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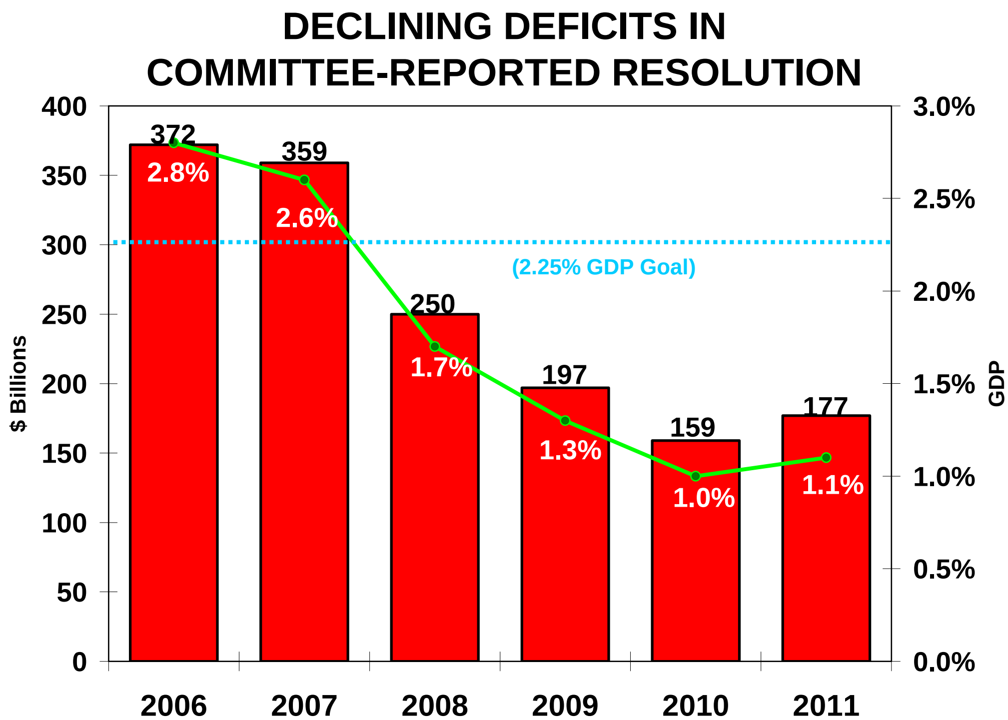
I. OVERVIEW

Last year, Congress was able to pass a budget resolution that held down non-defense discretionary spending and enact the Deficit Reduction Act (DRA), which reduced the rate of growth in mandatory spending by $39 billion between 2006 and 2010 and by nearly $100 billion over the next decade. The DRA represented the first significant step towards restoring fiscal discipline in Congress in the last eight years. However, enactment of the Deficit Reduction Act alone will not rescue our nation from its impending fiscal crisis. It will take disciplined, responsible choices with regard to discretionary and mandatory spending.

The FY 2007 Budget Resolution addresses spending aggressively in three key areas. First, like last year's budget, it restrains discretionary spending. Second, it addresses the issue of "shadow budgets" – excessive supplemental spending that is off the books. Third, it puts in place a new enforcement tool to curb entitlement spending if the general fund contributes more than 45 percent of total Medicare outlays.

The Committee-reported resolution also assumes tax relief is extended in order to keep the engine of new employment growth running strong. Unless Congress acts, provisions of the Jobs and Growth Tax Relief Reconciliation Act of 2003 expire after 2008. Tax rates on capital gains income would jump from 15 to 20 percent, and tax rates on dividend income would jump from 15 percent to as high as 35 percent, damaging our nation's economic growth. In addition, the marginal income tax rate reductions, child tax credit, marriage penalty relief, education incentives, estate tax relief and many other provisions important to American families are set to expire after 2010.

Finally, the resolution makes good on the President and the Congress' pledge to cut the deficit in half by 2009. In fact, it cuts the deficit in half a year early - reducing a deficit that was projected as $521 billion for 2004 (4.5% of GDP) to $250 billion, (1.7 percent of GDP) in 2008. Under this resolution, deficits will remain under $200 billion per year for the remainder of the five-year window and below 1.3 percent of GDP.



Highlights of Committee-reported resolution

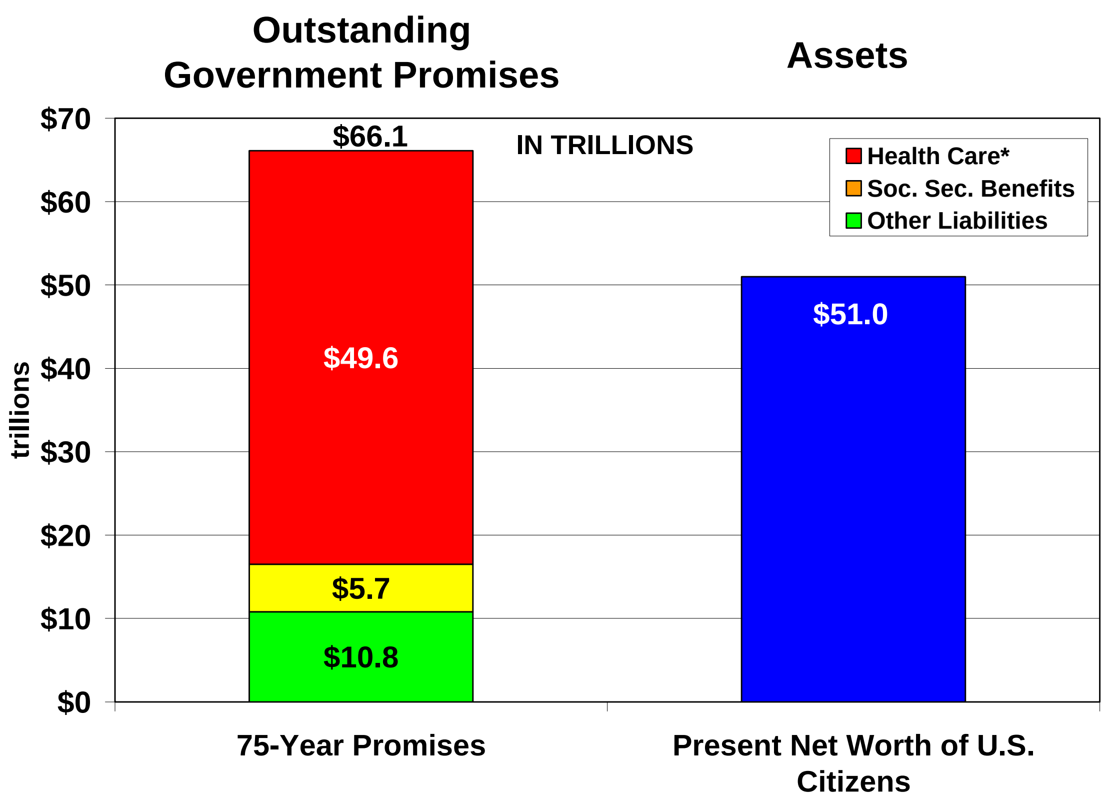
With regard to discretionary spending in 2007, the Committee-reported resolution includes the President's proposed level of $873 billion (as estimated by the Congressional Budget Office) for the non-emergency activities of the federal government that operate with annual appropriations. The discretionary cap represents an increase of $32 billion above the current year. The Committee-reported resolution places a high priority within the discretionary cap on financing the War on Terror, border security, health and education programs.

