

II. BUDGET HIGHLIGHTS

A New Approach to Budgeting

Moderate Growth in Government and Fund National Priorities:

- Moderates recent rapid growth in spending, while funding national priorities, paying down the debt, and providing tax relief.
- Strengthens and reforms education, granting the Education Department the largest percentage spending increase of any Department (11.5 percent increase in 2002).
- Saves the entire Social Security surplus (\$2.6 trillion) and commits to reforming the program.
- Spends every penny of Medicare tax and premium collections over next 10 years only on Medicare. Modernizes and reforms Medicare.
- Restores commitment to military personnel and begins transition to a 21st Century force structure.
- Champions compassionate conservatism by supporting the critical role that faith-based and community organizations play in helping people at the local level.

Debt Reduction: Achieves historic levels of debt reduction, retiring the maximum amount of debt possible over 10 years (\$2 trillion).

Tax Relief: Lets taxpayers keep roughly one-fourth of the surplus they produced (\$1.6 trillion over 10 years).

By the Numbers:

- Allocates projected \$5.6 trillion surplus over 10 years. Breakdown of surplus:
 - Saves all of Social Security surplus (\$2.6 trillion) for Social Security.
 - Provides \$1.6 trillion in tax relief over 10 years.
 - Creates an unprecedented \$1.4 trillion reserve for additional needs, debt service, and contingencies.
- Produces a \$231 billion total surplus in 2002.
- Reduces historically high income tax burden.
- Moderates recent explosive growth in discretionary spending to 4.0 percent growth in 2002, an increase of \$26 billion over 2001.
- Moderates growth in spending by making reductions in one-time spending, unjustified programs, duplicative programs, and programs that have completed their mission in 2002.

A New Approach to Budgeting—Continued

Initiative Highlights:

- K–12 Education. Increases funding for elementary and secondary education by \$1.9 billion in 2002 over 2001 funding.
- Reading. Fully funds President's Reading First initiative, including Early Reading First, at \$975 million in 2002, more than tripling funding for reading.
- Medicare. Sets aside \$153 billion over the next 10 years for the Immediate Helping Hand initiative and Medicare modernization.
- National Institutes of Health (NIH). Continues commitment to double NIH, by providing a \$2.8 billion increase for NIH, the largest annual funding increase in NIH's history.
- WIC. Funds the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) at 7.25 million individuals a month, maintaining current program level.
- Conservation. Provides the highest ever request for the Land and Water Conservation Fund - fully funding the program at \$900 million.
- Energy Assistance. Nearly doubles the existing Weatherization Assistance Program providing an increase of \$1.4 billion over 10 years.
- Community Health Centers. Launches a doubling of the number of people served by Community Health Centers by adding 1,200 sites.
- Provides tax relief to all Americans who pay income tax.
- Reduces the marriage penalty.
- Ends the death tax.
- R&D tax credit. Permanently extends the research and development (R&D) tax credit.
- Tax incentives. Provides other tax incentives for education, farmers, the disabled, health care, the environment, and charitable purposes.
- National Defense. Provides a \$14.2 billion increase in Department of Defense spending in 2002 to begin to arrest the decline in national security, including \$1.4 billion for military compensation to improve quality of life and reenlistment and retention of military personnel, \$2.6 billion for research and development for new technologies (including missile defense alternatives), and \$400 million to improve housing for our military members and their families.
- International security. Improves embassy security overseas, adding \$1.2 billion.