

# THE PATH TO PROSPERITY

## Charges & Responses *The House Republican Conference*

### General

**Charge:** What is the budget?

**Response:** The budget sets the total limits of spending, revenue and debt for a given year and outlines a plan to achieve those levels, but does not provide specific funding or policies for agencies or programs.



### Debt/Deficit

**Charge:** This budget does not reach balance in 10 years.

**Response:** The Path to Prosperity balances the budget and pays off the debt in the long-run according to the Congressional Budget Office. While our nation's deficit crisis was not created overnight, Democrats in Washington have slammed on the spending accelerator and made our deficit problem drastically worse. Democrats in Congress and President Obama have increased deficits from \$458 billion in 2008 to an estimated \$1.6 trillion in 2011—a 259 percent deficit increase in just three years.<sup>1</sup> This budget reduces this year's record deficit of \$1.6 trillion by over a third in the first year alone, meaning next year's deficit will be under \$1 trillion. It reduces the deficit by over \$4 trillion relative to the President's budget over the next 10 years. We meet his benchmark to reach primary balance (deficits excluding net interest), which the president's budget doesn't achieve according to Congressional Budget Office.<sup>2</sup>

Balance could have been achieved within a 10-year window if immediate changes were made to Social Security or Medicare for those 55 and older, but the Path to Prosperity keeps the promises we've made to Americans 55 and older, while saving it for future generations.

**Charge:** The Path to Prosperity wouldn't even reduce the deficit. (MoveOn.org)

<sup>1</sup> Office of Management and Budget, *Historical Tables: Table 1.1 Summary of Receipts, Outlays, and Surpluses or Deficits (-): 1789–2016*. Available at: <http://www.whitehouse.gov/omb/budget/Historicals>

<sup>2</sup> Congressional Budget Office, *Preliminary Analysis of the President's Budget for 2012*. Page 17. March 18, 2011. Available at: <http://cbo.gov/ftpdocs/121xx/doc12103/2011-03-18-APB-PreliminaryReport.pdf>

**Response:** That accusation is blatantly false. The Path to Prosperity would reduce deficits projected under CBO's baseline by \$1.6 trillion over ten years and would reduce the amount of deficits projected under the President's budget by \$4.38 trillion over ten years.



## Economy

**Charge:** The Republican budget will not create jobs and will harm recovery (Leader Pelosi).

**Response:** According to analysis by Heritage Center for Data Analysis, the Path to Prosperity will create nearly 1 million new private-sector jobs next year, bring the unemployment rate down to 4 percent by 2015, and will result in 2.5 million additional private-sector jobs in the last year of the decade. In addition, the Path to Prosperity will spur economic growth, increasing real GDP by \$1.5 trillion over the decade according to the study. By closing tax loopholes and using the revenue to simplify and lower tax rates for individuals and businesses, the Path to Prosperity will encourage growth and create jobs. By ending job-killing spending and putting our nation's budget on a sustainable path, the Republican budget will encourage investors and give new confidence to our nation's job-producers.

**Charge:** You can't reduce government spending when it is needed to stimulate the economy and create jobs.

**Response:** Too much Washington spending has had bad economic consequences - higher cost of living, higher interest rates, and higher taxes. Washington spent a lot of money on government bureaucracy in an attempt to create jobs. It didn't work. This budget relies on common sense principles like less spending, less taxation and less regulation to help create jobs. For the time being, divided government and the Republicans' efforts to prevent tax increases last December have given job creators at least a moderate hope that they have seen the furthest extent of the Democrats' job-destroying agenda.

We want the economy to improve, but current government policies have ensured that this recovery is one of the most tepid in history. We've spent trillions of dollars over the past two years in the name of job creation, and the unemployment rate has been above 8 percent for the last 25 months.<sup>3</sup> This budget recognizes that the economy is growing too slowly, creating too few jobs, and on a path to decline. It charts a new path forward by reforming a tax code that is overly complex and anti-competitive for families and job creators alike. It also reduces job destroying spending and costly Washington regulations that impede growth in the economy. Time and time again, job-creators have cited our nation's runaway debt as an impediment to confidence, hiring and economic growth.

**Charge:** The Bush tax cuts for millionaires caused all of our debt and deficits. You can't balance

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<sup>3</sup> Bureau of Labor Statistics, *Labor Force Statistics from the Current Population Survey: Seasonally Adjusted Unemployment Rate*. Available at: <http://www.bls.gov/cps/>

the budget with more tax cuts for the rich.

**Response:** We have deficits because Washington spends too much, not because Americans are taxed too little. When Republicans provided tax relief in 2003, the amount of revenue collected by the government went up by more than \$700 billion over five years and the deficit went down.<sup>4</sup> Tax rates have been stable for the past ten years, while over the past four years, Washington increased spending by 39 percent.<sup>5</sup> That has helped produce three deficits in a row that are above one-trillion dollars. This budget tells Washington that it has to stop spending money we don't have.

