



May 20, 2004

Highlights of the Conference Report to Accompany S. Con. Res. 95, Concurrent Budget Resolution for FY 2005

The Conference Report, H.Rept. 108-498, was filed on May 19, 2004.

Noteworthy

- On May 19, the House of Representatives passed the Conference Report to accompany S. Con. Res. 95, the Concurrent Resolution on the Budget, 2005, by a vote of 216-213 (Roll Call Vote No.198).
- Under budget rules, the Senate is limited to 10 hours of debate on the conference report.
- Passage of the budget resolution is critical because it provides the necessary parameters for the House and Senate to make their spending and tax decisions for the coming fiscal year. As always, this budget framework will be reviewed again next year, and enhanced or modified as that Congress finds appropriate.
- Total spending for fiscal year 2005 contained in the conference report is \$2.4 trillion. By freezing most non-defense, non-homeland security discretionary spending, this budget keeps Congress on a glide path towards significant deficit reduction.
- The resolution includes a traditional pay-as-you-go provision for the Senate (with an exemption for the reconciliation instructions, below) that sunsets April 15, 2005.
- The resolution is designed to prevent tax increases in FY 2005. The Senate Finance Committee and House Ways and Means Committee are to report a tax relief measure in the amount of \$27.5 billion (\$22.9 billion in revenues and \$4.6 billion in outlays), a figure sufficient to accommodate extensions of the current child tax credit, the marriage penalty relief, and the 10-percent income-tax bracket expansion in a reconciliation bill.
- The report provides for \$50 billion in emergency supplemental appropriations for overseas contingency operations in Iraq and Afghanistan.

Highlights

Spending

Total Budget Authority

Senate-passed '05 Budget Authority:	\$2.358 trillion
House-passed '05 Budget Authority:	\$2.411 trillion
Conference Report '05 Budget Authority:	\$2.405 trillion

Total Revenues

Senate-passed '05 Revenues:	\$2.026 trillion
House-passed '05 Revenues:	\$2.030 trillion
Conference Report '05 Revenues:	\$2.027 trillion

Reconciliation Instructions

- **Family Tax Relief:** The conference agreement instructs the Senate Finance Committee and the House Ways and Means Committee to report legislation by September 30, 2004, that would reduce revenues by \$22.9 billion and provide outlays of \$4.6 billion in FY 2005. These instructions are sufficient to accommodate a permanent extension of family tax relief that is set to expire at the end of 2004, specifically the \$1,000 per-child tax credit, 10-percent marginal tax rate bracket expansion, and marriage penalty relief.
- **Debt Limit:** The conference agreement instructs the Senate Finance Committee to report legislation by September 30, 2004, that increases the statutory debt limit by \$689.9 billion.

Tax Relief

- In addition to the \$27.5 billion reconciliation bill that is authorized, the agreement assumes \$23.2 billion to accommodate a one-year extension of current-law AMT hold-harmless relief for nonrefundable personal credits.

Pay-As-You-Go

- The conference agreement includes a pay-as-you-go point of order in the Senate that exempts the \$27.5 billion tax reconciliation bill. On April 15, 2005, this Senate pay-as-you-go point of order sunsets.

Iraq Supplemental

- The conference agreement assumes a \$50 billion reserve in emergency supplemental appropriations for costs associated with ongoing military operations in Iraq and Afghanistan.

Defense Spending (Function 050)¹

Senate-passed '05 Budget Authority:	\$422.2 billion
House-passed '05 Budget Authority:	\$419.6 billion
Conference Report '05 Budget Authority:	\$472.2 billion

The conference agreement assumes the President's full national defense request plus \$50 billion in supplemental appropriations for costs associated with ongoing military operations in Iraq and Afghanistan. More than 95 percent of funding in this function is for Department of Defense military activities. The agreement represents an increase of \$8.5 billion in budget authority (BA) over FY04, including any supplemental enacted or assumed.

International Affairs (Function 150)

Senate-passed '05 Budget Authority:	\$32.0 billion
House-passed '05 Budget Authority:	\$26.5 billion
Conference Report '05 Budget Authority:	\$28.9 billion

The conference agreement is sufficient to support a historic level of funding for HIV/AIDS.

