



U.S. House of Representatives  
Washington, DC 20515

**FISCAL YEAR 2008**  
**CBC ALTERNATIVE BUDGET BREAKDOWN**

- Working off the Chairman's mark, as amended, all calculations are for changes above/below proposed Fiscal Year 2008 levels.
- The CBC Budget does not assume any new tax cuts.

**I. Revenue Raisers (in billions):**

<b>CBC FY08 Budget Revenue Raisers (dollars in billions)</b>					
	FY08	FY09	FY10	FY11	FY12
Rescind tax cuts for the top two income tax rates (Source: CBPP; according to CBPP, in 2007, the top two rates affect only married couples with incomes above \$200,000 and only single filers with incomes above about \$170,000.)	21.7	30.1	31.0	7.8	0
Rescind capital gains and dividend tax cuts (Source: CBPP; according to TPC estimates, more than 70 percent of the benefits of these tax cuts go to households with incomes above \$200,000.)	27.0	30.5	32.2	8.3	0
Eliminate phase-out and repeal of PEP and PEASE (Source: CBPP; according to TPC estimates, 98 percent of the benefits of these tax cuts go to households with incomes above \$200,000.)	4.9	6.6	9.3	2.5	0
Eliminate corporate tax incentives for off-shoring jobs (Source: HWMC)	10.0	10.0	10.0	10.0	10.0
Close corporate tax loopholes, abusive shelters, and methods of tax avoidance (Source: HWMC)	2.0	2.0	2.0	2.0	2.0
Close the tax gap (non-corporate avoidance and collection; includes individuals and small businesses) (We must allocate \$305 million/year to the IRS in order to yield this revenue raiser of \$9.5 billion/year.) (Source: IRS/NTEU)	9.5	9.5	9.5	9.5	9.5
<b>TOTAL</b>	<b>75.1</b>	<b>88.7</b>	<b>94.0</b>	<b>40.1</b>	<b>21.5</b>

## Explanation of Revenue Raisers:

- **Rescind tax cuts for the top two income tax brackets**
  - **Revenue Effect: +\$21.7 billion in FY08; +\$90.6 billion over 5 years**
  - The tax cuts enacted in 2001 and 2003 disproportionately benefit the wealthiest Americans.
  - Estimates show that 99.7 percent of the benefits of the top two rates go to households with incomes above \$200,000, 86 percent go to households with incomes above \$500,000, and 65 percent go to households with incomes above \$1 million.
  - The CBC budget would rescind those tax cuts and restore the more fiscally responsible tax rates that were in place in 2001 and throughout much of the economic boom of the 1990s.
  
- **Rescind the capital gains and dividend tax cuts**
  - **Revenue Effect: +\$27.0 billion in FY08; +\$98.0 billion over 5 years**
  - The tax cuts enacted in 2001 and 2003 disproportionately benefit the wealthiest Americans.
  - Estimates show that more than 70 percent of the benefits of these tax cuts go to households with incomes above \$200,000.
  - The CBC budget would rescind those tax cuts and restore the more fiscally responsible tax rates that were in place in 2001 and throughout much of the economic boom of the 1990s.
  
- **Eliminate the repeal of PEP and PEASE**
  - **Revenue Effect: +\$4.9 billion in FY08; +\$23.3 billion over 5 years**
  - The CBC budget would restore two provisions enacted as part of the first President Bush's deficit reduction plan. The provisions—known as PEP, for Personal Exemption Phaseout, and Pease, for its author, the late Rep. Donald J. Pease (D-Ohio)—essentially make more income of wealthy Americans subject to taxation.
  - 98% of the cuts resulting from the repeal of PEP/Pease will go to the 4.3% of U.S. households with incomes greater than \$200,000; 64% of the cuts will go to the 0.3% of households with annual incomes of more than \$1 million. During the first 10 years they are fully in effect, they will reduce government tax revenue by close to \$200 billion, including interest, and possibly much more if, as the Administration has promised, there are further adjustments to the alternative minimum tax (which would otherwise recapture some of taxpayers' savings from these breaks).
  - When PEP and Pease are fully phased in, those making over \$1 million will receive an average \$17,500 a year; \$200,000 to \$1 million, \$650 a year; \$100,000 to \$200,000, \$11 a year, taxpayers making under \$100,000, zero.
  