We have evidence that tax relief works. Each time our nation has reduced income tax rates significantly, economic growth has followed. When Ronald Reagan lowered tax rates in the 1980s, real economic growth averaged 3.2 percent per year, and federal revenue actually increased 20 percent. When John F. Kennedy reduced marginal rates in the 1960s, we experienced several years of 5 percent economic growth. History has shown that tax relief spurs economic growth, allows hardworking individuals and families to keep more of what they earn and increases government revenue.

While including tax reform that ensures the highest tax rates for individuals and corporations do not exceed 25 percent, this budget extends of the current tax rates and repeals ObamaCare taxes. It ensures that taxes return to their historical average and never rise above 19 percent of GDP over the next decade.

This budget reflects the fact that too much spending—not too few taxes on the American people—is the reason we are facing a deficit and debt crisis. While taxes have historically been around 18 percent of GDP since World War II, spending under Democrat leadership over the past four years has soared from the historic average of 19 percent of GDP in 2007 to 24 percent of GDP in 2010.<sup>6</sup> Those who contend that Washington should increase taxes on American families and job producers to pay for this spending binge must be willing to increase revenue by “by more than 50 percent” just to keep debt at its current level, according to the Government Accountability Office.<sup>7</sup>



## Medicare and Health Security

**Charge:** Republicans will turn Medicare into a voucher program so if the cost and health care

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<sup>4</sup> Office of Management and Budget, *Historical Tables: Table 1.1 Summary of Receipts, Outlays, and Surpluses or Deficits (-): 1789–2016*. Available at:

<http://www.whitehouse.gov/sites/default/files/omb/budget/fy2011/assets/hist01z1.xls>

<sup>5</sup> Ibid. Based on spending in FY 2007 compared to FY 2011 spending under the President's budget as estimated by OMB.

<sup>6</sup> Office of Management and Budget, *Historical Tables: Table 1.2 Table 1.2—Summary of Receipts, Outlays, and Surpluses or Deficits (-) as Percentages of GDP: 1930–2016*. Available at:

<http://www.whitehouse.gov/omb/budget/Historicals>

<sup>7</sup> Government Accountability Office, *The Federal Government's Long-Term Fiscal Outlook*, Page 7. Updated on March 22, 2011. Available at: <http://www.gao.gov/new.items/d11451sp.pdf>

increases, the cost will be passed on to seniors. (President Obama)

**Response:** The Path to Prosperity keeps the social safety net in place and ensures Medicare will be there for future generations, instead of becoming insolvent in nine years. Anyone 55 or older would keep the current Medicare system for the rest of their life. It does not turn Medicare into a voucher system for those below 55. For those 54 and under, the Medicare system would be saved by providing retirees with the ability to choose from a menu of government-supported plans, similar to the way that current Members of Congress and federal employees do. For those retiring after 2022, the plan would allow them to choose their Medicare provider who would receive payments directly from the Medicare program. Total spending on Medicare would increase every year and the amount of money spent for each individual retiree would increase every year as well. Under the Path to Prosperity, a Medicare payment would go to the plan provider (premium support payment) as opposed to the payment going directly to the individual (voucher). In the premium support model, the individual still directs where the payment goes, but the transfer goes directly from Medicare to the insurance plan provider, and can only be applied to Medicare-approved plans which offer a guaranteed level of coverage.

If nothing no action is taken—as the President’s budget advocated—seniors will be forced to bear the cost of less access when the Hospital Insurance Trust Fund runs out of money in the next decade. According to the Medicare Trustees’ 2010 report, “Without corrective legislation, therefore, the assets of the HI trust fund would be exhausted within the next 7 to 19 years.”<sup>8</sup> CBO’s most recent estimates, from March 2011, forecast that the Medicare Hospital Insurance Trust Fund would be completely out of money by 2020.<sup>9</sup> If we fail to act now, Medicare recipients will be forced to face benefit cuts and limited access, or tax increases to cover the shortfall. Simply put, those who advocate inaction advocate ending Medicare as we know it for current retirees.

**Charge:** According to CBO, the Path to Prosperity will increase out-of-pocket Medicare costs for retirees by \$6,400. (President Obama)

**Response:** While the analysis discusses Medicare for future retirees in 2030, CBO also says the Medicare hospital trust fund will be completely out of money by 2020. According to the Medicare Trustee’s, when the Medicare Hospital Insurance Trust Fund becomes insolvent, “Beneficiary access to health care services would rapidly be curtailed.”<sup>10</sup> CBO’s analysis does not take into consideration the impact of an insolvent trust fund on current seniors if we fail to act. CBO does concede that the result of inaction will be “reduced access to care or diminished quality of care for Medicare beneficiaries.” Comparing the Path to Prosperity’s plan to save Medicare to an unsustainable status quo means comparing a real plan to a false reality. The president’s comparison is disingenuous because he omitted CBO’s clear warnings about the unsustainability of the status quo. If we do not act, there will be no money in the Medicare trust fund,

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<sup>8</sup> <https://www.cms.gov/ReportsTrustFunds/downloads/tr2010.pdf> (page 73).

