

Roosevelt Campus Network's Budget for the Millennial America

The Roosevelt Campus Network

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Roosevelt employed its unique model of student engagement to produce this “Budget for the Millennial America.” Over the course of a year, we engaged more than 1,000 young people in person and 2,000 online in our Think 2040 program, which asked college-aged “Millennials,” “What do you want the world to look like in 2040”. Their values and highest-ranked priorities for America’s future are reflected in our “Blueprint for the Millennial America.” In order to prove that this vision for the future is achievable, and to address Millennials’ deep concerns for America’s fiscal future, we designed a plan together to fund the future they want to inherit—our “Budget for the Millennial America.”

Using the “Blueprint” as a starting point, we set up four working groups to discuss different aspects of the federal budget, including groups on: Taxes and the Economy, Health Care and the Social Safety Net, Non-Defense Discretionary Spending, and Defense Discretionary Spending. Each group met at least three times, and moved from a very broad set of options to the final policy choices showcased in the “Budget for the Millennial America.”

OVERVIEW

Young Americans will inherit the consequences of whatever action we take to address America’s long-term budget challenges. Many public figures have tried to speak for us, claiming to represent their “grandchildren.” But until now, Millennials have not been asked to provide *their* plan to achieve their vision for the future while bringing America back to fiscal sustainability. The “Budget for the Millennial America” represents that Millennial voice. The Roosevelt Campus Network asked thousands of young people across the country to identify our priorities for America’s future, coalesce around our highest priority outcomes, and make the tough choices necessary to finance them. We came together as a generation, and put forward this proposal to resolve America’s fiscal challenges and build towards our shared vision for 2040.

Millennials believe that America has come to a crossroads. The role of government involvement and public spending is being hotly contested, and as a generation, we’re faced with hard fiscal choices. However, these challenges are not inexorable. Young people across the country

recognize that those in power have made choices over the last 15 years that led us down the path to fiscal turmoil, and we are ready to pull ourselves out. Not by making haphazard cuts and sacrificing investment, but through a budget plan rooted in the achievement of our vision for America in a fiscally responsible way. Any solution to our fiscal trouble must not only resolve the gap between spending and revenue, but also address the underlying causes of fiscal unrest. Millennials recognize that much of the long-term budget gap stems from excess cost growth in the health care industry. We resist calls to simply push the cost from government balance sheets, directly onto the backs of American households. Rather, the “Budget for the Millennial America” makes a serious effort to bring health costs under control. And we are ready to institute a public health insurance option that can hold costs down through competition with the private market if health care costs continue to spiral out of control.

When Millennials look at our country’s economic and political landscape in 2011, they understand that the root causes of the financial crash have not been addressed. Millennials recognize that the housing bubble that wiped out the savings of millions of hard-working Americans was made much worse by irresponsible practices in the financial sector, especially from banks that are “too big to fail.” Any sustainable solution to America’s fiscal challenges must include decisive action to bring about a stable, efficient financial system. The “Budget for the Millennial America” moves aggressively to reduce systemic risk by proposing a “too big to fail tax” and by replacing the mortgage interest deduction with a capped credit.

Finally, as young Americans continue to struggle because of the Great Recession, Millennials are committed to building a safety net that will be resilient when the next economic storm hits. That means strengthening Social Security. It means providing states with the tools that they need to provide essential services to citizens in need. It means that we don’t walk away from displaced workers, but rather build a system to get them back on their feet. The “Budget for the Millennial America” actually increases domestic discretionary spending, because we believe that investments in our people, infrastructure, and economy are the only viable route to a prosperous society that provides for all Americans.

SPENDING

Medicare, Medicaid, and other federal health programs

Millennials understand the importance of health to society, and to their own lives. This is a generation that has grown up aware of the consequences of our *Fast Food Nation*. The costs to society of chronic disease are not lost on them. Furthermore, they know that the cost of ensuring decent care for the elderly and disabled will grow to unsustainable levels during their prime. We believe that this issue demands decisive action, while upholding the core commitments of ensuring quality health care for those that can least afford to buy it on a private market.

