

No. 6

April 2, 2001

H. Con. Res. 83 – Concurrent Budget Resolution for Fiscal Year 2002

H. Con. Res. 83 was adopted by the House of Representatives on March 28, 2001, and referred to the Senate Committee on the Budget. Refer to House Report 107-26.

NOTEWORTHY

- Majority Leader Lott has indicated the Senate will take up H. Con. Res. 83 on Monday, April 2. (On or after April 1, the Senate Budget Committee is discharged of the budget resolution. That resolution goes to the full Senate, and a motion to then take it up is in order. Such a motion is not debatable.)
- H. Con. Res. 83 implements the broad outline of priorities offered to Congress by President Bush. It continues to pay down the federal debt while reducing the tax burden for Americans and increasing spending in priority areas like education, health care, and our national defense.
- It is the intention of Budget Committee Chairman Domenici and Majority Leader Lott to offer an amendment or amendments to H. Con. Res. 83 which will incorporate necessary Senate provisions into the House budget, as well as to provide for an immediate \$60 billion in tax relief for FY 2001 funded from the current-year on-budget surplus. (See section entitled Senate Amendments on p. 7.)
- **Debt Reduction:** H. Con. Res. 83 calls for reducing our debt held by the public from \$3.2 trillion at the end of this year to less than \$1 trillion in 2011. Measured against our national income, debt held by the public will decline from 33 percent to just 7 percent.
- **Tax Relief:** H. Con. Res. 83 provides for broad-based tax relief of up to \$1.6 trillion over the next 10 years – roughly one-fourth of the projected budget surplus during that time. All told, the budget calls for reducing total revenues over the next decade by 6 percent.
- **Medicare:** The budget provides sufficient flexibility to enable Congress to enact the President's Medicare proposals, including his Immediate Helping Hand and a Medicare

prescription drug benefit. It calls for committees of jurisdiction to adopt legislation increasing Medicare spending by \$153 billion over the next 10 years. Moreover, it includes a reserve fund to accommodate additional Medicare reforms beyond those in the reconciliation instructions.

- **Emergency Spending:** The resolution includes a one-time reserve fund for emergency spending. The limit on this reserve fund is \$5.6 billion for 2002.
- **Budget Enforcement:** The resolution includes a provision designed to curb the use of advanced appropriations to circumvent the discretionary spending caps.

HIGHLIGHTS

Debt Reduction

- The fiscal year 2002 Budget Resolution projects an on-budget surplus for the third consecutive year. Moreover, the resolution projects continuous on-budget surpluses over the entire 10 years covered by the budget.
- At the end of this fiscal year, debt held by the public will be \$3.2 trillion. Under the resolution, this debt will decline to \$900 billion in 2011, or just 7 percent of our national income.
- The resolution includes the fourth on-budget surplus in a row for the federal government. The last time the budget was balanced (excluding Social Security) was in 1960, and that was for just one year. Since Social Security was created, Congress has never succeeded in maintaining a surplus — not counting Social Security — for four consecutive years.
- Interest payments on the public debt are scheduled to decline both in nominal terms and when measured against overall spending. Under the resolution, interest payments will decline from \$205 billion in fiscal year 2001 to just \$21 billion in fiscal year 2011, a reduction of 90 percent.

Tax Cuts

Overall, the Resolution calls for revenue collections of \$26.4 trillion over the next 10 years and a reduction in revenues – tax cut – of \$1.6 trillion off the baseline. The tax cut represents just 6 percent

of all revenues projected to be collected over the next decade or slightly more than 1 percent of national income.

- The fiscal year 2000 Budget Resolution includes three reconciliation instructions to cut taxes by \$1.6 trillion through fiscal year 2011. Under these instructions, the Ways and Means Committee would have the discretion to pass one large tax bill incorporating all parts of the President's tax cut proposal or divide the proposal into several smaller bills. [The House-passed resolution does not provide Senate reconciliation instructions; see p. 7 for information on the Domenici amendment(s) to address Senate reconciliation.] The Resolution also includes an omnibus instruction also calling for \$1.6 trillion in revenue reductions. Either set of instructions could be used to enact the President's tax cut proposals.
- The Resolution includes a reserve fund to allow any further improvement in the on-budget surplus to be available for additional tax relief. It also includes a reserve fund to make budget-neutral legislation affecting revenues in order on the Senate floor.