<sup>9</sup> <http://www.cbo.gov/budget/factsheets/2011b/medicare.pdf> (Page 4).

<sup>10</sup> <https://www.cms.gov/ReportsTrustFunds/downloads/tr2010.pdf> (Page 26)

which will result in diminished access for seniors. Under the Path to Prosperity, Medicare spending increases every year as does the amount of Medicare spending for each individual. But if we fail to make these choices now, Medicare services would be cut when the trust fund is exhausted.

In addition, CBO's letter does not take cost savings from increased competition into consideration. The Path to Prosperity will allow future retirees to choose their Medicare provider and ensure competition that will increase quality and reduce costs.

**Charge:** Did you know Congressman XXX voted to end Medicare forcing seniors to pay \$12,500 for private health insurance, without guaranteed coverage? Tell Congressman XXX to keep his hands off our Medicare. (Democratic Congressional Campaign Committee Radio Commercial)

**Response:** First and foremost, the budget proposes no changes for Medicare recipients age 55 and older and does not turn Medicare into a voucher system. Any assertion that the Path to Prosperity would impact current seniors is a complete falsehood. According to Politifact, the non-partisan fact-checking media database, the Democrat charge that "Seniors will have to find \$12,500 for health care, because Republicans voted to end Medicare," is patently false.<sup>11</sup> Current seniors would see no change to their Medicare plan. For those 54 and under, the Medicare system would be reformed and saved by providing future retirees with the ability to choose a government-supported plan, similar to the way current federal employees do. Spending for future retirees—both individually and for the entire Medicare program—would increase every year.

But if no changes are made to the program, Medicare as we know it will not exist in the coming decades. According to the Medicare Trustees 2010 report, "Without corrective legislation, therefore, the assets of the [Medicare Hospital Insurance] trust fund would be exhausted within the next 7 to 19 years." According to CBO, the Medicare Hospital Insurance Trust Fund will be out of money by 2020.<sup>12</sup> Both CBO and the Medicare Trustees acknowledge that this insolvency will result in diminished benefits for seniors. To preserve Medicare for future generations, this budget proposed providing a Medicare payment and a list of Medicare-approved coverage options from which recipients can choose a plan that best suits their needs. These future Medicare beneficiaries will be provided choices similar to the plans that Members of Congress and federal workers now enjoy.

**Charge:** The Path to Prosperity will not provide future retirees with the same plan that Members of Congress now have. (Rep. Chris Van Hollen)

**Response:** Just like Members of Congress and federal employees, future retirees age 54 and younger would be able to choose from a list of guaranteed coverage options that will be subsidized by the government when they retire. Like the plans given to Members of Congress and federal employees, Medicare plans from private insurers for future

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<sup>11</sup> <http://www.politifact.com/truth-o-meter/statements/2011/apr/20/democratic-congressional-campaign-committee/democrats-say-republicans-voted-end-medicare-and-c/>

<sup>12</sup> <http://www.cbo.gov/budget/factsheets/2011b/medicare.pdf> (page 4)

retirees will be required to comply with a benefits standard set by the U.S. Office of Personnel Management. Under the Path to Prosperity, future seniors would be able to compare different plans and select from different insurance options, as Members of Congress do. The government would pay part of the premiums, as it does for Members of Congress. Medicare will provide increased assistance for lower-income beneficiaries and those with greater health risks. Reform that empowers individuals—with a strengthened safety net for the poor and the sick—will guarantee that Medicare can fulfill the promise of health security for America’s seniors. Under the Path to Prosperity, individual Medicare premium support spending for beneficiaries would increase every year, as would total spending for the Medicare program.

While not identical to current federal health insurance plans in every minute detail, the premium support system will require each plan to meet uniform standards for coverage, just like plans for Members of Congress. According to CBO, under the Path to Prosperity, “Those [Medicare] plans would have to comply with a standard for benefits set by the Office of Personnel Management. Plans would have to issue insurance to all people eligible for Medicare who applied and would have to charge the same premiums for all enrollees of the same age.”<sup>13</sup>

**Charge:** Their [Republicans] basic theory is that... a Medicare recipient will go out and you'll shop for the best insurance that you've got, that you can find. And that you're going to control costs because you're going to say to the insurance company, this is all I can afford. That will control costs. Except if you get sick and the policy that you bought doesn't cover what you've got. Then either you're going to mortgage your house or go to the emergency room.” (President Obama)

**Response:** To reiterate the Path to Prosperity proposes no changes for Medicare recipients age 55 and older and does not turn Medicare into a voucher system. For those aged 54 and under, the Medicare system would be saved by providing retirees with the ability to choose a government-supported plan, similar to the way that current federal employees do. For those retiring after 2022, the plan would allow individuals to choose their Medicare provider who would be paid directly by the Medicare program. This plan would provide competition in the Medicare market to bend the health care cost curve and allow every retiree after 2022 to choose a plan tailored for them and paid for through Medicare. This will bring down the costs of health care, rather than rationing and deny access for seniors.

