



**FY06 BUDGET RESOLUTION: CHALLENGES AND OPPORTUNITIES**  
**Summary of 2006 Budget Resolution**

**Total FY06 Budget: \$2.6 trillion**

**Deficits**

The 2006 Budget Resolution meets the President’s goal of halving the deficit from the projected 2004 level of \$521 billion in nominal terms and 4.5 percent of GDP within five years (by 2009). The budget also achieves halving the deficit from CBO’s projection at that time of \$477 billion and 4.2 percent of GDP.

Deficits, in Billions (*% of GDP*)

2005	\$397.3	(3.2%)
2006	\$361.5	(2.8%)
2007	\$299	<b>(2.2%)</b>
2008	<b>\$258.2</b>	(1.8%)
2009	\$235.5	(1.6%)
2010	\$207.7	(1.3%)

**Discretionary Spending**

The Budget Resolution provides \$843.4 billion in discretionary budget authority for 2006. This includes an \$18.2 billion increase (4.3%) for defense over last year. These spending levels are consistent with the President’s 2006 Budget Request as scored by CBO. (NOTE: Numbers do not add due to rounding)

<b>Defense:</b>	\$439.0 billion
<b>Non-defense:</b>	\$404.5 billion

The budget provides an additional \$50 billion contingency fund for costs associated with the ongoing wars in Iraq and Afghanistan. See attached “Defense and Homeland Security” paper for additional information.

**Mandatory Spending**

The budget assumes \$1.377 trillion in mandatory spending in 2006, not including interest. The budget reflects total spending related to the three major entitlement programs and percentage increase over 2005:

<b>Social Security:</b>	\$544.8 billion (4.7% increase)	FY06-FY10: \$3.0 trillion
<b>Medicare:</b>	\$331 billion (12.7% increase)	FY06-FY10: \$1.96 trillion
<b>Medicaid:</b>	\$189.5 billion (3.4% increase)	FY06-FY10: \$1.1 trillion

The budget instructs seven committees to reconcile mandatory savings of \$32 billion (see below).

## -2- Summary of Budget Resolution

### Reconciliation Instructions

**Revenues:** The Budget Resolution instructs the Finance Committee to reduce revenues by \$70.2 billion over five years, which accommodates extending major expiring tax provisions such as capital gains and dividend rate reductions and small business expensing. The Finance Committee is at its discretion in determining the contents of the legislation.

**TOTAL RECONCILED TAX POLICY: \$70.2 billion**

**Spending:** The budget instructs the majority of authorizing committees to share the burden of deficit reduction and fiscal discipline. The budget makes policy assumptions associated with these savings, but the authorizing committees may include savings from any program within their jurisdictions. The following committees are instructed to produce legislation resulting in the specified savings over five years:

Agriculture	\$ 2.8 billion
Banking	\$ 0.3 billion
Commerce	\$ 2.6 billion
Energy	\$ 2.7 billion
Environment & Public Works	\$ 0.1 billion
Finance	\$15.0 billion
HELP	\$ 8.6 billion

**TOTAL RECONCILED SAVINGS: \$32.0 billion** (Numbers do not add due to rounding)

### Enforcement

Following are highlights of enforcement provisions in the Budget Resolution. Additional enforcement provisions are summarized in the attached "Budget Enforcement" paper. NOTE: The 2006 cap includes a presumed \$800 million cap adjustment for IRS enforcement, continuing disability reviews, unemployment insurance and health programs.

#### **Discretionary Caps:**

FY06 BA	\$843.4 billion
FY06 Outlays	\$946.9 billion
FY07 BA	\$868.5 billion
FY08 BA	\$891.4 billion

**Pay-As-You-Go:** The budget retains the Pay-as-you-go rule in the 2004 Budget Resolution. A 60-vote point of order lies against legislation that would increase the deficit beyond the levels assumed in the 2006 Budget Resolution in 2006, the five-year period from 2006-10, or the 5-year period from 2011-16.

**New Long-Term Spending Point of Order:** The budget establishes a new 60-vote budget point of order against legislation that would cost more than \$5 billion in any of the four 10-year periods between 2015 and 2055, as estimated by the Congressional Budget Office.

### **-3- Summary of Budget Resolution**

#### **Other Points of Interest**

##### **ANWR**

The budget assumes \$2.5 billion in new receipts over five years associated with opening the Arctic National Wildlife Refuge (ANWR) to oil exploration and development. These receipts are among policy assumptions within the reconciliation instruction to the Energy Committee (see above), however the Energy Committee is at its discretion in determining the contents of its portion of the reconciliation bill. The budget also includes a reserve fund stipulating that, if the Energy Committee reports and the Senate passes legislation opening ANWR to drilling, \$1.05 billion of the new revenue associated with doing so must be devoted to Land and Water Conservation Programs, the Forest Legacy program, and the Coastal and Estuarine Land Protection Program (\$350 million per year in 2008, 2009 and 2010).

##### **Discretionary Program Reductions and Eliminations**

With respect to specific discretionary programs recommended for reduction or elimination within the President's budget, the Budget Resolution is silent. The budget sets a non-defense discretionary spending level of \$404.5 billion, which is consistent with the President's budget as scored by CBO. The Appropriations Committees and, ultimately, Congress as a whole will determine spending for individual accounts and programs when writing the annual spending bills.

##### **Pension Benefit Guaranty Corporation (PBGC)**

The PBGC insures the defined-benefit pensions of roughly 44 million workers who participate in those plans against plan failures; roughly 1 million individuals now receive or are owed benefits under plans that have been taken over by the PBGC. In just a few short years, the PBGC fund has gone from a surplus to a deficit, as current and projected likely liabilities now exceed assets by more than \$20 billion.

The President's budget assumes a significant increase in fixed insurance premiums, under-funding charges, and new risk-based premiums on all participating employers at a cost of over \$18 billion over 5 years as part of a comprehensive strategy to strengthen the retirement security of America's workers, estimate plan liability more accurately and retire the fund's deficit.

Based on the PBGC's calculations, single-employer defined-benefit plans are under funded by more than \$450 billion. Restoring the health of these plans will be a significant expense to employers at a cost on top of and several times greater than the proposed fee increase.

The Budget Resolution recognizes the challenges faced by employers in maintaining and strengthening both fully-funded and under funded defined-benefit plans. Accordingly the level of premium increases assumed in the budget has been significantly reduced from levels originally proposed to \$0.8 billion in 2006 and \$5.3 billion over 5 years.

###