

Legislative Bulletin.....April 28, 2009

Contents:

S.Con.Res. 13—FY 2010 Budget Resolution, CONFERENCE REPORT

**S.Con.Res. 13—FY 2010 Budget Resolution CONFERENCE REPORT
(Conrad, D-ND)**

Major Changes Since the Last Time the Legislation Was Before the House: Compared to the House-passed budget resolution, the conference report includes some difference with regard to budget process provisions, reserve funds, and differences with regard to the levels of proposed tax collections, spending, and deficits. However, as with the House-passed budget resolution, the conference report assumes a massive tax increase (\$423 billion compared to \$574 billion in the House-passed budget resolution), proposes the six largest deficits in U.S. history, and includes reconciliation instructions for liberal priorities.

Order of Business: The conference report is expected to be considered Tuesday, April 28, 2009, and will be considered under a martial law, same day rule, allowing special rules to be considered without a two-thirds vote on the same day they are reported from the Rules Committee.

Summary: Among other things, the FY 2010 budget resolution sets recommended spending, revenue, deficit, and debt levels over the 2009-2014 period, sets reconciliation instructions (to “fast-track” legislation), and establishes the total 302(a) discretionary spending allocation for the Appropriations Committee to divide between its subcommittees.

Proposed Revenues, Spending, and Deficits: The Democrat budget resolution proposes the six largest nominal deficits in U.S. history. The lowest deficit proposed by the budget resolution—the \$523 billion deficit in FY 2014—is \$64 billion or 13.9% greater than the highest deficit in U.S. history (last year’s \$459 billion deficit). Below is the proposed revenue, spending, and the consequent deficits by year.

Table 1: House Democrat Budget Resolution, FY 2009-2014

In Billions of Dollars

Year	Spending	Tax Revenue	Nominal Deficit	Deficit % of GDP
------	----------	-------------	-----------------	------------------

2008 (actual)	2,983	2,524	459	3.2
2009	3,879	2,186	1,693	12.0
2010	3,555	2,322	1,233	8.6
2011	3,569	2,625	944	6.3
2012	3,475	2,856	619	3.9
2013	3,639	3,057	582	3.5
2014	3,821	3,298	523	3.0

Tax Increases: S.Con.Res. 13 proposes total tax collections equal to \$14.2 trillion over five years. Compared to a baseline that assumes the extension of the 2001 and 2003 tax cuts and the “AMT patch,” the budget resolution assumes a five-year tax increase of \$423 billion. The Democrat budget resolution assumes that much of this tax relief will expire.

Discretionary Spending Level: The budget resolution sets a 302(a) discretionary spending allocation equal of \$1.083 trillion for FY 2010 regular appropriations (excluding emergency spending), a 7.2% increase compared to FY 2010.

Policies Not Included in Budget Resolution:

- *“Making Work Pay” Tax Credit:* The resolution’s revenue numbers assumes that it will not be allowed to continue (as per the President’s budget), but will instead expire at the end of 2010.
- *Troubled Asset Relief Program (TARP):* Unlike the President’s budget, which requests \$247 billion for additional financial bailouts, the budget resolution assumes no additional funding for this program.

Federal Debt: Over five years, the budget resolution would increase the debt to \$17.0 trillion—an increase of \$5.2 trillion compared to the level on January 20, 2009.

Reconciliation Instructions: In the House, the budget resolution provides reconciliation instructions to the House Committee on Ways and Means to achieve \$1 billion in savings over five years, for the House Committee on Energy and Commerce to achieve \$1 billion in savings over five years, and for the House Committee on Education and Labor to achieve \$1 billion in savings over five years. Per the budget resolution, these savings are intended for “health care reform” and “investing in education.” However, this intent is non-binding, and the reconciliation instructions could actually be used to make any changes that comply with the dollar amount. This means, for example, that reconciliation could be used for “cap and tax,” since such legislation would move through committees mentioned in the reconciliation instructions.

The budget resolution provides comparable reconciliation instructions for the Senate, which fall on the Senate Finance Committee and the Senate Health, Education, Labor, and Pensions Committee.

The main consequence of reconciliation instructions is to allow the Majority to shutoff debate and amendments with a simple majority, instead of with the three-fifths majority normally required.

