



## OUTLINE OF THE CONGRESSIONAL BLACK CAUCUS ALTERNATIVE BUDGET FOR FY 2018

### Topline Overview

	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY18-27
CBO Baseline Deficit (January 2016)	-487	-601	-684	-797	-959	-1000	-1027	-1165	-1297	-1408	-9,426
<b>CBC Budget</b>											
Revenues	3,815	3,989	4,202	4,380	4,590	4,778	5,030	5,268	5,503	5,801	47,356
Outlays	4,402	4,734	4,877	5,019	5,294	5,471	5,656	5,982	6,288	6,580	54,303
Deficit	-587	-745	-675	-639	-704	-693	-626	-714	-785	-779	-6,947
Savings Over CBO Baseline	-100	-144	9	158	255	307	401	451	512	629	2,479
<b>As Percent of GDP</b>											
Revenues	19.1%	19.2%	19.5%	19.6%	19.7%	19.6%	19.8%	19.8%	19.8%	20.1%	
Outlays	22.1%	22.8%	22.7%	22.4%	22.7%	22.5%	22.2%	22.5%	22.7%	22.7%	
Deficit	-2.9%	-3.6%	-3.1%	-2.9%	-3.0%	-2.8%	-2.5%	-2.7%	-2.8%	-2.7%	
Debt Held by the Public	15,516	16,337	17,080	17,782	18,543	19,291	19,972	20,740	21,579	22,414	
Debt Held by the Public (as a % of GDP)	77.8%	78.8%	79.4%	79.4%	79.4%	79.2%	78.6%	78.1%	77.8%	77.5%	
Gross Domestic Product (CBO Baseline)	19,944	20,731	21,521	22,392	23,351	24,362	25,422	26,544	27,725	28,925	240,917

Our nation's budget is a reflection of our priorities. The budgets proposed by President Trump and House Republicans are not reflective of what the majority of Americans need or deserve. Both of these budgets propose significant cuts to vital programs that support hardworking American families. Programs that support health care, basic living standards, nutrition assistance, job training programs, and affordable higher education are all on the chopping block to pay for tax cuts that will benefit large corporations and the wealthy.

The Congressional Black Caucus (CBC) has a long history of submitting fiscally sound and morally responsible alternatives to budgets proposed by both Republican and Democratic presidents and House majorities. The CBC alternative budget for fiscal year 2018 continues this tradition and invests in programs and policies that will support working Americans and help our nation prosper. This budget alternative protects social safety net programs, provides pathways out of poverty, strengthens health care, improves retirement security, and makes college more affordable. The CBC has also included the estimated \$200 billion needed to aid Hurricane Harvey victims. Additionally, the CBC budget invests \$1 trillion over the next decade in a comprehensive infrastructure and jobs program that aims to accelerate our economic recovery to guarantee America's long-term economic competitiveness.

In order to pay for these proposals, this budget puts forward several recommendations to make our nation's tax code fairer to ensure that large corporations and the wealthy pay their fair share.)

The CBC budget reduces the deficit by approximately \$2.5 trillion over 10 years compared to CBO's January 2017 baseline. The CBC budget is a morally and fiscally responsible alternative to the budget proposed by President Trump and House Republicans. This budget makes targeted investments in programs that support working families, students, seniors, and the most vulnerable in our communities.

## **Making the Tax Code Fairer to Meet the Needs of the Nation – \$3.9 Trillion in New Revenue**

The CBC budget directs the House Committee on Ways and Means and the Senate Committee on Finance to find \$3.9 trillion in revenue enhancements to make our tax code more progressive and fair. The CBC budget does not endorse any specific revenue enhancements but shows that this is a credible and achievable goal by suggesting several specific revenue options, totaling approximately \$10.9 trillion that Congress could utilize to achieve the \$3.9 trillion revenue target. These options include:

- Rescind the 2013 Fiscal Cliff Deal (Repeal all of the Bush-era Tax Cuts) (\$3.9 trillion)
- Limit Deductibility of Corporate Debt Interest Payments (\$1,151 trillion)
- Carbon Tax and Dividend Proposal (approx. \$1 trillion)
- Tax capital gains and dividends as ordinary income (\$880 billion)
- Financial Speculation Tax of 0.10 percent (\$707.3 billion)
- Limiting Extra Deductions Enjoyed by the Wealthiest Americans (\$645 billion)
- 5.4% Surcharge on Top Earners (\$460 billion)
- Impose a 14% tax on previously untaxed foreign income (\$299.4 billion)
- Extend the period for depreciating the cost of certain investments (\$251.2 billion)
- Reinstate 2009 Estate Tax (\$201 billion)
- Eliminate Bush-era tax cuts for households earning between \$250k and \$450k (approx. \$200 billion)
- Closing International Tax Loopholes and Other Incentives that move American jobs overseas (\$168 billion)
- Reduce the tax gap through better enforcement (\$107 billion)
- Convert the mortgage interest deduction to a 15% tax credit and cap the qualified interest at \$500,000 (\$341 billion)
- Repeal the "LIFO" and "Lower of Cost or Market" Inventory Accounting Methods (\$101.9 billion)
- Increase corporate income tax rates by 1 percentage point (\$100.3 billion)
- Ending Special Tax Breaks for Inventory (\$88 billion)
- Change the tax treatment of capital gains from sales of inherited assets (\$68 billion)
- Limit the tax deductibility of executive compensation packages (Income Equity Act) (\$50 billion)
- Close inversion loopholes (\$41 billion)
- Closing loopholes in estate and gift taxes (\$24 billion)
- Require that derivative contracts be marked to market with resulting gain or loss treated as ordinary income (\$20.9 billion)
- Closing the Carried Interest loophole for hedge funds and private equity fund managers (\$19.9 billion)
- Eliminating the S-Corporation Loophole (\$11 billion)
- Denying the Mortgage Interest Deduction for Vacation Homes and Yachts (\$10 billion)
- Closing the tax loophole for derivatives traders (\$3 billion)
- Eliminating the Corporate Jet Loophole (\$3 billion)

## **Additional Savings – Approximately \$1.384 trillion over 10 years**

On top of this added revenue, the CBC budget includes other deficit reducing policies, including adding a Public Option to the Affordable Care Act exchanges (\$122 billion), passing Comprehensive Immigration Reform (\$141 billion), and ending perpetual spending in the Overseas Contingency Operations account (\$876 billion). New revenue combined with these additional savings are used to offset the repeal the Budget Control Act and cancel sequestration (total cost of \$805 billion over 10 years), and pay for the other priorities outlined in the CBC budget.

## **Rebuilding Our Nation's Infrastructure and Reinvesting in Our Communities – \$1 Trillion**

The CBC budget proposes a comprehensive infrastructure program totaling \$1 trillion over the next

decade that will accelerate our economic recovery and ensure that it reaches every community in America, while also investing in what will guarantee America's long-term economic competitiveness.

- Infrastructure Modernization Program (\$665 billion)
- Full Employment Trust Fund/Direct Job Creation Program (\$120 billion)
- School Modernization (\$80 billion)
- Energy Infrastructure Modernization (\$45 billion)
- Expand Access to Broadband (\$20 billion)
- Public Housing Recapitalization (\$25 billion)
- Improving and Rebuilding V.A. Hospitals and Extended Care Facilities (\$15 billion)
- Choice Neighborhoods/Neighborhood Revitalization (\$25 billion)
- Summer and Year Round Jobs for Opportunity Youth (\$5 billion)

### **Protecting and Strengthening the Affordable Care Act to ensure Universal Health Care for All - Approximately \$23 billion over 10 years**

The CBC budget opposes any attempt to repeal the Affordable Care Act and instead includes proposals that improve the progress made by the ACA. The CBC budget proposes the creation of a public health insurance option in the ACA health insurance exchanges, which has consistently scored as a savings for the American taxpayer. The original House version of the Affordable Care Act included a public option that would be based on Medicare's current reimbursement rates plus 5%. The Congressional Budget Office (CBO) estimates that the public option's premiums would be 5-7% lower, on average, than the premiums of private plans offered in the exchanges. Those differences in premiums would reflect the net impact of differences in administrative costs as well as the rates paid to providers. CBO estimates that roughly one-third of the estimated 38 million people that would obtain coverage through the exchanges would enroll in the public option. CBO estimates a public option would increase mandatory outlays by approximately \$37 billion and reduce the deficit by more than \$118 billion over the next decade.

