SUMMARY
SENATE BUDGET RESOLUTION FOR 2001

CHAIRMAN'S MARK

The Chairman's mark for the 2001 Concurrent Budget Resolution represents a fiscal blueprint for the next five years. The latter quarter of the 20th century was one marked by federal fiscal imbalances. The fiscal deficits of the recent past are now surpluses. This positive budget outlook provides Congress and the President with a unique opportunity to structure fiscal policies that addresses the challenges that lie ahead -- both domestic and internationally.

It is acknowledged, however, that the budget year for which this resolution provides specific fiscal guidance (FY 2001) will be administered by a new President and a new Congress. Therefore, this budget resolution can only serve as the first step in completing the work of the 106th Congress and closing out the Clinton Presidency. The next Congress and the next President will have an opportunity to provide more definitive direction for the country's fiscal policy path into the future, and indeed could, and likely will, propose modifications to this budget blueprint.

The Chairman's mark, nonetheless, establishes some general principles and an outline for that future path:

- Preserve and protect the social security trust fund balances.
- Balance the budget every year not counting social security.
- Reduce the level of debt held by the public.
- Establish responsible funding levels for national security and domestic spending programs that will be followed through the annual appropriation process this year and that will provide realistic planning estimates for the next five years. For FY 2001 this level of spending would be set at $596.5 billion in budget authority, a 4.6% increase over the enacted FY 2000 level.
- Reform federal assistance to elementary and secondary education programs, provide bonus incentive payments to states for good performance, while providing funding (both discretionary and mandatory) to the Department of Education equivalent to President Clinton's five year request.

- Establish new procedures in the budget resolution that would better enforce the fiscal policy guidance outlined in this resolution.

- Provide $20 billion over the next five years for the development of a Medicare prescription drug benefit when tied to long-term Medicare reform.

- Provide $5.5 billion in emergency funds immediately in FY 2000 to depressed agriculture producers and their families and $11.0 billion in longer term funds for reform of current programs.

- Return to working Americans estimated tax overpayments of over $150 billion, of which $13.2 billion would be provided in FY 2001.

The Chairman's mark sets out benchmark spending and revenue levels for the next five years. Federal spending under the Chairman's mark will increase from $1.8 trillion in 2000 to nearly $2.1 trillion in 2005. After providing for $150 billion in tax reductions, federal revenues would still increase from $1.9 trillion in 2000 to $2.3 trillion in 2005. The budget, excluding social security, will maintain balance throughout the five year projection period and approximately $42.4 billion in federal resources are projected to remain available as on-budget surpluses, thereby further reducing debt held by the public -- if not needed for emergency or contingency funding. Should the mark's tax reduction or Medicare reform expenditures not become law, additional debt reduction of over $170 billion – for a total of $212.5 billion would result.

The Chairman's mark would:

1. Preserve and Protect Social Security Trust Fund Balances.

The mark protects social security trust fund balances estimated to total nearly $1 trillion over the projection period. The mark assumes that the trust fund balances are used to retire debt held by the public and for no other purposes. Debt held by the public would decline from $3.6 trillion at the end of 1999 to $2.5 trillion by the end of the five year projection period.

A budget resolution is not statutory law. Advisory levels on debt held by the public that would result from the enactment of policies in this mark are included in the resolution.

2. Modify the 1997 Bipartisan Budget Agreement for Discretionary Spending.

The Chairman's mark, as required by law, allocates discretionary spending totals to the Committee on Appropriations consistent with the statutory levels established in the historic 1997 Budget Agreement. However, the Chairman's mark reflects the fact that the President's budget for the last three years has proposed to increase domestic discretionary spending above these statutory levels and that the Congress has exceeded these levels the past two years by the use of various budget devices – that have called into question the integrity of the budget process.

The Chairman's mark abides by the 2001 spending limits of $540 billion in BA and $578 billion in outlays, but establishes a mechanism to adjust these statutory caps to more realistic levels of $596.5 billion in BA and $622.6 billion in outlays.