With regard to mandatory spending, the resolution assumes $14 billion in net savings. In this short legislative year, the Committee-reported resolution assumes that the authorizing committees will continue to examine and reform programs to achieve these savings and demonstrate continued progress toward deficit reduction.

With regard to emergency spending, the Committee-reported resolution includes $90 billion in emergency funding. This is nearly $40 billion above what the President requested, but represents a more realistic estimate of what will actually be transmitted by the Office of Management and Budget and considered by Congress. If Congress appropriates $90 billion in emergency funding for 2007, any additional funding above and beyond that level would be subject to budget enforcement and points of order as set out in current law. The reform proposed in the Committee-reported resolution addresses the abuse of the emergency designation and the trend toward having two sets of books for discretionary spending.

As background, the emergency designation, as created in the 1990 Budget Enforcement Act, was intended as a safety valve for addressing emergency and unforeseen requirements, not as a means to annually request and provide discretionary funding outside the constraints of the budget process. Regrettably, the emergency designation frequently has been given to programs that, while they may be worthwhile, are neither urgent nor unforeseen. Abuse of the emergency designation has greatly weakened the purpose of discretionary caps, which were intended to limit spending. Designating funding as an emergency is now seen as the most effective way for the President and Congress to evade the discretionary caps and the need to establish spending priorities. The Committee-reported resolution seeks to change that liability.

With regard to budget enforcement, the resolution includes a brand new tool to address long–term entitlement spending. The point of order is motivated by legitimate concerns that our nation cannot withstand unrestrained growth in entitlement spending. The Comptroller General estimates that in the next 75 years, Social Security, Medicare and other liabilities will cost the U.S. government $50 trillion; when Medicaid and other programs are included, this amount exceeds $65 trillion. Medicare alone represents $30 trillion of that liability. The new point of order would apply against direct spending legislation once it is determined that the general fund will contribute more than 45 percent of total Medicare outlays, a situation that could occur within the next five years.



Source: GAO, OMB and SBC Analysis
* Medicare, Medicaid

II. ECONOMICS

Recent Developments

The economy has now expanded for 17 consecutive quarters. Real Gross Domestic Product (GDP) increased by 3.5 percent in 2005, four-tenths of a percentage point faster than the past 20-year average. The economy is now roughly 14% larger than it was at the end of 2000. Investment expenditures have played a major part in the economic recovery. Gross private domestic investment accounted for a third of the increase in economic growth since 2002 and is higher than its average contribution to economic growth in the late 1990s.

Consistent with this experience, job growth has been strong. On March 10, 2006 the Bureau of Labor Statistics (BLS) announced that the economy created 243,000 new jobs in February, registering the 30th straight monthly gain in employment. Since August 2003, the economy has created nearly 5.0 million new jobs, more than Japan and Europe combined.

The unemployment rate also declined 0.6 percentage points in February to 4.8 percent from a year ago, approaching the lowest level since August 2001. The unemployment rate is now significantly lower than its average in the 1980s and 1990s. Income growth is also increasing. Personal disposable income increased five-tenths of a percent in January, rising for the fifth consecutive month. Disposable incomes are now up 5.0 percent since last summer.

The Economic Forecast

The Administration and Blue Chip (consensus of private economists) both forecast ***real GDP*** growth of 3.4 percent for 2006, which would register above its 20-year historical average of 3.1 percent. CBO forecasts that the economy will grow at a slightly faster rate of 3.6 percent. All three forecasts expect growth to return to a more moderate trend in the medium term.

CBO, OMB and Blue Chip all forecast that the ***unemployment rate*** declines by at least another one-tenth of a percentage point this year. Blue Chip is the most optimistic, forecasting that unemployment will decline to 4.9 percent in 2006 and remaining at that level throughout the next three years. Over the medium-term, the CBO projection of unemployment settles at its past ten-year average of 5.1 percent. OMB's projection remains slightly lower on average over the 2006-2011 period settling just below CBO and just above the private sector.

Inflation is anticipated to decelerate from 2005 through 2006 and 2007. Both OMB and Blue Chip estimate inflation declines at least four-tenths of a percentage point this year. CBO forecasts a slightly faster deceleration to 2.8 percent. In the medium term, the Administration and Blue Chip's projection of inflation reverts back to its past ten-year average of 2.5 percent. CBO forecasts that inflation will fall an additional seven-tenths of a percentage point in 2007 before rising to its steady state rate of growth of 2.3

percent. CBO's forecast is more optimistic than both OMB and Blue Chip's by at least two-tenths of a percentage point from 2007 through 2010.

All three forecasts indicate a moderate increase in short- and long-term ***interest rates*** consistent with a growing economy. CBO and Blue Chip both forecast that short-term interest rates increase by more than a percentage point this year as the Federal Reserve continues to withdraw the liquidity it injected into the economy during the recession. CBO and Blue Chip's projections assume three month rates settle in at 4.5 percent in 2006 and 2007 before leveling off at 4.4 percent. The Administration's forecast of short-term rates lags behind both CBO and the private sector by 0.3 percentage point this year and one-tenth of a percentage point through 2011.