Spending

Overall, on-budget spending will grow under this Resolution from \$1.7 trillion this year to \$2.7 trillion in 2011, an increase of almost 60 percent. All spending grows at an annual rate of 4.7 percent. The Resolution sets the following spending priorities:

Education: The Resolution makes room for the President's education proposals by increasing Department of Education spending by \$4.6 billion, or 11.5 percent, in fiscal year 2002. In addition, the Resolution creates a \$1.25 billion reserve fund to increase the federal government's commitment to IDEA. Finally, the Resolution includes the President's request of an additional \$1 billion for the Pell Grant program.

Defense: The Resolution provides \$325 billion in budget authority (BA) for fiscal year 2002. This is an increase of 4.5 percent over fiscal year 2001. Funding accommodates the President's proposal to increase military pay and other compensation by \$1.4 billion in 2002. In addition, the Resolution allows for increased Defense spending pending the results of the President's National Defense Review.

Health: The Resolution includes several provisions designed to improve the nation's health care safety net, including the President's priorities of doubling NIH spending from 1998 to 2003, doubling the number of Community Health Centers nationwide, and providing for the President's Medicare reforms, including an "Immediate Helping Hand" and additional reforms to the underlying program that include a prescription drug benefit.

Transportation: The Resolution accommodates the President's proposal for full funding for highway and mass transit programs under the Transportation Equity Act (TEA-21) and for aviation programs under the Aviation Investment Act.

Veterans' Health: The Resolution includes a \$1.7 billion increase for veterans' discretionary health programs.

Reconciliation

The Resolution includes numerous reconciliation instructions to authorizing committees. This process is designed to reconcile direct spending and revenue levels in law with those levels included in the Resolution. Authorizing committees are instructed to report back legislation, usually within a certain time frame, that adjusts direct spending and/or revenue levels on programs within their jurisdiction. The House Resolution includes five distinct reconciliation instructions, including:

Tax Cuts: The Resolution includes three separate instructions to the Ways and Means Committee to reduce revenues by a total of \$1.6 trillion. The dates for reporting these changes are May 5, May 23, and June 20. Under the instructions, the Committee has the discretion on how to divide up the President's tax cut proposal.

Medicare and Prescription Drugs: The Resolution calls for the Ways and Means Committee to report, by July 24, legislation increasing spending on Medicare by \$153 billion over the next 10 years. This increase is designed to make room for the President's Immediate Helping Hand and other Medicare reforms, including the addition of a prescription drug benefit.

Omnibus: Finally, the Resolution provides for an omnibus reconciliation bill to be reported by instructed committees by September 11. The instructions include six different committees, including instructing the Ways and Means Committee to reduce revenues by \$1.6 trillion over the next 10 years. These instructions are included to provide the Congress the maximum flexibility in enacting the President's priorities.

(NOTE: Since the Senate is taking up the House-passed resolution, it contains no instructions to Senate committees on tax or direct spending levels. The House doesn't presume to instruct Senate committees. Therefore, expect an amendment to add instructions to Senate committees when the Senate takes up the bill. See p. 7 for details about the amendment.)

Reserve Funds

The Resolution includes six reserve funds designed to accommodate updated budget estimates and legislation that affects spending and revenue levels. Specifically, reserve funds grant the Chairman of the Budget Committee the authority to adjust the spending and revenue levels in the budget resolution once certain conditions have been met. Those conditions might include new budget estimates from the Congressional Budget Office or the adoption of specific legislation by authorizing committees.

Medicare Reserve Fund: The Resolution includes a reserve fund for legislation which provides fundamental Medicare reform and contains a prescription drug benefit. The reserve

fund is triggered if the CBO reports that legislation to implement the President Medicare proposal would cost more than originally expected.

Defense and Agriculture Reserve Funds: The Resolution includes two reserve funds addressing defense and agriculture. One reserve fund is to meet the requirements of the President's National Defense Review and a potential reauthorization of the Federal Agriculture Improvement Act of 1996. Another reserve fund is to provide possible spending increases for defense and/or agriculture in fiscal year 2001.

