drinking water supplies, wastewater treatment and disposal, and facilities to protect our loved ones from catastrophic flooding are only some of the investments we make. An investment in water infrastructure is a show of support for healthy, safe American communities. As such, this budget increases funding for vital water programs, such as the Rural Water Supply Program, that will deliver water supplies to communities in need. This budget also

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[136] Copeland, Claudia, Congressional Research Service, "Legislative Options for Financing Water Infrastructure," 09/05/12.
[137] Carter, Nicole, and Charles Stern, Congressional Research Service, "Army Corps Fiscal Challenges: Frequently Asked Questions," 08/18/11.
[138] Copeland, Claudia, and Mary Tiemann, Congressional Research Service, "Water Infrastructure Needs and Investment: Review and Analysis of Key Issues," 12/28/12.
[139] Copeland, Claudia, Congressional Research Service, "Legislative Options for Financing Water Infrastructure," 09/05/12.

increases funding for the Construction program of the Army Corps of Engineers, which will allow them to construct deeper harbors in places like Charleston, South Carolina, to strengthen our export economy.

This vision stands in stark contrast to the House Republican approach, which slashes funding from programs that help communities build drinking water supplies, strengthen flood control levees and dams, and restore treasured ecosystems that have been severely degraded.

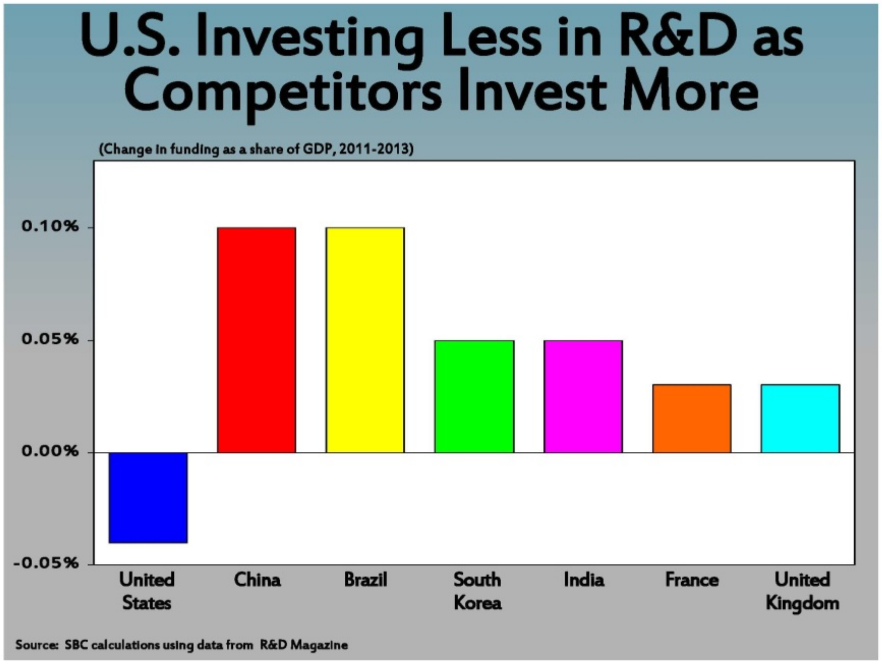
Infrastructure groups have roundly denounced the Republican cuts to infrastructure, with the American Society of Civil Engineers detailing its disappointment with what it called a "shortsighted" plan.[140] The cuts in water infrastructure funding promoted by the Republicans are not only shortsighted – they put our families and communities at risk. Under the Republican plan, the country would run the risk of a catastrophic failure of critical infrastructure by deferring critical maintenance activities and would be unable to make the common sense investments in water supplies that our families, communities, and businesses depend on.

[140] Letter from American Society of Civil Engineers to Representative Paul Ryan, 04/13/11.

Investing in research, innovation, health care, and key industries that will grow and create jobs

The Senate Budget recognizes the importance of continuing our global leadership in research and development and supporting emerging industries in the U.S., so that we can create jobs now and in the future through continued technological advances. Yet a disturbing trend has begun to emerge in the U.S.: Our investment in research and development (R&D) has been decelerating as a share of our economy in recent years compared to other nations around the world.

This trend, if allowed to continue, could severely impact our competitiveness and ability to create jobs in the future.



The Senate Budget recognizes that while the private sector is the key engine of economic growth in the U.S., government can play a role in speeding the development of new technologies and products that private investors may not be willing to bet on. Federal investments helped launch some of our most successful companies and led to technologies that have created jobs and supported economic growth and innovation across the country.

While the House Republican approach would make it impossible for the federal government to contribute needed resources to research, development and support for growing industries, the Senate Budget reflects an understanding that it is in the interest of current and future American workers to continue leading the way in the global economy.

To accomplish this, the Senate Budget:

- Prioritizes research and development;
- Invests in job-creating clean energy development as well as in domestic bridge energy production;
- Encourages the growth of high-skill, 21st century manufacturing industry in the U.S.; and
- Continues to help businesses, including new startups, export their products around the globe.

University research

In the 20th century, the American model of research in partnership with higher education provided an enormous return on investment. Basic scientific research and innovation are key economic drivers of growth; researchers have noted over half of domestic growth could be attributed to advancements in knowledge, particularly in technology.[141] Historically, investments in research have enjoyed bipartisan

[141] Hunter Rawlings, Testimony for before the U.S. Senate, Committee on the Budget, 2/26/13.

support. In fact, the Simpson-Bowles Commission recommended continued support in order to "provide economic growth, keep the U.S. globally competitive and allows businesses to create jobs."[142]

But there are concerning trends on the horizon. Sequestration reduces federal funding for R&D by almost $10 billion per year,[143] which would impact the next generation of research and have long-term negative economic effects.[144] But while we are cutting these investments, our global competitors are increasing their investments and producing more researchers.[145] Should the U.S. fail to maintain education and research investments, other countries will be there to claim our global leadership position.

Sequestration's cuts to research and education are sending the wrong message to universities and our students at a time when the U.S. needs a highly-skilled workforce to grow the economy. By replacing sequestration in a balanced and responsible way, the Senate Budget continues these critical investments to create jobs, improve life expectancy, and raise standards of living.

Investing in science R&D

Federal support of science R&D brings us technologies that greatly enhance our lives as well as educational opportunities for our children and grandchildren, but it has not been immune to the budgetary pressures faced by other federal programs.

Funding for the National Science Foundation, the Department of Energy's Office of Science, and NASA has been reduced from levels needed to ensure adequate science R&D takes place around the nation. The result is less innovation, fewer opportunities for our children to take part in Science, Technology, Engineering, and Math (STEM) education, and the loss of our nation's competitive edge.

The Senate Budget reflects the belief that investment in science R&D is an investment in innovation that will help the American economy remain the strongest in the world. This budget not only fully replaces the cuts from sequestration to science R&D, but it increases funding for activities in NASA. This increase supports NASA's balanced approach to human space flight and maintains efforts in aeronautics and scientific research, technology development, and education, which will allow NASA to continue leading the world in space, while benefiting us here on Earth.

Federal funding for science R&D has brought this country many incredible innovations, from barcodes and web browsers to MRIs and speech recognition technology. The House Republican approach, on the other hand, would cut off investments in federally-sponsored research and development, which would end up increasing our innovation deficit and hurting the next generation's workers and economy.

Investing in life science research

The U.S. has long been a leader in both life sciences and information technology. The vast advances in computing and processing power have combined with ongoing life science research to enable a more

[142] The National Commission on Fiscal Responsibility and Reform, "The Moment of Truth," December 2010 .
[143] American Association for the Advancement of Science, "Science and Technology in Congress," February 2013.
[144] Information Technology and Innovation Foundation, "Eroding our Foundation: Sequestration, R&D, Innovation and U.S. Economic Growth," September 2012 .
[145] National Science Foundation, "Chapter 4. Research and Development: National Trends and International Comparisons," Figure 4-15.

systemic understanding of biology and medicine. This promises exciting new insights and innovations in health, agriculture, national security, environmental protection, and renewable energy.

Investment in life sciences not only leads to breakthroughs in new therapies and pharmaceutical drugs, it also creates high-wage jobs all across this country. A great illustration of this was made by Dr. Hunter R. Rawlings III, President of the Association of American Universities in testimony to the Senate Committee on the Budget on February 26, 2013:

> *"A recent study by United for Medical Research demonstrates the extraordinary return on investment by scientific research, showing that government funding through the National Institutes of Health (NIH) in 2012 alone supported nearly half a million jobs and $58 billion in economic activity nationwide. The long-term impact is far greater. One single project supported by NIH – the Human Genome Project – has spurred more than $796 billion in economic growth. This is a 141-fold return on investment, in addition to the extraordinary advances in human health which it has only begun to make possible."* [146]

In 2011, the funding NIH spent in all fifty states supported nearly half a million jobs all across this country.[147] A 2011 report titled "NIH's Role in Sustaining the U.S. Economy," United For Medical Research speaks to the value of NIH investment to the economy: "In addition to the direct jobs impact, there is a broad and compelling literature demonstrating the dynamic role between NIH spending and the private sector as the discoveries NIH finances move to commercial applications involving new medicines, tests, procedures, and devices."[148]

Life science research is also important to ensuring the Food and Drug Administration (FDA) fulfills its charge of ensuring the safety and effectiveness of products Americans rely on, including: drugs, medical devices, vaccines, dietary supplements, cosmetics, and the vast majority of our food supply. We depend on the FDA to protect consumer and patient health, but this task also drives our economy. Industries regulated by the FDA account for approximately $1 trillion in consumer products annually, or 25 percent of all consumer spending. [149]

A 2011 Report by the Alliance for a Stronger FDA states: "The industries regulated by the FDA depend upon an agency with strong scientific and regulatory capacity that can provide clear, timely, consistent and reliable science-based guidance. A vibrant, effective regulatory system at the FDA is a key contributor to the viability and success of the FDA-regulated industries —and ultimately to our nation's economic success." [150]

To help FDA in its mission to ensure consumer and patient safety, and to ensure safe consumer goods are available, the Senate Budget includes an increase in funding.

Investing in R&D at the Department of Defense and the VA

The Department of Defense (DOD) is responsible for a major portion of the government's R&D funds, having requested $69.7 billion for research, development, test, and evaluation funding in the President's

[146] Hunter Rawlings, Testimony for before the U.S. Senate, Committee on the Budget, 2/26/13.
[147] United for Medical Research, "NIH's Role in Sustaining the U.S. Economy," 03/20/12.
[148] United for Medical Research, "NIH's Role in Sustaining the U.S. Economy," 03/20/12.
[149] Food and Drug Administration, "FDA Science and Mission At Risk: Report of the Subcommittee on Science and Technology," November 2007.
[150] Alliance for a Stronger FDA, "The U.S. Food and Drug Administration: A Cornerstone of America's Economic Future," 03/07/11.

Fiscal Year 2013 request. Those types of investments have led to revolutionary innovations. Without DOD-funded developments, like lasers or the Internet, the world would be a very different place. These research efforts are also critical to maintaining the capabilities and expert workforce necessary to develop the most advanced defense capabilities and to compete in the battlefields of tomorrow.

These research programs are also important job-creators here at home. One estimate, by The Science Coalition, identified 28 different companies that would not exist today were it not for DOD-funded research or developments. That study estimated those companies are currently responsible for more than 100,000 jobs.[151]

Protecting investments in research, even in the face of the challenges before us, must be a priority. Because of the long timelines, our researchers must be assured of consistent and predictable funding in order to plan and conduct their research effectively. As other nations continue to increase their funding of science and technology research, we must be careful not to fall behind and risk losing the industries and capabilities of the future. However, sequestration would cut $6.054 billion from DOD research accounts, crippling these key programs.[152]

The Department of Veterans Affairs (VA) similarly has an important medical and prosthetic research program that is responsible for developing the pacemaker and the heart stent, as well as some of the world's most sophisticated research on post-traumatic stress disorder and traumatic brain injury. The VA is also critical to maintaining a scientifically and technologically advanced national workforce through its administration of the Post-9/11 GI Bill and other education benefits. In these programs, many veterans who already have advanced technical skills from their military service can expand on them through advanced STEM education at universities and excel in the private sector. This is not just beneficial for the individual veteran, but for the entire country, which continues to benefit from the investments we have made in training and educating our servicemembers and veterans.

For both DOD and VA programs, the Senate Budget makes smart decisions for long-term success by budgeting to protect these investments.

Investing in clean energy jobs and 21st century energy production

As clean energy becomes a larger share of global energy production, the U.S. can and must compete for the industries and jobs that come with growing reliance on clean energy resources. Hundreds of thousands of Americans are already employed in clean energy fields,[153] and continued investment in clean energy production will drive further job creation and growth.

Investments in clean energy innovation, as well as in energy efficiency, help our nation transition to a low-carbon energy economy while spurring new job creation and economic growth. American ingenuity and determination enable us, as a nation, to discover and deploy the next front in clean energy technologies.

The Senate Budget recognizes the crucial role energy research plays in current and future job creation and economic competitiveness, and increases federal investments in energy research and development

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[151] The Science Coalition, "Sparking Economic Growth: How Federally Funded University Research Creates Innovation, New Companies, and Jobs," April 2010.

[152] Office of Management and Budget, "OMB Report to the Congress on the Joint Committee Sequestration for Fiscal Year 2013," 3/1/2013.

[153] The Pew Charitable Trusts, "Innovate, Manufacture, Compete: A Clean Energy Action Plan," 2012.

(R&D) for programs at the national labs and ARPA-E. This budget continues support for deployment and commercialization of new energy technologies, and ensures that federal investments will continue to attract private capital. And it invests in energy efficiency to help stretch our energy resources.

In addition to investing in the creation and commercialization of revolutionary new sources of energy, this budget funds common-sense programs that will help our nation conserve the energy it already produces. It increases investments in funding for critical energy efficiency programs, such as the Weatherization Assistance Program and the State Energy Program. This budget also restores funding that has been cut from programs to make federal buildings more energy efficient. By making our offices and homes more efficient, we save money and reduce the need to build more electricity generating resources.

Conversely, the Republican Budget slashes funding for clean energy R&D. If enacted, Republican energy priorities will set back the health of our families, continue our energy trade deficit as we import more energy than we produce, and leave us at a competitive disadvantage for attracting jobs in growing clean energy industries.

Investing in domestic bridge energy resources

The Senate Budget reflects the fundamental understanding that it will take time to transition to the clean energy economy of tomorrow. While important progress in lowering emissions has been made through the commercialization of clean energy resources, increasing the efficiency of our homes and businesses, and getting more mileage out of every tank of gas, more needs to be done. That's why this budget invests in clean energy R&D, energy efficiency, smart grid deployment, and other technologies.

At the same time, our budget also invests in responsibly utilizing domestic oil and gas reserves as a bridge to a clean energy future. This budget provides adequate funding to allow the Administration to follow its established leasing plans while increasing funding for our onshore and offshore oversight agencies to ensure that resource extraction is done in a way that provides environmental safeguards.

Questions remain about new extraction technologies and their impacts on methane emissions and groundwater contamination, as well as on wastewater disposal techniques and chemicals used in the extraction process. Agencies implementing leasing plans must have the resources necessary to make sure that our public lands are developed, where appropriate, without harming public health or the environment. Once developed, agencies must also have a mitigation framework in place to offset that development, to include enhanced stewardship and acquisition of new lands using the Land and Water Conservation Fund.

Investing in 21st century manufacturing

The last few decades have been challenging for American manufacturing companies and workers, but over the last few years, we have begun to see a resurgence and roughly half a million manufacturing jobs have been added over the course of the economic recovery. Still, there is much more to be done to continue gaining back the millions of manufacturing jobs that moved overseas before and during the Great Recession.

The U.S. has been lagging behind in innovation in manufacturing to both low-wage countries, as well as to high-wage, high-tech countries.[154] The Senate Budget makes investments to attract more manufacturing jobs back to the U.S. by supporting the development of a network of collaborative manufacturing innovation centers that will accelerate technology deployment, conduct critical research and development, and inform demand-driven education and training. In order to ensure that the innovations produced by these centers lead to successful and measurable commercialization in the U.S., this budget supports close alignment with small and medium-sized enterprises and existing resources and expertise in the federal and state governments critical to providing a sustainable supply chain.

One facet of manufacturing that holds great promise, for example, is the use of composites. While the use of composites is nearly 100 years old, their use and applications have grown to the point where the American composites industry is now made up of nearly 3,000 companies, employing more than half-million people in all 50 states, and generating almost $70 billion in revenues annually. The Senate Budget also supports public-private partnerships to accelerate the development and commercialization of advanced composite materials for application across a wide variety of industries.

Investing in exports and international competitiveness

American workers remain the most innovative and most productive in the world. American labs, factories, and farms continue to create products that consumers around the world continue to demand. This is more important now than it has ever been, as more American exports means more American jobs.

Ninety-five percent of the world's population lives outside of the U.S. Millions are entering their nation's middle class for the first time and now have the purchasing power to demand new consumer goods, better food, and a higher level of services. The U.S continues to have strong trading relationships with our traditional trading partners that we must continue to expand, but developing nations in Asia, Africa, and the Middle East are also potential new markets for American goods and services.

At the same time, countries around the world are competing to reach the hearts and wallets of these new consumers, so the U.S must fight for its international competitiveness in the world marketplace. If we do not build it here at home, somebody else will build it abroad.

The Senate Budget continues the progress already made to expand U.S. exports. It helps to ensure that the government agencies that open new markets for U.S. exports and work to level the playing field for American workers are not hamstrung in their efforts.

The House Republican approach, in contrast, would make steep cuts to those programs American companies depend on to be competitive internationally. Their approach would actually make it more difficult for American companies to break into new markets.

Their proposal would slash funding for the Department of Commerce and the U.S. International Trade Commission, which investigates and brings legal action against foreign companies that illegally dump low-cost goods into the U.S. or receive foreign government subsidies and undercut American products.

Finally, the House Republican proposal would reduce the number of inspectors who scrutinize incoming cargo for destructive insects, counterfeit goods, and keep the flow of commerce moving. In short, House

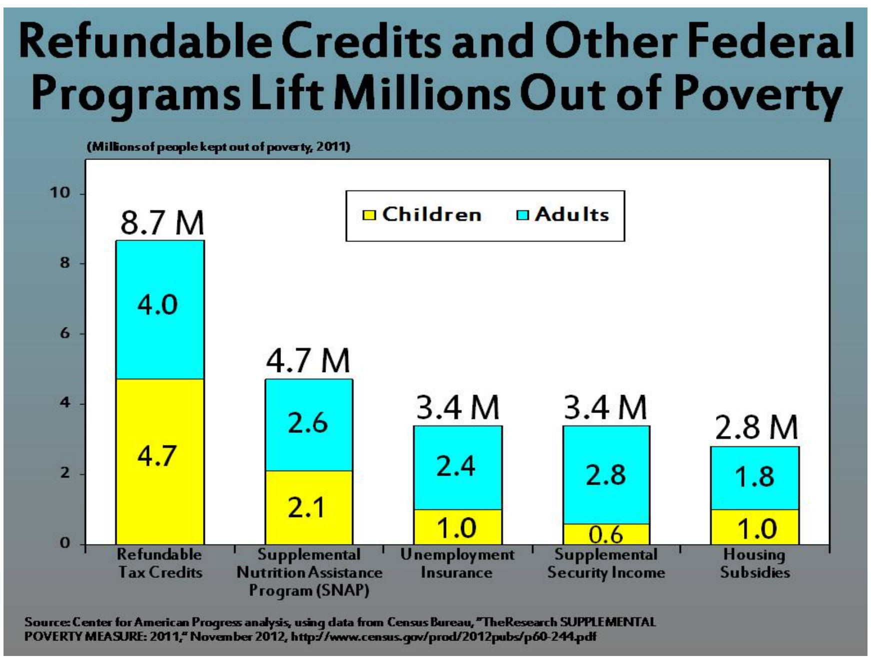
[154] Report to the President on Ensuring American Leadership in Advanced Manufacturing. President's Council of Advisors on Science and Technology. June 2011.

Republicans would actually make it harder for American companies to compete, right at the exact time when we need to increase exports to create jobs here in the U.S.

Investing in the middle class through targeted and efficient tax cuts

The Senate Budget recognizes that sustainable economic growth depends on a strong and vibrant middle class, and that true prosperity is built from the middle out, not the top down. That is why the Senate Budget builds on the middle class tax relief that was legislated in the American Taxpayer Relief Act of 2012 (ATRA) and supports the permanent extension of the American Opportunity Tax Credit —which has made higher education more affordable for millions of middle class families—as well as the temporary enhancements to the Earned Income Tax Credit and Child Tax Credit, all of which are scheduled to expire after 2017.

Because their value increases with income, the refundable Earned Income Tax Credit and Child Tax Credit incentivize work and help to lift millions of Americans out of poverty each year. In fact, they keep more Americans out of poverty than any program other than Social Security.



At a time when so many low-income and middle class families have endured years of stagnant wage growth and have already sacrificed greatly in the name of deficit reduction, the Senate Budget ensures that they will not also be asked to pay higher taxes.

Tackling our deficit and debt responsibly

The Senate Budget takes the position that we owe it to our children and grandchildren to tackle our deficit and debt responsibly and not simply pass along an unsustainable debt for the next generation to deal with. This budget takes a sustainable, fair, and credible approach to tackling this challenge.