Since the Federal Reserve initiated its tightening cycle in June 2004, the rate on 10-year Treasury notes has remained relatively stable averaging 4.3 percent over the last 20 months, suggesting financial markets remain confident that inflation remains in check. And although all three projections show the rate on 10-year notes increasing gradually, none rise above their level in 2000 of 6.0 percent.

Income shares receive far less attention than other portions of the forecast but are important because they underpin revenue projections. Income shares depict the breakdown of national income between wages and salaries, benefits, corporate profits, proprietors' income, rental income, and net interest. Income shares are expressed as a percentage of GDP.

If all types of national income were taxed at the same rate, the division between income categories would make little budgetary difference. But not all income is taxed the same. Wages and salaries and corporate profits are taxed at a higher effective tax rate than other sources of national income -- as such, the more they grow relative to the other income categories, the higher the projected revenue stream. Corporate profits and wages and salaries are termed the "highly-taxed shares."

Both CBO and OMB expect the highly-taxed shares to fall from their peak in 2005 and steadily decline throughout the remainder of the projection. Corporate profits as a share of GDP jumped in 2005 as a result of the expiration of bonus depreciation, which permitted firms to deduct a larger-than-usual percentage of their capital expense from their profits in 2004. Steadily declining corporate profits as a share of GDP largely accounts for the overall downward trend in taxable income after 2006 under both projections. The drop also reflects the contribution that firms are expected to make to their defined benefit pension plans.

Wages and salaries are projected to rise gradually in both forecasts through 2011, albeit not enough to offset the decline in the corporate profit share. Although the direction and change in CBO and OMB's projections of the wages and salaries share both rise, they differ in level and magnitude. CBO's projection of the wages and salaries share is on average seven-tenths of a percentage point lower than OMB's. In addition, CBO's projection of wages and salaries only grows three-tenths of a percentage point to 45.9

percent of GDP in 2011, whereas OMB's projection rises six-tenths of a percentage point to 46.7 percent of GDP.

Despite economic assumptions in line with CBO and the private sector, OMB estimates a 2006 ***baseline budget deficit*** of $367 billion versus CBO's estimate of $337 billion. Only $11 billion of the discrepancy is attributable to different assumptions about how much tax revenue will be generated by a given level of economic output. However, economic and technical changes to mandatory programs accounts for $19 billion of the difference. In the aggregate, these two deficit forecasts are nearly identical.

Sensitivity to Economic Changes

There is uncertainty in any economic forecast. According to an analysis by OMB, a reduction in the real GDP growth rate of 1.0 percentage point would increase the 2006-2011 deficits by $662.3 billion. CBO conducted the same "rule of thumb" analysis and found similar results. However, it is important to note that the rule of thumb works in the other direction as well. Higher real growth would reduce the projected deficits by corresponding amounts.

ECONOMIC PROJECTIONS COMPARISON

	2006	2007	2008	2009	2010	2011	Average
GDP ($ billions)							
Administration	13,210	13,949	14,713	15,493	16,310	17,177	
CBO	13,263	13,960	14,696	15,455	16,208	16,954	
Blue Chip	12,237	13,939	14,703	15,505	16,372	17,280	
% Change (Year to Year):							
Real GDP Growth							
Administration	3.4	3.3	3.3	3.1	3.1	3.1	3.2
CBO	3.6	3.4	3.4	3.3	3.0	2.8	3.3
Blue Chip	3.4	3.1	3.2	3.1	3.3	3.2	3.2
GDP Price Index							
Administration	2.4	2.2	2.1	2.1	2.1	2.1	2.2
CBO	2.4	1.8	1.8	1.8	1.8	1.8	1.9
Blue Chip	2.4	2.1	2.3	2.2	2.3	2.2	2.3
Consumer Price Index							
Administration	3.0	2.4	2.4	2.4	2.4	2.5	2.5
CBO	2.8	2.1	2.2	2.2	2.2	2.5	2.3
Blue Chip	2.9	2.4	2.4	2.5	2.4	2.5	2.5
Annual Rate:							
Unemployment							
Administration	5.0	5.0	5.0	5.0	5.0	5.0	5.0
CBO	5.0	5.0	5.1	5.2	5.2	5.2	5.1
Blue Chip	4.9	4.9	4.9	4.9	5.0	4.9	4.9
Three-Month T-Bill							
Administration	4.2	4.2	4.3	4.3	4.3	4.3	4.3
CBO	4.5	4.5	4.4	4.4	4.4	4.4	4.4
Blue Chip	4.5	4.5	4.4	4.3	4.4	4.4	4.4
Ten-Year T-Note							
Administration	5.0	5.3	5.5	5.6	5.6	5.6	5.4
CBO	5.1	5.2	5.2	5.2	5.2	5.2	5.2
Blue Chip	4.9	5.0	5.3	5.3	5.4	5.4	5.2
Share of GDP:							
Corporate Profits							
Administration	11.4	10.7	10.3	9.6	9.2	8.7	10.0
CBO	10.9	10.3	9.8	9.5	9.3	9.2	9.8
Wage and Salaries							
Administration	46.1	46.3	46.5	46.7	46.7	46.7	46.5
CBO	45.6	45.7	45.9	46.0	45.9	45.9	45.8

Source: President's FY 2007 Budget

III. SPENDING AND REVENUES

Baseline Assumptions

A budget resolution is a statement of dollar aggregates that represent the set of changes to spending and tax policies that the Congress agrees to pursue over some time in the future, but it does not exist in a vacuum. The way we explain a budget resolution is to describe how it would change these aggregates compared to what the budget would look like if current law were to remain in place. The starting point for such a comparison point is called a budget baseline.

The baseline used by the Budget Committee is based on projections made by the Congressional Budget Office (CBO) in its January 2006 *Budget and Economic Outlook: Fiscal Years 2007 through 2016,* as revised and reported in CBO's March 2006 *Preliminary Analysis of the President's Budget Request for 2007* (letter to Senator Thad Cochran, March 3, 2006).

Congressional budget law acknowledges the utility of a baseline by providing details about how a baseline is to be constructed. Section 257 of the Balanced Budget and Emergency Deficit Control Act, which sets out the rules that CBO follows when preparing the baseline. (Sections 250 and 257 of the Deficit Control Act of 1985, [2 U.S.C. 900 and 2 U.S.C. 907], expires on September 30, 2006. These provisions contain budgetary definitions, as well as principles for the construction of the baseline. The Committee expects the Congressional Budget Office will continue to apply the concepts in sections 250 and 257, unless changed by the Congress.)