Recognizing the enormous investment that went into passing the Patient Protection and Affordable Care Act (PPACA), Roosevelt proposes to strengthen the market reforms begun in the PPACA, and give the new system 10 years to bring government health care expenditures under control. As such, Roosevelt immediately implements several key market reforms, such as repealing the monopoly exemption for health insurance companies, allowing states to pool their

insurance markets, funding comparative effectiveness research, and replacing the employer-provided health insurance tax exclusion and replacing it with a generous tax credit.

If these systemic reforms fail to bring non-Medicare government health insurance costs under control by 2022, Roosevelt creates a robust, national public health insurance plan to compete with the private market. This health plan would have all the negotiating and cost-controlling powers of Medicare, would be listed on all health insurance exchanges, and would be eligible for exchange subsidies through PPACA.

Ultimately, Roosevelt brings sanity to America's health insurance market through a uniquely American solution. We bring the full force of public and private innovation to bear on reducing health costs, while maintaining consumer choice in terms of doctors and hospitals. Furthermore, through the creation of a generous tax credit to help families buy health insurance, Roosevelt brings the opportunity to buy high-quality insurance to low-income, part-time workers for the first time in American history.

List of health care policies

- Adopt bundled payments through Medicare.
- Limit awards for medical malpractice torts.
- Institute a public option, controlling non-Medicare costs to 3 percent of GDP.
- Fund comparative effectiveness research, then automatically implement recommendations.
- Require Medicare to directly negotiate for price with drug manufacturers.
- Enact a permanent "doc fix" with 0 percent update through 2035.
- Adopt a regionally competitive model for Medicare fees and payments. Rather than having a national system for fee and payment updates, we will direct CMS to begin updating these payments each year only by region. Payments will vary based on increased cost per capita, but they will average out to GDP plus 1 percent. After 2021, they will average out to grow with GDP. To claw back the cost of a permanent doc fix, physicians' fees will update at an average rate of GDP minus 3 percent until 2021, after which they will update with GDP.
- Repeal the health insurance industry's monopoly exemption, increase price transparency, and allow states to pool insurance markets. We will permanently repeal the monopoly exemption for insurance companies, allowing the Department of Justice to undertake any necessary and applicable investigations that apply under American competitiveness clauses. We will allow states to pool their insurance markets through mutual agreement, allowing them to aggregate their market power.

Social Security

Millennials believe that Social Security is the foundation of our safety net, and make plans to expand the efficient, impactful program. In order to ensure the long-term solvency of Social Security, we propose increasing the taxable maximum to 90 percent of total payroll, drastically decreasing the long-term shortfall. And for individuals making more than 90 percent of payroll, we propose a 4 percent tax on their wages above 90 percent. We expand the program by allowing children of the disabled or deceased who are pursuing higher education to continue drawing benefits up to age 22, as long as they remain in school.

Defense

Having grown up in the shadow of 9/11 and two subsequent wars in the Middle East, Millennials are the most internationally engaged generation in American history. Our Defense and Diplomacy strategy envisions a more cost-effective, more agile military focused on confronting 21st century threats, incorporating our allies into burden-sharing arrangements, and designing robust diplomatic engagement and a comprehensive global development strategy.

During the Cold War, defeating communism was the clear, overarching goal for U.S. foreign policy. But since the Cold War's end, the world's only superpower has operated without a coherent long-term strategy that defines our position in the international system, our goals for engagement with other countries, and our plan for ensuring that U.S. foreign policy builds our national prosperity. We need a “grand strategy” to ensure that America wins the 21st century.

There is strong bipartisan consensus that 21st century threats need to be addressed with a mix of foreign policy tools—a concept commonly referred to as “smart power.” Smart power places heavy emphasis on development and diplomacy as effective tools of statecraft. Our military also needs the ability to reform institutions to implement the use of new operational systems, reform the U.S. foreign assistance structure, and create a centralized cyber security command. Through rebalancing the deployment of U.S. forces overseas to reflect current threats to national security and mixing the use of defense, development, and diplomacy, the United States can reduce national defense expenditures and more effectively ensure global stability.

List of defense policies:

- 20 percent increase in annual funding for Cyber Security Operations.
- Implementation of the “Alternative Energy Development Recommendations of the Post-Partisan Power” report.
- Roll back peacetime forces in Europe and Asia.
- Reduce combat troops in Afghanistan and Iraq to 45,000 by 2015.
- Scale back the U.S. nuclear posture.