The President’s framework for Medicare cuts would impose more health care rationing and price controls set by bureaucrats, not by patients and their providers. The President would double-down on ObamaCare’s promise to ration and control Medicare benefits by increasing the power of the Independent Payment Advisory Board (IPAB), a board of bureaucrats empowered to make global budgetary decisions for the Medicare program. Under the President’s plan, the 15-member IPAB would be mandated to somehow lower the cost of Medicare, most likely by lowering the quality of care or limiting access to it.

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<sup>13</sup> [http://www.cbo.gov/ftpdocs/121xx/doc12128/04-05-Ryan\\_Letter.pdf](http://www.cbo.gov/ftpdocs/121xx/doc12128/04-05-Ryan_Letter.pdf)

The most radical change to Medicare occurs only if we do nothing. If no changes are made to the program, Medicare as we know it will not exist in the coming decades. According to CBO, the Medicare Hospital Insurance Trust Fund will be exhausted by 2020.<sup>14</sup> According to the Medicare Trustees 2010 report, "If [Trust Fund] assets were exhausted, payments to health plans and providers could be made only from ongoing tax revenues, which would be inadequate to cover total costs. Beneficiary access to health care services would rapidly be curtailed."<sup>15</sup> In his original budget proposal, the President proposed doing nothing to address health care costs and allow Medicare to become insolvent. In his second budget proposal, the President proposed rationing care through a board of 15 bureaucrats in Washington. Either plan endorsed by the President would ultimately lead to limited care for retirees.

**Charge:** You shouldn't turn Medicare into a voucher system.

**Response:** This budget does not turn Medicare into a voucher system and the budget proposes no changes for Medicare recipients age 55 and older. Under the Path to Prosperity, beginning with those retiring after 2022, a Medicare payment would go to the plan provider (premium support payment) as opposed to the payment going directly to the individual (voucher). In the premium support model, the individual still directs where the payment goes, but the transfer goes directly from Medicare to the insurance plan provider, and can only be applied to Medicare-approved plans which offer a guaranteed level of coverage.

If no changes are made to save Medicare for future generations, the Medicare Hospital Insurance program will go broke. According to the Medicare Trustees, "Without corrective legislation, therefore, the assets of the [Medicare Hospital Insurance] trust fund would be exhausted within the next 7 to 19 years."<sup>16</sup> To preserve Medicare for future generations, this budget proposed providing a Medicare payment and a list of Medicare-approved coverage options from which recipients can choose a plan that best suits their needs. These future Medicare beneficiaries will be provided similar choices that Members of Congress and federal workers now enjoy.



## Taxes

**Charge:** "So what his [Chairman Ryan] budget proposal does is not only hold income tax flat. He actually wants to further reduce taxes for the wealthy." (President Obama)

**Response:** The Path to Prosperity will end loopholes and complicated deductions that are often

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<sup>14</sup> <http://www.cbo.gov/budget/factsheets/2011b/medicare.pdf> (Page 4).

<sup>15</sup> <https://www.cms.gov/ReportsTrustFunds/downloads/tr2010.pdf> (Page 26)

<sup>16</sup> *2010 Annual Report of the Boards of Trustees of the Federal Hospital Insurance (HI) and Supplemental Medical Insurance (SMI) Trust Funds*, Page 75. August 5, 2010. Available at: <https://www.cms.gov/ReportsTrustFunds/downloads/tr2010.pdf>.

used by wealthy individuals and corporations and use the revenue for a deficit-neutral overhaul of the tax code that will broaden the tax base and create jobs. The only taxes that the plan would repeal are those mandated by ObamaCare. Otherwise, this deficit-neutral tax plan will repeal special tax breaks and deductions mainly used by the richest individuals and companies and use the revenue to lower the overall tax rate, simplify our tax code, make our economy more competitive, and create jobs.

Our current tax code is clearly unfair. Many of the deductions and preferences in the system—which serve to narrow the tax base—are mainly used by a relatively small class of mostly higher-income individuals. That’s why the Path to Prosperity would close these loopholes and end special credits and deductions. The Path to Prosperity lowers tax rates while broadening the tax base, but the plan is not a net tax cut. This tax plan is a revenue-neutral reform to make our economy more competitive and to ease the burden that tax complexity imposes on taxpayers.