For discretionary spending (which is controlled by annual appropriation bills), the rules provide that the projections should assume that discretionary appropriations are maintained at the level enacted in the current year (in this case, fiscal year 2006), adjusted for inflation, throughout the projection period (currently, 2007 through 2016). For mandatory spending and revenues, which are usually governed by permanent law, the rules generally provide that the projections should assume no changes in current law (though any phasing in, or phasing out, of policy changes provided for in current law are reflected). There are certain specified exceptions. In the case of mandatory spending, any programs in place in 1997 that have outlays of $50 million or more per year are considered to be permanent even if they actually expire under current law. (See Table 3-6 on pages 66-67 of CBO's January 2006 Budget and Economic Outlook for a list of programs that the baseline assumes will continue beyond their current expiration dates.) For mandatory programs with annual outlays of more than $50 million enacted after 1997, CBO makes the decision whether to continue an expiring program in the baseline on a case-by-case basis, in consultation with the House and Senate Budget Committees. This way, recently created programs that were intended to be temporary are assumed to expire in the baseline.

Certainly the baseline can be a complicated concept and can be especially difficult to understand when it is done on a cash basis for most federal programs, but is done on a net present value basis for federal credit programs (such as student loans). There is even different treatment for estimating direct and guaranteed loan programs. The Budget Committee has worked with CBO over the years to monitor the estimates made across all credit programs, and over the past two years CBO has provided useful reports on federal assistance for higher education and on estimating methods for the various student loan programs. The Budget Committee intends to continue working with CBO to assess the estimating problems in those programs in an ongoing effort to improve the quality of estimates available to decision makers.

The revenue baseline takes into account that some provisions are scheduled to change or expire over the 2007-2016 period. In general, the baseline assumes that those changes and expirations occur on schedule. However, any excise tax dedicated to a trust fund is assumed to be continued in the baseline even if it is scheduled to expire under current law. This special rule affects the projections for taxes that finance the Highway Trust Fund, the Airport and Airways Trust Fund, and the Leaking Underground Storage Tank Trust Fund.

A. SPENDING

Federal spending is now consuming nearly 20 percent of the total annual output of the U.S. economy (gross domestic product). Under CBO's baseline projections, the mix of spending between discretionary programs, which receive annual appropriations, and mandatory programs, whose spending is set by authorization law, is changing such that mandatory spending will consume an increasingly larger portion (65 percent) of federal resources by 2016 (compared to 54 percent today).

The President's budget has requested that total resources devoted to regular annual appropriations in 2007 be set at $873 billion (as estimated by CBO), which is $32 billion more than the amount enacted for 2006 and $7 billion more than the discretionary cap set for FY 2007 in the FY 2006 Budget Resolution. The Committee-reported resolution allocates the $873 billion of budget authority (and associated outlays) to the Appropriations Committee for 2007. (The President's budget also indicates his intention to request $52.3 billion as emergency funding in 2007; the Committee-reported resolution includes $90 billion instead for emergency purposes. For 2008 and 2009, the Committee-reported resolution also sets discretionary spending limits on budget authority reflecting the President's request for those years, but does not include added emergency spending for those years.) The President's Budget includes many fee proposals to offset discretionary spending to result in the net discretionary spending total of $873 billion. Ultimately, it will be up to the Appropriations Committee to decide which fee proposals to pursue and which to ignore, and in light of past practice, many of them will not be enacted. The Appropriations Committee is responsible for dividing up the $873 billion among its subcommittees and specific bills via the 302(b) suballocation process.

On the mandatory side, the majority of federal spending is on autopilot and rarely undergoes annual review or evaluation (the Deficit Reduction Act of 2005 being the most recent exception). Under CBO's baseline projections, total mandatory spending (not including interest), over which Congress could exercise direct control, will grow at an average annual rate of 5.9 percent over the next 10 years. The greatest cause of this unsustainable growth rate is the cost of the federal health programs. The uncontrolled growth of these programs will increase the deficit in future years, adding to federal interest costs.

MANDATORY HIGHLIGHTS

Health Care

Medicare. The Committee-reported resolution provides $382 billion for the Medicare in 2007, an increase of $55 billion over 2006, or 17 percent. Without legislative changes, Medicare spending will grow to $518 billion in 2011, an average annual growth rate of 9.7 percent and total growth of 59 percent.

However, the resolution assumes the repeal of the Stabilization Fund included in the Medicare Modernization Act, saving $7 billion over five years. The resolution also assumes the enactment of legislation to extend the moratorium on therapy caps (costing $710 million over five years).

The Committee notes that the Medicare program's mounting insolvency in coming years will demand increased attention towards reducing the rate of growth in payments to providers; however, while this attention is warranted, the Committee urges that consideration also be given towards the impact on beneficiaries.

The Committee strongly supports the effort by the Administration to strengthen Medicare's long-term financial security by addressing the program's mounting unfunded liability. The Committee supports the automatic triggering mechanisms the Administration proposed in the fiscal year 2007 Budget that in certain circumstances would reduce Medicare outlays without Congressional action as a means to encourage Congress to review these programs. The Committee encourages the committee of jurisdiction to make every effort to enact legislation that will enforce funding discipline in the Medicare program.

Medicaid. The Committee-reported resolution includes $199 billion in Medicaid spending in 2007, an increase of $9 billion or 4.7 percent over 2006. Medicaid spending is expected to grow to $270 billion by 2011, an annual average growth rate of 7.3 percent and total growth of 42 percent.

The resolution also includes important Presidential initiatives to provide Transitional Medical Assistance (costing $523 million over five years), to allow health departments to provide vaccines ($715 million), the Cover the Kids initiative ($874 million), and a boost to SCHIP funding in 2007 and 2008 ($225 million).

Subrogation. Public and private health plans and employers pay the medical expenses of insured individuals when they are injured by a third party, but in these circumstances public and private health plans and employers are entitled under federal law to be repaid if the individual later recovers damages from the third party causing the injury. The right of the recovery is an important means to restore federal revenue, to contain private health plan and employer costs, and to reduce health care premiums for individuals. The Committee understands the recovery rights of federal health programs (e.g., Medicare, FEHBP and Medicare Advantage) and private health plans have been eroded by recent court decisions. The result is higher federal and private health plan costs. The Committee encourages the committees of jurisdiction to restore the right of recovery for private health plans and employers.