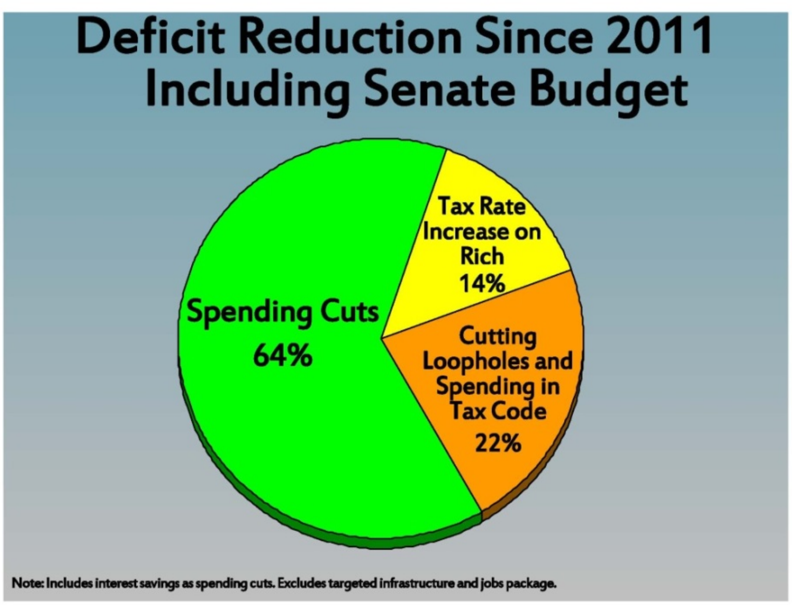
Our long-term deficit and debt problems took many years to develop, and they will not be solved overnight. Rather than pursuing an extreme, economically irresponsible cuts-only approach, the Senate Budget builds on the work done over the past two years to surpass the bipartisan deficit reduction goal of $4 trillion and responsibly put our deficit and debt on a downward, sustainable path.

The budget achieves these bipartisan goals through a balanced mix of responsible spending cuts and new revenue from closing loopholes and ending wasteful spending in the tax code that benefit the wealthiest Americans and biggest corporations—an approach that the American people have consistently supported.

- Building on the $2.4 trillion in deficit reduction achieved since 2010, the Senate Budget reduces the deficit by an additional $1.85 trillion, which fully replaces sequestration and brings the total deficit reduction to $4.25 trillion. The budget therefore surpasses the bipartisan goal of $4 trillion in deficit reduction over ten years and puts our deficit and debt on a downward and sustainable path.

- This budget builds on the $600 billion in revenue from the wealthiest Americans brought in by the year-end deal with an additional $975 billion that comes from closing loopholes and cutting wasteful spending in the tax code that benefits the wealthiest Americans and biggest corporations, for a total of $1.575 trillion in new revenue brought in since the Simpson-Bowles report from those who can afford it most.

- This budget also builds on the $1.8 trillion in spending cuts made over the past two years with an additional $975 in responsible spending cuts, for a total of $2.775 trillion in spending cuts made since the Simpson-Bowles report.



The additional spending cuts in this budget are made across the entire federal budget in a responsible way that continues bringing costs down where appropriate but does not threaten the economic recovery, hurt seniors or families, or harm our national defense.

Bipartisan agreement on deficit reduction goal: $4 trillion

Our fiscal challenges are well known and the need for a bipartisan solution to responsibly reduce our deficits and debt has been widely recognized. Economists, budget experts, and policymakers have consistently called for a combination of spending cuts and revenue increases that total $4 trillion over ten years, reducing the deficit responsibly to achieve the critical objective of stabilizing the debt as a share of the economy.

The Goal: $4 trillion in deficit reduction over the next ten years

In 2010, President Obama established the National Commission on Fiscal Responsibility and Reform. This group, often referred to as "Simpson-Bowles" after its leaders, former Republican Senator Alan Simpson and former Chief of Staff to President Clinton, Democrat Erskine Bowles, included lawmakers from both parties and both chambers of Congress. The Bipartisan Policy Center also convened a group of budget experts in 2010, co-chaired by former Senate Budget Committee Chairman Senator Pete Domenici (R-NM) and former White House Budget Director and Federal Reserve Vice Chair Alice Rivlin, commonly referred to as "Domenici-Rivlin."

Both of these groups recommended approximately $4 trillion in deficit reduction from a combination of spending cuts and revenue increases carefully designed to put our country on a sustainable fiscal course, while protecting the fragile economic recovery, investing to promote economic growth, and protecting the most vulnerable families and communities.[155]

Notably, the report of the Simpson-Bowles Commission points out that this level of deficit reduction is "more than any effort in the nation's history."

For the last two years, calls for deficit reduction have echoed the $4 trillion goal. President Obama sought $4 trillion during the 2011 debt ceiling negotiations.[156] And economists who have worked for both Democrats and Republicans have been acknowledging this consensus as well. Mark Zandi, an advisor to Senator John McCain (R-AZ) during his 2008 Presidential campaign, addressed the issue in the Washington Post in July 2011.[157] While Alan Blinder, former Vice Chairman of the Federal Reserve, took to the pages of the Wall Street Journal just last month to express a similar point.[158]

What we have done in the last two years: $2.4 trillion, mostly from spending cuts

As we continue to work to address our deficits and debt in a responsible manner, it is worth reviewing the progress we have made to date. Over the last two years, Congress worked together with the administration to pass legislation reducing deficits $2.4 trillion. These first steps took us a significant way toward our deficit reduction goals. It is very important to note, however, that the vast majority of the savings in these new laws come from spending cuts. Only in the end-of-the-year deal did Congress bring in any new revenue by allowing tax rates to rise on the wealthiest Americans.

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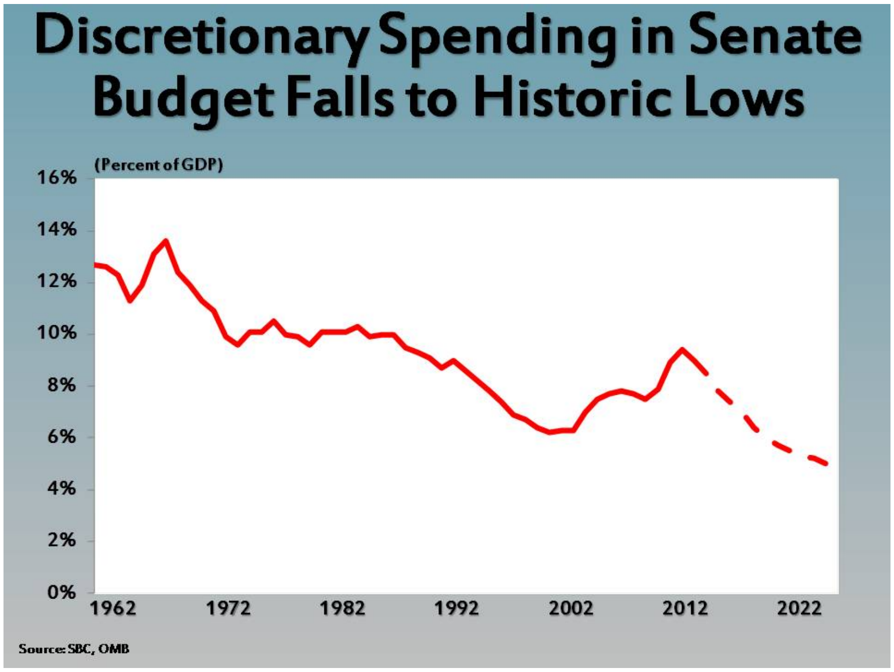
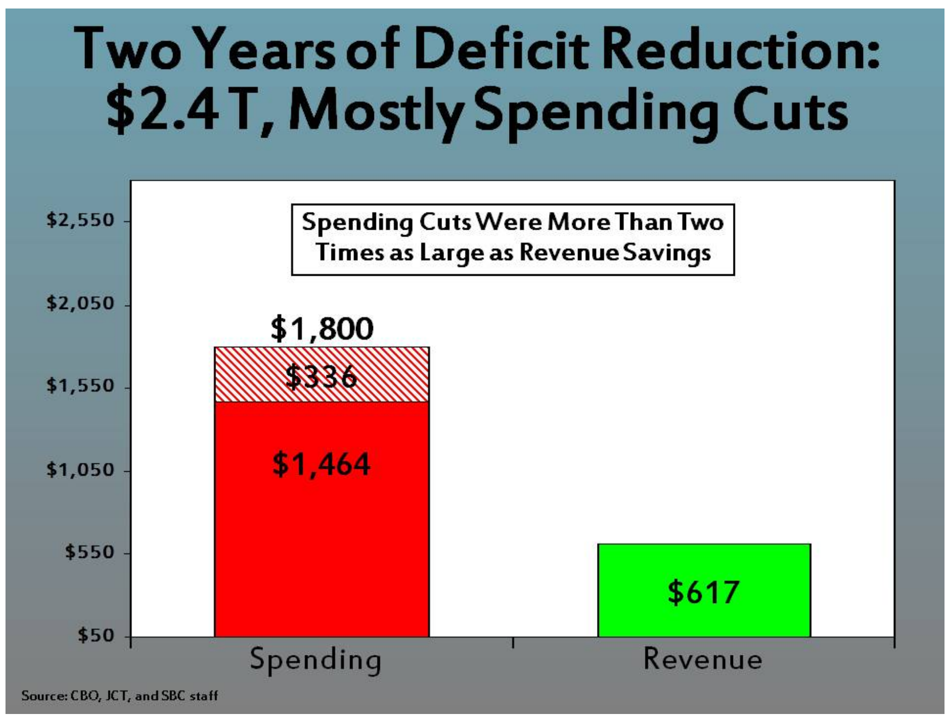
[155] National Commission on Fiscal Responsibility and Reform, "The Moment of Truth," December 2010; Bipartisan Policy Center, "Restoring America's Future," November 2010.
[156] "Obama Will Still Seek a $4 trillion Debt Deal Despite GOP Opposition, Aides Say Sunday Morning," Washington Post, 7/10/11.
[157] "How To Cut The Deficit – And What Happens If We Don't," Mark Zandi, Washington Post, 7/14/11.
[158] "A Silver Linings Deficit Playbook," Alan Blinder, Wall Street Journal, 2/24/13.



Bipartisan deals Congress negotiated in 2011 have cut discretionary spending by almost $1.5 trillion.[159] These savings were achieved in two ways, first through a series of Continuing Resolutions (CRs) that cut spending by about $550 billion over ten years, and then through enactment of the Budget Control Act (BCA), which established spending caps —saving an additional $900 billion over ten years. The result of these cuts is that discretionary spending will fall to its lowest level as a share of the economy in over half a century.

Although it should not have taken until the last minute to get done, the bipartisan American Taxpayer Relief Act of 2012 (ATRA) delivered on the promise Democrats made to permanently extend middle class income tax cuts and bring in new revenue from the wealthiest Americans.[160] This year-end deal reduces deficits by more than $600 billion over the next ten years.[161]



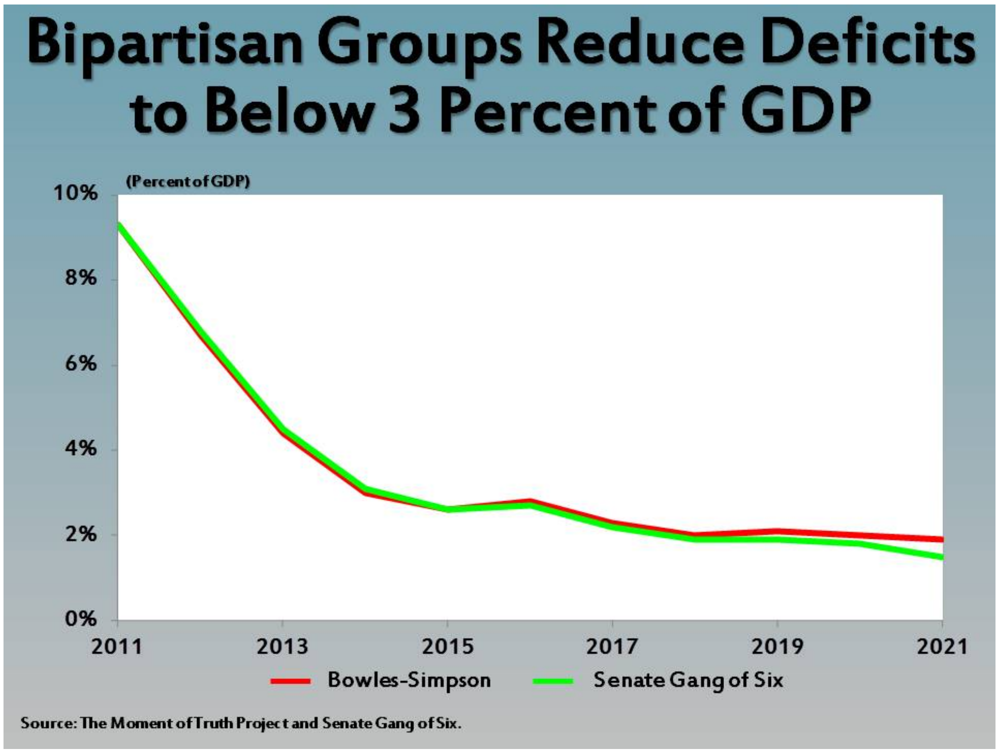
[159] Relative to CBO's August 2010 baseline, which is used because it is the last baseline of record prior to the implementation of a series of legislation that cut discretionary spending. The remaining $300 billion in deficit reduction from spending cuts reflects savings from lower interest payments.

[160] The ATRA was signed into law by President Obama on January 2, 2013.

[161] Relative to a current policy baseline that extends certain expiring tax policies. The President's Fiscal Commission ("Simpson-Bowles"), the Bipartisan Policy Center's Debt Reduction Task Force ("Domenici-Rivlin"), the President, and the House Budget Committee all used versions of a current policy baseline.

Responsible deficit reduction to credibly stabilize the debt as a share of the economy

As we continue to work our way out of the Great Recession, our highest priority should be supporting our fragile recovery and creating jobs. A deficit reduction plan that imposes severe cuts in the near term could lead to further contraction in the economy, which would have immediate and damaging consequences for American families and businesses. We must also be mindful, however, of the burden that excessive debt places on the economy.



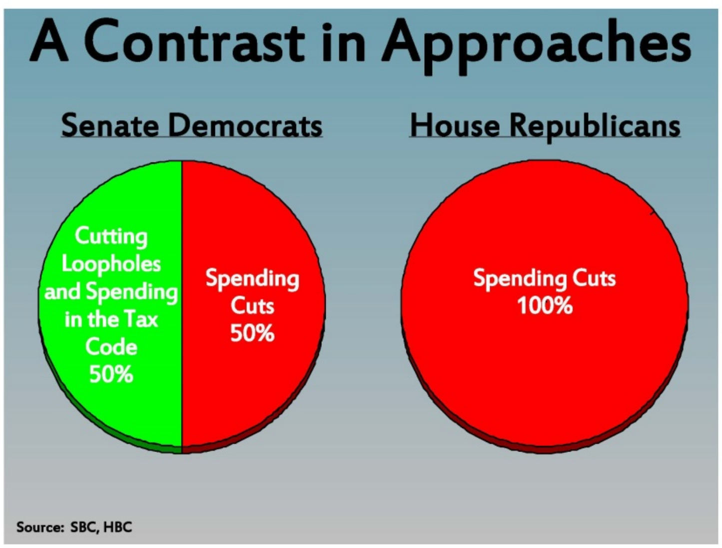
A responsible plan that phases in savings and reduces our deficits to below 3 percent of GDP will stop our debt from growing larger. This is a critical first step that bipartisan groups have consistently agreed should be a primary objective of any credible budget plan.

Reducing the deficit while increasing the fairness and efficiency of the tax code

The Senate Budget takes the position that eliminating loopholes and cutting unfair and inefficient spending in the tax code for the wealthiest Americans and biggest corporations must be a significant element of a balanced and responsible deficit reduction plan. Although every bipartisan group that has examined our fiscal situation has noted that this area of the budget is ripe for savings, time and again, Republicans have refused to put it on the table for deficit reduction.

Therefore, to build on the $1.8 trillion in recently enacted spending cuts, the $600 billion in new revenue to be generated by allowing tax rates to rise on the wealthiest Americans in the year-end deal, and the $975 billion in responsible new spending cuts in this budget – the Senate Budget reduces the deficit by an additional $975 billion by eliminating loopholes and cutting wasteful spending in the tax code that benefits those who need it the least.

For perspective, these new tax savings represent less than one-tenth of the revenue projected to be lost over the next ten years to so-called "tax expenditures," the countless special tax breaks embedded in the tax code the benefits of which disproportionately flow to the well-off and well-connected. This fraction gets even smaller if one includes the hundreds of billions of dollars lost each year to the tax gap, offshore tax abuse, and other loopholes.



Prominent Republicans have acknowledged the unfairness of our tax code. During the recent fiscal cliff negotiations, Speaker John Boehner (R-OH) proposed to raise $800 billion for deficit reduction by closing what he called "special-interest loopholes and deductions."[162] Even Chairman Ryan has noted, "The tax code is patently unfair: Many of the deductions and preferences in the system … were lobbied for and are mainly used by a relatively small group of mostly higher-income individuals."[163]

To help achieve its deficit reduction goals, the Senate Budget includes budget reconciliation instructions, which create a fast-track process that instructs the Senate Finance Committee to report legislation that will reduce the deficit by $975 billion through changes to the tax code alone. Such legislation must be reported by October 1, 2013 and would not be subject to filibuster in the Senate.

[162] Letter to the President from Speaker Boehner, et. al., 12/3/12.
[163] House Budget Committee, "The Path to Prosperity," 2012.

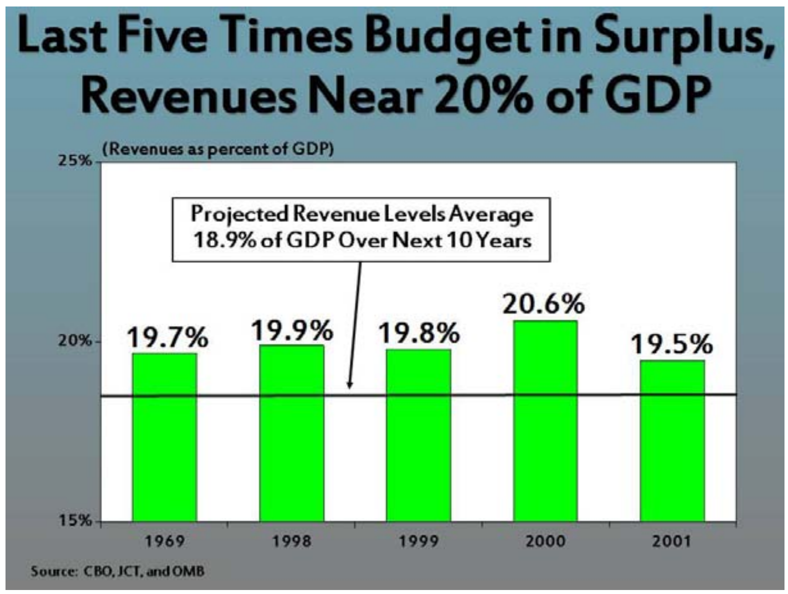
It is the clear intent of the Senate Budget that the savings found by eliminating loopholes and cutting unfair and inefficient spending in the tax code not increase the tax burden on middle class families or the most vulnerable Americans who already have sacrificed greatly in recent deficit reduction efforts. These savings should come only from the wealthiest Americans and biggest corporations.

The Senate Budget also fully supports the goal of comprehensive tax reform, whether pursued through the reconciliation process or as a separate effort, if it is done in a way that is consistent with the revenue and progressivity goals of this budget.

Why the revenue discussion is not over

The Senate Budget recognizes that the American Taxpayer Relief Act of 2012 ("ATRA"), which is expected to increase revenues by about $600 billion over the next ten years by allowing tax rates to rise on the wealthiest Americans, represents a milestone in Democrats' efforts to tackle the deficit and debt with a balanced mix of responsible spending cuts and new revenue from those who can afford it most.

But it also acknowledges that more needs to be done to create a fairer and more efficient tax system that generates the revenue we need to reduce the deficit, while also keeping our promises to an expanding pool of retirees and a new generation of veterans and making the critical investments in our infrastructure and education systems that will drive broad-based and sustainable future economic growth. Very simply, our current tax code, even after ATRA, will not generate the revenue necessary to accomplish these vital objectives.



Since ATRA's enactment, however, Republicans have asserted that the tax discussion is over, and that all future deficit reduction (including the replacement of sequestration) must come only from spending cuts. To support that contention, they point to recent CBO projections showing average revenues as a share of the economy over the next ten years rising slightly above its 40-year average of about 18 percent of GDP.[164] Going forward, Republicans maintain that revenue levels should remain at this historical average.

But this argument ignores several important facts.

First, the projected average revenue level over the next ten years, 18.9 percent of GDP, remains well below the levels experienced the last five times the budget was in surplus. In each of those years, revenues ranged between 19.5 percent and 20.6 percent of GDP.