We have deficits because Washington spends too much, not because Americans are taxed too little. When Republicans provided tax relief in 2003, the amount of revenue collected by the government went up by more than \$700 billion over five years and the deficit went down. Tax rates have been stable for the past ten years, while over the past four years, Washington increased spending by 39 percent. That has helped produce three trillion dollar deficits in a row. This budget tells Washington that it has to stop spending money we don’t have.

The President’s budget includes a record \$1.5 billion in proposed tax increases that will stifle the economy and destroy jobs. More than 75 percent of America’s small businesses file their taxes as individuals.<sup>17</sup> Half of them would suffer a tax increase under the President’s proposed tax increases, hurting their ability to hire more workers and pay their current workers more. An increase in the top two rates would impact small businesses that employ approximately 22.5 million workers.<sup>18</sup> As the National Federation of Independent Businesses said just months ago, “Raising the top marginal tax rate would have hit small businesses the hardest just when the country needs them to invest, expand and hire new workers.”<sup>19</sup>

**Charge:** The Path to Prosperity will cut taxes for huge companies that didn’t even pay taxes last year. (MoveOn.org)

**Response:** The reason large companies are able to avoid paying taxes is because Congress has filled our overcomplicated tax system with special deductions and loopholes that allow the biggest corporations to hire the best lawyers and accountants to find a way around paying taxes. Clearly, these large companies have avoided paying taxes because of these loopholes, not because the corporate tax rate is too low. It is the smaller

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<sup>17</sup> <http://www.nfib.com/issues-elections/issues-elections-item?cmsid=55931>

<sup>18</sup> [According to House Budget Committee analysis](#), 50 percent of all pass-throughs would be impacted by an increase in the top two tax tiers. [SBA says](#) that there are 60 million small businesses. If 75 percent are pass-throughs and 50 percent of those are subject to top-tier tax rates, then an increase the top-two rates would impact small businesses that employ approximately 22.5 million workers.

<sup>19</sup> <http://www.nfib.com/nfib-in-my-state/nfib-in-my-state-content?cmsid=55385>

companies that suffer disproportionately from our unfair and complex corporate tax code and high corporate rates.

The Path to Prosperity would eliminate these loopholes, while at the same time lowering the overall corporate tax rate. This would ensure that companies could not employ loopholes or special carve-outs and would make American companies—who currently pay the highest corporate tax rate in the industrialized world—more competitive globally. By getting rid of these loopholes and using the revenue to lower the individual and corporate tax rates, the Path to Prosperity would create jobs and provide an immediate boost to a lagging economy by increasing wages, lowering costs, and providing greater returns on investments. Jumpstarting our economy and getting rid of corporate tax loopholes will help increase federal revenue and end deficits.

**Charge:** The Path to Prosperity keeps special tax breaks for oil companies.

**Response:** This is absolutely false. In fact, this budget does the opposite. This budget calls for fundamental corporate tax reform that scales back the deductions, loopholes and carve-outs that are distorting the corporate tax code. It seeks to use new revenues from ending these tax breaks to treat large and small businesses alike by cutting the corporate rate to 25 percent, so that it is no longer the highest corporate tax rate in the world. This budget does call for an increase in safe, environmentally responsible domestic energy exploration—but that would actually increase tax revenues paid by oil companies, while at the same time lowering gas prices and creating jobs in America.

President Obama and Washington Democrats want to increase taxes on American companies so they can spend more money. Higher taxes won't reduce gas prices or create jobs as Washington Democrats claim, and more spending won't help reduce the deficit or help us pay off the debt that is keeping job creators from doing what they do best—create jobs.

**Charge:** This budget will hurt homeowners and charitable giving by removing the mortgage interest and charitable contribution tax deductions.

**Response:** The Path to Prosperity does not specifically provide assumptions about these two deductions. This budget simply calls for tax reform that will promote desperately needed economic growth and job creation.

In regard to specifics on tax reform, the Path to Prosperity assumes that the top tax rates for individuals and corporations do not exceed 25 percent. This will provide job creators with a top tax rate that is globally competitive and the certainty needed to help create jobs.



## Social Security and Retirement Security

**Charge:** You are “privatizing” Social Security and/or Medicare.

**Response:** This budget does not privatize Social Security or Medicare, nor does it propose any changes to these programs for Americans 55 and older. The government guarantee remains in place for both of these programs. It protects both of these programs for those 55 and older and saves them so they can provide benefits to future generations of retirees.