PBGC

The Pension Benefit Guaranty Corporation (PBGC) insures pension plans covering 44 million workers. About 34 million of those in PBGC-insured plans are in single-employer plans. The PBGC estimates that these single-employer defined-benefit plans are under funded by more than $450 billion. The PBGC's current and projected likely liabilities from some of these plans expected to go into bankruptcy now exceed its assets by $23 billion. This deficit represents the total present value of the PBGC's unfunded promises to pay pension benefits to retirees of defaulted plans.

This is the same problem that faced Congress a year ago, except now it is worse. The Deficit Reduction Act enacted last month did increase fixed premiums paid by employers for PBGC insurance, resulting in additional premium income of $3.6 billion over the 2006-2010 period, but that falls far short of solving PBGC's problems. A pension reform bill that is about to go to conference should seize its opportunity to improve how employers fund their pension plans and to improve the financial position of the PBGC. Meanwhile, the President has proposed that premiums be increased to generate another $16.7 billion in income to the PBGC over the 2007-2011 period. Instead, the Committee-reported resolution assumes legislation will be enacted to generate at least an additional $2 billion in PBGC premiums over the next five years, but suggests that the relevant committees could easily improve on that minimum goal to restore the solvency of the PBGC and increase the likelihood that retirees whose pension plans default will at least receive some retirement income from the PBGC.

Unemployment Insurance

The Unemployment Insurance (UI) program provides temporary income support to covered workers who lose their jobs, but benefit overpayments to ineligible recipients reached almost $3 billion in 2005. The Administration proposes legislation to boost States' ability to recover benefit overpayments and deter tax evasion schemes by permitting them to use a portion of recovered funds to expand enforcement efforts in these areas and pay for private collection agencies. It will permit collection of delinquent UI overpayments, and reduce benefit overpayments and fraudulently obtained payments due to identify theft. The Committee-reported resolution supports these initiatives and reflects savings of $1.1 billion over 2007-2011.

ANWR

The Committee-reported resolution assumes a $3 billion increase in receipts as a result of opening the Arctic National Wildlife Refuge (ANWR) to oil exploration and development. While the budget resolution cannot dictate the contents of legislation reported by any committee, the FY 2007 Budget Resolution can and does instruct the Energy and Natural Resources Committee to meet a reconciliation target totaling $3 billion over the 2007-2011 period. Additionally, the Committee-reported resolution includes a reserve fund stipulating that if legislation is enacted that opens ANWR to drilling, $1.05 billion of the associated receipts will be devoted to appropriations for the Land and Water Conservation Programs, the Forest Legacy Program, and the Coastal and Estuarine Land Protection Program ($350 million per year in 2009, 2010, and 2011).

DISCRETIONARY HIGHLIGHTS

Defense

The Committee-reported resolution provides $457 billion in discretionary budget authority for the National Defense Function, an increase of $24.7 billion or 5.7 percent over the 2006 level (not including supplemental funding). Over the period of the resolution, the average annual increase in Defense would be 3.3 percent. National Defense includes the Department of Defense (which comprises more than 95% of the spending in the function), Department of Energy Atomic Defense Activities, and Other Defense Activities. The spending level in the Committee-reported resolution would achieve four goals: support the Global War on Terrorism, implement the Quadrennial Defense Review, build joint capabilities, and preserve the quality of life of U.S. military personnel. In addition, the resolution recognizes that our troops in Iraq and Afghanistan will continue to require significant resources, and therefore sets aside up to $90 billion for these and other costs in 2007.

The National Guard has a long history of outstanding service to our nation. Since September 11, 2001, our reliance on the National Guard has only increased with many thousands of troops serving the nation both at home and abroad. Congress has provided the National Guard with significant resources in recognition of the important role the Guard plays in our national security and to assure that it has the tools to continue to perform its missions. This includes full funding of the Army National Guard’s end strength of 350,000, which is assumed by this resolution.

International Affairs

For discretionary spending for international affairs activities, the resolution assumes $33.2 billion, which is a $1.5 billion, or 5.5 percent, increase over the 2006 enacted level. Since President Bush’s first budget (fiscal year 2002), discretionary spending in this function has grown by $9 billion, or 37.9 percent. The resolution redirects $2 billion from the level in the President’s request to other non-defense spending priorities such as border security, education, and health care.

Education

The President requests $54.3 billion in discretionary budget authority for the Department of Education for 2007. The Committee-reported resolution makes available an additional $1.5 billion over this request for a total of $55.8 billion. At this funding level, discretionary education programs are funded at $13.8 billion more than they were in 2001, a 33 percent increase.

The $1.5 billion over the President's 2007 request for education programs included in the resolution reflects the Committee's commitment to increasing funding for programs aimed at assisting lower income and disabled students. Additionally, beginning in 2008 and continuing through 2011, the Committee-reported resolution includes another $2 billion each year for Individuals with Disabilities Education Act (IDEA) state grants. Together with the President's request for an additional $100 million more than the 2006 enacted level for IDEA, the $1.5 and $2 billion in education funding over the President's request included in the Committee-reported resolution would boost federal special education funding to $14.2 billion in 2008. At this funding level, IDEA grants would cover over 20 percent (the highest rate ever achieved) of the average additional per pupil costs incurred by states and local school districts in serving children under IDEA.

The Committee recognizes that a well-educated and skilled workforce is essential to maintaining America's role as a world leader in innovation and entrepreneurship. In this regard, the Committee-reported resolution includes the President's request for $412 million in 2007 for new math and science education initiatives and programs to ensure students have access to highly skilled teachers.

Border Security and Administration of Justice

Effective border security is a critical part of maintaining a safe and secure nation. Secure borders are a fundamental and inherent responsibility of the National Government. The Committee-reported resolution assumes the President's request for $7.9 billion in funding for Customs and Border Protection, including funding for an additional 1,500 border patrol agents. Given the necessity for effective border security, it is important that adequate funding be provided for aging infrastructure and increased personnel. Just as is the case with our military, it is essential to give the men and women on the front lines of our borders the tools to accomplish their mission. Therefore, the Committee-reported resolution assumes an additional $2 billion in discretionary funding, over and above the President's request, for critical border security infrastructure such as aircraft and facilities, vehicles, and communications equipment. Congress should devote adequate resources to maintaining secure U.S. borders, and the additional funding will better enable our border security agencies to perform their functions. In addition, the Committee-reported resolution assumes another $2 billion in emergency spending for border security within the $90 billion assumed for emergencies in 2007.