Second, revenues at 18 percent of GDP would not have been sufficient at any point in recent history, during both Republican and Democratic administrations, to have produced a balanced budget. In fact, spending has not been below 18 percent of GDP since 1966.[165]

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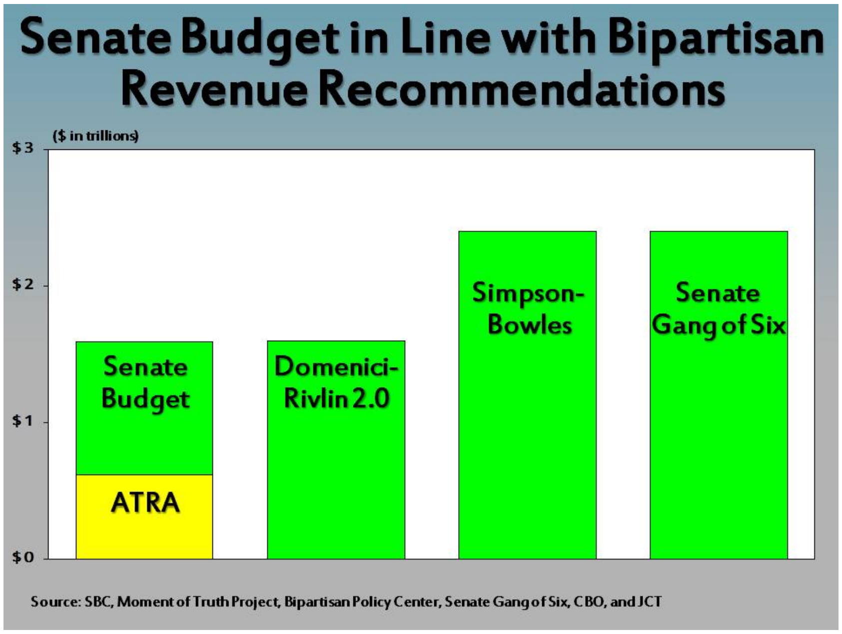
[164] Congressional Budget Office, "The Budget and Economic Outlook: Fiscal Years 2013 to 2023," 2/5/13.

Finally, the retirement of the Baby Boom generation makes references to past budgetary levels largely irrelevant. Between 2010 and 2050, the ratio of those age 65 and over as a share of the working age population will almost double.[166] So while we must work to preserve, protect, and strengthen our major health and retirement programs, we will also need to raise additional revenue from those who can afford it most if we are going to make good on the promises we have made to current and future retirees. Time and again, the American people have confirmed that keeping these promises is important to them.



For these reasons, all of the bipartisan groups that have examined our budget situation came to acknowledge this fundamental reality: We cannot responsibly address our fiscal challenges with spending cuts alone.

Both Simpson-Bowles and Senate's Gang of Six proposed more than $2 trillion in new revenue. The updated plan of the Bipartisan Policy Center's Debt Reduction Task Force arrives at a similar conclusion, recommending about $1.6 trillion in new revenue. These amounts are several times greater than the roughly $600 billion that will be generated by ATRA. To claim that additional revenue is off the table is to ignore the conclusions reached by every major bipartisan group with respect to what we must do to reduce deficits and debt in a responsible and sustainable manner.

Despite Republican claims to the contrary, raising additional revenue will not tank the economy, particularly if that revenue is generated in the fair and economically efficient manner proposed by the Senate Budget.

During the 1990s, when revenue levels were significantly higher than they are today, our economy registered 39 consecutive quarters of economic growth, the longest uninterrupted growth streak in U.S. history, and created more than 20 million jobs.[167] The fiscal policies of that era helped to ensure that the benefits of economic growth were felt by the middle class, which in turn demanded more products and services. Businesses responded by increasing their investments in labor and capital, and a virtuous cycle ensued.

The Senate Budget would lay the foundation for another sustained stretch of broad-based economic growth driven by a strong and vibrant middle class. By eliminating loopholes and cutting wasteful

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[165] Office of Management and Budget, Historical Tables, Table 1.2, 2012.
[166] United Nations, "World Population Prospects: The 2010 Revision," 2010.
[167] National Bureau of Economic Research, "US Business Cycle Expansions and Contractions," accessed 3/8/13 and "All Employees: Total Nonfarm," U.S. Department of Labor, Bureau of Labor Statistics, accessed 3/8/13.

spending in the tax code that benefits those who need it the least, and using the savings to both reduce the deficit and make smart investments in our people and infrastructure, this budget seeks to grow the economy from the middle out and ensure that the benefits of economic growth are again felt by more than just a privileged few.

The revenue principles embraced by the Senate Budget stand in stark contrast to the House Republican tax plan, which rejects any kind of revenue contribution to deficit reduction and, in fact, cuts tax rates on the wealthiest Americans. Even worse, the House Republican approach would slash high-return investments in infrastructure, education, and research while shredding the safety net that support families who fall on hard times—cuts that are all the more harsh given House Republicans' refusal to address our fiscal challenges in a balanced way.

The need for tax reform

The current state of the tax code is simply indefensible. It is unfair, inefficient, and it is hurting the competitive position of U.S. businesses. It has grown unacceptably complex and is riddled with complicated and often overlapping provisions that cost the Treasury more than $1 trillion annually and which, in many cases, provide disproportionate benefits to individuals and corporations who need them the least.

Our tax code is also hemorrhaging revenue in several areas. The IRS has estimated that the tax gap, the difference between what taxpayers owe and what the IRS collects on a timely basis, was $450 billion in 2006 alone. Billions of dollars are lost each year to fraudulent refunds paid to identity thieves. Offshore tax abuses cost the Treasury tens of billions of dollars every year. These revenue losses shift an unfair burden onto taxpayers who pay what they owe and who cannot afford to hire high-powered lawyers and accountants to reduce their tax bills by exploiting loopholes.

"Spending in disguise"

"A great deal of government spending is hidden in the federal tax code in the form of deductions, credits, and other preferences – preferences that seem like they let taxpayers keep their own money, but are actually spending in disguise."

-Donald Marron, Member of the Council of Economic Advisers under President George W. Bush[168]

Much of the complexity of the tax code can be traced to the proliferation of so-called "tax expenditures," which the Budget Act of 1974 defines as "revenue losses attributable to provisions of the Federal tax laws which allow a special exclusion, exemption, or deduction from gross income or which provide a special credit, a preferential rate of tax, or deferral of tax liability."

Tax expenditures, in other words, are special tax preferences that, under current fiscal conditions, have the effect of increasing the deficit by reducing the tax liabilities of the individuals and businesses who qualify for them. From an economic and budgetary perspective, the difference between tax expenditures and direct spending programs is substantively meaningless.

In 2013 alone, tax expenditures are estimated to cost the Treasury $1.3 trillion[169] – more than will be spent this year on Medicare, Medicaid, or Social Security and more than total discretionary spending. Viewed from

[168] National Affairs, "Spending in Disguise," 2011.

another perspective, in recent years the government has lost as much revenue to tax expenditures as it has collected from the individual income tax.

However, despite their enormous cost, tax expenditures have historically flown under the radar and have received little scrutiny compared to their counterparts on the spending side of the ledger. As we look to reduce the deficit in a fair way that does not threaten our economic recovery, it would be extremely unwise to follow the House Republican approach of simultaneously slashing investments in infrastructure and education while ignoring these "tax entitlements," as former Federal Reserve Chairman Alan Greenspan called them, that cost the government more than any single category of spending and which, in general, disproportionately benefit the well-off and well-connected.

Inefficient tax expenditures are a drag on economic growth

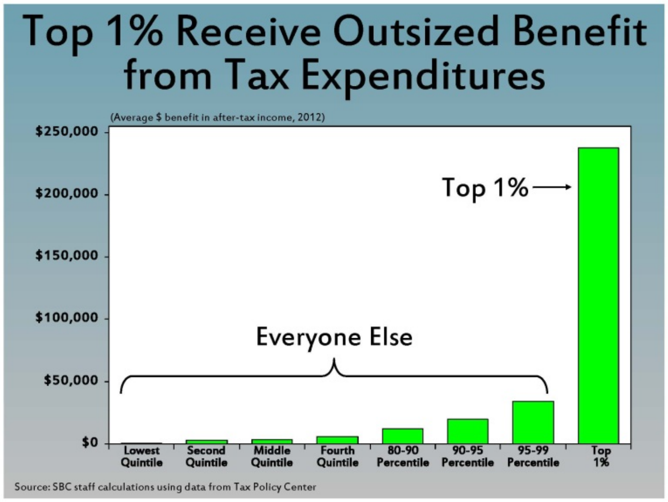
Not only do tax expenditures impose a tremendous drain on government resources, in many cases they are also economically inefficient, encouraging capital to flow to projects and uses it might not otherwise be directed to absent a tax incentive, a fact recognized by economists across the political spectrum.

> *"[Eliminating tax expenditures does not increase marginal tax rates or reduce the reward for saving, investment, or risk taking. It would also increase overall economic efficiency by removing incentives that distort private spending decisions. And eliminating or consolidating the large number of overlapping tax-based subsidies would also greatly simplify tax filing. In short, cutting tax expenditures is not at all like other ways of raising revenue."*

-Martin Feldstein, Chairman of the Council of Economic Advisers under President Reagan[170]

Tax expenditures disproportionately benefit the wealthiest Americans

In general, the economic inefficiency of tax expenditures is also due to the unfair distribution of their benefits. In 2012, on average, the top 1 percent of income earners saw their after-tax income increase by nearly $250,000 as a result of tax expenditures while the middle quintile received an average benefit of only about $3,500 – making it clear that, in many cases, these tax breaks are poorly targeted and benefit those who need them the least and who are most likely to engage in tax-favored activities or investments even without a subsidy.



The structure of many tax expenditures directly contributes to the skewed distribution of their benefits. Roughly 70 percent of individual tax expenditures are either deductions or exclusions which, by their very nature, deliver larger tax benefits to high-income taxpayers.[171] That is

[169] CRFB, "Joint Committee on Taxation Releases Latest Estimates of Tax Expenditures," 2/1/13.
[170] Wall Street Journal, "The 'Tax Expenditure' Solution for Our National Debt," 7/20/10.
[171] CBPP, "Tax Expenditure Reform: An Essential Ingredient of Needed Deficit Reduction," 2/27/13.

because, unlike tax credits that reduce tax liability on a dollar-for-dollar basis regardless of a taxpayer's income, the value of a deduction or exclusion depends upon an individual's income tax bracket. Any given deduction or exclusion is always worth more to a taxpayer in a higher tax bracket.

Because their benefits disproportionately flow to the most well-off individuals, tax expenditures have also helped to drive the effective tax rates of the wealthiest Americans—the share of income actually paid in taxes after factoring in exclusions, deductions, and other tax preferences—to historically low levels. According to the IRS, the average effective tax rate for the 400 wealthiest taxpayers has fallen from almost 30 percent in 1995 to only 19.9 percent in 2009, less than the rate paid by many middle class families. While over the same time period, the average income for this group has risen exponentially.[172] Clearly, the tax code is contributing to growing U.S. income inequality.

Reducing the deficit by limiting or reforming unfair tax breaks for the wealthy

The Senate Budget calls for deficit reduction of $975 billion to be achieved by eliminating loopholes and cutting unfair and inefficient spending in the tax code for the wealthiest Americans and biggest corporations. It recognizes that the Finance Committee, which has jurisdiction over tax legislation, could generate this additional revenue through a variety of different methods.

One potential approach is an across-the-board limit on tax expenditures claimed by high-income taxpayers (specifically, the top two percent of income earners). This could take the form of a limit on the rate at which itemized deductions and certain other tax preferences can reduce one's tax liability, a limit on the value of tax preferences based on a certain percentage of a taxpayer's income, or a specific dollar cap on the amount of allowable deductions. In assessing any such across-the-board limit, Congress should consider the extent to which each proposal would retain a marginal tax incentive to engage in the affected activities and investments.

Another potential approach by which Congress could increase tax fairness and reduce the deficit is by reforming the structure of particular tax expenditures. The Simpson-Bowles illustrative tax reform plan, for example, proposed to convert certain itemized deductions into limited tax credits, which more equitably deliver tax benefits and, because only about one-third of taxpayers itemize their deductions, are often better for targeting tax incentives at low-income and middle class families. Reforms like these could also generate substantial new revenue for deficit reduction.

Reducing the deficit by eliminating wasteful business tax loopholes

As we work to responsibly cut spending, Congress must also address the many unfair and wasteful business tax breaks that reduce the efficiency of our tax system and deprive the government of revenue. How can it be, when both are measured as a share of the economy, that after-tax corporate profits are at an all-time high but corporate tax revenues remain near an all-time low?[173]

Much of the answer lies in the proliferation of special-interest tax breaks and the rise of aggressive offshore tax planning. The particular industry in which a U.S. company operates, or whether it has subsidiaries abroad, now has an enormous influence on the extent to which it pays U.S. tax. In some cases, profitable companies are able to avoid paying any income tax at all. In fact, a 2008 study by the

[172] Internal Revenue Service, 2012.
[173] "Corporate Profits Soar as Executives Attack Obama Policy," Bloomberg, 1/17/13; Office of Management and Budget, Historical Tables, Table 2.3, 2012.

Government Accountability Office (GAO) found that more than half of all large corporations reported no tax liability in at least one year between 1998 and 2005.[174] Recent reports indicate that this trend is continuing.[175]

We simply cannot afford to continue the practice of giving billions of dollars in wasteful tax incentives to companies reporting record-breaking profits. Other unfair tax breaks—such as the special depreciation rules enjoyed by corporate jet owners and the favorable tax rates applicable to hedge fund managers' compensation—should be eliminated if we are going to restore fairness to our tax code and reduce the deficit in a balanced way.

Offshore tax abuse – which reduces U.S. tax collections by tens of billions of dollars each year -- also should be addressed. Some U.S. multinational corporations are avoiding U.S. tax through a variety of aggressive international tax planning techniques, such as shifting profit-generating assets offshore through abusive transfer pricing transactions or manipulating the source of dividend payments from foreign subsidiaries to avoid levies on tax haven income. In other cases, companies that are managed and controlled right here in the U.S. avoid tax by incorporating in a tax haven – as evidenced by the 18,000 companies that claim to do business in a single building in the Cayman Islands.[176]

The sheer magnitude of the revenues lost to offshore tax abuse, wasteful and inefficient loopholes, and other business tax breaks raises the possibility of a sweeping reform of the corporate tax code that helps to reduce the deficit, improve the overall fairness of our tax system, and potentially generate additional revenue to lower corporate tax rates.

Tax reform principles in the Senate Budget

The Senate Budget fully supports the goal of comprehensive tax reform—whether pursued through the reconciliation process or as a separate effort—that simplifies the tax code, increases fairness, generates economic growth, and improves the competitive position of U.S. businesses. While this budget recognizes that there are multiple approaches to tax reform and that the ultimate policy decisions will be made by the tax-writing committees in the Senate and House, it calls for tax reform to adhere to the following key principles:

Restore fairness to the tax code

- Tax reform should ensure that the tax code remains at least as progressive as it would be following the passage of this budget and implementation of its reconciliation instructions. To help achieve this progressivity goal, the Senate Budget assumes that the 2009 enhancements to various tax credits which benefit low-income and middle class families are permanently extended beyond their scheduled expiration after 2017.

- To the extent not achieved through reconciliation, tax reform should eliminate or modify tax breaks that disproportionately benefit the wealthiest Americans, aggressively address the tax gap and offshore tax abuse, and eliminate unfair and inefficient business tax loopholes.

[174] Government Accountability Office, "Comparison of the Reported Tax Liabilities of Foreign- and U.S.-controlled Corporations, 1998-2005," 2008.
[175] Citizens for Tax Justice, "Big No Tax Corps Just Keep on Dodging," 4/9/12.
[176] The Economist, "The good, the bad and the Ugland," 2/16/13.

Boost economic growth and job creation

- Tax reform should increase the certainty of our tax system and simplify the tax code to make it easier for individuals and businesses to comply.

- Business income taxes should be reformed to help U.S. enterprises compete in the global marketplace and to ensure that America remains the best place to start a business and create jobs.

- Responsible reductions in tax rates could be achieved, but only if the Senate Budget's revenue and progressivity goals are achieved or maintained.

The tax reform principles, and complementary budget reconciliation instructions, embraced by the Senate Budget provide a stark contrast to the House Republican plan, which protects the wealthiest Americans and biggest corporations from paying even a penny more in taxes. The Senate Budget rejects this approach, and instead assumes a well-designed fiscal reform effort that creates a fairer and more efficient tax system and that generates the revenue we need to reduce the deficit and make the critical investments that will drive broad-based and sustainable economic growth.

Additional responsible savings across the federal budget

Putting our deficit and debt on a fiscally sustainable course is essential to our long-term economic strength and will require savings across the entire federal budget, in addition to the savings made through changes to the tax code, as part of a balanced plan. These savings, however, must be responsible. They should help put our deficit and debt on a downward path without making shortsighted and drastic reductions to investments in our future and without unfairly burdening seniors, middle class families, or the most vulnerable Americans.

Over the past two years, Republicans and Democrats have made $1.8 trillion in spending cuts. These cuts have driven spending on non-defense discretionary programs to the lowest levels as a share of the economy in decades. This budget builds on spending cuts made over the past two years with an additional $975 in responsible savings, for a total of $2.775 trillion in new savings since the Simpson-Bowles Commission report.

- Rather than shifting the burden of costs onto states, seniors and the most vulnerable, this budget builds on the responsible changes made in the Affordable Care Act with $275 billion in new health care savings, which will strengthen and preserve Medicare and Medicaid for current and future beneficiaries and protect the expansion of health insurance coverage to nearly 30 million Americans.

- As the drawdown from Afghanistan is completed, the budget puts forward targeted reductions in defense spending that maintains our global military superiority in the 21st century.

- Finally, the Senate Budget makes changes across the federal budget to cut spending where we can, eliminate waste, find opportunities for savings through greater efficiency, and put in place appropriate cost alignment for specific government services.

The responsible savings in this budget required tough decisions, but they reflect the principle that our first priority should be expanding job creation and broad-based prosperity built from the middle out, rather than making economically irresponsibly choices that unfairly burden the middle class and shred the safety net.

Reducing health care costs responsibly while preserving and protecting programs for seniors and families

Nothing is more important to families across the country than their health and the health of the ones they love. Health care is personal; individuals value the care they receive, want the programs they count on preserved and protected, and are looking to their elected officials to protect them from runaway costs and insurance company abuses.

The Senate Budget takes the position that the most important part of the health care system is the patient, and any responsible reforms we make must be fair for them and their families. The bottom line in a budget is important, and we absolutely need to tackle our budget in a way that makes fiscal sense—but the true bottom line for this budget is how changes would impact seniors and families across the country.

That is why, first and foremost, the Senate Budget rejects the approach taken by House Republicans when it comes to cuts to health care.

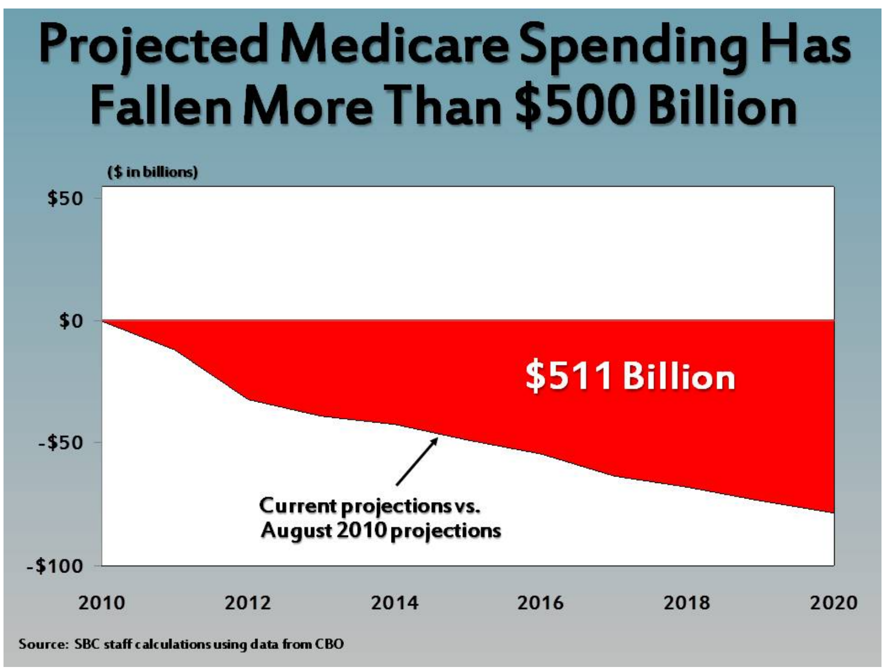
The Republican approach would dismantle Medicare. And in the place of the promise we have made to cover their care through a system that they paid into and strongly support, the Republican plan would privatize Medicare by simply handing beneficiaries vouchers that are capped at growth levels below projected health care costs.

This is not reform, it is shifting costs and shifting risks—and it is absolutely unacceptable to us and the vast majority of Americans. Further, the House Republican approach makes draconian cuts to Medicaid that would leave states with inadequate funding and reduce health care coverage.

In their proposals to repeal the Affordable Care Act (ACA), House Republicans also attempt to undermine efforts to reduce the cost of health care services and improve private health insurance markets by making policies more affordable for families and small business owners.

By contrast, the Senate Budget builds on the critical health care delivery system reforms included in the ACA. It includes $275 billion in savings by further realigning incentives throughout the system, cutting waste and fraud, and seeking greater engagement across the health care system.

The savings in this budget come on top of the $500 billion in lower Medicare spending CBO now expects through 2020 compared to their estimates in 2010, following the passage of the health reform law that is working to bring down costs. [177]



The Senate Budget ensures that the federal government does not spend less by simply shifting Medicaid costs to states, making cuts that harm beneficiaries, or reducing health care coverage. This approach is fair for seniors and families and will preserve and protect these important programs. Importantly, this savings is relative to the most recent projections for future health care spending. Those projections have come down dramatically over the last several years as health care costs have grown more slowly than previously anticipated.

[177] Center on Budget and Policy Priorities, 02/19/2013; USA Today, "Health Care Spending is Transferred out of ICU," 03/04/13.