Spending for Social Security and Medicare will never decrease under the Path to Prosperity. This budget spends more on Social Security and Medicare each year than it did the previous year. In addition, the budget makes certain that beneficiaries will receive more than the year before, but does so in a fiscally responsible manner that ensures the long-term sustainability of these programs. Failing to act—as the President’s budget does—would undoubtedly mean the end of these programs as we know them. According to the Social Security Trustees, “If no substantial action is taken until the combined trust funds become exhausted in 2037, then changes necessary to make Social Security solvent over the next 75 years will be concentrated on fewer years and fewer generations.” Without immediate action, the trustees report that Social Security beneficiaries will either see a 22 percent benefit cut or a corresponding hike in payroll taxes.<sup>20</sup> Similarly, the Trustees for Medicare say that “Without corrective legislation, therefore, the assets of the [Medicare Hospital Insurance] trust fund would be exhausted within the next 7 to 19 years.”<sup>21</sup> The Path to Prosperity protects these programs for current and near retirees and saves them so benefits will be available for future retirees when the need them.

**Charge:** Social Security funding is not in crisis, but its financial prospects could be improved if you simply raised the earnings cap on the wealthy.

**Response:** Almost 75 percent of our small businesses file their taxes as individuals, so a tax increase of this nature would harm their ability to create jobs and pay workers more.<sup>22</sup> This budget is designed to help create jobs through reductions in job destroying spending, broad-based tax reform and lifting the burden of debt so our job creators are not threatened with tax increases to pay for our spending-driven debt crisis. Historic debt leads to historic tax increases, which will lead to more historic unemployment.

The Path to Prosperity does not propose any change to Social Security benefits for those 55 and older. We must keep our commitment to retirees and those nearing retirement. The Social Security Trustees say that because of the President’s inaction, “scheduled benefits would be reduced 22 percent at the point of trust fund exhaustion

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<sup>20</sup> 2010 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, Page 27. August 5, 2010. Available at: <http://www.ssa.gov/OACT/TR/2010/tr2010.pdf>

<sup>21</sup> 2010 Annual Report of the Boards of Trustees of the Federal Hospital Insurance (HI) and Supplemental Medical Insurance (SMI) Trust Funds, Page 75. August 5, 2010. Available at: <https://www.cms.gov/ReportsTrustFunds/downloads/tr2010.pdf>.

<sup>22</sup> National Federation of Independent Business, *NFIB Member Warren Hudak's Testimony Before the House Ways & Means Committee*. Available at: <http://www.nfib.com/issues-elections/issues-elections-item?cmsid=55931>

in 2037.”<sup>23</sup> This budget tells the President and Congress to submit a plan to strengthen this program so future generations of retirees can receive benefits when they need them.



## Medicaid

**Charge:** You shouldn't balance the budget with Medicaid cuts.

**Response:** This budget does not cut Medicaid. In fact, it spends more on Medicaid each year than it does the previous year, but does so in a fiscally responsible manner that will lower the cost curve and ensure the long-term sustainability of the programs. Only Washington politicians would call that a cut.

Medicaid is going broke, and this program is causing states governments to go broke, as well. The Path to Prosperity ends a one-size-fits-all Washington approach to providing health care to the poor. It converts the federal share of Medicaid spending into an allotment that gives states the flexibility to tailor their Medicaid programs to the specific needs of their residents. This budget also provides common sense solutions to poverty, helping create an environment for job creation so fewer people will be forced to rely on this safety net program.

**Charge:** *Rep. Debbie Wasserman Schultz*—“And it stands to reason that if you are going after the total amount of spending on Medicaid, the way Paul Ryan's Republican plan does, and you dramatically cut the amount of money you're giving to states, and block-granting that program, it stands to reason that frail, elderly senior citizens in nursing homes, who are going to not be able to get into nursing homes anymore because Medicaid won't be there for them, will not survive.”

**Response:** This budget does not cut Medicaid. In fact, it spends more on Medicaid each year than it does the previous year, but does so in a fiscally responsible manner that will lower the cost curve and ensure the long-term sustainability of the programs. Only Washington politicians would call that a cut.

Medicaid is going broke, and this program is causing states governments to go broke, as well. The Path to Prosperity ends a one-size-fits-all Washington approach to providing health care to the poor. It converts the federal share of Medicaid spending into an allotment that gives states the flexibility to tailor their Medicaid programs to the specific needs of their residents. This budget also provides common sense solutions to poverty, helping create an environment for job creation so fewer people will be forced to rely on this safety net program.

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<sup>23</sup> *2010 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds*, Page 29. August 5, 2010. Available at: <http://www.ssa.gov/OACT/TR/2010/tr2010.pdf>

**Charge:** *Open Letter Distributed to Members by MoveOn.org*—The Path to Prosperity would slash Medicare, Medicaid, Pell Grants and other programs that help working families.