- **Eliminate corporate tax incentives for off-shoring jobs**
  - **Revenue Effect: +\$10 billion in FY08; +\$50 billion over 5 years**

- The tax code has a number of preferences that directly or indirectly induce American businesses to relocate operations and jobs overseas.
  - The CBC budget would eliminate those preferences and restore balance to our international tax regime that encourages job retention and creation in the United States.
- **Close corporate tax loopholes, abusive shelters, and methods of tax avoidance**
- **Revenue Effect: +\$2 billion in FY08; +\$10 billion over 5 years**
  - The tax code is riddled with provisions that have been interpreted by the IRS, accountants, and tax practitioners to permit tax avoidance schemes never contemplated or intended by Congress.
  - The CBC budget would clean up the Code, provide clarity on the intent behind the provisions in question, and close loopholes, abusive tax shelters, and other methods of tax avoidance.
- **Close the tax gap**
- **Revenue Effect: +\$9.5 billion in FY08; +\$47.5 billion over 5 years**
  - An analysis by the IRS suggests that the U.S. government collects around \$345 billion less than is owed to it annually. Most of this tax gap results from underreporting of income and failure to collect reported tax obligations. This amounts to a 16% noncompliance rate.
  - Further exacerbating the IRS' efforts to close the tax gap is insufficient funding of its enforcement apparatus, which makes it difficult to collect even known tax debts, not even taking account of tax cheats.
  - The National Treasury Employees Union estimated that \$31 in lost tax revenue can be collected for every \$1 invested in the IRS enforcement and collections apparatus.
  - The CBC budget would invest \$305 million in the IRS enforcement and collections account with a net return to the federal fisc of \$9.5 billion annually.

## **II. Deficit Reduction:**

Amount to be applied to deficit in FY08: \$6,445,190,000

## **III. Misc. Provision:**

### **Explanation of Defense Reallocation and Report by the Department of Defense:**

- **Defense Reallocation and Report by the Department of Defense**
- The CBC budget assumes that \$300,000,000 will be reallocated within the Department of Defense in order to implement GAO recommendations for improvement that will produce tremendous cost savings within the Department. Between 2001 and 2006, GAO provided DoD with 2544 recommendations, many related to improving their business practices. To date, DoD has implemented 1014 recommendations and closed 152 recommendations without implementation. GAO estimates that the 1014 implemented recommendations

have yielded DoD a savings of \$52.7 billion between FY01-FY06. There are 1378 remaining recommendations.

- o DoD is asked to report to Congress within 90 days to demonstrate implementation of each recommendation or show cause why such recommendation cannot be implemented.

**IV. Aggregate function numbers:**

All numbers are plus-ups to Chairman’s mark, as amended. These numbers apply for FY08.

**50: National Defense**

**No Change**

- The CBC budget assumes that \$300,000,000 will be reallocated within the Department of Defense in order to implement GAO recommendations for improvement that will produce tremendous cost savings within the Department. Between 2001 and 2006, GAO provided DoD with 2544 recommendations, many related to improving their business practices. To date, DoD has implemented 1014 recommendations and closed 152 recommendations without implementation. GAO estimates that the 1014 implemented recommendations have yielded DoD a savings of \$52.7 billion between FY01-FY06. There are 1378 remaining recommendations.
- DoD is asked to report to Congress within 90 days to demonstrate implementation of each recommendation or show cause why such recommendation cannot be implemented.
- CBC supports the partial redirection of funds from the procurement of weapons systems, including ballistic missile defense, to troop readiness, equipment and training.
- CBC also supports reallocation within the Department of Defense and/or use of the funds generated by implementation of the GAO recommendations above for the following:
  - o BRAC education costs for new schools
  - o Health Facility Renovation Upgrades
  - o Mental Health Services for PTSD
  - o Public School Initiatives (Troops to Teachers)
  - o Cancer Research
  - o Tuberos Sclerosis Research
  - o Parkinson’s Research
  - o Other Areas of Medical Research