### **Increasing Access to High Quality Education and Making College More Affordable - Approximately \$250 billion over 10 years**

The CBC budget fully funds the Every Student Succeeds Act, the 2015 reauthorization of the Elementary and Secondary Education Act, and invests in increasing access to higher education. The CBC budget invests in HBCUs, provides grants for two years of free college at certain institutions of higher education to ensure an affordable pathway to a four-year degree for low-income students, reduces interest rates on federal student loans, increases the maximum Pell Grant award by \$1,000, and ensures that no student graduates college saddled with unmanageable debt.

### **Pathways Out of Poverty and Protecting the Social Safety Net – Approximately \$300 Billion over 10 years**

The CBC budget includes a strengthening and expansion of critical safety net programs that continue to lift millions of Americans out of poverty and into the middle class. For example, the CBC budget restores cuts to the Supplemental Nutrition Assistance Program (SNAP), expands access to affordable child care and affordable housing by funding the National Housing Trust Fund (\$20 billion), increases access to high-quality and affordable education, increases access to and funding for job training and trade adjustment assistance programs, and strengthens Social Security by increasing benefits. The CBC budget also expands the Earned Income Tax Credit (EITC) for low wage workers not raising children by increasing the maximum credit and lowering the eligibility age, and it expands the Child Tax Credit (CTC) for lower income working families with young children to provide them with a larger credit and indexes the maximum credit to inflation. The CBC budget also includes additional spending towards persistent poverty areas, referred to as the "10-20-30" plan, which provides at least 10 percent of funds in designated accounts be spent in persistent poverty communities—those with a poverty rate of at least 20 percent over the last 30 years and other persistent poverty areas. Lastly, the CBC budget includes a national strategy and the establishment

of an interagency task force to eliminate poverty, with the initial goal of cutting poverty in half in ten years, which would extend equitable access to economic opportunity to all Americans.

### **Improving Retirement Security**

Social Security currently replaces only 40 percent of pre-retirement earnings for a low earner retiring at age 62 and over half of workers have less than \$32,000 in retirement savings. Additionally, most employers have shifted from defined benefit pensions to 401(k) type savings accounts that do not guarantee a benefit. Moreover, many low wage workers can barely afford to make ends meet, let alone start thinking about their retirement. This has led to extreme retirement insecurity, particularly in low-income communities. The CBC budget supports strong protections for workers' retirement funds while broadening access to financial literacy programs so that Americans understand the importance of investing and understand how to invest in their future. The CBC budget supports making retirement an attainable goal for all workers by increasing the rate of tax credits for retirement savings contributions and making this credit refundable. The CBC budget protects Social Security and proposes calculating future cost-of-living-adjustments with the Consumer Price Index for the Elderly (CPI-E), which will enhance benefits for our seniors. The CBC budget also sets aside approximately \$100 billion to shore up the Pension Benefit Guaranty Corporation's unfunded plan liabilities, protecting the pension benefits of millions of American retirees.