Deficit-Neutral Reserve Funds: The budget resolution creates thirty-four House and Senate reserve funds. The fourteen reserve funds created for the House are:

- “Health Care Reform;”
- “College Access, Affordability;”
- “Energy Independence;”
- “American Veterans and Servicemembers;”
- “Tax Relief;”
- “9/11 Health Program;
- “Child Nutrition;”
- “Structural Unemployment Insurance Reforms;”
- “Child Support;”
- “Affordable Housing Trust Fund;”
- “Home Visiting;”
- “Low-Income Home Energy Assistance Program;”
- “County Payments Legislation;”
- “Surface Transportation Reauthorization;”

The budget resolution does not actually set aside money for any of the above purposes, but instead, by establishing reserve funds, allows for these priorities *if* unspecified spending (that is assumed in this budget resolution) is reduced or taxes are increased. Of note, the surface transportation reauthorization reserve fund does not include a deficit-neutral requirement.

Budget Process Provisions:

- Provides a \$28.9 billion cap on advanced appropriations, but provides exceptions to allow funding for some programs to fall outside of this cap. The House point of order allows advance appropriations for the Department of Veterans for “Medical Services, Medical Support and Compliance, and Medical Facilities accounts for the Veterans Health Administration” to fall outside the cap. The Senate point of order allows funding for this purpose as well as for the Corporation for Public Broadcasting (PBS) to fall outside the cap.
- Exempts funding designated as emergency spending from budget constraints.
- Creates a Senate point of order against a surface transportation reauthorization bill that provides funding outside of the Highway Trust Fund and Mass Transit Accounts.

Change to Budget Baseline: The budget resolution directs the House Budget Committee to use a baseline that assumes that certain policies will be extended, when judging the effect on the deficit. These policies are:

- \$38 billion over the FY 2010-FY 2014 period for reforming the Medicare physician payments system.
- \$512.2 billion over the FY 2010-FY2014 period for extending certain provisions from the 2001 and 2003 tax cuts.
- \$214.4 billion over the FY 2010-FY 2014 period for the AMT patch.
- \$256.2 billion over the FY 2010-FY 2014 period for the death tax.

Of note, this would still leave a baseline that assumes the expiration of much of the 2001 and 2003 tax cuts. This shift in the baseline noted above is contingent on the House passing a bill to impose statutory PAYGO requirements.

Ballistic Missile Defense: The conference report, in Section 502(8) states: “ballistic missile defense technologies that are not proven to work through adequate testing and that are not operationally viable should not be deployed, and that no funding should be provided for the research or development of space-based interceptors.”

Possible Conservative Concerns:

Reconciliation Instructions to “Fast Track” Liberal Priorities: The budget resolution would allow reconciliation (as long as a deficit target of \$1 billion is met) for legislation under the jurisdiction of the Education and Labor Committee, the Energy and Commerce Committee, and the Ways and Means Committee. The Majority will say that this is intended for health care reform and education reform. However, *any* legislation that meets this deficit target that falls under one of these committees (such as “cap and tax”) would be eligible for reconciliation protection.

Unprecedented Borrowing: The budget resolution would increase the national debt to \$17.0 trillion in five years, an increase of \$5.2 trillion or 48% since January 20, 2009. But this increase is actually understated in two respects since the Democrat budget resolution hides what its policies would lead to over the full ten-year budget window. The budget resolution proposes what would be the six largest deficits in U.S. history.

Historic Spending Levels: The Democrat budget resolution proposes federal spending equal to 27.6% of GDP in 2009 and 24.8% of GDP in 2010. These are the highest spending levels in U.S. history, except for World War II.

Higher Taxes: The Democrat budget resolution increases taxes by \$423 billion over five years.

Committee Action: S.Con.Res. 13 was introduced on March 27, 2009, was reported out of the Senate Budget Committee as an original measure, and was approved by the Senate by a vote of 55 to 43 on April 2, 2009.

Does the Resolution Expand the Size and Scope of the Federal Government?: Yes, it proposes tax increases, spending increases, debt increases, and would enable massive expansions of the federal government via reconciliation.

RSC Staff Contact: Brad Watson, brad.watson@mail.house.gov, (202) 226-9719