General Sciences, Space, and Technology (Function 250)

Senate-Passed '05 Budget Authority:	\$24.3 billion
House-Passed '05 Budget Authority:	\$22.8 billion
Conference Report '05 Budget Authority:	\$23.9 billion

The largest component of this function—about two-thirds of total spending—is for the space flight, research, and supporting activities of the National Aeronautics and Space

¹ In viewing the House figures for comparison, it should be understood that the House-passed budget included Function 100 (Homeland Security), which consists of funding from other functions. The conference report does not include Function 100, nor did the Senate-passed budget. Thus, straight-up House-Senate comparisons are misleading. Function 750 is a good example of where the House figure is significantly lower because a portion of those funds was in Function 100.

Administration. The conference agreement provides sufficient funding to initiate the President's Vision for Exploration. The agreement represents an increase of \$0.6 billion in BA over FY04.

Energy (Function 270)

Senate-Passed '05 Budget Authority: \$1.1 billion

House-Passed '05 Budget Authority: \$2.9 billion

Conference Report '05 Budget Authority: \$3.0 billion

The conference agreement represents an increase of \$0.7 billion in BA over FY04.

Natural Resources and Environment (Function 300)

Senate-Passed '05 Budget Authority: \$36.2 billion

House-Passed '05 Budget Authority: \$31.2 billion

Conference Report '05 Budget Authority: \$32.1 billion

Agriculture (Function 350)

Senate-Passed '05 Budget Authority: \$21.7 billion

House-Passed '05 Budget Authority: \$21.1 billion

Conference Report '05 Budget Authority: \$21.8 billion

Included in these totals is continuation of the 2002 Farm Bill. The conference agreement assumes funding for agriculture-related homeland security activities that could accommodate a substantial increase for the Agricultural Research Service. The conference agreement represents an increase of \$1.6 billion in BA over FY04.

Commerce and Housing Credit (Function 370)

Senate-Passed '05 Budget Authority: \$5.8 billion

House-Passed '05 Budget Authority: \$8.7 billion

Conference Report '05 Budget Authority: \$7.2 billion

Transportation (Function 400)

Senate-Passed '05 Budget Authority:	\$70.0 billion
House-Passed '05 Budget Authority:	\$65.0 billion
Conference Report '05 Budget Authority:	\$71.8 billion

The conference agreement assumes the House level for the reauthorization of the Highway bill. It also includes an adjustment mechanism (in section 311) to accommodate higher spending than the levels assumed in the conference agreement to the extent the additional spending is offset through reduced outlays from, or additional receipts to, the Highway Trust Fund. The conference agreement represents an increase of \$2.6 billion in BA over FY04.

Community and Regional Development (Function 450)

Senate-Passed '05 Budget Authority:	\$13.9 billion
House-Passed '05 Budget Authority:	\$11.9 billion
Conference Report '05 Budget Authority:	\$13.6 billion

Education (Function 500)

Senate-Passed '05 Budget Authority:	\$100.4 billion
House-Passed '05 Budget Authority:	\$92.5 billion
Conference Report '05 Budget Authority:	\$92.8 billion

The conference agreement provides sufficient funding to accommodate an increase consistent with the President's budget for Title I grants to local education agencies and state grants for special education. The agreement represents an increase of \$3.3 billion in BA over FY04.

Health (Function 550)

Senate-Passed '05 Budget Authority:	\$252.3 billion
House-Passed '05 Budget Authority:	\$245.1 billion
Conference Report '05 Budget Authority:	\$252.4 billion

Medicaid, the nation's major program covering medical and long-term care for low-income persons, represents 72 percent of the funding in this function. The conference agreement is sufficient to accommodate a one-year extension of the QI-1 program, which provides states

with Medicaid block grant assistance to help pay Medicare Part B premiums for beneficiaries between 120 percent and 135 percent of the poverty level. The agreement also recognizes the importance of addressing the problem of the uninsured and includes two separate reserve funds for both the House and Senate. The agreement represents an increase of \$10.6 billion in BA over FY04.