- Cancel equipment purchases. Replace the F-35 Acquisition with F-18s and F-16s, and cancel the remaining acquisition of the MV-22 Osprey and the Maritime Prepositioning Force ships.
- Postpone purchases of new airborne refueling tankers.

Non-defense discretionary

Because America has yet to recover from the Great Recession, Roosevelt proposes an ambitious program to get our economy back on track. By rebuilding America’s infrastructure, investing in high-speed Internet access for all Americans, building high-speed intercity passenger rail, and establishing a Green Jobs Corps, we can stimulate the economy and get people back to work. We invest heavily in a green economy through smart grid technology and renewable energy development—Americans will get richer and the environment will benefit. Further, we recognize that because our carbon tax will hit some communities harder than others, designated funding is needed to help transition coal- and gas-dependent towns to new industries. Our special program—ARPACT—will be there to help.

Looking forward, Millennials see education as the foundation of America’s prosperity. We make long-term investments in key programs, like Pell grants, and even create new pathways to opportunity through universal pre-K. Finally, we’re tackling the more than \$2 trillion worth of repairs to America’s infrastructure, and implementing a program that halves the “infrastructure deficit” in its first five years—easing commerce and reinstating America at the vanguard of innovative infrastructure.

List of non-defense discretionary policies:

- Fund universal pre-K.
- Rebuild America's infrastructure program.
- 21st Century worker retraining program
- America's Revitalization Program for Areas Adversely Affected by the Carbon Tax
- Double USAID budget.
- Support sustainable agriculture practices, research, and local food programs.
- Teaching/public service loan forgiveness program.
- High-speed Internet and mobile access infrastructure program.
- Auto Stimulus Plan.
- 50 percent increase in funding for Community Development Block Grants.

- Ten percent increases in child nutrition and milk programs.
- 50 percent increase in the Department of Labor's training and employment services.
- Extend the Smart Grid Investment Grant program for 15 years.
- High-speed intercity passenger rail.
- Fund the Early Learning Challenge Fund at six times the current level.
- Ten percent increase in Title 1 funding.
- 30 percent increase in the annual budget for the Indian Health Service.
- Boost federal non-Pell higher education grants.
- Double the pre-American Recovery and Reinvestment Act annual budget for the Corporation for National Community Service.
- Double the total annual funding for Investing in Innovation (i3) grants.
- 40 percent increase in annual funding for the Bureau of Indian Affairs.
- Public funding for medical student education.
- Ten percent increase in annual Head Start funding.
- Triple funding for Native American Programs within HUD.
- Ten percent increase in Childcare and Development Block Grants.
- Maintain full funding levels for the Temporary Assistance for Needy Families Emergency Fund.
- Double the food distribution on Indian reservations program within the Department of Agriculture.
- Effectiveness assessment research for TRIO, GEAR UP, and Race to the Top.
- State budget bank.

Other mandatory

- Phase out government direct agriculture payments.

- Increase Pell Grant funding by 10 percent over FY2011 levels.

REVENUES

Millennials know that in order to provide opportunity for all Americans and build the kind of society prepared to compete in the 21st century, we must make investments in our people and in our infrastructure. To finance this, Millennials are willing to raise more revenue through the tax system. We will raise taxes as necessary, but not until we eliminate the billions of dollars in tax giveaways to corporations and special interests distributed through the tax code. Roosevelt eliminates loopholes and exemptions to make the tax code more equitable, while implementing a financial transactions tax and cutting corporate rates across the board.

We also implement major income tax reform. Currently the top 10 percent of earners hold more than 45 percent of the wealth in America. While cutting income tax rates to historic lows, we amend the system to designate tax rates based on the distribution of wealth, so that as inequality rises or falls, the tax system automatically adapts to follow the money. It’s a smarter, more equitable tax code, responsive to changes in inequality that makes it possible to invest in education, fight climate change, and update American infrastructure—all while bringing debt under control.

Individual income taxes

Income Tax Reform. We propose a new income tax code that bases brackets upon shares of overall Adjusted Gross Income. Brackets will be divided as follows:

Single Filer	Joint Filer	Rates for each bracket
\$0	\$0	9.45 %
\$39,536.76	\$79,073.53	15.75%
\$65,894.61	\$131,789.22	26.25%
\$84,010.16	\$168,020.31	31.5%
\$208,668.94	\$417,337.87	AMT tax threshold*
\$709,679.84	\$1,419,359.67	36.75%

*The rates for the AMT will be 24 percent for all income below this threshold, and 28 percent above it.