**Response:** The path to prosperity would increase spending on Medicare from \$563 billion in 2011 to \$953 billion in 2021, a ten year-increase of 69 percent.<sup>24</sup>

The Path to Prosperity would increase spending on Medicaid from \$275 billion in 2011 to \$305 billion in 2021. The initial allotment would be exactly as much as the states are receiving to pay for Medicaid today, and it would grow every year to account for inflation and population. By converting the federal share of Medicaid spending into a block grant tailored to meet each state’s needs. This reform ends the misguided one-size-fits-all approach that has tied the hands of so many state governments. States will no longer be shackled by federally determined program requirements and enrollment criteria. Instead, they will have the freedom and flexibility to tailor a Medicaid program that fits the needs of their unique populations.

The Path to Prosperity keeps the social safety net in place and ensures it will be there for future generations, instead of going bankrupt in our lifetime. The Path to Prosperity builds upon the historic progress of bipartisan welfare reform in the late 1990s. It strengthens Medicaid, food stamps, and job training programs with reforms that provide states with greater flexibility to help recipients build self-sufficient futures for themselves and their families. This budget takes the necessary next steps to ensure Pell spending—which has grown by 139 percent in four years—is brought under control and to target Pell grants to the truly needy instead of being captured in the form of tuition increases. The plan would Return Pell grants to their pre-stimulus levels to curb rising tuition inflation and make sure aid is targeted to the truly needy.



## Defense

**Charge:** If we bring the troops home and end the wars in Afghanistan and Iraq, can we solve the nation’s debt problem?

**Response:** No. According to CBO, spending on Iraq and Afghanistan will total \$1.7 trillion over the next ten years. Even if that number is not reduced, it accounts for only 3.7 percent of the \$46 trillion in project government spending over the next ten years.<sup>25</sup> Under Democrat leadership, spending, deficits and debt have exploded to unprecedented levels and our nation has been put on a path toward fiscal disaster.

**Charge:** This budget cuts defense.

**Response:** This budget does not cut defense. It grows defense spending in real terms and

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<sup>24</sup> <http://budget.house.gov/UploadedFiles/PathToProsperityFY2012.pdf>

<sup>25</sup> Congressional Budget Office, *The Budget and Economic Outlook: Fiscal Years 2011 to 2021*, January 2011. Page 41. Available at: [http://www.cbo.gov/ftpdocs/120xx/doc12039/01-26\\_FY2011Outlook.pdf](http://www.cbo.gov/ftpdocs/120xx/doc12039/01-26_FY2011Outlook.pdf)

provides for a strong national defense. Relative to last year's Future Years Defense Program (FYDP), Secretary Gates recommended a \$78 billion net reduction and the President's last budget reflects those levels, and this budget match that budget for defense. These proposed Department of Defense levels in the Path to Prosperity still grow in real terms even after Secretary Gates' proposed reduction.



## Doc Fix

**Charge:** This budget does not provide a Medicare "Doc Fix" that our nation's physicians have been promised so they can continue serving our nation's seniors.

**Response:** The Path to Prosperity recommends a 10-year "Doc Fix" in the form of a reserve fund that does not add to the deficit. We have to stop spending money we don't have, and this proposal will allow us provide higher compensation levels for Medicare physicians without adding to the nation's debt. You can't improve health care in America by bankrupting our children.



## Waste, Fraud, and Abuse

**Charge:** We should end all earmarks and stop sending money to foreign nations. That will solve America's debt problem.

**Response:** Funding for international assistance<sup>26</sup> and earmarks<sup>27</sup> account for only 2 percent of the \$3.5 trillion in spending in 2010. To solve this crisis, this budget helps create an environment where American businesses can create jobs and tells Washington it has to stop spending money it doesn't have.



## Food Stamps (Social Safety Net)

**Charge:** With lack of jobs in our area, you can't take away the social safety net like food stamps.

**Response:** The Path to Prosperity keeps the social safety net in place, and strengthens it. By proposing fundamental tax reform and preventing President Obama's proposed tax hikes, it will also create an environment to help create jobs - the best social safety net.

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<sup>26</sup> Congressional Budget Office, *The Budget and Economic Outlook: Fiscal Years 2011 to 2021*, January 2011. Page 98. Total spending for International Affairs in FY 2011 totals \$55 billion. Available at:

[http://www.cbo.gov/ftpdocs/120xx/doc12039/01-26\\_FY2011Outlook.pdf](http://www.cbo.gov/ftpdocs/120xx/doc12039/01-26_FY2011Outlook.pdf)

<sup>27</sup> Taxpayers for common Sense, FY2010 EARMARK ANALYSIS: APPLES - TO - APPLES INCREASE IN EARMARK TOTALS. Page 1. Total spending for earmarks in FY 2010 was \$15.9 billion. Available at:

[http://taxpayer.net/user\\_uploads/file/Appropriations/FY2010/databases/Final/FY10bigkahunaanalysisfinal.pdf](http://taxpayer.net/user_uploads/file/Appropriations/FY2010/databases/Final/FY10bigkahunaanalysisfinal.pdf)