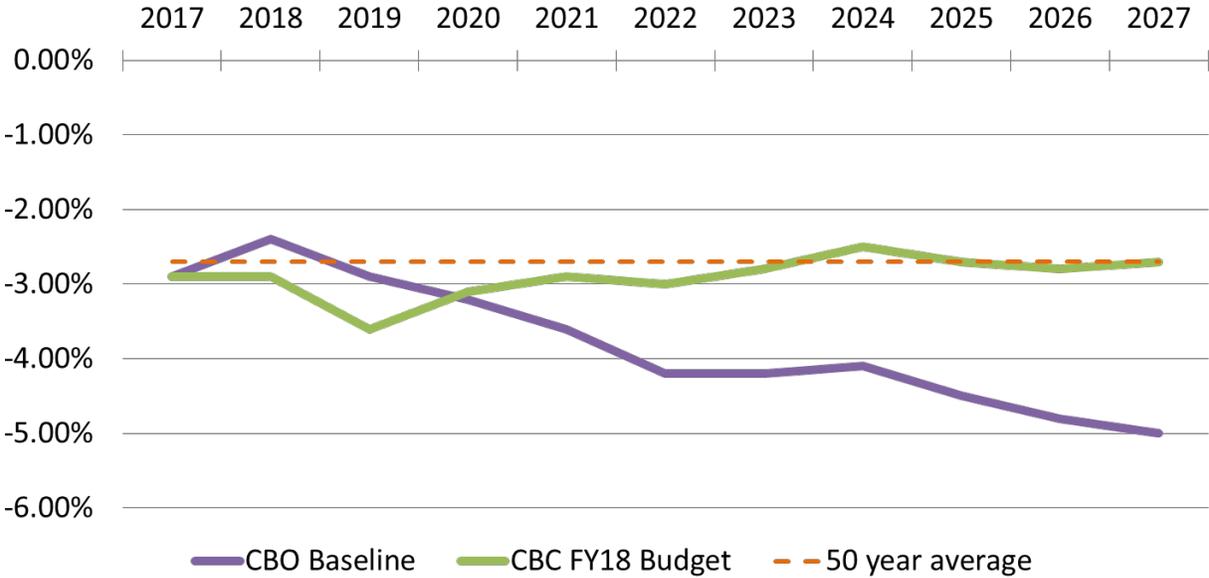
### **Spending Increases by Budget Function over 10 years (above CBO Baseline and pre-sequester Budget Control Act caps) – \$1.345 trillion**

- 150: International Affairs – \$10 billion
- 250: General Sciences – \$10 billion
- 270: Energy – \$15 billion
- 300: National Resources – \$10 Billion
- 350: Agriculture – \$8 billion
- 400: Transportation – \$665 billion
- 450: Community and Regional Development – \$48 billion
- 500: Education, Job Training and Social Services – \$454 billion
- 550: Health – \$23 billion
- 600: Income Security – \$50 billion
- 700: Veterans Benefits and Services – \$40 billion
- 750: Administration of Justice – \$7 billion
- 800: General Government – \$5 billion

**Estimated Total Deficit Reduction** – Reduces the deficit by approximately \$2.5 trillion over 10 years compared to CBO's January 2017 baseline.

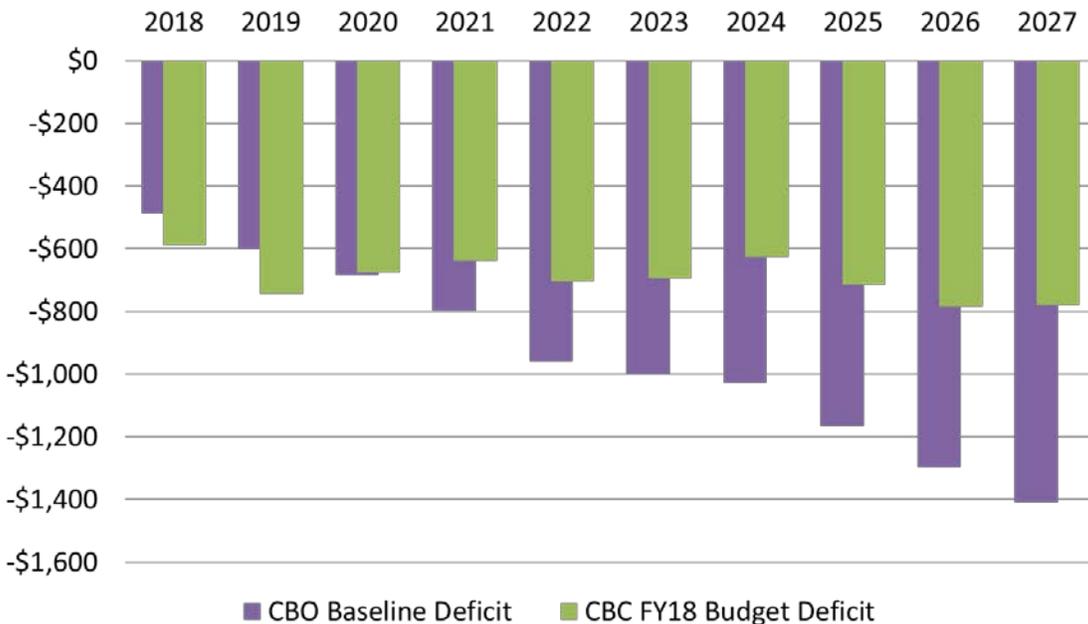
# CBC Budget Puts Nation on Sustainable Fiscal Path