The challenge: rising health care costs

Despite the good news about the slowdown in health care spending over the past few years, a longer-term challenge remains. However, the challenge of rising costs is not unique to federal health programs. Rather, all participants in the broader health care system, including states, businesses, and families, will be increasingly impacted by the tradeoffs forced as these expenses overwhelm investments in other priorities. So, while addressing rising health care costs over the longer term is critical to putting the federal budget on a sustainable path, it is also vital to making sure families and communities have the resources necessary to participate in and grow the economy for generations to come.

Congress and the administration took critical steps toward improving our health care system by enacting the ACA, a comprehensive health care reform law, in 2010. Through the creation of state-based private health insurance marketplaces and expanded eligibility for Medicaid, the ACA provides pathways for nearly 30 million Americans to obtain health insurance coverage over the next ten years, reducing the number of uninsured substantially.

Recognizing that responsibly containing costs is just as important as expanding coverage, the ACA also put in place reforms to the delivery of health care services that increase quality, encourage efficiency and transparency, and improve care coordination—key mechanisms to address rising health care spending. The CBO estimated that the law will not only reduce the deficit in the first decade, but will result in savings in the subsequent decade of more than $1 trillion.[178]

In thinking about changes to our health care system, it is most responsible to reward health care providers who produce better health outcomes rather than simply paying more for performing more procedures.

Prior to the ACA, there was little incentive to coordinate care, and payment schedules gave too little recognition of higher quality and value. In response, the health reform law facilitates better integration across providers by encouraging the creation of accountable care organizations. Already, more than 250 organizations are participating in them, serving about 4 million Medicare beneficiaries.[179] In addition, demonstration projects experimenting with alternative payment systems will provide insight into the types of payment models that best align incentives to achieve better outcomes. Further, other efforts to reduce adverse drug events, improve care and outcomes for chronic conditions, and address disparities in health among different populations are also underway.[180]

Going forward, we must continue to vigorously encourage delivery system reforms that improve quality and reduce costs for taxpayers and patients. It only makes sense to aggressively expand practices when the evidence says they are working. Such practices might include introducing bundled payments more broadly or other pay for performance programs, such as hospital readmissions and value based purchasing, and reevaluating whether current payment policies continue to appropriately reflect the services provided and outcomes achieved.

Part of our delivery system reform efforts should be about doing a better job capturing waste in the health care system. The Institutes of Medicine estimates that nearly one-third of health care expenditures

[178] Douglas W. Elmendorf, Testimony before the U.S. House, Committee on Energy and Commerce, Subcommittee on Health, 3/30/11.
[179] Centers for Medicare & Medicaid Services, "Lower Costs, Better Care: Reforming our Health Care Delivery System," 2/28/13.
[180] Centers for Medicare & Medicaid Services, "Lower Costs, Better Care: Reforming our Health Care Delivery System," 2/28/13.

do absolutely nothing to improve health.[181] In large part, this is due to outdated models for delivering care. The ACA took important steps in creating a new Innovation Center at the Centers for Medicare and Medicaid Services to rapidly test and evaluate new methods of delivering high quality and value through federal health programs. It is critical that we work to translate what we learn from these models into broader system-wide reforms.

And while reducing waste is one part of making sure every dollar spent on health care goes toward improving health, addressing fraud is also important. The ACA took unprecedented steps to prevent, detect, and recapture fraudulent payments. As a result, recoveries in Medicare, Medicaid and the Children's Health Insurance Program over the past four years are more than double the preceding four years, at about $15 billion, and for every dollar invested, these efforts result in $7.90 in savings.[182] But there is still more we can do.

Encouraging greater engagement across the health care system will also help reduce the growth in health care costs. One productive step in this direction would be to remove the uncertainty about what the future holds. We must move away from the threat of deep cuts to physician payments, only to delay such cuts on a short-term basis. By enacting a permanent fix to the physician Sustainable Growth Rate (SGR), we can ensure that Medicare beneficiaries will continue to have access to quality care. And by replacing the across-the-board cuts to Medicare that are required under sequestration, we can instead have a thoughtful conversation about how to contain costs and where to find savings, while improving our health care system. As part of this effort, the Senate Budget assumes the costs of a permanent fix to the SGR and replaces the Medicare sequestration cuts.

The Senate Budget continues working to tackle these challenges responsibly

As we look to the next decade, we must ensure that we are on a trajectory where growth in health care costs no longer overwhelms growth in the economy, state revenues, and the budgets of businesses and households. This objective was an important element of the ACA, which is estimated to reduce the deficit over the next several years and beyond.

The Senate Budget tackles this challenge responsibly in a way that is fair for seniors and families by building on the work done in the ACA and supporting continued responsible changes to cut waste, reduce fraud, and deliver health care more efficiently.

Reducing defense spending responsibly

Our men and women in uniform and their families have done everything we have asked of them and more over the past decade of war. From our leaders at the Pentagon, to our servicemembers stationed at outposts throughout the world, time and again the people of this country have been awed by their leadership and the sacrifices they have made to serve our nation.

This budget recognizes that in order to keep our commitment to these servicemembers, to safeguard our national security, and to continue our position as a beacon of freedom abroad, we need to maintain a strong national defense. It also recognizes that our military is going through a historic period of transition after ending the war in Iraq and as we wind down the war in Afghanistan. It is inevitable that the Pentagon will be looking at ways to right-size our military while smartly preparing for future threats in a

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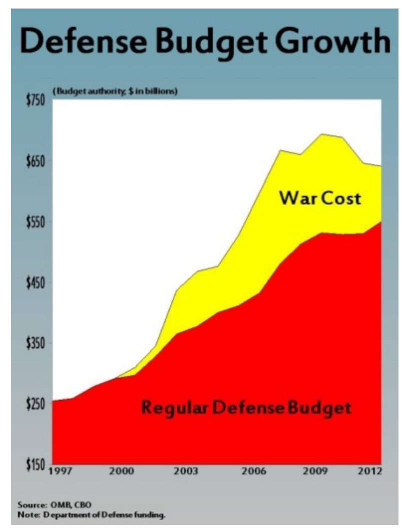
[181] "Study of U.S. Health Care System Finds Both Waste and Opportunity to Improve," New York Times, 9/11/12.
[182] Centers for Medicare & Medicaid Services, "Lower Costs, Better Care: Reforming our Health Care Delivery System," 2/28/13.

world in which there are many ongoing conflicts. Finally, this budget makes absolutely clear that across-the-board, indiscriminate cuts are not the way to responsibly cut defense at a time when we are continually striving to protect jobs and promote economic growth.

As part of a balanced and fair plan to address the nation's fiscal challenges that includes replacing sequestration, this budget makes responsible reductions to defense spending by slowing the rate of budget growth gradually and evenly to help defense leaders effectively manage the Department of Defense, while giving agencies a two-year period to prepare.

Our defense leaders have repeatedly stressed how difficult it is to manage our military readiness in this very uncertain environment.[183] This budget addresses those concerns by providing long-term predictability. Growth in defense spending will gradually be reduced beginning in 2015 and will achieve savings of $240 billion over the next ten years.

This budget reflects that the world remains a complex and dangerous place. Provocations and nuclear ambitions by both Iran and North Korea create serious threats to international peace and stability. The U.S. and our allies are continuing to wind down the war in Afghanistan and transition responsibility to the Afghan government in a way that provides the most stability and security to avoid backsliding on the progress made over the last decade. Additionally, non-state actors, including terrorist organizations, continue to threaten U.S. interests both abroad and at home. These are only a select few of the myriad threats and actors we must navigate in order to provide security for American citizens and interests.



However, there are other significant threats to national security. The deep and indiscriminate cuts under sequestration will have devastating impacts on our ability to defend the nation and our interests and values abroad.

This budget recognizes and addresses the serious fiscal danger we face while still providing a robust and capable national defense apparatus that enables us to meet today's international security threats and be prepared for those of the future. The budget challenges that threaten our national defense are the same as those that threaten a wide range of key programs that American families depend on, and they can only be addressed as a whole.

This means that all areas of government spending and revenues, including defense spending, should be adjusted in a balanced way to achieve a fair and effective solution. Former Secretary of Defense Leon Panetta recently called on Congress to "pass a balanced deficit reduction plan, de-trigger sequester, and pass the appropriations bills for [Fiscal Year] 2013."[184] This budget calls on the DOD to do its part, while avoiding the indiscriminate cuts from sequestration in keeping with the strenuous warnings of our military leaders.

Instead, this budget adjusts our spending to reflect a 21st century strategy that maintains our military as the greatest in the world. A recent report from the Center for a New American Security (CNAS) accurately states: "we disagree with those who argue that preserving American military pre-eminence requires

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[183] See for example: Secretary of Defense Leon Panetta, "Remarks by Secretary Panetta at Georgetown University, Washington, D.C.," 2/6/2013.

[184] "Press Briefing by Leon Panetta from the Pentagon," Secretary Leon E. Panetta, U.S. Department of Defense, 1/10/13.

maintaining or increasing current levels of defense spending."[185] In fact, defense spending has grown substantially since 2001, not only in war-related funding, but also in the base budget.

In setting defense funding levels it is also important to remember that dollars do not equal effectiveness. It is now necessary and appropriate to adjust spending to reflect the end of the wars in Iraq and Afghanistan, the transition to a new National Security Strategy, and fiscal realities. [186] In fact, reductions in the growth of defense spending are an unavoidable and integral part of any balanced, effective budget plan. Recent bipartisan fiscal proposals have acknowledged this point. These include the Simpson-Bowles plan, which in Fiscal Year 2014 would be $21.3 billion lower than the Senate Budget, and the Domenici-Rivlin plan, which would cut $99 billion in defense spending in Fiscal Year 2014.[187]

Appropriately, this budget sets overall limits in which the Appropriations Committee and the Committees of jurisdiction can make specific allocations in order to balance the funding of defense accounts with the future needs that our military leaders are predicting. Several policy principles should guide these efforts:

- *Upholding our sacred obligations* – We will prioritize providing for our troops, including the tools, training, and services they need to accomplish the demanding tasks before them. This includes keeping them safe by finally ending the epidemic of military sexual assault, and by providing timely access to high-quality care for the invisible wounds of war. At a time when active-duty military suicides continue to outpace combat deaths, ongoing efforts to ensure the reliability of mental health diagnoses must be completed, and legislative and policy changes must be implemented quickly to improve mental health care for our servicemembers.[188] We will also keep faith with our military families by providing the care and supportive services they need, especially during deployments.

  DOD, VA, and other agencies have made progress in reforming the transition process. However, moving from military to civilian life remains a significant challenge for servicemembers. After more than a decade of war, it is time to achieve a truly seamless transition that includes speedy claims processing, coordinated mental and physical health care, and employment and education opportunities.

- *Maintaining global leadership* – America is the greatest force for good in the world. Continued global leadership will ensure not just security for ourselves and our allies, but will provide for stability in the international system in a way that promotes commerce, development, and human rights. Finally, being a leader has never meant simply doing everything alone. We must support our allies and empower them to act in protecting these shared goals.

- *Providing for national defense* – Providing a robust, capable, and efficient force that is able to protect the nation, our allies, and our interests abroad is paramount. All forces must have the proper size and capabilities to execute the new national defense strategy, including the new focus on the Asia-Pacific region. This cannot be accomplished without preserving our ability to project force around the globe, including with a strong Navy and Marine Corps ready and equipped to respond quickly to any contingency. It also means being prepared for the realistic threats of the

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[185] LTG David Barno, et al. "Sustainable Pre-eminence: Reforming the U.S. Military at a Time of Strategic Change," 5/23/12.
[186] President Barack Obama, "National Security Strategy," May 2010.
[187] The Debt Reduction Task Force, "Restoring America's Future," November 2010. National Commission on Fiscal Responsibility and Reform, "The Moment of Truth," December 2010.
[188] "Suicides Outpacing War Deaths for Troops," The New York Times, 6/8/12.

21st century, but not discounting the full range of possibilities. Therefore, to the maximum extent possible, we should be prepared to regenerate capabilities quickly when needed, and prioritize readiness and the ability for rapid response to events around the world.

- *Good governance* – Tenets of effective management must be adhered to if we are to be good stewards of taxpayer dollars. This is even more critical in these difficult budget times. There is no place for waste, fraud, and abuse in DOD spending while the Department is working to meet a range of new challenges, from reduced resources to a new global strategy. Continuing to reform the acquisition process will be critical to this effort, and procurement and development programs must be held to performance standards with accountability enforced. Good governance also means reducing duplication and redundancy and ensuring that different efforts do not work at cross purposes. This applies both between the services, as well as between departments that need to collaborate better.

- *Environmental management* – An important part of protecting our environment is cleaning up our nation's nuclear waste legacy. The Manhattan Project helped us win World War II and the Cold War, and many communities across our country sacrificed greatly to do so. The federal government has a moral and legal obligation to safely clean up the waste left behind by this effort.

  In 1989, the cleanup mission moved to the Department of Energy, where it is housed in the Environmental Management program and is comprised of 107 sites across the country. This effort is the largest environmental cleanup program in the world, and DOE's legacy includes some of the world's most radioactive places, which are home to spent nuclear fuel and contaminated facilities. The environmental effects have spread to the surrounding soil and groundwater, which must be remediated.

  At each site, the federal government must meet legal milestones for cleanup of nuclear waste. The Senate Budget calls attention to these legal obligations, and within reduced defense spending, puts priority on this effort which is so critical to our economic, environmental, and public health interests.

<u>Overseas Contingency Operations (OCO)</u>

In keeping with the President's announced strategy to end the war in Afghanistan by the end of 2014, this budget provides the necessary resources to achieve that goal. For 2013 it would provide the requested amount of nearly $100 billion. Following the announced withdrawal of 34,000 troops by the end of this year and the withdrawal of the remainder (except for a smaller residual force), the budget provides $50 billion for 2014, and $25 billion in 2015.[189] Reserve funding is available for OCO needs after 2015, to meet the needs of the President's strategy. The fund is also available to ensure fiscal responsibility with respect to unforeseen or ongoing OCO costs. Any additional funding would need to be appropriately offset.

<u>Meeting Our Global Commitments</u>

Any forward-looking national security strategy that will succeed in the 21st century must include robust involvement from the State Department and utilize all the tools of statecraft to achieve our national security goals. Effective diplomacy and development help promote stability and generate goodwill

[189] President Barack Obama, "State of the Union Address," 2/12/2013.

toward the U.S., ideally preventing a future need for the use of force. Indeed, Marine Corps General James Mattis, the current commander of U.S. Central Command, observed, "If you do not fund the State Department fully, then I need to buy more ammunition, ultimately…the more that we put into the State Department's diplomacy, hopefully the less we have to put in to a military budget as we deal with the outcome of an apparent American withdrawal from the international scene."[190]

Effective diplomacy deepens and strengthens our alliances around the globe. It also recognizes the dynamics and characteristics of the modern international environment and seeks to address and engage with the range of non-state actors to continue advancing U.S. interests. Ultimately, promoting U.S. legitimacy and furthering the nation's grand narrative as a force for peace and freedom cannot be accomplished without sophisticated diplomatic and development components.

We ask our diplomatic personnel, like our men and women in uniform, to go into dangerous places around the world in order to advance our interests and values, maintain alliances, and promote stability. We therefore must ensure that we provide sufficient resources to defend our personnel and missions around the world. This includes expanding the Marine Security Guard program, which protects some embassies, and providing additional resources for the personnel and infrastructure to provide safety to U.S. assets in high-risk regions.

It is our moral responsibility to promote human rights abroad. This means cracking down on human trafficking, standing up for women's rights, and more. We have also committed to working toward the difficult but important goals of fighting hunger, extreme poverty, and diseases, including AIDS.

Policy priorities that should inform allocation of these funds include:

- Human rights – Activities to promote human rights are an important priority as they help to stabilize troubled areas and lessen the need for military intervention. In particular, combatting human trafficking, promoting the rights of women and children, and protecting programs that combat hunger in impoverished areas have been especially critical.

- Safety – Following the attacks on U.S. personnel in Benghazi, Libya, there was intense scrutiny of the security provided to diplomatic personnel and missions abroad. There has been focus on the need to expand the Marine Security Guard program, which defends some U.S. embassies, and on appropriately placing resources to counter threats, especially in high-risk areas.[191] Sequestration's indiscriminate cuts would strip $79 million from the State Department's Embassy Security, Construction, and Maintenance fund.[192] The Senate Budget, after replacing the cuts from sequestration, would offer the flexibility to appropriate enough funds to protect this critical account.

- Strong alliances and cooperation – Continuing to deepen ties with key allies and forge new partnerships promotes stability and creates the framework for an American grand strategy for the future. Foreign military financing, development support, cultural and educational exchanges, and economic assistance are all key tools in advancing U.S. foreign policy goals. International organizations, non-governmental organization, and private philanthropy also play key roles in

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[190] General James Mattis, Testimony before the U.S. Senate, Committee on Armed Services, 3/7/13.
[191] Secretary of State Hillary Clinton, Testimony before the U.S. Senate, Committee on Foreign Relations, 1/23/13.
[192] Office of Management and Budget, "OMB Report to the Congress on the Joint Committee Sequestration for Fiscal Year 2013," 3/1/13.

achieving these objectives. As one example, sequestration would slash $704 million from the International Security Assistance function, which funds key programs that our closest allies, like Israel, rely heavily on.[193] By replacing sequestration under the Senate Budget, we can appropriate properly in order to keep our promises to our international partners.

- Global health research and innovation – U.S. investments in technology have made enormous contributions to the fight against poverty and disease around the world. Initiatives on critical global health problems like maternal and child health, malaria, nutrition, family planning, and reproductive health have made a difference around the globe.

Responsible spending cuts across the federal budget

Despite the fact that the vast majority of deficit reduction over the past two years was done through spending cuts alone, the Senate Budget continues to find ways to reduce spending across the federal budget in a balanced and responsible way.

The Senate Budget includes a total of $975 billion in new spending cuts across the federal budget.

In addition to the responsible savings found in health care and defense programs described above, this budget:

- Locks in the bipartisan domestic spending caps agreed upon in the Budget Control Act;
- Calls for specific common-sense reforms;
- And lays out guidance for committees to hit specific spending cut targets.

While all Americans will share in some of the sacrifices required to achieve responsible deficit reduction, this budget calls for spending cuts targeted to protect middle class families, seniors and the most vulnerable from shouldering an unfair burden and to avoid impacting our economic recovery and long-term economic strength.

Savings in domestic spending through maintaining the Budget Control Act caps

This budget replaces the deep and harmful cuts to domestic spending programs that would have resulted from sequestration, but it continues to employ the bipartisan tool of spending caps agreed upon in the Budget Control Act for a total savings of $142 billion over ten years in this narrow slice of the federal government.

This balanced approach to this category of spending is in sharp contrast to the House Republican approach, which uses a challenging fiscal situation as an excuse to decimate domestic spending and break the bipartisan deal we made to set defense and non-defense spending levels in the Budget Control Act.

House Republican proposals have assumed that overall discretionary funding would fall to post-sequestration levels, but have directed that all of the cuts be applied to nondefense discretionary funding – more than doubling the cuts that sequestration would require.

In addition to the spending caps that lock in discretionary spending savings, the Senate Budget also offers some illustrative examples for committees to use to meet the spending-cut targets.

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[193] Office of Management and Budget, "OMB Report to the Congress on the Joint Committee Sequestration for Fiscal Year 2013," 3/1/13.

Reforming agriculture programs

Our country's farmers and ranchers are critical to our economy, environment, and food supply. The Senate Budget assumes $23 billion in savings can be found from reforming agriculture programs. Our budget supports the efforts of the Senate Agriculture Committee to write a new Farm Bill that will make significant reforms to farm programs, while refocusing support on helping farmers throughout the country manage risk.

Federal employee and contractor reform

Federal workers play a key role in running a smart and efficient government. These workers have borne the brunt of recent deficit reduction efforts, with years of pay freezes and many workers facing furloughs in the coming months caused by the indiscriminate and untargeted sequestration cuts.

Last year's House Republican budget would further harm these workers by significantly increasing their contributions to the Federal Employee Retirement System, effectively cutting their take-home pay in every paycheck.

The Senate Budget supports a smarter approach to savings through federal employee and contractor reforms that will explore opportunities to better leverage the federal government's buying power and to review contractor compensation. The President's budget and bipartisan deficit reduction proposals have recommended reforms, which will save the taxpayers money, provide greater compensation parity between federal personnel and government contractors while encouraging the retention of an experienced, high-quality federal workforce.

Eliminating waste and finding common-sense savings

Americans want a more efficient and effective federal government. They also favor more federal investment in important priorities such as improving education, reducing poverty and providing affordable health care.[194]

The Senate Budget identifies opportunities for savings by eliminating waste, selling excess properties, and reducing improper federal payments to make the government more efficient and effective.

For example, the federal government owns about 14,000 excess properties that need to be sold. [195] The Senate Budget supports efforts to reform the management of real property to dispose of unneeded properties, reduce the red tape holding up these sales and to co-locate government agencies to generate savings.

In testimony to the Budget Committee, U.S. Comptroller General Gene Dodaro, raised concerns about the cost of excess properties, stating, "Excess and underutilized properties present significant potential risks to federal agencies because they are costly to maintain. For example, in Fiscal Year 2009, agencies reported underutilized buildings accounted for over $1.6 billion in annual operating costs."[196]

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[194] Center for American Progress, "Better Not Smaller," July 2010.
[195] White House, "Excess Properties Interactive Map," October 2011.
[196] Gene Dodaro, Testimony before the U.S. Senate Committee on the Budget, 3/16/11.

Another target for common-sense savings is the reduction of improper payments. The federal government makes over a billion payments each year and Congress and the administration have made progress in reducing the number of erroneous or fraudulent payments across the government. Over the past three years, agencies have avoided more than $47 billion in improper payments and decreased the payment error rate to 4.3 percent.[197] The Senate Budget supports strengthening efforts to reduce improper payments for deficit reduction.

