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Budget Policy Brief

H.Con.Res. 376 -- Concurrent Resolution on the Budget for Fiscal Year 2007

Order of Business: Consideration of H. Con. Res. 95 is likely to continue on Thursday, May 11, subject to a structured rule which makes in order substitutes by the Democratic Leadership (Spratt), the Republican Study Committee (Hensarling), and the Congressional Black Caucus (Watt). General debate and consideration of the RSC substitute has already concluded.

Comparison of Budget Substitutes

Increase or Decrease in Federal Taxes:

Compared to the CBO Baseline (which does **NOT** assume the extension of current tax rates)
Negative Number Signifies Tax Relief, Positive Numbers Are Tax Increases

In Billions of Dollars

PROPOSAL	2007	2007-2011
Committee Budget	-39.0	-227.8
RSC	-60.7	-632.7
Democratic Leadership	-26.0	-82.0
Black Caucus	+57.6	+289.1

Note: According to the Budget Committee, the Democratic substitute provides only \$150 billion in tax relief over *ten years*. However, this amount is \$772 billion short of what is needed to extend (1) the child care tax credit, (2) marriage penalty relief, (3) the 10% tax bracket, (4) AMT relief, (5) death tax repeal, (6) the research and experimentation credit, and (7) the state and local sales tax deduction—all policies which the Democratic substitute *claims* to support (Sec. 402). The substitute envisions “closing the tax gap” (collecting unpaid taxes) as covering any tax relief in excess of what is provided for in the budget, but CBO estimates this will raise no additional revenues—meaning **the Democrat substitute would likely raise taxes by \$772 billion** over ten years, by allowing the tax cuts outlined above to expire.

Total On-Budget (Excludes Social Security) Spending, Excluding Interest Payments:

Interest payments are excluded so as to show the levels of programmatic spending.

In Billions of Dollars

PROPOSAL	2007	2007-2011
Committee Budget	1,929.089	10,197.828
RSC	1,845.588	9,296.126
Democratic Leadership	1,945.143	10,368.965
Black Caucus	1,986.471	10,439.706

Note: This analysis does not look at the funding suggested for the separate functional categories. For discretionary spending, the Appropriations Committee is not bound by the functional suggestions in the budget resolution. For direct spending, only reconciliation proposals to change existing law or the relevant Committee Allocation 302(a) allocation made in accompanying Committee Report are of real relevance. In addition, the Democratic Leadership (Spratt) budget covers a ten-year window rather than the standard five-year window; this analysis looks only at the five-year window.

On-Budget Deficit (Excludes Social Security):

In Billions of Dollars

PROPOSAL	2007	2007-2011
Committee Budget	543.169	2,247.146
RSC	503.861	1,792.273
Democratic Leadership	537.329	2,240.669
Black Caucus	471.870	1,931.330

Unified Deficit (Includes Social Security):

In Billions of Dollars

PROPOSAL	2007	2007-2011
Committee Budget	348.138	1,091.159
RSC	307.974	628.408
Democratic Leadership	342.207	1,084.707
Black Caucus	276.840	775.345

Include \$50 Billion Defense Reserve Fund for On-going Military Operations:

PROPOSAL	
Committee Budget	YES
RSC	YES
Democratic Leadership	YES
Black Caucus	YES

Increase in the Federal Debt Ceiling:

In Billions of Dollars

PROPOSAL	2011	Increase
Committee Budget	9,180	+215
RSC	9,156	+191
Democratic Leadership	9,165	+200
Black Caucus	9,098	+133

Note: Under Rule XXVII (the “Gephardt Rule”), when a concurrent budget resolution is adopted, the House clerk is instructed to automatically engross and send to the Senate a joint resolution increasing the public debt ceiling to the amount specified in the budget resolution. Since the Senate has no comparable procedure, the Senate must then consider and pass the joint resolution. **As a result, when Members vote for the budget resolution they are voting to increase the federal debt ceiling.**

Spending Reconciliation, Reserve Funds:

Committee Budget:

- Reserve fund for the disposal of underutilized federal real property.
- Deficit-neutral reserve fund for the Secure Rural Schools and Community Self-Determination Act.
- Reserve fund for AMT relief in 2007 (so long as the legislation would not reduce revenues below the aggregate level of revenues).
- Reserve fund to increase the borrowing authority by \$3.3 billion for the National Flood Insurance Program (NFIP) to meet outstanding claims resulting from Gulf Coast hurricane damage. This reserve fund could not be tapped unless the borrowing extension was accompanied (or preceded) by legislation to reform the NFIP, making it actuarially sound and phasing out subsidies to “pre-FIRM” subsidies that are not used as primary residences.
- Deficit-neutral reserve fund for GSE reform.
- As it passed out of committee, the budget includes a reserve (“rainy day”) fund of \$4.3 billion to budget for nondefense emergency spending. In the event of a supplemental spending bill in excess of that amount, the House Budget Committee would convene a meeting to determine whether the rainy day fund should be increased or not. If the Committee voted not to increase the fund, the supplemental would be subject to a point of order on the House floor.
- Spending reconciliation instruction to slow the growth in direct spending:

*Savings
Dollars in Millions*

Committee	Five Years
Agriculture	55
Armed Services	175
Education & Workforce	1,323
Financial Services	400
International Affairs	250

Judiciary	500
Transportation & Infrastructure.	50
Ways and Means	4,000
Total	6,753

RSC:

- Deficit-neutral reserve (“rainy day”) fund for non-military emergency spending—offsets would be required for such spending.
- Reconciliation instruction to slow the growth in direct spending:

*Savings
Dollars in Millions*

Committee	First Year	Five Years
Agriculture	2,083	29,116
Armed Services	52	120
Education & the Workforce	1,010	7,470
Energy & Commerce	1,125	91,697
Government Reform	140	1,670
Resources	0	6,793
Transportation & Infrastructure	32	230
Ways and Means	27,457	221,189
Total	31,899	358,285

- Tax reconciliation instruction to the Ways and Means Committee to reduce revenues by \$18.4 billion in FY07 and \$346.3 billion over five years (enough to extend all the current tax relief). The budget assumes additional tax relief for AMT reform outside of reconciliation—although the Committee would have complete discretion to compose its reconciliation package in whatever manner it deemed appropriate.
- Requires the Veterans Affairs Committee to identify 1% of total spending under its jurisdiction in wasteful, unnecessary, or lower-priority spending and submit its report to the House Budget Committee.

Democrat Leadership:

- Reserve (“rainy day”) fund of \$4.3 billion to budget for nondefense emergency spending.
- Deficit-neutral reserve fund for Health Insurance for the Uninsured.
- Deficit-neutral reserve fund for increasing the Medicare prescription drug benefit by eliminating the Medicare Advantage Regional Plan Stabilization Fund and authorizing the negotiation of prescription drug prices.
- Deficit-neutral reserve fund to extend the enrollment period for the Medicare prescription drug program through all of 2006 (the current deadline is May 15, 2006 without penalty).
- Deficit-neutral reserve fund to increase Medicare payments to physicians.
- Deficit-neutral reserve fund for GSE reform.
- Reserve fund for AMT relief (consistent with the aggregate levels of revenues provided in the budget resolution).

- Deficit-neutral reserve fund for the Secure Rural Schools and Community Self-Determination Act.
- Reserve fund to increase the borrowing authority for the National Flood Insurance Program (NFIP) to meet outstanding claims resulting from Gulf Coast hurricane damage. This reserve fund is not deficit-neutral.

Black Caucus:

- None

Enforcement and Other Reform Provisions:

Committee Budget:

- Restriction on advanced appropriations.
- Requires spending designated as an emergency to meet the criteria for emergency spending.
- Exempts up to \$2.3 billion in avian bird flu response funding from budget constraints.
- Exempts funding directly related to the Global War on Terror from budget constraints.

Democratic Leadership:

- Turns off the Gephardt Rule which currently allows for an increase in the public debt limit equal to levels set forth in the budget resolution
- Creates a new point of order against any reconciliation bill that increases the deficit
- Exempts up to \$2.3 billion in avian bird flu response funding from budget constraints
- Exempts funding directly related to the Global War on Terror from budget constraints
- Allows for the budget resolution to be adjusted to accommodate the extension of expiring tax relief so long as it would not increase the deficit

RSC:

- Restriction on advanced appropriations.
- Requires spending designated as an emergency to meet the criteria for emergency spending. This provision is enforced via a point of order, and if the point of order is waived, a point of order lies against the rule waiving the point of order.
- Prohibition on using general tax increases to offset new spending in an effort to comply with the budget resolution.
- Creates a new supermajority (three-fifths) point of order against new direct spending while exempting any bill to preserve Social Security that may include short-term transition costs.
- Allows for tax cut levels to be increased to take into account the economic feedback from lower taxes based on realistic (dynamic) scoring.
- Creates Budget Protection Accounts permit Members to credit the savings from amendments to both discretionary and direct spending bills to deficit reduction or tax relief.
- Turns off the Gephardt Rule which currently allows for an increase in the public debt limit equal to levels set forth in the budget resolution.

Black Caucus:

- Creates a PAYGO point of order in the House.

- Requires the Secretary of Defense to submit a report within 90 days that demonstrates how the Pentagon plans to implement 1,453 GAO recommendations to yield defense savings.

Senses of the House/Congress:

Committee Budget:

- Long-term budgeting (using the Financial Report of the U.S. Government to estimate long-term liabilities).
- Use of the “tax gap” (collecting unpaid taxes) to reduce the deficit and not increase spending.

RSC:

- None

Democratic Leadership:

- Funding defense priorities (including Army National Guard troop strength, nuclear nonproliferation programs, increasing the level of free life insurance coverage for service members, increasing pay and reenlistment bonuses, and decreasing funding for the Missile Defense Agency).
- Support for extending marriage penalty relief, the 10% income tax bracket, the child tax credit, AMT relief, death tax relief “on all but a minute fraction of estates” (meaning support for the death tax in some fashion), and closing the “tax gap.”
- Pay parity between federal employees and military personnel
- Increased funding for homeland security needs, Manufacturing Extension Partnerships, education, health, and training funding, and rural development funding.
- Extension of PAYGO.
- Tax simplification and fairness.

Black Caucus:

- None
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