Education Reserve Fund: The Resolution includes a reserve fund to allow additional spending for programs authorization by the Individuals with Disabilities Act (IDEA) in fiscal year 2001, up to a maximum adjustment of \$1.25 billion.

Budget-Neutral Tax Reduction Reserve Fund: The Resolution includes a reserve fund to make tax cuts beyond those included in the reconciliation instructions permissible if they are offset with mandatory savings.

Future Surpluses and Tax or Debt Reduction: The Resolution includes a reserve fund to allow any further improvement in the on-budget surplus to be available for additional tax cuts and/or debt reduction.

(NOTE: Similar to the House reconciliation instructions, all the reserve funds listed above allow the House Budget Committee Chairman to adjust spending and revenue totals to accommodate additional spending and/or tax cuts. Expect an amendment to provide the Senate Budget Committee Chairman similar opportunities. Again, see below.)

Budget Enforcement

The Resolution includes a single budget enforcement provision. It would change the scoring of so-called advanced appropriations — appropriations enacted in one year but not meant to be spent until later years — so that those appropriations are counted against the spending caps in the year they are enacted, not the year in which they are obligated by the relevant agency. (Expect additional budget enforcement provisions to be offered by Senator Domenici; see p. 7.)

BACKGROUND

General

As Congress' blueprint for federal spending, the budget resolution sets the binding limits on discretionary and mandatory spending levels and binding floors for revenue collections. For discretionary spending, the budget resolution allocates overall spending levels to the House and Senate

Appropriations Committees through the so-called 302(a) allocations. The Appropriations Committee then divides this allocation among its 13 subcommittees.

The budget resolution also directs authorizing committees to make changes in mandatory spending programs or revenues through reconciliation instructions. For example, the resolution adopted last year instructed the Senate Finance Committee by September 22, 2000 to report legislation that reduces revenues over the next five years by \$150 billion. Past resolutions have included instructions to amend Medicare, Medicaid, agriculture programs, and others.

Enforcement of the budget resolution's provisions are affected through both internal Senate rules as well as statutory caps and other limitations. For discretionary spending, the spending levels adopted in the resolution are enforced through 60-vote Budget Act points of order. Total discretionary spending levels are also subject to statutory spending caps first enacted as part of the 1990 Budget Enforcement Act. Finally, so-called discretionary firewalls divide spending into three categories — non-defense, defense, and highway funding. Violations of these caps and firewalls are subject to 60-vote points of order.

The reconciliation process is enforced through numerous provisions at both the committee and floor level. Committees failing to adopt legislation meeting the resolution's instructions face the possibility of having the Budget Committee report out the appropriate legislation instead. On the floor, reconciliation bills enjoy protected status, including limited debate on the bill and individual amendments and special points of order against amendments that increase the deficit, amend the Social Security Act, and others. [For a full description of budget and reconciliation rules, see S. Prt. 105-67.]

Procedures

Under the Budget Act of 1974, as amended, a budget resolution is a privileged piece of legislation, as outlined below. It is not subject to filibuster and debate time is limited to 50 hours, equally divided. However, this *does not* mean that Republicans have 25 hours for debate and the offering of amendments. As time is used on debate or amendments, remaining time is equally divided as debate proceeds. In addition, votes do not count against this time limit, nor do quorum calls just prior to votes. [For an explanation of Budget Act points of order, see *Riddick's Senate Procedure*.]

Amendments to the budget resolution must be germane; otherwise, a point of order lies against the amendment, and 60 votes are required to waive the point of order. **Germane amendments are those which:**

- ▶ **strike;**
- ▶ **increase or decrease numbers; or**
- ▶ **add language which restricts some power in the resolution.**

In past years, sense of Senate or Congress amendments (so-called precatory amendments) that focused on matters within the Budget Committee's jurisdiction also were germane. A provision

adopted as part of last year's budget resolution makes these types of amendments non-germane. Beginning with this year's resolution, these amendments are subject to points of order. (This change was made in an effort to reduce the remarkable number of amendments offered to the budget resolution in past years.)