Finally, the Committee-reported resolution assumes that construction of federal correctional institutions will remain on schedule to incarcerate felons and reduce prison over crowding. The resolution rejects the fiscal year 2007 President's Budget proposal to rescind and eliminate federal prison funding and facilities.

Health

NIH. The Committee supports the biomedical research funded by the National Institutes of Health (NIH) throughout the United States and the world and includes an increase of $1 billion for NIH for a total annual budget of $29.6 billion. NIH funds research on critical national and international issues, such as basic and applied research in bioterrorism and pandemic influenza preparedness for the development of effective countermeasures.

CDC. The Committee recognizes the vital services provided by the Centers for Disease Control and Prevention (CDC) by including $250 million more than the President's request. The increase would provide assistance to a number of new and ongoing initiatives including increasing public health emergency preparedness, vaccines and medical supplies for the Strategic National Stockpile, increasing surge capacity, and other critical emergency preparedness functions.

Pandemic Influenza. The Committee-reported resolution recognizes the President's commitment to increase our Nation's ability to prepare for and effectively respond to an outbreak of pandemic influenza. The resolution includes $2.3 billion in emergency spending to implement the second year of the Administration's pandemic influenza preparedness plan to increase domestic vaccine production and surge capacity, as well as increasing medical supplies for the Strategic National Stockpile. The resolution also includes an additional $352 million for pandemic influenza preparedness activities, including improving expanding detection capabilities, increasing pandemic preparedness, containment and response, and establishing a vaccine registry.

HRSA. The Committee recognizes the important mission of the Health Resources and Services Administration (HRSA) to increase health care access for those who are medically underserved. The resolution has increased funding for HRSA by $235 million over the President's request. These increases are intended to support rural health care initiatives.

Community Health Centers. The Committee-reported resolution supports funding for the Consolidated Health Centers program at a level consistent with the President's request. The Committee believes that these funds should be used to support the goal of creating 1,200 new or expanded centers, serving an additional 6.1 million patients, especially in underserved communities.

Funding for the Office of Generic Drugs. The Committee supports expanding efforts to encourage the use of generic drugs to make more affordable medicine available to consumers. Currently, more than 53 percent of prescriptions are filled with generic medications. The Committee believes that with a backlog of more than 800 applications for new generic drugs Congress should continue to invest in the generic drug review. That investment can take several forms including increased appropriations or industry user fees. The Committee notes the proven track record of industry user fees as a means to speed drug and device approval leading to increased access for consumers.

IRS

The tax gap is the difference between the amount of tax the IRS collects and what it is actually owed. The IRS estimates they collect on net $290 billion less than taxpayers owe, which is equivalent to a noncompliance rate of 16 percent. Noncompliance entails not reporting entire tax liability (underreporting), not filing required returns on time, or not paying amount owed in a timely manner. The IRS estimates that 69 percent of the overall tax gap is attributable to the following kinds of underreporting:

- 28 percent attributable to understated business income (unreported receipts & overstated expenses)
- 16 percent from understatement of non business income (wages, tips, interest, dividends, and capital gains)
- 16 percent due to underreported self-employment income
- 9 percent from overstated subtractions from income (deductions & exemptions)

IRS analysis suggests expanded third-party reporting and withholding would likely reduce the tax gap. Currently wages and salaries are subject to both third-party reporting and withholding. Their "visibility" to the tax system reduces the likelihood of underreporting. As visibility falls, compliance declines. Interest and dividends are subject to third party reporting but not withholding. As a result noncompliance is relatively higher than it is for wages. Sole-proprietor income is the least visible forms of income, exempt from third party reporting or withholding and most likely to be misreported.

The President's Budget requests $11 billion to fund the IRS for 2007. Of this amount, almost two-thirds ($7.0 billion) would be spent on enforcement, including an increase of $137 million to expand on an effort to close the tax gap. Like last year -- when an additional $446 million was requested, reserved in the budget resolution, and ultimately enacted -- the President is proposing a program integrity cap adjustment to make sure his requested increase for enforcement activities is enacted in the appropriations process. Because of the size of the tax gap and the importance of making sure every taxpayer pays a fair share, the Committee-reported resolution would double the amount requested to $274 million for the IRS enforcement program integrity cap. According to the IRS, current enforcement activities yield four dollars in direct revenue for every dollar invested in its budget. In 2005, the IRS collected a record $47.3 billion in enforcement revenue – an increase of $4.7 billion (10 percent) compared to 2004.

Natural Resources and Environment

The Committee-reported resolution endorses the recommendations of the U. S. Commission on Ocean Policy. The resolution assumes that the National Oceanic and Atmospheric Administration (NOAA) is funded at not less than the fiscal year 2006 level.

Science

The Committee-reported resolution assumes full funding of the President's request for the Department of Energy Office of Science and the National Science Foundation. This funding level will support scientific research tools for economically significant R&D, bolstering K-12 education including Math and Science Partnerships, high-end computing, advanced networking, nanotechnology, biotechnology, and science research. This funding is critical in supporting world-class federal research facilities and advancing innovation and discovery. Within Function 250, the resolution assumes full funding of the President's request for NASA.