This system represents an enormous tax cut for most families. We combine the bottom two brackets into a single bracket with a 9.45 percent rate, and add a new top bracket. Moreover, our system resolves many problems Congress currently addresses annually. We remove the “marriage penalty” and the middle-class tax hike under the Alternative Minimum Tax, ending 20 years of inaction. The high threshold also returns the AMT to its original purpose—restricting excessive deductions by the very wealthy. In 2030, we enact an additional cut of 2 percent on the lowest bracket, and a 1 percent reduction on the second-lowest bracket.

Corporate income taxes

Corporate Tax rate Cut of 3 percent in 2013. Unlike many other proposals, we intend to reduce rates for all brackets, rather than just the top rate—a true, small-business tax cut. This will result in a 32 percent top corporate tax rate, far below many OECD nations, and a bottom rate of 12 percent.

Tax expenditures

Tax Expenditure Reform. We propose the removal or reduction of a large number of tax expenditures. Overall, we eliminate roughly 50 percent of the tax expenditures currently in the tax code, raising more than \$550 billion per year with a menu of expenditure eliminations.

Phase out Mortgage Interest Deduction. Roosevelt lowers the ceiling for the mortgage interest deduction from \$1 million to \$500,000 *and allows* deductions only for primary residences, progressively reducing the ceiling by \$100,000 per year beginning in 2013. We also replace the current tax deduction with a tax credit of 15 percent, thereby reducing the regressivity of home mortgage subsidies and more directly encouraging investment in homes by poor families.

Replace the employer-provided health insurance tax exclusion with a health insurance voucher of \$2,300 per adult and \$1,700 per child, not to exceed \$8,000 per family.

Other revenues

An upstream tax on carbon of \$24.33 beginning in 2013, increasing yearly by 5.6 percent. Roosevelt proposes assigning a price on carbon in 2013. This price will increase by 5.6 percent each year, consistent with the EPA’s conservative estimates of the social cost of carbon. The CBO projects this will reduce emissions by 36 percent by 2026, moving us toward responsible emissions levels.

Utilities subsidies along the lines of the Waxman-Markey proposal for mitigation of cost impact for low-income families. We expect that making the carbon tax “upstream”—that is, paid by business instead of consumers—will partially lift the burden from poor families who spend a disproportionate amount of their income on carbon-intensive products. However, we remain concerned that business may ultimately pass the cost of a carbon tax on the consumer. In order to mitigate that impact, then, we propose a refundable carbon tax rebate for all Americans.

Repeal of the gasoline tax. The double taxation that a gas and carbon tax would entail is unnecessary. We therefore remove the gasoline tax that the carbon tax has now replaced.

Institute a Financial Transactions Tax: Roosevelt proposes a Financial Transactions Tax that includes a 0.5 percent fee on stock trades, a 0.01 percent fee on bonds for each year remaining until maturity, a fee on futures of 0.02 percent of the notional value of the underlying asset, a fee on options of 0.5 percent of the premium paid for the option, and a fee on interest rate swaps for 0.01 percent of the asset value for each year until the expiration of the agreement.

Institute a Too Big to Fail Financial Activities Tax of 25 percent in 2013. In order to stabilize the financial sector and ensure that large banks pose no threat to America’s fiscal sustainability, we propose a tax of 25 percent on all banks with more than \$200 billion in assets (indexed to inflation). The tax will apply to wages and profits less capital formation on financial institutions. If the financial arm of a corporation reaches \$200 billion in assets, it too would be included.

PROCESS

Roosevelt does not propose any budget process reforms, because we wanted to focus on a bringing a substantive vision for America to fruition, rather placing a narrow lens on the budget.

CONCLUSION

When all is said and done, the “Budget for the Millennial America” stabilizes the national debt in 2015. If we adopt this plan, we will build the America our generation envisions, while bringing the national debt down to 64 percent of GDP by 2035.

Roosevelt Institute Campus Network

Percent of GDP	2021	2035
Revenues	21.5	22.9
Spending	<u>23.5</u>	<u>24.8</u>
Deficit (-)	-2.0	-1.8
Debt Held by the Public	70.0	63.6