Debate on first-degree amendments is limited to two hours, one hour to proponents and one hour to opponents. Debate on second-degree amendments is limited to one hour, 30 minutes per side. All debate time on a first-degree amendment must be used or yielded back before a second-degree amendment can be offered.

No debate is allowed on a point of order made against any amendment under the Budget Act. Instead, a motion to waive the Budget Act must be made. Debate on any motion to waive a point of order is limited to one hour equally divided.

Amendments can be offered at any time.

Senate Amendments

When the Senate takes up the House-passed Budget Resolution this evening, it is expected Senator Domenici will offer a substitute and other amendments to incorporate Senate provisions in the House-passed budget. As noted previously, the House-passed resolution includes instructions and reserve funds for House committees only. Senate instructions and adjustments will have to be added.

The Domenici amendments follow the President's budget blueprint, as outlined in the document "A Blueprint for New Beginnings." Broadly speaking, these amendments will comport with the President's priorities of continuing to pay down the national debt, setting aside the Social Security and Medicare Part A surpluses for debt reduction and entitlement reform only, and increasing spending on education, health care, and national defense. While the text of these amendments are not available at this time, here are some of the major provisions:

Tax Cuts/Reconciliation: The House budget will need to be amended to instruct the Senate Finance Committee regarding the President's tax cut proposal. These instructions will be to reduce revenues through 2011 by \$1.6 trillion. Reserve fund language may be added to allow for additional tax cuts and/or debt reduction should future surpluses exceed current projections.

Medicare: Additional changes will be necessary to create a Medicare reserve fund. This fund will allow the Senate Budget Committee Chairman to adjust direct spending totals to provide for the President's Medicare proposals, including an Immediate Helping Hand.

Additional Spending: Expect additional reserve funds or other provisions to allow increased spending in Defense, Agriculture, and emergency funding pending actions by the Administration and/or Congress.

Budget Enforcement: Another change from the House-passed budget will be to extend the discretionary spending caps by another five years. Since their implementation, these caps have successfully held down discretionary spending increases below their historical levels. The caps may also renew the firewall between domestic and defense discretionary spending.

Contingency Fund: The Domenici substitute would set aside \$850 billion – more than 15 percent of the surplus – for future contingencies, including an unexpected decline in projected revenues. If revenues do meet or exceed expectations, this contingency fund could be used for additional tax relief and/or spending in critical areas. This funding also provides room for the budget’s reserve funds, including agriculture, defense, Medicare, and other spending priorities.

Three provisions that do not follow the President’s outline are:

Immediate Tax Relief/Tax Rebate: The substitute’s reconciliation will include provisions to allow \$60 billion of the on-budget 2001 surplus to be returned to taxpayers, either through reduced taxes or through rebate checks.

ANWR: The President’s budget assumes the opening of the Arctic National Wildlife Refuge for oil exploration. The Domenici substitute does not include this assumption.

Radiation Exposure: Subsequent to the submission of the President’s blueprint, the Administration proposed mandatory compensation for victims of radiation exposure. Total mandatory spending budgeted for this policy change is \$710 million over the next 10 years.

POSSIBLE AMENDMENTS

Here some possible amendments that may or may not be offered. We will update you as we learn of additional amendments. As usual, expect numerous amendments to increase spending while reducing the tax relief provided in the Resolution.

Domenici Substitute. See description, pp. 7-8, above.

Snowe, et al. To attach a trigger to the President’s tax relief proposal.

Daschle/Conrad. Democrat substitute to reduce tax relief and increase spending. According to previous statements, the substitute likely will set aside Social Security and Medicare Part A surpluses and then divide the remaining surplus – \$2.7 trillion – into three equal portions for tax relief (and additional welfare spending), new spending, and something called “Long-Term Debt.”

Lieberman. To reduce the tax relief to the \$60 billion tax cut/rebate in fiscal year 2001.

Baucus. To reduce the tax relief from \$1.6 trillion through 2011 to \$200 billion over three years.

Graham. To reduce the tax relief in the budget by more than \$900 billion. According to Graham, while the tax relief is less in total, it is more front loaded in the early years.

Harkin/Kennedy. To substantially increase the President's proposed spending increase on education.

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