B. REVENUES

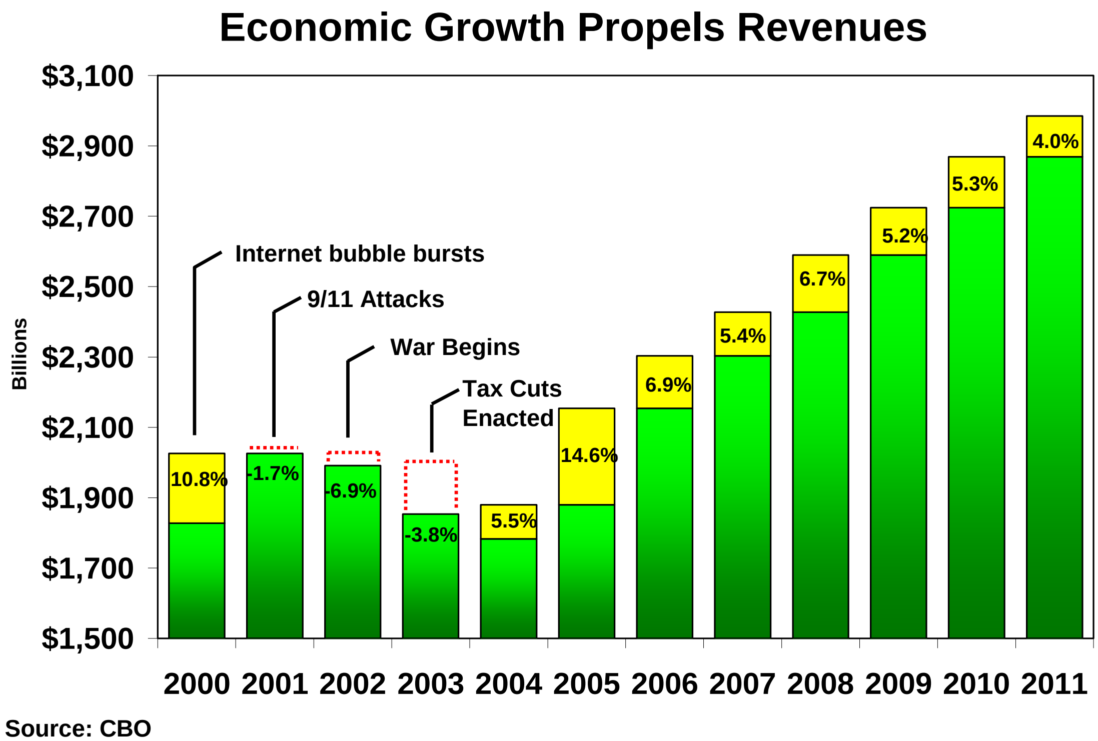
Federal revenue collections have been on the rise recently, following three years of decline. The terrorist attacks of September 11, the bursting of the stock market bubble, corporate scandals, and an economic recession resulted in declines in tax collections in 2001, 2002 and 2003. Revenues rose 14.5 percent in 2005 and are projected to rise 6.9 percent in 2006.

The Committee-reported resolution assumes that tax rates are not increased (in anticipation that Congress ultimately will extend the beneficial tax relief enacted in 2001 and 2003). The Committee-reported resolution assumes a modest reduction in revenues, relative to the baseline, that balances the need for fiscal responsibility with the need to continue modest tax rates necessary to continue economic growth and job creation.

Compared with the CBO baseline, the Committee-reported resolution assumes on-budget revenues are reduced by $227 billion over five years. The resolution includes no revenue reconciliation instructions.

The CBO baseline projects that the federal government will collect $13.8 trillion over the next five years in tax receipts. The tax relief assumed in the Committee-reported resolution is 1.6 percent of total expected revenues.

Since the Tax Relief Act of 2005 (pursuant to the reconciliation instruction in the FY 2006 Budget Resolution) has not yet been enacted, the tax relief assumed in the resolution is sufficient to accommodate extensions of current capital gains and dividend tax rates and existing provisions for small business expensing through the five year budget window. The resolution also accommodates extension of the marginal income tax rate reductions, child tax credit, marriage penalty relief, education provisions, estate tax relief and many other provisions that are set to expire after 2010. The Committee-reported resolution assumes these incentives continue throughout the five-year budget. The resolution accommodates a 2006 Alternative Minimum Tax fix, and can accommodate extensions of other provisions that will expire within the budget window, such as the deduction for qualified education expenses, the research and experimentation credit, the Generalized System of Preferences and others.



C. DEBT LEVELS

Gross federal debt (and the associated debt subject to limit) is comprised of debt issued to government accounts as well as debt held by the public. Debt held by the public is issued by the government to raise cash, and is the most meaningful measure of debt in terms of its relationship to the economy. Debt held by government accounts reflects one part of the government borrowing from another part, and involves no cash transactions with the public. It is used to track money flows relating to specific trust fund programs, such as Social Security.

Debt held by the public reached 109 percent of GDP during the heavy borrowing time of World War II, and it took nearly another two decades before debt held by the public fell to its post-war average of 41.5 percent of GDP.

Under the Committee-reported resolution, debt held by the public, the debt that Congress can control through its budget process, rises from $4,967 billion in 2006 to $6,169 billion in 2011, and increase of $1.2 trillion. Under the Committee-reported resolution, debt held by the public falls as a percent of GDP for the budget period, from 39 percent in 2007 to 36.8 percent in 2011, below the post-war average. Debt subject to limit, a broader measure of debt (which includes debt held by government accounts), is projected to be $8,527 billion at the end of 2006 and $9,190 billion at the end of 2007.

D. TAX EXPENDITURES

The Congressional Budget Act of 1974 requires a listing of tax expenditures in the President's budget submission and in reports accompanying congressional budget resolutions. Tax expenditures are defined by the Act as "revenue losses attributable to provisions of the Federal tax law which allow a special exclusion, exemption, or deduction from gross income or which provide a special credit, a preferential rate of tax, or a deferral of tax liability." Under this definition, the concept of tax expenditures refers to revenue losses attributable exclusively to corporate and individual income taxes. The estimates presented here are from the Department of Treasury and were published in the Analytical Perspectives volume of the Fiscal Year 2007 President's Budget. Because of the interaction among provisions, it is incorrect to assume that estimates of separate tax expenditures can be summed to calculate a total revenue effect of a repeal of a group of tax expenditures. The tax expenditures in the following list are estimated separately, under the assumption that all other tax expenditures remain in the code. If two or more tax expenditures were estimated simultaneously, the total change in tax liability could be smaller or larger than the sum of the amounts shown for each item separately.