**150: Int’l Affairs**

**+\$3,070,000,000**

Darfur Initiative	+\$50,000,000
Global Fund to Fight AIDS, Tuberculosis and Malaria	+\$1,000,000,000
HIV/AIDS – Latin America and the Caribbean	+\$50,000,000
Child Survival and Health	+\$1,040,000,000
Development Assistance	+\$100,000,000
Migration and Refugee Assistance	+\$80,000,000
Contributions to International Peacekeeping	+\$600,000,000
International Family Planning Programs	+\$100,000,000
UNFPA	+\$50,000,000

**250: General Science, Space and Technology** **+\$160,910,000**

NSF: Louis Stokes Alliances for Minority Participation	+\$2,600,000
NSF: Minority Post-Docs	+\$162,000
Historically-Black Colleges and Universities-UP	+\$7,500,000
Noyce Scholarships	+\$648,000
NASA	+\$100,000,000
NOAA	+\$50,000,000

**270: Energy** **+\$254,000,000**

Grant program to automobile manufacturers to encourage the domestic production and sales of hybrid and advanced diesel vehicles	+\$50,000,000
Weatherization Assistance Program	+\$104,000,000
Office of Energy Efficiency and Renewable Energy, research for corn based ethanol	+\$100,000,000

**300: Natural Resources and Environment** **+\$1,081,700,000**

Army Corps of Engineers, emphasis on Katrina/Rita related projects	+\$1,000,000,000
HBCU Historic Preservation Program	+\$67,000,000
National Park Service: National Underground Railroad Network to Freedom	+\$2,000,000
Office of Environmental Justice	+\$12,700,000

**350: Agriculture** **+\$564,000,000**

PL 480 Rural Food Assistance	+\$250,000,000
Peanut Marketing and Storage Fees/Support	+\$100,000,000
Black/Minority Farmer Initiative	+\$150,000,000
1890 Land-grant Historically Black Colleges and Universities	+\$50,000,000
Community Connect (Broadband) Grants	+\$9,000,000
Community Facility Grants	+\$5,000,000

**370: Commerce and Housing Credit** **+\$1,452,300,000**

SBA Loan Programs	+\$300,000,000
7(a), Microloan, PRIME, New Market Venture	
Home Ownership Initiatives	+\$1,000,000,000
SBA Women's Business Center Program	+\$3,000,000
SBA 7(m) Microloan Program	+\$14,300,000
Manufacturing Extension Partnership	+\$35,000,000
Adult Training and Dislocated Workers Program	+\$100,000,000

**400: Transportation** **+\$1,000,000,000**

Amtrak	+\$200,000,000
Public Transportation	+\$100,000,000
DoT Minority Business Resource Center	+\$25,000,000
Coast Guard: Non-Deepwater capital funding	+\$75,000,000
Aviation	+\$150,000,000
Highways	+\$150,000,000
Transit Administration	+\$150,000,000
Ports, Railroad and Other Infrastructure	+\$150,000,000

**450: Community and Regional Development** **+\$2,134,000,000**

Rural Development	+\$250,000,000
Community Development Block Grants	+\$1,500,000,000
Brownfields Redevelopment	+\$15,000,000
Empowerment Zones	+\$15,000,000
Section 108	+\$4,000,000
Home Funds	+\$200,000,000
Homeless Assistance Grants	+\$150,000,000