(Annual Deficit as Percent of GDP as compared to CBO'S January 2017 Baseline)



Source: Congressional Budget Office, The Budget and Economic Outlook: 2017 to 2027 (January 2017); House Budget Committee – Democrats Analysis of FY18 CBC Budget

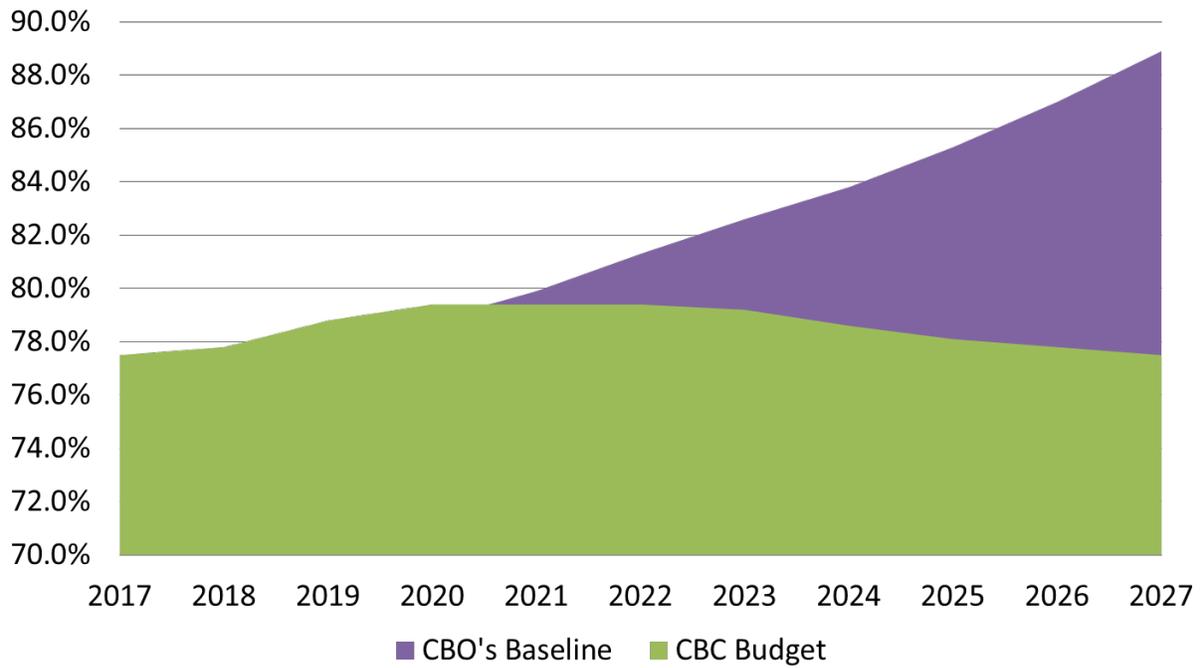
## CBC Budget Saves \$2.5 Trillion on the Deficit Over 10 years Compared to CBO's Baseline



Source: Congressional Budget Office, The Budget and Economic Outlook: 2017 to 2027 (January 2017); House Budget Committee – Democrats Analysis of FY18 CBC Budget

# Debt Held By the Public Falls Under CBC Budget

(as a percentage of GDP)



Source: Congressional Budget Office, The Budget and Economic Outlook: 2017 to 2027 (January 2017); House Budget Committee – Democrats Analysis of FY18 CBC Budget