The Senate Budget also supports programmatic reductions to reorganize or consolidate programs with similar missions or functions. Each authorizing committee should review the programs within their jurisdiction to identify duplicative or overlapping efforts, and examine how these programs could be delivered in a more efficient way or reduce administrative costs. The reviews conducted by the authorizing committees should be based on impact evaluations and use performance-based reviews to inform decision-making.

Committees should also work together, where appropriate, to coordinate overlapping efforts. The Senate Budget also encourages committees to also review the “Cuts, Consolidations and Savings” volume of the President’s budget to identify other savings opportunities.

GAO’s annual report on “Opportunities to Reduce Duplication, Overlap and Fragmentation, Achieve Savings and Enhance Revenue,” has identified hundreds of recommendations for reducing program fragmentation that could improve results.[198] In 2012, GAO reported that only five percent of the recommendations had been addressed.[199] The Senate Budget encourages all committees to review the GAO findings to identify efficiencies.

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[197] “Eliminating Billions in Payment Errors,” Danny Werfel, OMBlog, 11/21/12.

[198] Government Accountability Office, “2012 Annual Report: Opportunities to Reduce Duplication, Overlap and Fragmentation, Achieve Savings, and Enhance Revenue,” February 2012.

[199] Government Accountability Office, “Follow-up on 2011 Report: Status of Actions Taken to Reduce Duplication, Overlap and Fragmentation, Save Tax Dollars, and Enhance Revenue,” February 2012.

Keeping the promises made to our seniors, families, and communities

The Senate Budget takes the position that the promises we made to our seniors, families, and communities ought to be kept. To do so, this budget takes significant steps to preserve and protect programs and services for seniors and families, the most vulnerable Americans, and those who have served our nation in the armed forces:

- Unlike the House Republican plan that the American people have rejected, the Senate Budget does not dismantle or privatize by voucherizing Medicare. It includes new health care savings to strengthen the program—without harming beneficiaries.

- This budget protects investments made in the Affordable Care Act to expand coverage and reduce the costs of care for families and small business owners.

- The Senate Budget ensures that Medicaid continues fulfilling its mission as a safety net for the most vulnerable, including: low-income children, seniors, mothers-to-be and those with disabilities. It maintains the federal government's commitment to be a strong partner, and does not shift any costs to states.

- The Senate Budget recognizes that government cannot and should not solve every problem but, like bipartisan proposals from Simpson-Bowles and Domenici-Rivlin, this budget reflects the principle that the most vulnerable should not be asked to bear the burden of deficit reduction.

- And of course, the Senate Budget continues to invest in keeping America strong and secure, and it keeps the promises our nation has made to our veterans who served our nation that their country will be there for them and provide the resources and support they need when they come home.

While past House Republican budgets take an extreme approach that would be devastating for seniors who have done their fair share and families who have fallen on hard times, the Senate Budget offers a balanced approach to deficit reduction that keeps our promises to seniors and protects the most vulnerable from shouldering the burden of cuts alone.

Keeping the health care promises made to seniors and families

Preserving and protecting Medicare for seniors today and in the future

"No longer will older Americans be denied the healing miracle of modern medicine. No longer will illness crush and destroy the savings that they have so carefully put away over a lifetime so that they might enjoy dignity in their later years. No longer will young families see their own incomes, and their own hopes, eaten away simply because they are carrying out their deep moral obligations to their parents, and to their uncles, and their aunts.

"And no longer will this Nation refuse the hand of justice to those who have given a lifetime of service and wisdom and labor to the progress of this progressive country."

-President Lyndon Johnson, July 30, 1965

Medicare plays a vital role in providing health care coverage to more than 50 million seniors and people with disabilities. As President Johnson stated at the signing of the legislation creating the program nearly 50 years ago, it is one important way we fulfill our responsibility to care for those who have contributed so much to our country. And the program has been a success.

Today, seniors are living longer, more fulfilling lives. Access to health care not only prolongs, but improves their quality of life—and seniors have been very clear that they like Medicare and strongly support smart changes that need to be made to improve and strengthen it.

It is therefore the position of the Senate Budget that we need to preserve, protect, and improve the Medicare program—not dismantle it.

In sharp contrast, House Republican proposals, including last year's Republican budget, would replace the program's guarantee of affordable health care coverage with a voucher to purchase insurance. This voucher payment would be capped to limit the increase in its value below projected growth in health care costs; this could reduce future spending by the federal government per senior by at least $5,900.[200] These changes would shift an increasing burden of health care costs onto Medicare beneficiaries, or diminish their access to quality care, ending Medicare as we know it.

House Republicans don't stop there, however. Despite their commitment to not changing Medicare for anyone at or nearing retirement, they roll back many of the provisions in the ACA that are working to lower costs and expand access to critical services such as preventive care. Seniors would immediately see an increase in what they pay for prescription drugs and routine doctor's visits if the Republican plan were implemented.

The benefits to seniors and Medicare from the ACA are clear. Seniors can now access a range of preventive services for free. They are also receiving new discounts on prescription drugs, saving the average Medicare beneficiary approximately $5,000 through 2022. For those with high prescription drug spending, the savings are even more significant – over $18,000 during the same timeframe.[201] Further, measures to slow the growth of Medicare spending, and address waste, fraud and abuse in the system, extended the solvency of the Medicare Hospital Insurance Trust Fund by eight years, from 2016 until 2024.[202] As a result, seniors will benefit from a stronger program, better able to meet their diverse health needs.

Over the next several decades, the aging of the baby boom population will increase the number of Medicare beneficiaries substantially. By 2020, enrollment will increase by more than 25 percent and by 2070 it will double.[203] These new retirees deserve the same promise of quality, affordable health care from which their parents have benefited—and it is the position of the Senate Budget that they ought to get it.

Ensuring Americans of all ages have access to affordable health insurance coverage and comprehensive health care services

Health insurance coverage promotes good health. We have recognized this over our country's history and taken steps to extend access to insurance coverage and health care services – first, to the most vulnerable groups, and more recently to Americans of all ages. In doing so, we have worked to

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[200] Congressional Budget Office, "The Long-Term Budgetary Impact of Paths for Federal Revenues and Spending Specified by Chairman Ryan," 3/20/12.

[201] U.S. Department of Health and Human Services Assistant Secretary for Planning and Evaluation, "ASPE Issue Brief: Estimated Savings of $5,000 to Each Medicare Beneficiary from Enactment Through 2022 Under the Affordable Care Act," 9/17/12.

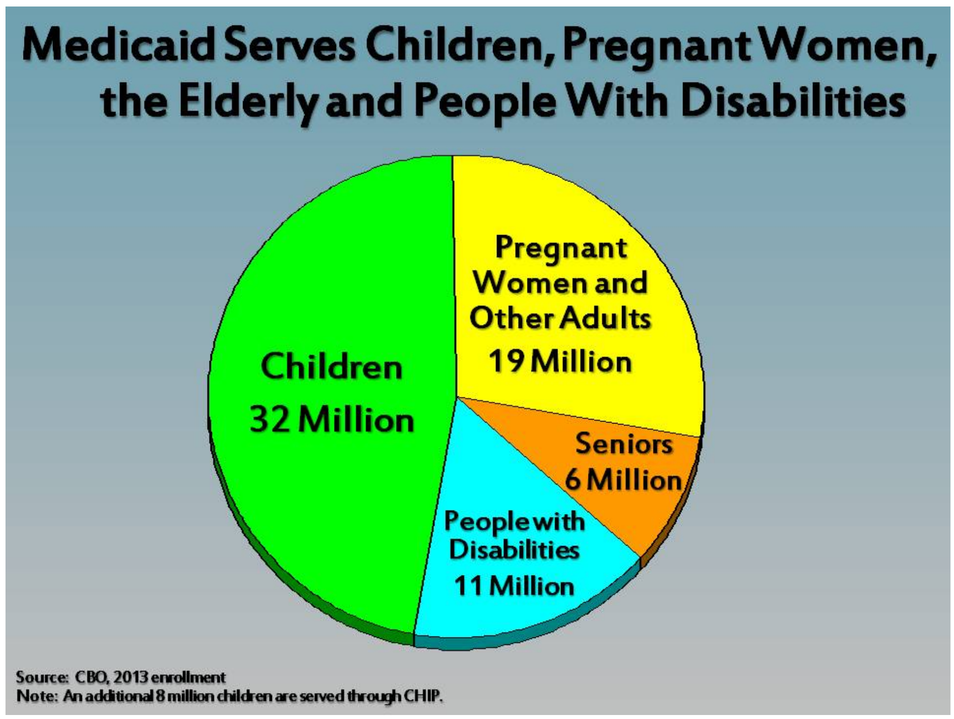
[202] Centers for Medicare and Medicaid Services, "Trustees Report Shows Medicare Remains Viable, but Challenges Remain" 5/13/11.

[203] Centers for Medicare and Medicaid Services, "2012 Annual Report of the Boards of Trustees of the Federal Hospital Insurance Trust Fund and the Federal Supplementary Medical Insurance Trust Fund, Table V.B3.," 4/23/12.

strengthen a system of employer-based coverage and improve private health insurance options for working-age Americans. But we have also had a strong commitment to providing a robust health safety net for those who need it the most.

The federal government and states work together in fulfilling this commitment. Through two programs, Medicaid and the Children's Health Insurance Program, more than 60 million Americans a year receive health insurance coverage that is financed through the contribution of vital resources from both levels of government. The largest group of enrollees is children in low-income families.

For the share of these children who have medically complex conditions, Medicaid coverage provides life-saving services their families would otherwise be unable to afford. Seniors living in nursing homes and non-elderly individuals with disabilities also receive benefits. And Medicaid plays a significant role in maternal health services – financing 40 percent of all births in the U.S.[204] The programs have worked to improve health and lower mortality, while participation has also been linked to less household debt.[205]



The ACA provides for the largest expansion of Medicaid since it was first created. Under the law, states may enroll all individuals living below 133 percent of the poverty line, with the federal government covering the entire cost for the first three years, and no less than 90 percent thereafter.

The fact that governors from both parties have signed up to participate is a testament to the role the program has played in protecting the most vulnerable, as well as the potential it possesses to extend the basic security of health insurance coverage to those lacking that protection today. Florida Governor Rick Scott, a Republican, said the following when he announced his decision to support the expansion:

> *"[T]his country is the greatest in the world. America's greatness is largely because of how we value the weakest among us. Quality healthcare services must be accessible and affordable for all – not just those in certain zip codes or tax brackets. No mother, or father, should despair over whether or not they can afford – or access – the healthcare their child needs."*[206]

In addition to expanding Medicaid, the ACA creates new state-based health insurance marketplaces where consumers with incomes above the threshold to qualify for Medicaid can comparison shop for health insurance. To ensure the plans are affordable, subsidies are provided to limit premiums and out-

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[204] Kaiser Family Foundation, "Medicaid Matters: Understanding Medicaid's Role in Our Health Care System," March 2011.
[205] Center on Budget and Policy Priorities, "Commentary: How Effective is the Safety Net?" 2/6/13.
[206] Remarks of Governor Rick Scott, 2/20/13.

of-pocket costs to a specified percentage of household income. In 2020, nearly 30 million Americans will have health insurance coverage as a result of the Medicaid expansion and state-based marketplaces.[207]

The ACA also included other important provisions to hold insurance companies accountable and expand access to coverage for particularly vulnerable populations immediately. Today, as a result of the law, insurance companies can no longer deny coverage to children based on pre-existing conditions, impose lifetime limits on coverage, or drop an enrollee when they become ill; more than 3 million young people have been able to stay on their parents insurance until the age of 26,[208] and millions of seniors are benefiting from increased coverage of prescription drugs.[209]

We must continue to build on these and other efforts in the ACA. In particular, investments in public health and prevention and a focus on chronic disease can help reign in health care costs in the long run. This means we can start to move away from a "sick care" system and move toward a system focused on the prevention and earlier treatment of diseases, as well as support for patients and caregivers.

Incentivizing greater patient engagement in their health is also important to this effort. An immediate benefit of the ACA has been that insurance companies now cover preventive services with little or no cost to patients. This new focus on prevention and earlier treatment of illness will help more Americans avoid invasive and expensive later-stage treatments.

Further, beyond these steps, we must ensure it is easy to access care. To this end, Community Health Centers play a vital role for underserved communities, including rural, urban, and frontier areas. The ACA made critical investments in Community Health Centers, recognizing the important role they will play in providing cost-effective health care for millions of newly insured individuals.

And finally, we must also work to address the growing and urgent need to improve mental health care in this country. Recent studies have shown that mental health disorders are some of the most costly conditions in the U.S., and the direct and indirect financial costs associated with mental illness in our country are over $300 billion annually.[210] These conditions are proven to be linked with premature mortality, reducing life expectancy on average by eight years for those affected.[211] Adults with a serious mental illness are also 11 times more likely than the general population to be victims of violence.[212] In our work to improve the health care system we must also fight to expand coverage, provide increased access in both traditional and community settings, and alleviate the stigma associate with mental health care.

The Senate Budget maintains a commitment to improving the health care system in this country. This budget preserves the reforms already underway as a result of the ACA and sees that those scheduled to go in effect over the next several years are fully implemented. This will require not only vigorous monitoring of the progress being made, but that adequate funding for programs such as Community

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[207] Congressional Budget Office, "The Budget and Economic Outlook: Fiscal Years 2013 to 2023," 02/05/13.
[208] U.S. Department of Health And Human Services Assistant Secretary for Planning and Evaluation, "ASPE Issue Brief: Number of Young Adults Gaining Insurance Due to the Affordable Care Act Now Tops 3 Million," 06/19/12.
[209] U.S. Department of Health and Human Services, "People with Medicare save more than $4.1 billion on prescription drugs," 08/20/12.
[210] Thomas Insel, M.D., Testimony before the U.S. Senate, Committee on Health, Education, Labor, and Pensions, 01/24/13.
[211] Druss, B.G. et al., "Understanding excess mortality in persons with mental illness: 17-year follow up of a nationally representative U.S. survey," June 2011.
[212] Teplin, L.A., et al., ""Crime victimization in adults with severe mental illness: comparison with the National Crime Victimization Survey," August 2005.

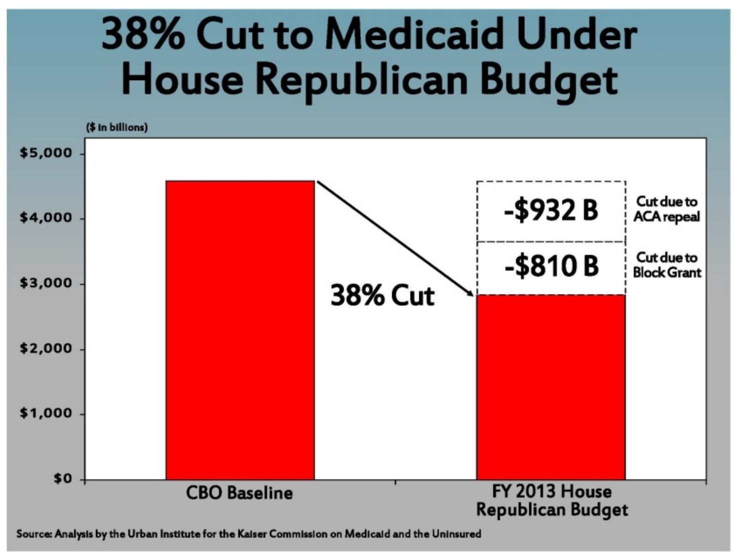
Health Centers is available to ensure the intended objectives are achieved.

In addition, we will not cease to explore and encourage further improvements in how health care services are delivered in this country. And in doing so, we will continue to prioritize efforts to address prevention and mental health.

House Republicans take a different approach. Their plan to repeal the insurance coverage provisions of the ACA would increase the number of uninsured dramatically – by up to nearly 30 million people. And by undoing insurance market reforms that limit the premiums insurers can charge, require coverage of basic health care services, and increase transparency of their operations, the House Republican plan would put control back in the hands of insurance companies, instead of with patients and their doctors, where it belongs.

On top of their drastic plan to undo the ACA, House Republicans propose to convert Medicaid into a block grant and cut federal support by 38 percent over ten years.[213] This change would undermine the federal state partnership. And as a result, states would likely reduce benefits or take them away entirely, particularly during economic downturns when state budgets come under greater pressure. This would put the most vulnerable among us at greater risk when times are the toughest.

These effects are captured in a CBO analysis, which indicated that reductions in spending of this magnitude, "might involve reduced eligibility for Medicaid and CHIP, coverage of fewer services, lower payments to providers, or increased cost-sharing by beneficiaries – all of which would reduce access to care."[214]



And House Republicans propose these changes despite calls from members of their own party to maintain promised support for Medicaid. As governors indicate their intention to expand the program, many of them are conditioning such action on continued federal funding at today's promised level.

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[213] Urban Institute, "National and State-by-State Impact of the 2012 House Republican Budget Plan for Medicaid," 10/23/12.
[214] Congressional Budget Office, "The Long-Term Budgetary Impact of Paths for Federal Revenues and Spending Specified by Chairman Ryan," 3/20/12.

Women's health care and economic opportunity

The Senate Budget is committed to expanding opportunities for women across America. To do so, every effort needs to increase access to affordable health care for women, provide life-saving assistance to all victims of domestic violence, and ensure women are treated fairly and paid equally in the American workplace.

Women's health care

The Senate Budget protects funding for programs that help to increase access for women to health care. The government should not interfere with a woman's private decisions, and the budget should not be used as a tool to force women to lose coverage.

Thanks to the ACA, health insurance plans are now required to cover women's preventive services such as well-woman visits, breastfeeding support, domestic violence screening, and contraception without charging a co-payment, co-insurance or a deductible.

Additionally, ACA ends gender discrimination in pricing insurance, ensuring that women and men pay the same price for the same coverage and prohibits insurance companies from denying insurance to anyone solely because they are a survivor of domestic violence. And ACA prohibits insurance companies from issuing policies in the individual and small group markets that do not include coverage of maternity care services.

The House Republican budget would end these protections by repealing the ACA. Repealing ACA would reduce protections for women, decrease access to life-saving preventative services, and restore inequities by allowing insurance companies to charge more for coverage on the basis of gender. This extreme agenda would restrict health care options for women, while doing nothing to further our goals of strengthening our economy and expanding middle class prosperity.

Violence Against Women Act (VAWA)

In the 18 years since its passage, VAWA has helped provide life-saving assistance to victims across the U.S., decreasing incidences of domestic violence by 53 percent.[215] Every minute, 24 people across America are victims of violence by an intimate partner. This equates to more than 12 million victims every year.[216]

This year, an overwhelming majority in the House and Senate voted to reauthorize VAWA. This bipartisan legislation provides critical programs that help keep victims safe and hold perpetrators accountable. The bill voted on during this Congress builds on past legislation by strengthening the ability of the federal government, states, tribal governments, law enforcement, and service providers to combat domestic violence, dating violence, sexual assault, and stalking while taking new steps to ensure VAWA programs reach victims previously excluded from protections and services. VAWA now includes provisions ensuring services are available regardless of sexual orientation or gender identity, making this bill more inclusive than ever before.

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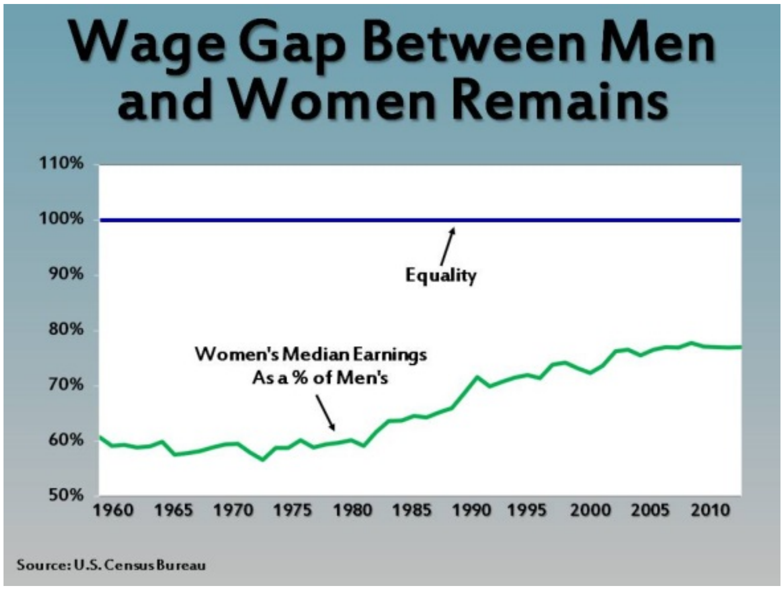
[215] Bureau of Justice Statistics, "Selected Findings: Female Victims of Violence," 10/23/09.
[216] Centers for Disease Control and Prevention, "Understanding Intimate Partner Violence," 2012.

The Senate Budget recognizes that funding of this program is critical in preventing violence and repairing lives of victims, and increases funding for this essential program. This additional funding will provide lifesaving protections to end sexual and domestic violence, helping women step out from the shadow of violence and be empowered to seek justice. This investment in American women is an investment in our families, our workforce, and our future.

Equal pay for equal work

Women are a valued and growing part of the nation's labor force. They are leaders, innovators, caregivers, breadwinners, and single mothers. And yet, they still face challenges in securing equal pay for equal work and balancing the demands of work and family. The Senate Budget commits to addressing those challenges because when women win, we all win.