**500: Education, Training and Employment Services** **+\$28,741,500,000**

-Elementary and Secondary-	
School Construction	+\$1,000,000,000
Full funding for No Child Left Behind, including:	+\$15,410,000,000
Title I	
Safe and Drug Free Schools	
21st Century Learning Centers	
Teacher Quality Programs	
Education Technology	
Fund for the Improvement of Education	
English Language Acquisition	
Migrant Education	
Elementary and Secondary School Counseling	+\$10,000,000
Mentoring Programs	+\$10,000,000
Head Start	+\$1,000,000,000
TRIO	+\$500,000,000
GEAR-UP	+\$300,000,000
Dropout Prevention	+\$110,000,000
Even Start family literacy	+\$100,000,000
Reading First	+\$5,500,000
Impact Aid	+\$300,000,000
STEM programs	+\$150,000,000
Tech-Prep Education State Grants	+\$105,000,000

-State Grants for Incarcerated Youth Offenders-	+\$10,000,000
-Higher Education and Financial Aid for College-	
Pell Grants	+\$585,000,000
Perkins Loans and Loan Forgiveness	+\$585,000,000
Supplemental Education Opportunity Grants	+\$585,000,000
LEAP State College Scholarship Initiative	+\$50,000,000
Minority Science and Engineering Improvement	+\$50,000,000
Child Care Access Means Parents in School	+\$15,000,000
HBCUs	+\$400,000,000
HSIs	+\$200,000,000
-Individuals with Disabilities Education Act (IDEA)-	+\$3,000,000,000
-Arts in Education-	+\$35,000,000
-Vocational Education-	+\$1,000,000,000
-Adult Education and Literacy-	+\$400,000,000
-Job Training for Adults and Youth-	+\$563,000,000
- Women's Education Equity-	+\$3,000,000
-Trade Adjustment Assistance Program-	+\$260,000,000
-Katrina-	
Rebuild and restore schools	+\$1,000,000,000
Rebuild and restore colleges	+\$1,000,000,000

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**550: Health** **+\$16,043,000,000**

SCHIP	+\$10,000,000,000
Healthy Start	+\$13,000,000
Nurse Education Programs	+\$94,700,000
Advanced Education Nursing	+\$75,000,000
Loan Repayment and Scholarship Program	+\$56,300,000
Children's Hospital Graduate Medical Education	+\$390,000,000
Maternal and Child Health Block Grant	+\$10,000,000
National Family Caregiver Support Services	+\$8,000,000
Community Health Centers	+\$300,000,000
NIH	+\$500,000,000
CDC Preventative Health Care Block Grant	+\$100,000,000
Gulf Coast Health Infrastructure	+\$500,000,000
HRSA National Health Service Corps	+\$100,000,000
HRSA Health Career Opportunities Program	+\$35,000,000
HRSA Centers of Excellence	+\$35,000,000
HRSA Community Health Centers	+\$500,000,000
Health Equity Fund	+\$500,000,000
Ryan White CARE Act	+\$1,300,000,000
Minority AIDS Initiative	+\$127,000,000
Title VII	+\$454,000,000
Title VIII	+\$200,000,000
Health Empowerment Zones	+\$50,000,000
REACH	+\$120,000,000

Office of Minority Health	+\$3,000,000
Rural Health programs	+\$143,000,000
Indian Health Programs	+\$50,000,000
Office of Men's Health	+\$50,000,000
Health Information Technology	+\$125,000,000
Office of Health Disparities in CMS	+\$25,000,000
Office of Minority Communities within the Office of the Nat'l Dir. for Health Information Technology	+\$10,000,000
Substance Abuse and Mental Health Services	+\$159,000,000
Universal Newborn Screening Program	+\$10,000,000

**570: Medicare** **+\$300,000,000**

General Health	+\$200,000,000
Long Term Care	+\$100,000,000

**600: Income Security** **+\$4,331,400,000**

Commodity Supplemental Food Program	+\$157,400,000
Special Supplemental Nutrition Program for Women, Infants, and Children	+\$175,000,000
Child Care and Development Block Grant	+\$500,000,000
Child Support Enforcement	+\$100,000,000
Public Housing	+\$1,000,000,000
Project-Based Section 8 Rental Assistance	+\$500,000,000
HOPE VI	+\$199,000,000
Housing for Persons with Disabilities-Sec. 811	+\$150,000,000
Housing for the Elderly-Sec. 202	+\$150,000,000
Rural Housing Programs	+\$200,000,000
Food Stamps	+\$250,000,000
LIHEAP	+\$250,000,000
Child Nutrition Programs	+\$200,000,000
Homeless Assistance	+\$300,000,000
HOME Investment Partnerships Program	+\$200,000,000