The Congress would be required to set priorities for spending programs within the new 2001 spending levels. Final decisions on how these priorities will be determined lie with the Committee on Appropriations and ultimately the Congress and President. Details of these assumptions by function appear later in this book. Highlights of some of these assumptions follow:

- First, the Chairman's mark does assume that an additional $5.4 billion in federal resources will be made available in FY 2000 for specific items requested by the President related to Kosovo/East Timor, Colombia international narcotics intervention, and continued emergency funding for Hurricane Floyd victim assistance.

- The Chairman's mark has assumed that spending within the new caps can be achieved while at the same time increasing funding for national security from $291.6 billion in 2000 to $305.8 billion in 2001, a $16.9 billion increase.

- Funding for the Department of education programs, including federal assistance to elementary and secondary education, would increase $4.5 billion in BA, compared to the 2001 baseline. Special education funding would increase $2.2 billion. Funding for Head Start would increase $255 million next year.

- The Chairman's mark assumes fully funding highway and mass transit programs as required in 2001 under the Transportation Equity Act (TEA-210. Further, the mark assumes increased funding at the

authorized levels in the recently enacted aviation legislation. In total, funding for transportation programs would increase nearly $4.3 billion in outlays between 2000 and 2001.

- The mark assumes $1.1 billion increased funding for veterans discretionary health programs, and increasing funding for NIH by nearly $1.0 billion next year.

- The mark assumes an increase of nearly $500 million for embassy security, construction, and maintenance of these deteriorating U.S. facilities overseas.

- The mark assumes a $215 million increase in funding for the Export Import Bank to help address the widening and historic U.S. trade gap.

- The mark assumes an increase in funding of $152 million for the National Science Foundation and a similar increase for NASA.

- An increase of $250 million in funding is assumed for the operations of our National Park Service, ongoing BLM and Forest Service management.

- For nuclear waste disposal activities the mark assumes $90 million increased funding over 2000 levels.

- Funds are assumed to fully renew annually all Section 8 housing contracts in place at the end of 2000. The mark assumes $50 million in increased funding for the WIC program. The Chairman's mark also assumes $230 million funding for the Indian Health Service.

- Within these spending limits the Chairman's mark does not assume a continuation of funding for emergency spending programs adopted at the end of the last Congress. Although if emergency spending becomes necessary in the future, the Chairman's mark contemplates that such designations could continue to be made. However, the resolution assumes a change in budget procedures that would require a super-majority vote to maintain an emergency designation.

- The Chairman's mark assumes the leasing of the Alaska National Wildlife Reserve which would provide over $1.2 billion in offsets to discretionary spending in 2005.

The Chairman's mark was developed based on specific programmatic

assumptions that may or may not come to pass. When aggregated over time, however, discretionary spending would increase from $623 billion in 2001 to over $675 billion in 2005 – an annual rate of growth of over 2.0 percent – a realistic rate only slightly slower than the 3.1 percent experienced over the last five years.

3. Mandatory Spending Assumptions.

The Chairman's mark assumes increased mandatory spending over current law assumptions of nearly $41.6 billion for the five year projection period.

This increased mandatory spending consists of $20.0 billion for Medicare prescription drug benefits with reform; $10.1 billion for agriculture risk management and income support reform; $5.2 billion for EITC marriage penalty reform; $3.9 billion for child care payments to states; $3.2 billion for Social Services Block Grant payments; $1.1 billion for payments to rural states and counties for education and roads associated with the loss of federal timber receipts; and a new Department of Education performance bonus fund that, while authorized in 2001, would not result in any significant outlays until after 2005 as states qualify for bonus payments.

The Chairman's mark rejects the President's proposals for reduction in Medicare spending by nearly $17 billion over the next five years. The Chairman's mark does not assume the President's proposed $37 billion increases in tobacco taxes to fund discretionary spending.