According to the National Partnership for Women and Families, women are still paid $0.77 for every dollar earned by men.[217] For women who are heads of households, this issue goes beyond fairness to providing for their families. Congress took bold action in addressing wage disparity with the passage of the Lilly Ledbetter Fair Pay Act of 2009, the first bill signed into law by President Obama, but more needs to be done. Democrats continue to lead efforts against wage discrimination with the introduction of the Paycheck Fairness Act and Fair Pay Act.



For many women, being able to balance the demands of work and family or their own health needs is just as important to their economic competitiveness as fair pay. This year marks the 20th anniversary of the Family and Medical Leave Act of 1993 (FMLA), which provides eligible workers with the peace of mind of job security if they need to take leave to care for their health, the health of their family or prepare for a new child.

The Department of Labor released the results of a nationwide survey (Family and Medical Leave Act in 2012: Final Report), which highlights what we already know - work–family policies such as the FMLA are working for workers and employers. The survey found that most FMLA leave is taken for a personal illness, followed by leave for a pregnancy or new child or to care for a sick family member. For employers, the survey found that most covered businesses did not experience difficulty in administering the law. Job protections under the FMLA have been revolutionary but the U.S. remains behind its international economic peers in terms of guaranteed paid leave.[218]

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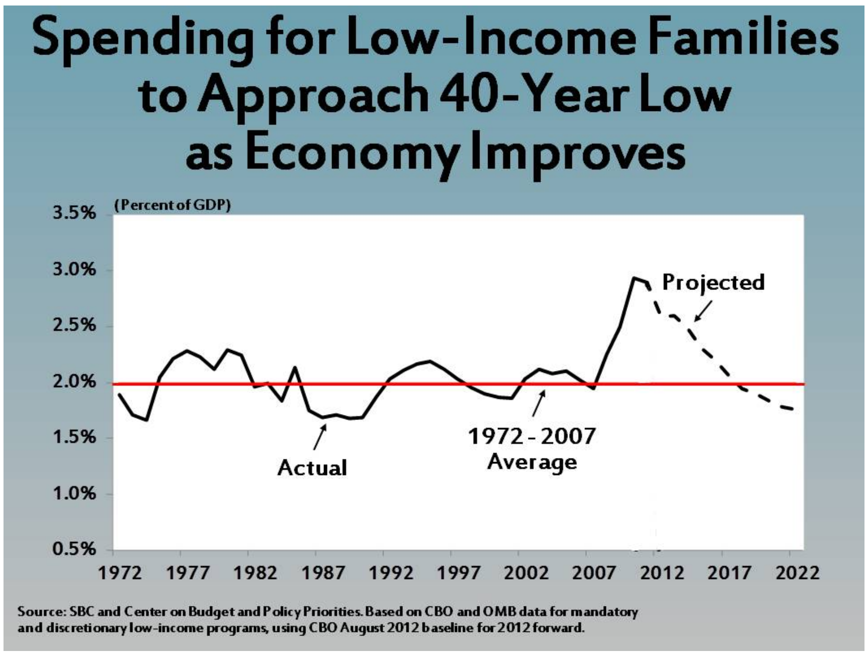
[217] National Partnership for Women and Families, accessed 3/7/13.

[218] U.S. Department of Labor, "Family and Medical Leave Act in 2012: Final Report," 02/04/13.

Protecting the most vulnerable families

In the wake of the Great Recession, millions of families lost their jobs, their homes, and their livelihoods. Many others saw reduced hours, wages, or benefits. The most vulnerable among us—children, seniors, those with disabilities, and low-income individuals—were particularly hard hit. The national poverty rate increased to its highest level since 1993[219] and the number of people living in poverty reached an all-time high. The Senate Budget reflects a deep commitment to both maintaining a strong safety net for those hit by hard times, and providing ladders of opportunity to lift Americans out of poverty.

As the President called for in his State of the Union address, the Senate Budget works to build pathways out of poverty into the middle class through several key investments. This budget will invest in creating jobs to put people back to work right away, job training to fill existing job openings, and high-quality education for our children. These investments support economic growth that will give families the chance to move into the middle class, putting the American Dream within reach.



This budget also focuses on key safety net programs that lift millions of families out of poverty. While there are still far too many Americans struggling to make ends meet, federal programs have been successful in lifting millions of Americans above the poverty line. In fact, the poverty rate would have been nearly twice as high in 2011 without government assistance. According to the Census Bureau's supplemental poverty measure,[220] poverty would have been 29.0 percent instead of 16.1 percent in 2011. Federal safety net programs have helped keep millions of Americans out of poverty in 2011, including 8.7 million from Earned Income Tax Credits and the Child Tax Credits, 4.7 million from the Supplemental Nutrition Assistance Program (SNAP), 3.4 million from Unemployment Insurance, 3.4 million from Supplemental Security Income, and 2.8 million from housing subsidies.[221]

Spending on low-income programs is declining

In response to the Great Recession, spending on non-health low-income programs increased in recent years. However, this spending has already started to decline. In fact, CBO projects that it is on course to

[219] U.S. Census Bureau, Historical Poverty Tables Table 2, accessed 3/9/13.
[220] Note: Unlike the official poverty measure, the Census Bureau's new Supplemental Poverty Measure takes into account regional differences and the effect of government programs and tax credits.
[221] U.S. Census Bureau, "The Research SUPPLEMENTAL POVERTY MEASURE: 2011," November 2012.

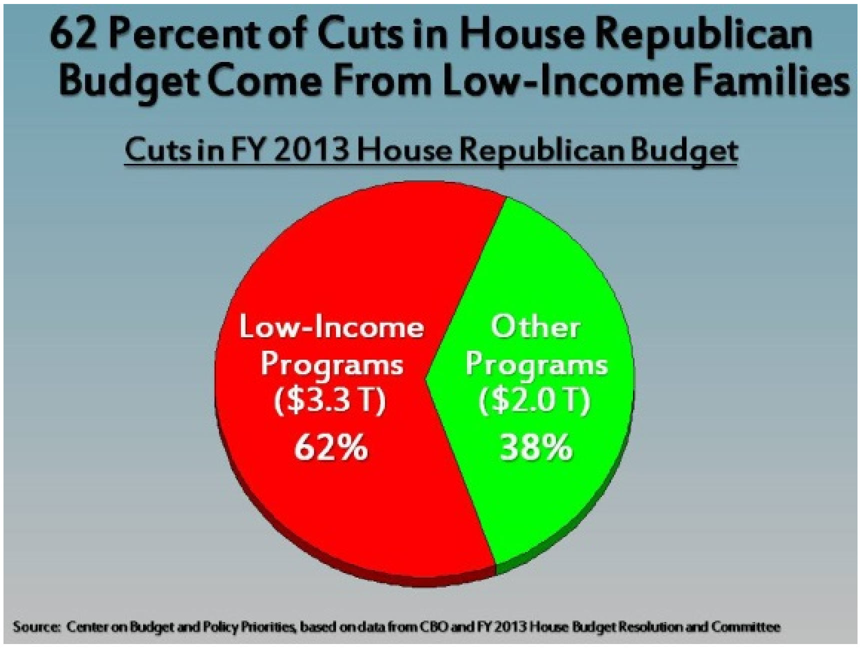
approach its lowest level in 40 years. Because expenditures on these programs are actually shrinking compared to the overall economy, these programs are clearly not causing our long-term fiscal problems.

Anti-poverty programs are protected in bipartisan deficit reduction proposals

The bipartisan Simpson-Bowles Commission recognized that deficit reduction is counter-productive if it results in increased poverty and widened inequality. Simpson-Bowles established, as a guiding principle, that deficit reduction should protect the most vulnerable among us and maintain a strong safety net. As the Simpson-Bowles report stated, deficit reduction measures should:

> *"Protect the disadvantaged. About 20 percent of mandatory spending is devoted to income support programs for the most disadvantaged. These include programs such as unemployment compensation, food stamps, and Supplemental Security Income (SSI). These programs provide vital means of support for the disadvantaged, and this report does not recommend any fundamental policy changes to these programs."*[222]

Over the last few decades, all major bipartisan deficit reduction packages have adhered to the principle that deficit reduction should not increase poverty. The 1985 and 1987 Gramm-Rudman-Hollings laws, the 1990, 1993, and 1997 deficit reduction packages, the 2010 pay-as-you-go law, and the 2011 Budget Control Act all exempted mandatory low-income programs from automatic cuts. In fact, the deficit reduction packages passed in the 1990s decreased poverty while shrinking deficits. These packages, which strengthened the EITC and SNAP programs and created the CHIP program, show that poverty can actually be reduced while achieving deficit reduction. More recently, a wide-ranging coalition of religious leaders joined in agreement to argue that protecting the most vulnerable was an absolute moral imperative in the current budget debate. [223]



The House Republican budget takes the opposite approach, placing the burden of deficit reduction primarily on the most vulnerable Americans. In fact, the spending cuts in their proposals are disproportionately targeted to those facing hardship. The Center on Budget and Policy Priorities calculated that 62 percent of the savings in the Fiscal Year 2013 House budget impacted families and communities most in need. [224] That includes $134 billion from block granting and cutting SNAP for families struggling to put food on the table for their children.

These large cuts to low-income programs like SNAP would increase poverty, widen

[222] The National Commission on Fiscal Responsibility and Reform, "The Moment of Truth," 12/10.
[223] "White House and Congressional Leaders Urged to Reduce Deficit without Increasing Poverty: Previous Deficit Reduction Packages Protected Programs for Low-Income Americans," updated 07/08/11.
[224] Center on Budget and Policy Priorities (CBPP), "Chairman Ryan Gets 62 Percent of His Huge Budget Cuts from Programs for Lower-Income Americans," 03/23/12.

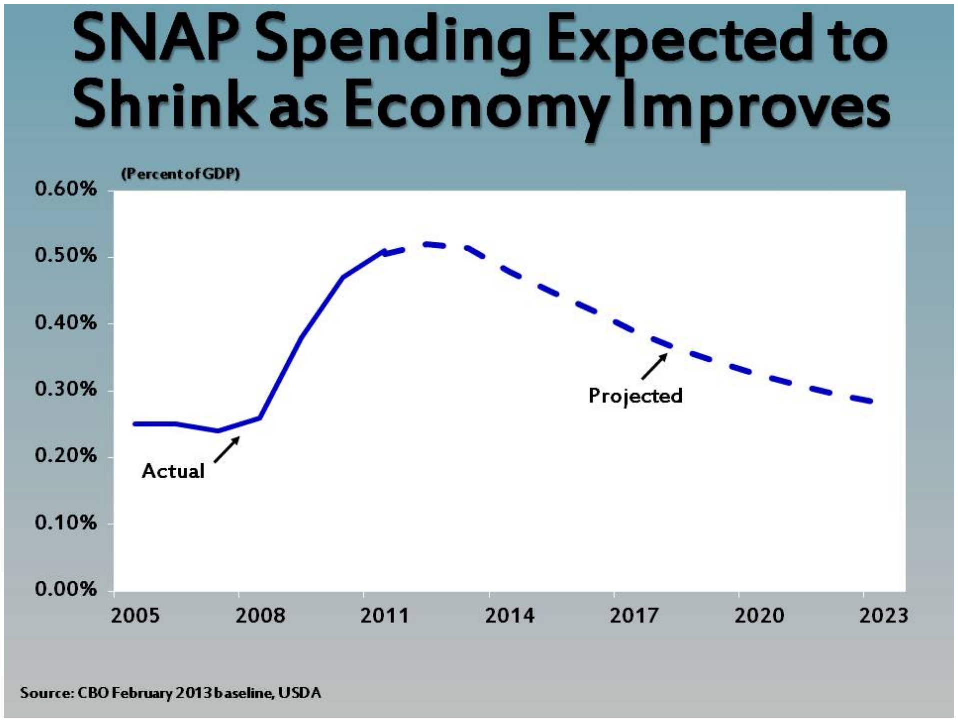
inequality, and create further hardship for vulnerable families. They are also entirely misplaced on programs that are not causing our long-term deficit problems.

Unlike the House Republican budget approach, the Senate Budget will ensure our country upholds our moral obligation to protect the most vulnerable Americans. Similar to the Simpson-Bowles plan and other bipartisan deficit reduction proposals, this budget does not call for fundamental changes to safety net programs. Instead, it works to improve and protect several key safety net programs so that they can help boost even more families out of poverty.

SNAP funding prevents hunger for millions of Americans struck by hard times

The Senate Budget protects funding for SNAP, America's most important program for preventing hunger among extremely vulnerable families. Nearly 72 percent of SNAP participants are in households with children, and more than 25 percent of SNAP participants are in households that include seniors or individuals with disabilities.[225] Research has found that people who had access to SNAP in early childhood had improved health outcomes and improved economic self-sufficiency as adults, relative to similarly low-income people who did not.[226]

SNAP is an effective and efficient program that responded exactly as designed during the Great Recession, which impacted millions of American families. SNAP spending increased in response to growing need during the economic downturn—when unemployment increased by 94 percent between 2007 and 2011, SNAP responded with a 70 percent increase in caseload[227]—and SNAP spending will decrease as the economy recovers. The Congressional Budget Office estimates that, within the next ten years, SNAP spending will shrink to about the level it was before the recession, as a share of the economy.[228] At the same time, abuse of the SNAP program continues to decrease, with its error rates reaching an all-time low in Fiscal Year 2011.



[225] Center on Budget and Policy Priorities, "Policy Basics: Introduction to the Supplemental Nutrition Assistance Program (SNAP)," Updated 03/08/13.
[226] Hilary W. Hoynes, Diane Whitmore Schanzenbach, Douglas Almond, "Long Run Impacts of Childhood Access to the Safety Net," National Bureau of Economic Research Working Paper No. 18535, November 2012.
[227] Food and Nutrition Service, "Supplemental Nutrition Assistance Program Participation and Costs," Data as of March 2013.
[228] Congressional Budget Office February 2013 Baseline. February 2013.

The cuts to SNAP in the House Republican budget are the equivalent of eliminating SNAP benefits for more than 8 million people per year.[229] Their budget would also block grant SNAP, meaning that the program could no longer automatically respond to recessions, and millions of families would be left with lower benefits or no help at all when they need it the most. For example, if SNAP had been block granted in 2007 with a capped funding level, SNAP funding would have been over 50 percent lower in 2010,[230] just as unemployment was peaking. This would have been equivalent to eliminating SNAP benefits for about 20 million people, increasing demand on an already overstretched food bank system, and undoubtedly leaving poor families hungry.

Nutrition for mothers with young children supports child development and provides future Savings

The Senate Budget also strongly supports the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). This program provides crucial supports, including healthy foods and nutrition education, to low-income pregnant women, mothers, and children up to five years of age who are at risk for malnutrition.[231] Of those served by WIC, 76 percent are infants and children.[232] WIC is a cost-efficient program that lowers health care expenses over the long term by reducing the likelihood of poor health outcomes for mothers and infants, like low birth-weight. Additionally, studies have shown that Medicaid costs for WIC participants are 29 percent lower than for their counterparts who are not accessing WIC.[233]

While the Senate Budget acknowledges the challenges families face in our current economic situation, the House Republican budget chooses to make drastic cuts to safety net programs that support vulnerable women and children. If the cuts in last year's House Republican budget were distributed equally, about 1.8 million women, infants, and children, or a fifth of those accessing the program, would lose access to WIC services in one year alone.[234] The Senate Budget also reverses sequestration, which would cause 570,000-750,000 low-income women and children to lose access to vital WIC supports in the coming fiscal year.[235]

Heating assistance provides critical support to low-income families and seniors

The Senate Budget assumes increased funding for the Low-Income Home Energy Assistance Program (LIHEAP) to assist with home energy costs. Research has shown that children in energy-secure homes, like those assisted by LIHEAP, are less likely to have health issues, be food insecure, be hospitalized since birth, and be at risk for developmental delays.[236] [237] Additionally, LIHEAP provides critical support to

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229 Center on Budget and Policy Priorities, "Ryan Budget Would Slash SNAP Funding by $134 Billion Over Ten Years," updated 04/18/12.

230 Food and Nutrition Service, "Supplemental Nutrition Assistance Program Participation and Costs," March 2013.

231 Food and Nutrition Service, "WIC -- The Special Supplemental Nutrition Program for Women, Infants and Children," Updated December 2012.

232 Office of Management and Budget, "The Ryan-Republican Budget: The Consequences of Imbalance," 03/21/12.

233 Gregory, P.M., de Jesus, M.L. (2003) Racial differences in birth outcomes and costs in relation to prenatal WIC participation N J Med, 100(3), 29-36

234 Office of Management and Budget, "The Ryan-Republican Budget: The Consequences of Imbalance," 03/21/12.

235 Center on Budget and Policy Priorities, "The Impact of the Sequester on WIC," updated 03/05/13.

236 Pediatrics, "Heat or eat: the Low Income Home Energy Assistance Program and nutritional and health risks among children less than 3 years of age," November 2006.

237 Pediatrics, "A brief indicator of household energy security: associations with food security, child health, and child development in US infants and toddlers." October 2008.

low-income elderly Americans, who too often have to choose between home heating or cooling and health care expenses, such as medications.

Housing for low-income families

Housing is an essential part of our economy and critical to the success of families and communities. We have long recognized that our government must play a role in ensuring that needy Americans are not sleeping on the streets or living in unsafe conditions. The stability of a home provides crucial developmental benefits for children, and makes it easier for adults to find stable employment.

For decades, the government has supported affordable housing construction and rental assistance, and today over 5 million low-income renter families, veterans, elderly and disabled Americans use federal rental assistance to access safe and stable housing.[238]

Yet, many hardworking Americans still cannot access safe and affordable housing. The Department of Housing and Urban Development (HUD) recently reported that 8.4 million low-income renters had worst case housing needs, meaning they were paying too much of their income toward rent or were living in substandard housing. Of this number, 32 percent are elderly or disabled.[239] These families are one crisis away from losing their housing.

<u>The Senate Budget replaces harmful cuts from sequestration, avoiding devastating consequences for low-income families who use federal housing programs</u>.

As the HUD report noted, the affordable housing crisis continues to grow as wages fail to keep up with rising rents and the stock of affordable housing grows smaller. The Senate Budget recognizes that continued investment in affordable housing is essential to growing our economy and giving low-income families a shot at the middle class. At the same time, it ensures that a critical safety net remains for those in need.

By replacing sequestration with a more responsible plan to reduce the deficit, the Senate Budget avoids the arbitrary cuts to housing programs that would have devastating consequences for low-income families. The 2013 sequestration cuts alone are estimated to put as many as 125,000 individuals and families at risk of losing their housing voucher—leaving them to pay more of their income toward rent, or face eviction and homelessness. In addition, another 100,000 homeless or formerly homeless persons would be at risk of losing their permanent housing or access to shelters.[240] And these represent just some of the impacts of cuts in only the first year.

Beyond protecting the safety net, the budget focuses on the principal causes of the affordable housing crisis—wage stagnation and the meager supply of affordable housing units. According to the National Low Income Housing Coalition, there are no states where an individual working full-time at a minimum wage job can afford a two-bedroom unit at the fair market rent, and there are few places in the nation where a one-bedroom unit is affordable.[241] The Senate Budget recognizes the importance of making sure

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[238] U.S. Department of Housing and Urban Development, "U.S. Department of Housing and Urban Development Fiscal Year 2012-2013 Annual Performance Plan", accessed <u>March 2013</u> and US Department of Agriculture Letter "Results of the 2012 Multi-Family Housing Annual Fair Housing Occupancy Report," <u>August 2012</u>.

[239] U.S. Department of Housing and Urban Development, Office of Policy Development and Research, "Worst Case Housing Needs 2011: Report to Congress," <u>February 2013</u>.

[240] Secretary Shaun Donavan, Testimony before the U.S. Senate, Committee on Appropriations, <u>02/04/13</u>.

[241] National Low Income Housing Coalition, "Out of Reach 2012: America's Forgotten Housing Crisis", <u>March 2012</u>.

families earn enough money to pay for adequate housing. The Senate Budget also supports efforts to capitalize the Housing Trust Fund to increase the supply of affordable housing.

Collaboration among government agencies, the private sector and the philanthropic community is key to helping families achieve housing stability. Strong partnerships and strategic federal investments have demonstrated results. For example, HUD and the Department of Veterans Affairs joined together to successfully reduce homelessness among veterans by 17.2 percent since 2009.[242]

Federal investment is also critical to building desperately needed affordable housing, and relationships with the private sector help leverage federal dollars effectively. But in order for the government to work with the private sector, it must continue to be a reliable partner. If Congress continues to create budgetary uncertainty that calls into question the full faith and credit of the nation, we will miss the opportunities to create these partnerships and make taxpayer dollars go further.

The House Republican proposals focus on providing flexibility, while reducing resources vital to helping the neediest. They call for limiting or restricting benefits, but propose cuts to programs like job training and childcare that increase opportunities for families. According to analysis by CBPP, the cuts to domestic discretionary funding under the House Republican budget could result in as many as 1.2 million households losing rental assistance by 2021.[243]

The Senate Budget offers the opportunity for government to be a partner with families and communities to help hard working families escape poverty. It protects core housing safety net programs and continues investments in affordable housing. It also invests in education and job training to create opportunities for families to increase their incomes, so they can better afford housing.

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[242] U.S. Department of Housing and Urban Development, "The 2012 Point-In-Time Estimates of Homelessness," November 2012.
[243] Rice, Douglas, "Deficit Reduction Deal without Substantial Revenues Would Almost Certainly Force Deep Cuts in Housing Assistance," 11/26/12.