Medicare (Function 570)

Senate-Passed '05 Budget Authority: \$287.5 billion

House-Passed '05 Budget Authority: \$288.2 billion

Conference Report '05 Budget Authority: \$287.9 billion

This function funds Medicare components such as the Medicare Advantage Program, which is a product of last year's Medicare prescription drug law. As a result, this function assumes funding for the prescription-drug discount card through which certain low-income seniors will be eligible for transitional low-income drug assistance of up to \$600 in FY 2005. The conference agreement assumes the QI-1 program will be extended for one year. The agreement represents an increase of \$18.3 billion in BA over FY04.

Income Security (Function 600)

Senate-Passed '05 Budget Authority: \$337.9 billion

House-Passed '05 Budget Authority: \$337.3 billion

Conference Report '05 Budget Authority: \$339.2 billion

The conference agreement is sufficient to allow for the President's funding proposal for the Special Supplemental Nutrition Program for Women, Infants, and Children and for the Low Income Home Energy Assistance Program. The agreement also provides a level of funding that could allow for the President's proposal for discretionary payments to the states for the Child Care and Development Grant Program. With respect to mandatory spending, the agreement includes assumptions to accommodate H.R. 4, the Personal Responsibility, Work, and Family Promotion Act of 2003, which passed the House in February 2003, but was filibustered in the Senate. The agreement represents an increase of \$9.9 billion in BA over FY04.

Social Security (Function 650)

Senate-Passed '05 Budget Authority: \$518.9 billion

House-Passed '05 Budget Authority: \$519.2 billion

Conference Report '05 Budget Authority: \$518.9 billion

Veterans' Benefits and Services (Function 700)

Senate-Passed '05 Budget Authority: \$71.5 billion

House-Passed '05 Budget Authority: \$70.5 billion

Conference Report '05 Budget Authority: \$70.8 billion

The conference agreement includes \$1.2 billion more than the President's request, and represents an increase of \$9.4 billion in BA over FY04.

Administration of Justice (Function 750)

Senate-Passed '05 Budget Authority: \$41.8 billion

House-Passed '05 Budget Authority: \$30.1 billion

Conference Report '05 Budget Authority: \$41.9 billion

The funding level of this function exceeds the Senate-passed level, which concurred with the President's proposal to dramatically increase the FBI's funding in order to fulfill its primary mission of preventing further terrorist attacks in America. A large portion of the funding increases will go to improving the FBI's intelligence capabilities, counterterrorism investigations, and combating cyber-crime. The agreement represents an increase of \$0.7 billion in BA over FY04.

General Government (Function 800)

Senate-Passed '05 Budget Authority: \$16.2 billion

House-Passed '05 Budget Authority: \$17.2 billion

Conference Report '05 Budget Authority: \$17.4 billion

Net Interest (Function 900)

Senate-Passed '05 Budget Authority: \$179.9 billion

House-Passed '05 Budget Authority: \$180.5 billion

Conference Report '05 Budget Authority: \$180.3 billion

Reserve Funds

In general, the reserve funds permit the Chairman of the Committee on the Budget to adjust committee allocations for named authorizing committees if legislation is considered that satisfies the conditions set out in each particular reserve fund. In the Senate, this language is not intended to permit revisions or adjustments to the pay-as-you-go scorecard.

- **Deficit-neutral reserve fund for health insurance for the uninsured;** same as section 301(a) of the Senate-passed resolution.
- **Deficit-neutral reserve fund for Higher Education;** similar to section 302 of Senate-passed resolution.
- **Deficit-neutral reserve fund for Montgomery GI benefits;** substantially similar to section 305 of Senate-passed resolution.
- **Deficit-neutral reserve fund for Postal Service reform;** substantially similar to section 309 of the Senate-passed resolution.
- **Deficit-neutral reserve fund for the Family Opportunity Act.**
- **Deficit-neutral reserve fund for eliminating survivor benefit plan – Social Security offset;** substantially similar to section 314 of the Senate-passed resolution.
- **Adjustment for Emergency Fire Suppression Activities;** the conference agreement retains the Senate-passed section 313, with minor modifications, and extends it to the House.