The mark rejects the President's five year $600 million cut in Impact Aid to the States. The mark rejects the nearly $2.0 billion cut in the student loan program proposed by the President.

The Chairman's mark assumes that, within the funds made available to federal agencies, the historic pay parity between federal civilian and military employees will be maintained. The mark assumes the President's proposed 3.7 % pay raise for all federal workers next year and the repeal of a temporary 0.5% federal employees retirement contribution enacted in 1997.

4. Return to Working Americans' projected tax overpayments.

While maintaining the discipline of a balanced budget excluding social security surpluses, the Chairman's mark assumes that overpayment of taxes not needed to fund the general government, should be returned to taxpayers in the form of tax reductions. The exact nature of how such overpayments would be returned would be left to the Committee of jurisdiction through a reconciliation instruction -- the Finance Committee. Again ultimately the nature of these tax cuts would be determined by the Congress and the President.

The Chairman's mark would instruct a reduction in federal taxes not to exceed net $150 billion over the next five years. Within this aggregate figure the Chairman's mark could accommodate, but does not require, repeal of 4.3 cents per gallon gasoline tax as early as July 1, 2000, or greater amounts thereafter. However, the mark also assumes that any reduction in receipts to the Highway Trust Fund that might result from any reduction in the gasoline tax would be made whole, thus maintaining the current authorized spending levels for Highways under TEA-21 (the Chafee/Bond amendment).

The Chairman's mark assumes that within the aggregate $150 billion tax cut, that legislation will be enacted to provide marriage penalty tax relief, tax relief for affordable education, health care and small businesses. Tax reductions over and above these levels would have to be offset by the tax writing Committee in order to maintain fiscal balance.

The Chairman's mark includes a reserve fund in 2001 and beyond for additional on-budget surpluses. The reserve fund allows the Chairman of the Budget Committee to adjust the revenue aggregate and the balances on the pay-go scorecard in the resolution if CBO revises its forecast later this summer to show an additional on-budget surpluses. This revision would also revise reconciliation instructions to the tax writing committees to permit additional tax reductions in 2001 and beyond based on the amount of the reestimated on-budget surplus.

5. Additional On-Budget Surpluses.

All budget estimates are subject to change and uncertainty -- particularly when made over an extended period of time. Therefore, the Chairman's mark, showing caution, assumes that not all of the projected on-budget surplus after 2001 would necessarily be allocated to spending or tax reductions. It is estimated, at this time, that nearly $42.5 billion in on-budget surpluses could result if the Chairman's mark were fully implemented. These

additional funds, if estimates prove accurate, would further retire debt held by the public.

6. Enforcement Provisions.

The Chairman's mark includes provisions designed to provide greater discipline on the Congressional fiscal policy decision making process. In addition, similar to past budget resolutions, various reserve fund mechanisms are included in the mark that would authorize spending and revenue allocations to Committees of jurisdiction for specific fiscal policy assumptions included in the mark's assumptions.

These various enforcement provisions include: limits on future advanced appropriations, limits on delayed obligations, and emergency spending limitations similar to last year's budget resolution. Procedures would be included in the resolution to stop the President's proposed gimmick of using off-budget Federal Reserve revenues to offset discretionary spending. The Chairman's mark reaffirms current rules that prohibit the scoring of revenues as offsets in an appropriation bill.

The Chairman's mark once again creates a majority point of order against any future budget resolution that would result in an on-budget deficit – the Social Security Lockbox. The mark establishes a mechanism for additional debt reduction should the assumed tax reduction or Medicare reform/prescription drug legislation not become law.

The Chairman's mark proposes to establish a discretionary defense and nondefense firewall for 2001 appropriations to ensure compliance with the resolution's aggregate spending assumptions for these categories.

Finally, two special reserve funds are established, one to protect needed agriculture emergency funding in FY 2000 and a second reserve fund to provide mandatory spending authority for legislation that would provide funding relief to rural counties for their education and road systems.