Keeping the promises made to our veterans

Keeping faith with our veterans and their family members is our sacred obligation. It is one that we should always meet. As President Kennedy aptly reminded the nation "as we express our gratitude, we must never forget that the highest appreciation is not to utter words, but to live by them."[244] This budget demonstrates our gratitude. It upholds our obligation. A nation's budget reflects its values, and this budget, which fully funds veterans' benefits and services, meets our deep commitment to ensuring service to the nation is honored and is put before politics.

Providing health care to veterans must be a top priority. Congress wisely enacted advance appropriations for the veterans' medical care accounts in order to give stability and certainty to the Veterans Health Administration and to protect veterans' health care from the turbulent budget climate. This budget will provide $63 billion in discretionary budget authority for fiscal year 2014 including advance appropriations amounts equal to the President's fiscal year 2013 requested level.

Access to care, particularly in rural areas, remains a serious concern. With provisions of the Affordable Care Act beginning to be offered in states throughout the country, it is unclear which benefits of the law veterans will take advantage of and how this will affect veterans seeking care from VA. Some research suggests demand for VA care may decrease, in favor of private insurance acquired through exchanges, which could allow eligibility for VA care to be expanded to more veterans, including Priority Group 8 veterans most of whom are currently excluded from the system.[245] Improving access to care will require enhancing the collaboration between VA and community providers, non-profits, and other government partners. It also means expanding the use of telehealth, which leads to better patient outcomes and reduced costs.[246]

VA's benefits claims system has been broken for far too long and the backlog has only grown larger with each passing year. It is true that more veterans are filing claims than in earlier eras, and more of these claims are increasingly complex, but it is completely unacceptable that VA currently has 895,029 claims pending, with a full 70 percent of those pending more than 125 days.[247] This budget will include additional reserve funding for legislation that would increase eligibility for benefits or improve the efficiency of claims processing.

The budget also sets aside funding for certain technology solutions. An electronic claims processing system has the potential to dramatically reduce the wait for veterans to receive compensation for service-connected disabilities. A truly joint VA-DOD integrated electronic health record system would not only make great improvements to the quality of care veterans and servicemembers receive, but it would also revolutionize the health care industry and lead the national effort toward electronic medical records. Unfortunately, these initiatives have fallen behind and are not producing the results originally

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[244] President John F. Kennedy, "Proclamation 3560," 11/4/1963.

[245] Jennifer Haley and Genevieve M. Kenney, "Uninsured Veterans and Family Members: Who are they and where do they live?" May 2012. Westat, "National Survey of Veterans, Active Duty Service Members, Demobilized National Guard and Reserve Members, Family Members, and Surviving Spouses," 10/18/2010.

[246] Senate Committee on Veterans Affairs, "Report 112-88," 10/11/2011. See also: Adam Darkins, et al, "Care Coordination/Home Telehealth: The Systematic Implementation of Health Informatics, Home Telehealth, and Disease Management to Support the Care of Veteran Patients with Chronic Conditions," 1/2/2009.

[247] Department of Veterans Affairs, "Monday Morning Workload Report," 3/4/2013.

envisioned.[248] The funding for these efforts is intended to encourage real progress, and substantive improvements on both the technical and management sides.

In allocating these funds, key priorities should be protected including:

- Providing for women veterans – The percentage of women in the overall veterans population has been rising dramatically. It is now incumbent on VA to adapt in order to provide the health care our women veterans need, and to ensure facilities are appropriate to protect the privacy and safety of women veterans.

- Mental health care – With suicide rates at unprecedented levels, VA must do everything possible to prevent suicide and to ensure access to quality mental health care. This includes fully implementing the Mental Health ACCESS Act, hiring additional providers, and bringing down unacceptably long wait times for mental health care.

  A key component of VA's ability to provide mental health care and to aid in transition is its network of Vet Centers, operated by the Readjustment Counseling Service. These highly successful facilities should be protected and fully funded.

- Non-VA care – VA cannot always provide care and services to veterans in a timely manner or within a reasonable distance from their homes. When this happens it is important that VA partner with community providers to get veterans into care. However, this can be done more cost effectively, with better oversight of the quality and coordination of care. VA is in the process of implementing the Patient Centered Community Care initiative which is intended to overhaul the very costly way the Department provides non-VA care. Significant concerns remain about how this initiative will be implemented and if the savings and efficiencies the VA anticipates will be achieved.

- Homeless veterans – To its credit VA has made ending veteran homelessness a top priority, and much progress has been made. Funding for continued growth of successful initiatives, such as HUD-VASH vouchers, the Homeless Veterans Reintegration Program, Supportive Services for Veteran Families, and the Grant and Per Diem programs must be protected or increased in order to finally achieve this goal.

- Education benefits – Programs like the Post-9/11 GI Bill, the Veterans Retraining Assistance Program, Vocational Rehabilitation and Education, and others are critically important to helping veterans develop the skills they need to succeed in a 21st century economy. These programs should continue to be provided for as they greatly assist veterans, and also the country as a whole which continues to benefit from the investments we have made in our servicemembers and veterans.

- Employment – Veterans leave the military with a wide range of skills which prepare them to be premier employees in the civilian workforce. Employers, VA, DOD, and others must continue to work together to help translate military skills, especially certifications and licenses, into civilian equivalents

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[248] In remarks at the James A. Lovell Federal Health Care Center on 5/21/2012, Secretary Panetta characterized the intended electronic health record system as "the iEHR will unify the departments' now-separate legacy electronic health records systems into a common, secure system that makes service members' and veterans' health information available to them throughout their lifetimes." This differs substantially from Secretary Panetta's 2/5/2013, characterization that "rather than building a single integrated system from scratch, we will focus our immediate efforts on integrating V.A. and DOD health data as quickly as possible, by focusing on interoperability and using existing solutions."

that employers can recognize. Continuing to build on the progress made by the VOW to Hire Heroes Act is integral to helping veterans move into the civilian workforce.

It is a great strength of our military that it is an all-volunteer force. It is also a profound statement about the character and dedication of our men and women in uniform that each of them raised their hand and volunteered to go into harm's way to protect our nation.

While the last version of the House Republicans' budget did not even mention the word "veteran," this budget goes to great lengths to ensure those who have served us have access to the health care, benefits, and services they need and have earned as a result of their service. It continues to protect programs that will help ease their transition home. That includes programs at the VA but also initiatives from across the government and in collaboration with communities, businesses, and non-profits.

Keeping the promise of a secure retirement

A secure retirement should be attainable for every American. Unfortunately, nearly half of all Americans are not confident that they will have enough money to comfortably support themselves in retirement, and only 14 percent are very confident that will be able to do so.[249]

Part of the problem is that fewer and fewer workers have defined benefit retirement plans that provide a steady benefit that cannot be outlived. As of 2009, only one in five private-sector workers participated in a defined-benefit retirement plan. Many of those plans have already been closed to new entrants, meaning access to defined benefit plans is likely to drop even further in future years.[250]

The decline of the defined-benefit system has placed a burden on average Americans who may not have access to quality financial planning services.

This lack of retirement security places a huge strain on older workers and retirees, who have worked hard and deserve comfortable and dignified golden years. The poverty rate among retirees who lack defined benefit pension income is nine times higher than for workers with pension income.[251] By allowing far too many older Americans to fall into poverty due to insufficient retirements, we are failing to live up to the fundamental American principle that hard work pays off.

All Americans deserve to enjoy a secure and financially independent retirement. To make that dream a reality, we need to ensure that workers have access to good-paying, middle class jobs; can contribute to a retirement that will provide security for the rest of their lives; and have the confidence that their savings and retirement will be there when they need it most.

Last year, Congress passed responsible savings that help businesses and better protect workers' pensions. The legislation designed a more responsible funding mechanism for the Pension Benefit Guaranty Corporation, keeping our promise to workers that their pension income will be protected even if their company goes out of business. At the same time, the legislation took the pension funding burden caused by historically low interest rates off of businesses, allowing them to spend their money on hiring new workers and rebuilding the economy.

The Senate Budget builds on those provisions by establishing risk-based premiums for companies' under-funded pension plans. These premiums will provide an incentive for businesses to fully fund their pension plans and will help the Pension Benefit Guaranty Corporation better protect the pension promises businesses have made to their workers.

The Senate Budget also reforms and rebuilds the private pension system to help every American access a sound retirement they cannot outlive. The pension system currently fails far too many Americans who do not have access to secure retirement vehicles, and this budget takes a large step toward helping all Americans achieve security and financial independence as they approach retirement.

Social Security plays a critical role in providing a foundation of financial security for nearly 60 million seniors, survivors, family members, and people with disabilities. The Republican approach, however, would weaken the traditional three-legged stool of Social Security, pensions, and savings, leaving

[249] Employee Benefit Research Institute, "2012 Retirement Confidence Survey," March 2012.
[250] Bureau of Labor Statistics, "Program Perspectives, Volume 2 Issue 3," April 2010.
[251] National Institute on Retirement Security, "The Pension Factor 2012," July 2012.

hardworking low-income Americans to fend for themselves as they try to save for retirement. Unlike past Republican proposals that would seek to privatize and weaken Social Security, the Senate Budget ensures the guarantee remains.

Protecting middle class families from Wall Street risk-taking and predatory behavior

A well-functioning financial sector plays an important role in the economy. It can help families to build savings to plan for retirement, help firms to raise capital to invest and operate job creating businesses, and in principle it can help individuals and businesses to manage their risks. We believe that well-functioning financial markets are an important ingredient for economic growth.

Our Republican colleagues seem to think that promoting enormous gains in wealth for the already rich is the only essential ingredient for economic growth.[252] Republicans have argued for years that we need to support the financial sector through preferential tax rates and unchecked deregulation. They insisted that the prosperity at the very top of this industry would trickle down to everyone else. But as we have seen over the past three decades, this has not happened. The wealth never trickled down: it just stayed at the top.

The recent financial crisis made clear the consequences of poor oversight and inadequate regulation – value destroyed, assets lost, liquidity dried up, businesses bankrupt – all at the expense of American workers and the middle class. For too many, the legacy of poor oversight and inadequate regulation of the market has manifested itself in workers facing retirement having lost their life savings, and families now saddled with insurmountable debt.

Our economy is still recovering from the greatest financial crisis since the Great Depression.[253] Many factors led to this crisis, but some are easily identifiable as the main culprits.

Predatory mortgage lending resulted in too many risky subprime mortgages that borrowers were likely to be unable to pay. These mortgages were used to back securities that were sold from traders to investors. When the housing bubble popped, home values declined and homeowners began defaulting on those questionable subprime mortgages. Many of the mortgage-backed securities that had spread throughout the economy lost so much value that they were considered “toxic assets.” Those who were holding the securities could not sell them for the very little they appeared to be worth without going bankrupt themselves, but no rational investor would buy the securities for anything close to their original price.

Additionally, because of unregulated, unchecked innovation in the financial markets, some financial instruments that originally existed to protect investors against risk became so complex that they actually increased the risk of a total market collapse. Each of these problems was made significantly worse by federal deregulation of financial services, and a Bush administration that was unwilling to enforce the regulations that remained on the books.[254]

The end result was that a number of significant financial institutions teetered on the verge of collapse. Some banks and other businesses failed outright. Credit tightened, and it suddenly became difficult for even some of the most responsible businesses and individual consumers to borrow money they needed. This liquidity crisis put the entire economy at risk of tumbling from a recession into a deep depression.

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[252] “Middle out Economics 101,” Center for American Progress, 02/21/13.
[253] “Worst Crisis Since ‘30s, With No End Yet in Sight,” The Wall Street Journal, 09/18/08.
[254] “Bush Can Share the Blame for Financial Crisis,” New York Times, 09/20/08.

Avoiding the mistakes of the past and protecting middle class families

We must not repeat the mistakes that got us into this mess in the first place. Poor oversight of the financial sector allowed rampant predatory lending within the housing market, led to banks growing too large and making too many risky investments, and resulted in other problems that were strong contributors to the financial crisis. Moving forward, responsible regulation and robust oversight are essential to safeguarding our economic recovery and making another crisis less likely.

Before serious financial regulation, consumers often fell victim to financial panics resulting in lost savings, and also had little protection against phony investment schemes. As our financial economy has developed, Congress has passed laws resulting in responsible regulations to protect consumers and their money. But over the past few decades many of those laws have been rolled back and significant parts of the financial industry have been deregulated. This has led to more risk, reckless practices, more frequent and costly bank failures, and greater financial predation. Bank failures were rare from the end of World War II until the early 1980s. Poorly-conceived deregulation set the stage for a wave of bank failures in the 1980s and early 1990s, and ultimately for the recent financial crisis.[255]

While effective regulation does not guarantee that financial crises can be avoided, regulation can certainly make them less likely.

Regulation can also ensure that consumers know what they are getting – and that they trust that someone out there will help to protect them from fraud and abuse. That certainty makes consumers more comfortable in their purchases, which in turn helps honest firms sell their products and provides a stable foundation for transactions of goods and services in the economy.

Of course, regulation can be burdensome. Congress and the relevant agencies should constantly be examining regulations to ensure that they are smart and appropriate. As the recent financial crisis shows, deregulation – simply eliminating regulations instead of tailoring them – carries grave risks for the economy. Effective regulation requires that agencies have the resources to navigate a complex and ever-changing landscape of financial products. They need the flexibility to be proactive and adapt to changing conditions in the financial marketplace and new business models. They need to be able to hear from the public and assess whether the regulatory schemes are working and, if not, change them.

Innovation in the financial sector can be good and should be encouraged. Consumer-based innovations like ATMs and internet banking have forever changed the way we do business. However, financial innovation can be dangerous. The recent financial crisis was caused in part by new uses of exotic new financial instruments for which the risks were not fully known.

Wall Street Reform was an important step forward to rein in the most egregious problems with financial markets. Congress passed the law in order to protect the financial system and entire economy from future financial sector meltdowns. But with the financial sector constantly evolving, we must continue to adapt our oversight and regulation. Wall Street Reform was an important step forward, but we must continuously look for ways to ensure our financial system promotes economic stability, financial prosperity and global competitiveness.

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[255] Federal Deposit Insurance Corporation Division of Research and Statistics, "History of the Eighties – Lessons for the Future Volume I: An Examination of the Banking Crises of the 1980's and Early 1990's," December 1997.

Wall Street Reform created the Consumer Financial Protection Bureau (CFPB) in part because we need a functioning watchdog to make certain that consumers have access to information that allows them to accurately assess the risks of their transactions and protect them from predatory firms and unfair business practices. CFPB was also designed to coordinate with a number of other regulatory agencies to enforce federal consumer financial protection laws as well as examine financial institutions and companies to make sure they are complying with the law.

Republicans have a different vision for the path forward

Despite the failure of the deregulation and trickle-down approaches, House Republicans ask us to double down on the approaches that led to the financial crisis. They want us to further reduce regulation, even though deregulation and underfunded regulators have led to rampant fraud and a surge of new investor scams.[256] This approach reflects the Republican position on regulation as espoused by then-House Financial Services Committee Chairman-elect Spencer Bachus in 2010, when he said, "In Washington, the view is that the banks are to be regulated, and my view is that Washington and the regulators are there to serve the banks."[257]

The House Republican approach also guts the regulations that provide the only hope we have to avoid future financial crises. Their approach would have effectively defunded the Consumer Financial Protection Bureau, which was created in direct response to the financial crisis. Currently, the CFPB is not funded directly by Congress like other financial regulators. CFPB's budget comes from the Federal Reserve and is just under $600 million. The House Republican budget approach would have brought the CFPB budget under the control of Congress and cut the funding to $200 million.[258]

The House Republican budget also recommended reductions to the budget of the Securities and Exchange Commission (SEC), the very agency responsible for ensuring that Wall Street's mistakes are not repeated.[259] This was unreasonable in the wake of the financial crisis, and is especially so now that Wall Street Reform has tasked the agency with more oversight responsibilities.

The Republican budget eliminated the Federal Deposit Insurance Corporation (FDIC) authority to wind down failed large financial institutions in an orderly way.[260] This authority was created to end "too big to fail" and ensures that taxpayers do not bear the burden of Wall Street excesses.

Savings should never come at the expense of common sense and middle class families.

The Senate Budget will protect middle class families and communities

The Senate Budget protects the middle class from Wall Street risk-taking and predatory behavior by restoring funding for regulatory agencies like the SEC to pre-sequestration levels, as well as preserving the independence of financial system regulators.

The Senate Budget allows regulators – including CFPB, SEC and FDIC – to do the job they have been charged to do, which is to protect us from reckless investments and future financial crises that could

[256] "Regulators Warn of Growth of New Investor Scams," USA Today, 08/21/12;
North American Securities Administrators Association, "Top Investor Threats," retrieved 03/08/13.
[257] "Spencer Bachus Finally Gets His Chairmanship," The Birmingham News, 12/09/10.
[258] "Financial Services Committee to Vote on Legislation to Cut Deficit by $35 Billion," Congressman Spencer Bachus, 04/18/12.
[259] "Cuts that Gut: More Insight into the Ryan-Republican Budget," OMBlog, 03/28/2012.
[260] "Republicans Target Dodd-Frank for Deficit Savings," Reuters, 04/18/2012.

come at the expense of America's middle class. The budget also injects new funding into the Commodity Futures Trading Commission, one of the lead agencies responsible for regulating the derivatives market and ensuring the integrity of our financial system.

This budget empowers these agencies to perform robust oversight and implement reasonable regulations that stabilize the market and return our nation to economic prosperity. In so doing, it protects America's middle class, ensures our small businesses can access capital, and enables families to plan for the future.

Maintaining our commitment to domestic security while supporting family-centered comprehensive immigration reform

There is no responsibility more important to the federal government than the safety and security of American families. Critical to that mission are investments in safeguarding against terrorist threats, protecting our borders, appropriately responding to life-threatening disasters, and developing comprehensive immigration reform focused on families, fairness, and the needs of small business and industry. At a time when our nation's population continues to grow and our criminal enterprises are increasingly sophisticated, the Senate Budget is committed to ensuring public safety through robust support for federal agencies and local law enforcement.

Over the past decade, domestic security funding has increased considerably. After the attacks of September 11th, Congress dramatically increased government-wide domestic security funding, including for the new Department of Homeland Security. Total government-wide homeland security funding in 2001 was $10.5 billion.[261] By 2012, the amount had increased to nearly $68 billion.[262] Over the same time period, the federal government's investment in border security reached unprecedented levels. This includes doubling the number of border agents, bringing the number to more than 21,000,[263] as well as increasing the number of detention beds by almost 75 percent since 2002.[264]

Congress also required long overdue security improvements on our northern border and in our ports. Along the northern border, the number of border patrol agents has more than tripled over the past decade and security at northern land border crossings has been fortified. Congress also passed legislation and provided funds to combat the construction of border tunnels and crack down on submersibles used to transport contraband, particularly illegal drugs and weapons. In 2006, Congress enacted the SAFE Ports Act, which helped upgrade security at domestic ports and assess security measures at foreign ports.

Comprehensive immigration reform

Over the past decade, Congress has learned that strong security and rigorous enforcement are necessary to secure our borders, but security and enforcement alone are not sufficient for national immigration policy. With unprecedented investment in border security, Congress can finally consider bipartisan comprehensive immigration reform that focuses on families, fairness, and the needs of small business and industry, not just security and enforcement.

Our current immigration laws are outdated and unworkable and the Senate Budget lays the foundation for common-sense comprehensive reform to be built on. Once the work is complete, Congress will need to continue to fund security efforts and work with the administration, states, and local entities to enhance them while providing adequate resources to implement comprehensive immigration reform so the benefits can be fully realized.

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[261] Office of Management and Budget, "The Budget of the United States, Fiscal Year 2003, Summary Tables, Table S-5," 02/04/2002.
[262] Office of Management and Budget, "The Budget of the U.S. Government, FY 2013, Analytical Perspectives," 02/13/2012.
[263] U.S. Customs and Border Protection, "U.S. Border Patrol: Border Patrol Agent Staffing By Fiscal Year," 02/04/2013.
[264] Congressional Research Service, "Immigration-Related Detention," 01/18/2013.

Federal efforts to protect and enhance the security of our communities

Given the vital importance of maintaining the security gains we have achieved and the need to address emerging security challenges, it is surprising that House Republican approach would deeply cut funding from the very part of the budget that provides for domestic security.

Last year, the House Republican approach cut domestic funding by 20 percent over 10 years. These cuts were well below initial funding levels agreed to by Democrats and Republicans in the House and Senate. The dramatic and sustained cuts made by House Republicans would make it extremely difficult, if not impossible, to maintain ongoing federal law enforcement activities at their current level, let alone maintain the decade of progress the nation has made in antiterrorism and domestic security efforts. The inconsistency of the House Republicans' calls for increased security funding, particularly at the border, while simultaneously advocating steep cuts to the funding source for these efforts has never been explained.

Our past investment and current funding in domestic security has made our borders more secure against organized crime and our local law enforcement more efficient in the administration of justice, yet the harmful cuts of sequestration has placed progress at risk. For example, in explaining the impact of these cuts, Secretary of Homeland Security Janet Napolitano said, "I don't think we can maintain the same level of security at all places around the country."[265] Due to the harmful cuts of sequestration, border patrol agent hours will be reduced, equating to 5,000 fewer agents between border crossings[266] and the number of Transportation Security Administration officers will be reduced, resulting in delays between 150 percent and 200 percent at certain airports during peak travel times.[267] The harmful cuts of sequestration jeopardize past progress and further cuts by the House Republican approach would place our domestic security at risk.

The Senate Budget seeks to capitalize on the tremendous investments we have made by continuing to appropriately fund programs that have been critical to our domestic security gains. This budget invests in struggling cities and towns across the country by providing funding for more officers on our streets. Maintaining support for law enforcement and security allows the nation's businesses and workers to operate in a safe and productive environment.