Spending on many of these programs have exploded beyond our ability to pay for them. We simply have to stop spending money we do not have. This is a debate about what is the best way to deliver services. According to the president's budget, spending on anti-poverty and income security programs has grown by 131 percent in the last ten years.<sup>28</sup> For the first time in the nation's history, nearly 44 million Americans are receiving food stamps,<sup>29</sup> and over 8 million American are working part-time because they cannot find a full-time job.<sup>30</sup> This budget builds upon the historic progress of bipartisan welfare reform in the late 1990s. It strengthens Medicaid, food stamps and job training programs with reforms that provide states with greater flexibility to help recipients build self-sufficient futures for themselves and their families.



## Transportation

**Charge:** *President Obama*—"According to the Republican budget that was passed, for example, we would have to eliminate transportation funding by a third. ...You remember when that bridge in Minnesota collapsed with all those people on it and there was a big hue and cry, how could this happen in America?"

**Response:** The Path to Prosperity provides \$704 billion in transportation spending between 2012 and 2021. According to the Office of Management and Budget (OMB), federal transportation spending increased by 79 percent in the ten years preceding while the entire economy grew by only 16 percent over the same decade.<sup>31</sup> The Path to Prosperity saves money by ensuring that the federal government's long-term subsidization of infeasible, high-speed rail and other new intercity rail projects should be pursued only if they can be established as self-supporting commercial services.

Using tragedies like the bridge collapse in Minnesota to make a political point is disingenuous. We should learn from these disasters to ensure that they never happen again, not use them to make political hay on the campaign trail. According to the National Transportation Safety Board's (NTSB) official report on the collapse, the main cause of the collapse was an "error in design of the gusset plates" of the bridge which was not noted at the time of the bridge's construction.<sup>32</sup> The tragic collapse, which resulted in the deaths of 13 people, was not the result of a lack of federal funding.



<sup>28</sup> Office of Management and Budget, *Historical Tables: Table 8.5— Outlays for Mandatory and Related Programs: 1962–2016*. Available at: <http://www.whitehouse.gov/omb/budget/Historicals>

<sup>29</sup> USDA, Food and Nutritional Services, *SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM*. Available at: <http://www.fns.usda.gov/pd/34SNAPmonthly.htm>

<sup>30</sup> Bureau of Labor Statistics, *Labor Force Statistics from the Current Population Survey: Seasonally Adjusted Unemployment Rate*. Available at: <http://www.bls.gov/cps/>

<sup>31</sup> <http://www.whitehouse.gov/omb/budget/Historicals/> (Table 3.1—Increase in spending from 1997 to 2007) and Bureau of Economic Analysis <http://www.bea.gov/national/index.htm#gdp>

<sup>32</sup> <http://www.ntsbt.gov/publictn/2008/har0803.pdf> (page 150)

## Pell Grants

**Charge:** You are cutting Pell Grant funding at a time when more of our nation's young people need financial assistance to attend college. If these kids don't go to college, our nation's economy will suffer because we won't have a qualified workforce.

**Response:** Pell Grant eligibility was recklessly expanded 139 percent over the last 4 years and the number of recipients have increased by 69 percent, far beyond our means to pay for them and endangering the viability of the program for the truly needy.<sup>33</sup> This budget takes the necessary next steps to ensure Pell spending is brought under control and to target Pell Grants to the truly needy instead of being captured in the form of tuition increases. Recent studies have demonstrated that increases in Pell Grants appear to be matched nearly one for one by increases in tuition at private universities. Rather than strengthening the safety net, these recent increases are adding to the deficit while helping university administrators, not needy students. Congress needs to make sure that the Pell Grant is sustainable over time, so that it is there for poor, deserving students. We can't improve education in this country by bankrupting our nation's parents.

This budget also addresses reduces job destroying spending, costly Washington regulations and provides for tax reform so that our nation's students will have jobs to compete for when they graduate.



For more information on the Path to Prosperity and Medicare, please see this House Budget Committee document: <http://budget.house.gov/SettingTheRecordStraight/Medicare.htm>

For more information on the Path to Prosperity and Medicaid, please see this House Budget Committee document: <http://budget.house.gov/SettingTheRecordStraight/Medicaid.htm>

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<sup>33</sup> Congressional Research Service, *Federal Pell Grant Program of the Higher Education Act: Background, Recent Changes, and Current Legislative Issues*, February 25, 2011. Pages 22 and 44. Available at: <http://www.crs.gov/Products/R/PDF/R41437.pdf>. and *The Department of Education, 2008-2009 Federal Pell Grant Program End-of-Year Report*. Page 9. Available at: <http://www2.ed.gov/finaid/prof/resources/data/pell-2008-09/pell-eoy-08-09.pdf>