



May 9, 2001

Highlights of the Conference Report to Accompany H. Con. Res. 83, Concurrent Budget Resolution for FY 2002

Noteworthy

- The Senate is expected to begin debate on the conference report Wednesday, May 9th. Debate is limited to 10 hours. (The House is expected to vote on the conference report by early afternoon today.)
- The budget resolution primarily establishes the numerical budget totals for the next fiscal year and the nine following years. Because it is a concurrent resolution, it is not presented to the President for signature.
- The conference report allows Congress to continue to pay down the national debt while providing tax relief for all taxpayers and increasing federal spending for defense, education, and health care.

Highlights

- **Debt Reduction:** The conference report reduces debt held by the public by \$2.425 trillion over the next decade. This is approximately the maximum amount of debt that the Congressional Budget Office estimates can be reduced over that period.
- **Tax Relief:** The conference report allows for \$1.35 trillion in tax cuts, including refundable tax credits, over the next 11 years, 2001-11. Of this amount, \$100 billion must be used for either tax relief or rebates in fiscal years 2001-02.
- **Social Security and Medicare Part A:** The surpluses outlined in this budget do not fall below the sum of the Social Security surplus and the surplus within Medicare Part A in any year under the budget.
- **Medicare:** The conference report includes a \$300 billion reserve fund for reforming Medicare and creating a prescription drug benefit.

- **Spending:** The resolution establishes broad outlines for federal spending, including:

Discretionary: Discretionary funding for 2002 is \$661.3 billion, an increase of 5 percent over last year (FY 2001).

Defense: The resolution includes an additional \$14.5 billion in defense spending over last year, including the President's \$5.7 billion initiative to increase military pay, housing, and retiree health care.

Education: Includes the President's 11.5 percent increase in federal education spending for reading education, Individuals with Disabilities Education Act (IDEA), teacher training, and Pell Grants.

Health Research: The resolution includes the President's \$2.8 billion increase in the National Institutes of Health – the largest increase ever.

Agriculture: Provides for advanced emergency funds of \$5.5 billion this year and \$7.35 billion in 2002, as well as \$66.2 billion (for 2003-11) in reserve for reauthorization of the Federal Agricultural Improvement Act.

Veterans: Increases Veterans' funding by \$7.1 billion over the next 10 years.

Process

Reconciliation

The conference report directs the Finance Committee to report by May 18, 2001, reconciliation bills providing tax relief and an economic stimulus. The instructions call for legislation reducing revenues up to \$1.25 trillion and increasing outlays up to \$100 billion for the years 2001-11. Of that total amount, the instructions require \$100 billion to be used as an economic stimulus package in this year and next through a combination of outlays and revenue reductions.

Reserve Funds

The conference report includes a number of reserve funds designed to accommodate specific bills that may affect spending and revenue levels, including:

Medicare: The report allows for an adjustment of up to \$300 billion for legislation originating out of the Finance or Ways and Means committees that reforms Medicare, including the provision for a prescription drug benefit. Also provides up to \$13.7 billion for legislation that repeals the 15-percent reduction in Medicare payments to home health providers.

Family Opportunity Act: The report allows for an adjustment of up to \$8.3 billion for legislation reported out of the Senate Finance or House Energy and Commerce committees that expands coverage under the Family Opportunity Act.

Agriculture: The report allows for an adjustment of up to \$66.15 billion from 2003-11 for legislation to reauthorize the Federal Agriculture Improvement Act or other “agricultural production legislation.”

Additional Tax Reduction: If the CBO estimates higher surpluses in its summer update, the report permits additional tax relief and/or debt reduction not to exceed the estimated increase.

Student Loans: The report allows for an adjustment of up to \$6.6 billion for legislation that adjusts interest rates on student loans.

Health Insurance for the Uninsured: The report allows for an adjustment of up to \$28 billion for either tax incentives or outlays to subsidize the purchase of health insurance by the uninsured.

Defense Spending: The report allows for an adjustment in defense spending levels to accommodate the President’s National Defense Review.

Budget Enforcement

The report includes several provisions designed to ensure Congress complies with the revenue and spending levels established in the budget resolution:

Discretionary Spending Caps: The report anticipates the passage of legislation to increase the FY 2002 discretionary spending caps to the spending levels envisioned in the resolution (\$661.3 billion in BA) and allows for adjustments to the 302(a) allocations once such legislation is adopted.

Advanced Appropriations: The resolution prohibits the use of advanced appropriations in 2003 above \$23.2 billion in both the House and Senate, and sets up a 60-vote point of order in the Senate.

Defense Firewall: In the Senate, the report provides a firewall between defense and non-defense discretionary spending for fiscal year 2002. The report provides a 60-vote point of order against legislation which appropriates more than \$325 billion for defense or more than \$336 billion for nondefense.

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