Besides the obvious benefit of preventing loss of life, these investments also help prevent the economic shock that accompanies large-scale criminal or terrorist acts. Limited fiscal resources and limited funding will require this and future Congresses to continue to be vigilant in allocating and overseeing these resources to ensure they are used to maximum effect.

Additionally, tight fiscal constraints will require federal agencies to maximize the use of funding though cooperation where necessary and partnerships with state and local entities where appropriate. However, the balanced approach to improve our fiscal situation inherent in the Senate Budget allows for sufficient resources to meet the difficult security challenges the U.S. will face in the future.

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[265] "Border Safety at Risk With Cuts, Says Homeland Security Boss," CNN, 02/25/2013.
[266] "Janet Napolitano: Border Is Less Secure Because of Budget Cuts," ABC News Radio, 03/04/2013.
[267] "Napolitano: Airports Feel Impact From Spending Cuts," Reuters, 03/04/2013.

Keeping promises to future generations by protecting the environment and addressing climate change

The Senate Budget recognizes that protecting our environment and building a strong economy that provides opportunity for all Americans are not mutually exclusive goals. In fact, by working to safeguard our land, water, and air, this budget takes critical steps to help us stay competitive with countries around the world that are proactively addressing their environmental challenges in a way that is also helping to grow their economies.

The Senate Budget lays out a blueprint for a thriving economy that ensures a healthy environment for future generations. It prevents big polluters from putting profits ahead of the health and safety of our families and communities. It keeps our promise to future generations by increasing funding for vital conservation programs. And it takes steps to increase funding for the Environmental Protection Agency, science research and development programs across the country, and programs within the Department of Energy in order to continue the push to lower emissions of dangerous greenhouse gases.

This is a shared goal that many American leaders, including prominent Republicans, have consistently supported in order to protect the environment. From President Theodore Roosevelt, who established national parks, forests and wildlife refuges,[268] to President Nixon who created the EPA, to the bipartisan passage of laws to keep our air and water clean, leaders on both sides of the aisle have repeatedly come together to make our land and water healthier for their generation and generations to come.

The positive impacts of these actions are evident in every facet of our lives. In the years since President Nixon signed the Clean Air Act, there has been a 60 percent reduction in air pollutants that cause smog, acid rain, and other airborne pollutants. More than 400,000 premature deaths have been prevented as a result.[269] And, thousands of heavily-polluted bodies of water have been restored and now meet federal water quality standards.[270]

Endangered and threatened species – the bellwethers of environmental quality – have been protected, with recovery efforts leading to dozens of full recoveries and down-listings.[271] Meanwhile, the construction of new public works projects is completed with a full review of environmental impacts, preventing health, safety, and environmental problems for our families.

This budget also recognizes the environmental and economic impacts of climate change. In recent years, scientists and lawmakers from around the world have reached the clear conclusion that climate change is one of the largest threats to the health of the planet, and therefore the well-being of our families. Global emissions of greenhouse gases continue to increase, as does the average surface temperature of the planet. The U.S., through efforts to promote cleaner energy, conservation of lands, and energy efficiency, has successfully begun to lower its annual emissions, though much more needs to be done. This budget increases funding to build on those efforts in order to avoid the detrimental impacts that ignoring this growing crisis would have on our economy and environment.

While Democrats and Republicans have worked together in the past to protect our environment, recent partisanship and the rising influence of those with anti-environmental views have hurt those efforts and

[268] National Park Service, "Theodore Roosevelt and Conservation," 2/20/2013.
[269] Union of Concerned Scientists, "The Clean Air Act," 2/1/2012.
[270] Environmental Protection Agency, "40 Years of Achievements, 1970-2010," accessed 2/28/2013.
[271] Crouse, Deborah and Krishna Gifford, "Thirty Five Years of the Endangered Species Act," 8/28/2012.

threaten the health and safety of families and our environment. There have also been attempts to defund enforcement of the Clean Air Act and the Clean Water Act, as well as to block regulations that help prevent asthma in our children and access to clean, safe drinking water. These efforts run counter to our shared interest in healthy, livable communities and too often only serve the interests of large corporate polluters.

Lastly, many elected officials continue to ardently deny the science of climate change and the real impacts it is already having on nation and will have for decades to come. This view only hinders our efforts to reduce hazardous greenhouse gases and to transition our nation to a clean energy future.

Protecting the environment: endangered species and open space

Our country is home to a wide variety of wildlife, from bald eagles to Orca whales, and an expansive system of open space and public lands that has been left to us by previous generations to protect. This irreplaceable heritage has been safeguarded by the passage of our nation's fundamental conservation laws, including the Land and Water Conservation Fund Act, the Endangered Species Act, and the National Environmental Policy Act, among others. Unfortunately, this legacy is now under attack from many sides.

Climate change and habitat loss threaten species in the natural world as an estimated 6,000 acres of open space are lost each day.[272] Meanwhile, the endangered species protections are increasingly targeted through legislative efforts. These attempts to limit the effectiveness of rules to preserve our natural environment would shortchange future generations while harming America today. Protecting public land and investments in ecosystem restoration projects by the U.S. Army Corps of Engineers, the Department of the Interior, and EPA provide innumerable benefits.

Ongoing environmental restoration and efforts to recover endangered species support fresh drinking water, protect communities from natural disasters, provide jobs and bolster economic growth. As such, the Senate Budget strongly funds ongoing environmental restoration through programs like the Great Lakes Restoration Initiative, as well as in places like the Everglades, the Upper Mississippi River, the Chesapeake Bay, Coastal Louisiana, the San Francisco Bay Delta, the Puget Sound and others.

This budget understands the importance of access to public lands for all recreation users, from bikers to birders to hunters and anglers. An estimated 90 million Americans, or more than a quarter of the U.S. population, participated in wildlife-related recreation in 2011.[273]

And it recognizes the critical role that the outdoor recreation economy plays in our greater economic success. Outdoor recreation on public and private lands provides a significant boost to state economies while supporting over 6 million American jobs that cannot be outsourced.[274] Adequate funding is critical not just for today's generation, but to ensure clean water, clean air, and open space is preserved for those to come.

To reflect these priorities, the Senate Budget protects investments in the preservation of public spaces, the restoration of impaired ecosystems, and the recovery of at-risk species. This budget:

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[272] United States Department of Agriculture, Forest Service, "Partnerships to Conserve Open Space in Rural America," August 2006.
[273] U.S. Department of the Interior, U.S. Fish and Wildlife Service, and U.S. Department of Commerce, U.S. Census Bureau, "2011 National Survey of Fishing, Hunting, and Wildlife-Associated Recreation," 12/2012.
[274] Outdoor Industry Association, "The Outdoor Recreation Economy," 2/14/2013.

- Fully funds the Land and Water Conservation Fund and enables the reauthorization of conservation measures like the Federal Land Transaction Facilitation Act;
- Increases funding for wildland firefighting and watershed recovery programs that will help protect our forests and watersheds, and addresses legacy roads and trail maintenance needs;
- Keeps the gates open at all of our national parks so that our families can continue enjoying our national treasures; and
- Continues investing in restoring our coastal, ocean, and aquatic ecosystems.

This budget understands that environmental protection and economic growth can go hand-in-hand and it is committed to providing adequate funding to ensure appropriate management of our federal lands.

Protecting the environment: clean air, clean water, and restoring impaired resources

In the years since the creation of the Environmental Protection Agency (EPA), great strides have been made in public health and protection of the environment, but much work remains to be done.

The EPA's most recent comprehensive survey indicated that "about 44 percent of assessed stream miles, 64 percent of assessed lake acres, and 30 percent of assessed bay and estuarine square miles are not clean enough to support uses such as fishing and swimming."[275] And in 2012, the American Lung Association reported that 41 percent of Americans lived in counties with ozone or particle pollution at unhealthy levels.[276] These figures indicate that not only is our environment suffering, but that our families, economy, and communities are hindered as well.

This budget takes the position that we can create a stronger foundation for healthy communities while generating economic activity. The Clean Air Act is an excellent example of the EPA's successes on that front. As a result of emissions standards implementation, cleaner air will prevent 400,000 cases of premature mortality and 17 million lost days of work in 2020.[277] In total, the 1990 Clean Air Act Amendments could yield an economic value of $2 trillion;[278] when compared with an estimated cost of implementation of new standards totaling $65 billion, the economic value of the Clean Air Act is drawn in even sharper relief.[279] Additionally, the environmental technologies industry, representing sectors such as solid waste management and air pollution control equipment, supported approximately 1.5 million jobs in 2010.[280] Given the demonstrable health and environmental benefits, the EPA must be empowered to continue their work and build on their past success.

The EPA has also made significant advances in restoring impaired resources. Hazardous waste impacts our communities from former mines in Vermont to landfills in Washington.[281] The EPA plays a significant role in the clean-up of these Superfund sites, particularly when the party responsible for the original pollution no longer exists. Failure to address clean-up needs at Superfund sites, brownfields, and areas with leaking underground storage tanks across the country will hinder environmental recovery, harm human health, and restrict economic growth in the middle class communities in which many of these sites are located.

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[275] U.S. Environmental Protection Agency, "The National Water Quality Inventory: Report to Congress," January/2009.
[276] American Lung Association, "State of Air 2012" 2012.
[277] United States Environmental Protection Agency, "Second Prospective Study 1990-2020," April 2011.
[278] Environmental Defense Fund, "Saving Lives And Reducing Health Care Costs: How Clean Air Act Rules Benefit The Nation," November 2011.
[279] United States Environmental Protection Agency, "Second Prospective Study 1990-2020," April 2011.
[280] United States Department of Commerce, "The Environmental Technology Industry in the United States" accessed 3/7/13.
[281] United States Environmental Protection Agency, "Superfund Sites Where You Live," 6/1/12.

The Senate Budget considers these to be serious issues and restores investments to the EPA to ensure it can continue to make our air, water, and land healthier and safer for families and communities. This budget fully mitigates the impacts of sequestration on EPA and provides additional funding for it to fulfill its important missions.

House Republicans take a very different approach. Their proposals would drastically cut the EPA's budget and tie the Agency's hands with regard to efforts to clean up our air and water. A recent Republican spending bill would have cut the EPA's funding 16.5 percent below 2012 levels. Some EPA accounts, such as State and Tribal Assistance Grants, would have faced a decrease of 28 percent.[282]

These draconian cuts would further constrict the EPA's efforts to assist state and local governments maintain promised levels of clean and safe drinking water for all Americans and drastically cut funding for much needed waste water and drinking water facilities across the country. They would put a greater burden on low-income residents who will see their water and sewer bills rise even higher as failing infrastructure is upgraded or replaced. Republicans have also introduced scores of bills to defund the EPA's ability to regulate pollutants and have proven unwilling to allow the EPA to enforce key parts of the 1990 Clean Air Act Amendments.

Preparing for the impacts of climate change

The nonpartisan Government Accountability Office found that the impacts of climate change, including increasingly extreme and frequent severe weather events, sea level rise, and altered agricultural productivity, dramatically increase the fiscal exposure of the federal government.

Among other impacts, the federal government risks:

- Widespread damage to its real property from climate impacts;
- Substantial fiscal exposure as the insurer of properties and crops that the private sector will not cover; and
- Significant increases in disaster relief expenses as it provides assistance to areas impacted by more frequent and severe natural disasters. [283]

The financial risks to the government are easier to see when considering our experience of the last two years. Between 2011 and 2012, there were 25 natural disasters impacting 43 states that caused at least $1 billion in damage. A devastating drought across much of our country and weather events such as Superstorm Sandy resulted in economic damage to the U.S. totaling at least $188 billion during that two-year period alone.[284]

The impacts of climate change, however, are not just a matter of federal financial risk. Climate change threatens the vitality and safety of many communities. It jeopardizes many of our coastal hometowns while causing our inland cities hardship as floods occur more frequently. It will produce longer-lasting

[282] Esworthy, Robert, "Environmental Protection Agency (EPA): Appropriations for FY2013," 10/2/12.
[283] United States Government Accountability Office, "Limiting the Federal Government's Fiscal Exposure by Better Managing Climate Change Risks," 2/14/13.
[284] "Going to Extremes: The $188 Billion Price Tag from Climate-Related Extreme Weather", Center for American Progress, 2/12/13.

and more severe drought. And it endangers the health of families across the country that will be exposed to severe weather and increases in heat-related illness and diseases.[285]

In the face of these indisputable facts, we must take responsible action to try to reduce greenhouse gas emissions while preparing for the impacts of a changing planet. The Senate Budget fulfills our promise to preserve the planet for our children and grandchildren. The budget:

- Invests heavily in science R&D, as well as in the deployment and commercialization of clean energy resources that will help us lower emissions while fostering job creation and economic growth; and
- Funds programs that make homes and offices more energy efficient, reflecting an understanding that getting more energy out of less production lowers emissions in a cost-effective manner.

Moreover, the Senate Budget responsibly prepares for the effects of climate change by:

- Robustly funding activities that will help us accurately predict weather patterns and extreme weather events; and
- Investing in federal resiliency activities that will help communities across the country prepare for extreme weather events.

By funding these and other priorities, the Senate Budget fosters economic growth, positions the federal government to save hundreds of billions of dollars over the long run, and protects and nurtures the planet for our future generations.

House Republican proposals, however, would move us in the opposite direction. According to an analysis by the Center for American Progress, the Republican budget would have cut $3 billion from energy programs in 2013 alone.[286] Many of those programs support the research, development, and deployment of clean energy that will help us greatly reduce carbon emissions.

Increased investment in clean energy technology will benefit our economy, our families, and our environment in the long run. Previous successes have proven that improving our environment does not have to come at the expense of a growing economy. By funding resiliency efforts and advancing new technologies, our budget helps us move beyond the energy sources of the past, lower the tab for future disaster relief, and provide stability for our communities by helping them weather future storms.

[285] The Nature Conservancy, "Global Warming and Climate Change: Threats and Impacts," accessed 3/10/13.
[286] "Ryan Budget Pads Big Oil's Pockets with Senseless Subsidies," Daniel J. Weiss, Center for American Progress, 3/20/2012.

Keeping our promises to America's rural communities

The continued strength of our country's rural communities is critical to our economy, environment, and the quality of life of millions of American families. And the health of our agricultural economy is crucial to the success of our rural communities. While the agriculture sector has seen several boom and bust cycles over the last century, it has been doing well in recent years, helping to buoy the rural economy. Over 16 million jobs depend on the continued success of American agriculture, as does our food supply.

The Senate Budget includes savings from reforming agriculture programs, while it also ensures that farmers continue to have a strong safety net when natural disaster or hard economic times hit. This budget provides flexibility to the Senate Agriculture Committee to write a strong five-year Farm Bill that will maintain an effective safety net for farmers and will continue to invest in communities through key conservation, research, nutrition, energy, and rural development programs.

Conservation

Farmers, ranchers and rural communities are stewards of our working lands that the Senate Budget seeks to protect. This budget supports the idea that these lands should move from our children to our grandchildren intact. The budget makes important investments in conservation programs that provide cost-shares to keep our lands open and free of development and deterioration.

Agriculture Research

The Senate Budget aims at making the most out of our working lands in order to feed a growing population. That is why this budget continues support for agriculture research, often carried out at our nation's land grant colleges and universities, to ensure that we continue to produce an abundant, high quality, and affordable food supply. Agriculture research encourages crop diversification and results in new crop varieties that will increase our competitiveness in a global marketplace. Federal investment in agriculture research leverages state, local and grower investment. Unfortunately, the across-the-board cuts from sequestration would weaken our country's research capabilities, which would hurt the competitiveness of our agriculture sector by making it harder for our farmers to keep up in the race for new crop varieties.

Energy

Keeping our rural communities strong also means creating new economic opportunities. From growing feedstocks like algae, grasses and oilseed crops, to bio-based refineries to produce these alternative fuels, the potential for rural America to contribute to a home-grown, clean energy economy is nearly boundless. The Senate Budget takes advantage of this by making smart investments in clean energy programs for agriculture, forestry and bio-based products. This stands in stark contrast to last year's House Republican budget, which slashed funding for clean energy programs as well as agriculture programs that contribute to alternative fuels, such as producing feedstocks.

Farm Bill

Many of America's rural priorities depend on enacting a strong five-year Farm Bill reauthorization. From preserving a safety net for producers, to expanding economic opportunities in a clean energy economy, to accessing new markets for our domestically produced products, a Farm Bill authorizes and provides funding for the programs necessary to keep rural America thriving.

The 2008 Farm Bill made certain farm program reforms, while ushering in a new focus on healthy foods and clean energy. The 2012 Senate Farm Bill would have made significant reforms to farm programs while refocusing support on helping farmers manage risk. It would have also continued important investments in specialty crops and home-grown energy.

This balanced approach passed the Senate with broad, bipartisan support, but unfortunately was not considered in the House of Representatives. Due to the House's failure to act, Congress was forced to extend the existing Farm Bill for one year, but because of fiscal constraints had to leave many programs, including those for clean energy and agricultural research that are critical to rural America, on the cutting room floor.

The Senate Budget supports responsible spending reductions in farm programs and gives the Senate Agriculture Committee the flexibility to write a new five-year Farm Bill reauthorization. Having a five-year law in place is critical to giving our farmers and ranchers an appropriate safety net and our rural communities the certainty they need to continue to prosper.

Supporting workers while they fight to get back on the job

The Senate Budget recognizes that the federal-state unemployment insurance program plays a key role in preserving a strong middle class and helping hardworking Americans get back on their feet and back on the job. Although the economy is recovering, unemployment—and particularly long-term unemployment—remains stubbornly high. Unemployment benefits provide a lifeline for unemployed individuals while they search for a job, allowing them to make ends meet for themselves and their families during periods of unemployment.

With the passage of the American Taxpayer Relief Act earlier this year, Congress extended federal emergency unemployment benefits through the end of 2013. This investment will provide a helping hand to millions of Americans who have been out of work for more than six months and who are still struggling to get back on the job.

Unemployment benefits also help to keep millions of people out of poverty each year. According to the Census Bureau, in 2011 alone, unemployment benefits kept 3.4 million individuals—including nearly 1 million children—from falling into poverty.[287]

Over the past 40 years, fewer and fewer workers have been qualifying for unemployment benefits, and a substantial percentage of workers currently lack a backstop to help them weather spells of unemployment.

This hurts unemployed workers who have fallen outside of the system and must get by without support, but it also hurts local economies that suffer when unemployed workers don't have money to spend on necessities in local businesses. Economist Mark Zandi estimates that every $1 in unemployment benefits generates more than $1.50 in economic activity.[288]

Unemployment benefit payments, responding just as they were designed to, have spiked in recent years due to high levels of unemployment across the country. These benefit payments are projected to drop by more than half from 2012 to 2015 as the unemployment rate continues to decrease and emergency benefits expire.

But while our recovery remains fragile, House Republicans have put forward bills that would restrict eligibility for unemployment benefits even further than the current requirements do, leaving more workers struggling to find good, middle class jobs without a helping hand to support them while they search.

The Senate Budget maintains the strong foundation of the unemployment insurance program, ensuring that workers are eligible to receive the benefits they have been promised. Our budget also makes reforms that will help the system stay financially sound, reduce wasteful and fraudulent payments, and better meet the needs of unemployed Americans.

[287] U.S. Census Bureau, "The Research SUPPLEMENTAL POVERTY MEASURE: 2011," November 2012.
[288] Mark Zandi, Testimony before the U.S. Senate, Joint Economic Committee, 11/7/12.

Keeping our promises to American Indians and Alaska Natives

The U.S. Government has a unique relationship with American Indians and Alaska Natives, including the responsibility to uphold treaties and fulfill Government-to-Government consultations with 566 federally recognized tribes. Too many promises were made to American Indian and Alaska Native people only to be broken later when the terms no longer suited the federal government. American Indians and Alaska Natives were guaranteed the right to self-governance on their own lands. However, chronic underfunding of programs that support American Indians and Alaska Natives have resulted in unacceptable outcomes for Native communities, children, and families.

American Indian and Alaska Native families must be given the same opportunities to compete and succeed as everyone else. Decades of federal mismanagement of tribal lands has resulted in lost royalties for Indian Nations and individual tribal members, and the federal government must fully address this issue in order to adequately meet their trust responsibilities.[289] Appropriate funding must be provided to carry out our obligations, appropriate management of lands and resources held in trust for tribes must be maintained, and tribal governments need to be given the tools they need to effectively self-govern.

Sequestration impacts communities across the country, but the impact on American Indian and Alaska Native populations is particularly acute. Cuts to Native programs resulting from sequestration undercut the trust responsibility the federal government has to Native Americans and could significantly hamper tribes' efforts to improve the lives of today's members and future generations.[290]

The Senate Budget replaces the cuts made by sequestration and renews our commitment to American Indian and Alaska Native communities. It includes greater funding for Violence Against Women Act programs to provide tribal governments with the resources they need to prosecute perpetrators of domestic violence on reservations.

The Senate Budget recognizes the role the federal government plays in the education, health, and well-being of Native communities and families across the country, and it renews our dedication to funding vital programs including the Indian Health Service, Native education programs from early childhood to college, Impact Aid, and housing funds like the Indian Housing Block Grant program. Additionally, this budget is committed to funding programs to restore natural resources and traditional foods that many tribes rely on as food sources and for their cultural identity, as well as providing the support Native governments need to successfully govern their own communities.

[289] National Congress of American Indians, "An Introduction to Indian Nations in the United States" accessed 3/2/13.
[290] National Congress of American Indians, "Analysis of the Sequester: Betraying the Trust Responsibility and Slowing Tribal Progress," 2/27/2013.