**650: Social Security** **No Change**

- CBC strongly oppose private accounts. Privatizing what is arguably most successful social insurance program in the world would only divert resources from the Social Security Trust Fund and generate trillions of dollars in new debt over the next few decades.
- Furthermore, we are strongly opposed to the use of the Social Security surplus to finance the deficit in the rest of the budget.

**700: Veterans** **+\$3,409,700,000**

Medical Care	+\$1,000,000,000
Mental Health PTSD Initiative	+\$250,000,000

Medical and Vocational Rehabilitation	+\$15,000,000
Veterans Employment and Training	+\$5,000,000
Local Clinic Initiative for non-urban areas	+\$150,000,000
Service Center/Casework Admin. Assistance	+\$50,000,000
Veterans Centers	+\$13,000,000
Substance Abuse Treatment	+\$10,000,000
Long Term Care	+\$189,000,000
Prosthetics	+\$62,000,000
Homeless Assistance Grant and Per Diem Program	+\$50,000,000
TBI/Polytrauma Centers	+\$35,000,000
Priority 8 Veteran Access	+\$1,000,000,000
General Administration	+\$44,000,000
Office of Inspector General	+\$11,700,000
Upgrade and Modernize Research Facilities	+\$15,000,000
Construction of State Extended Care Facilities	+\$35,000,000
Major Construction	+\$275,000,000
Veterans Benefits Administration	+\$200,000,000

**750: Administration of Justice** **+\$2,627,000,000**

Help America Vote Act	+\$400,000,000
Fair Housing and Equal Opportunity	+\$31,000,000
Repeal Deficit Reduction Act cuts to Child Support Enforcement Program	+\$300,000,000
DoJ Prisoner Reentry Programs	+\$100,000,000
COPS Program	+\$542,000,000
Juvenile Justice Prevention Programs	+\$500,000,000
Violence Against Women Programs	+\$30,000,000
Local Law Enforcement Block Grant	+\$9,000,000
Byrne Discretionary Grants	+\$100,000,000
Byrne Justice Assistance Grants	+\$100,000,000
Residential Substance Abuse Treatment Program	+\$10,000,000
Juvenile Justice Programs Part G (Mentoring)	+\$12,000,000
Juvenile Justice Programs Part E (New Initiatives)	+\$108,000,000
Weed and Seed and Drug Elimination Programs	+\$75,000,000
Boys and Girls Clubs	+\$25,000,000
Civil Rights Division	+\$20,000,000
Secure our Schools Act	+\$15,000,000
Gang Prevention	+\$250,000,000

**800: General Government** **+\$500,000,000**

IRS (for enforcement and collections)	\$305,000,000
Election Assistance Commission	\$195,000,000
Including funding for voter participation and protection	

**920: Allowances** **+\$2,985,300,000**

For the purpose of Homeland Security:

First Responder Grants to States	+\$735,000,000
State Homeland Security Grant Program	+\$275,000,000
Urban Areas Security Initiative	+\$85,000,000
Federal Emergency Management Agency	+\$888,100,000
Transportation Security Administration	+\$277,200,000
Local Law Enforcement Terrorism Prevention	+\$375,000,000
Port Security,	+\$200,000,000
Equipment and Personnel for 100% cargo screening	
Rail Security	+\$100,000,000
Centers for Disease Control	+\$50,000,000

**970: Overseas Deployments and Other Activities** **No Change**

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**FY08 TOTALS**

<b>TOTAL REVENUE</b>	<b>\$75,100,000,000</b>
<b>TOTAL SPENDING (NOT including deficit reduction)</b>	<b>\$68,654,810,000</b>
<b>AMOUNT APPLIED TO DEFICIT REDUCTION</b>	<b>\$ 6,445,190,000</b>

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