IV. SUMMARY TABLES

TAX EXPENDITURE ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 2007-2011

(Millions of dollars)

	Corporations						Individuals					
	2007	2008	2009	2010	2011	2007-11	2007	2008	2009	2010	2011	2007-11
National Defense:												
Exclusion of benefits and allowances to armed forces personnel							3,050	3,070	3,110	3,140	3,170	15,390
International affairs:												
Exclusion of income earned abroad by U.S. citizens							2,940	3,100	3,270	3,450	3,640	16,400
Exclusion of certain allowances for Federal employees abroad							1,000	1,050	1,100	1,160	1,230	5,540
Extraterritorial income exclusion	1,960	290	50	30	20	2,350						
Inventory property sales source rules exception	1,840	2,040	2,230	2,380	2,540	11,030						
Deferral of income from controlled foreign corporations (normal tax method)	11,940	12,770	13,650	14,600	15,620	68,580						
Deferred taxes for financial firms on certain income earned overseas	960	0	0	0	0	960						
General science, space, and technology:												
Expensing of research and experimentation expenditures (normal tax method)	6,850	6,140	5,250	4,700	4,740	27,680	140	120	110	100	100	570
Credit for increasing research activities	920	390	180	50	0	1,540	0	0	0	0	0	0
Energy:												
Expensing of exploration and development costs, fuels	760	720	560	430	330	2,800	110	110	90	70	50	430
Excess of percentage over cost depletion, fuels	620	600	580	560	560	2,920	70	60	60	60	60	310
Alternative fuel production credit	2,360	950	0	0	0	3,310	100	40	0	0	0	140
Exception from passive loss limitation for working interests in oil and gas properties							40	40	40	40	40	200
Capital gains treatment of royalties on coal							90	100	70	60	80	400
Exclusion of interest on energy facility bonds	20	20	20	20	20	100	70	80	80	90	90	410
Enhanced oil recovery credit	0	0	0	0	20	20	0	0	0	0	0	0
New technology credit	640	750	800	810	810	3,810	50	50	50	50	50	250
Alcohol fuel credits 1/	30	40	40	50	20	180	10	10	10	10	10	50
Tax credit and deduction for clean-fuel burning vehicles	-10	-10	-20	-30	-30	-100	210	150	160	10	-10	520
Exclusion of utility conservation subsidies	0	0	0	0	0	0	80	80	80	70	70	380

	Corporations						Individuals					
	2007	2008	2009	2010	2011	2007-11	2007	2008	2009	2010	2011	2007-11
Exclusion of interest on clean renewable energy bonds	10	30	40	50	50	180						
Deferral of gain from dispositions of transmission property to implement FERC restructuring policy	530	230	-100	-360	-510	-210						
Credit for production from advanced nuclear power facilities	0	0	0	0	0	0	0	0	0	0	0	
Credit for investment in clean coal facilities	50	100	150	200	280	780	0	0	0	0	0	0
Temporary 50% expensing for equipment used in the refining of liquid fuels	30	120	240	260	180	830	0	0	0	0	0	0
Pass through low sulfur diesel expensing to cooperative owners	0	0	0	0	0	0	-10	0	-10	0	-10	-30
Natural gas distribution pipelines treated as 15-year property	50	90	120	150	150	560	0	0	0	0	0	0
Amortize all geological and geophysical expenditures over 2 years	120	140	110	80	50	500	30	40	30	20	10	130
Allowance of deduction for certain energy efficient commercial building property	150	110	20	-10	-10	260	40	30	10	0	0	80
Credit for construction of new energy efficient homes	20	10	10	0	0	40	0	0	0	0	0	0
Credit for energy efficiency improvements to existing homes	0	0	0	0	0	0	380	150	0	0	0	530
Credit for energy efficient appliances	80	0	0	0	0	80						
30% credit for residential purchases/installations of solar and fuel cells							10	10	0	0	0	20
Credit for business installation of qualified fuel cells and stationary microturbine power plants	100	40	-10	-10	-10	110	30	10	0	0	0	40
Alternative Fuel and Fuel Mixture tax credit							0	0	0	0	0	0
Natural resources and environment:												
Expensing of exploration and development costs, nonfuel minerals	0	0	0	0	0	0	0	0	0	0	0	0
Excess of percentage over cost depletion, nonfuel minerals	280	290	290	310	320	1,490	20	20	20	20	20	100
Exclusion of interest on bonds for water, sewage, and hazardous waste facilities	100	110	110	110	120	550	400	440	470	490	500	2,300
Capital gains treatment of certain timber income							90	100	70	60	80	400
Expensing of multiperiod timber growing costs	260	280	290	300	300	1,430	120	120	120	130	130	620
Tax incentives for preservation of historic structures	290	310	320	340	360	1,620	90	90	100	100	110	490
Expensing of capital costs with respect to complying with EPA sulfur regulations	11	27	50	27	-2	113						

	Corporations						Individuals					
	2007	2008	2009	2010	2011	2007-11	2007	2008	2009	2010	2011	2007-11
Exclusion of gain or loss on sale or exchange of certain brownfield sites	10	20	30	50	40	150	0	10	10	20	20	60
Agriculture:												
Expensing of certain capital outlays	20	20	20	20	30	110	110	110	120	120	120	580
Expensing of certain multiperiod production costs	10	10	10	10	20	60	60	70	70	70	70	340
Treatment of loans forgiven for solvent farmers	0	0	0	0	0	0	10	10	10	10	10	50
Capital gains treatment of certain income							900	1,050	750	590	780	4,070
Income averaging for farmers							40	40	40	40	50	210
Deferral of gain on sale of farm refiners	20	20	20	20	20	100	0	0	0	0	0	0
Bio-Diesel and small agri-biodiesel producer tax credits							100	90	40	20	20	270
Commerce and housing:												
Financial institutions and insurance:												
Exemption of credit union income	1450	1540	1640	1,740	1,850	8,220						
Excess bad debt reserves of financial institutions	10	0	0	0	0	10						
Exclusion of interest on life insurance savings	1,910	2,120	2,400	2,620	2,810	11,860	18,860	20,480	23,700	26,370	28,540	117,950
Special alternative tax on small property and casualty insurance companies	20	20	20	20	30	110	0	0	0	0	0	0
Tax exemption of certain insurance companies owned by tax-exempt organizations	230	240	250	260	270	1,250	0	0	0	0	0	0
Small life insurance company deduction	60	60	60	60	50	290	0	0	0	0	0	0
Exclusion of interest spread of financial institutions							1,620	1,710	1,800	1,890	1,990	9,010
Housing:												
Exclusion of interest on owner-occupied mortgage subsidy bonds	210	220	230	230	240	1,130	830	920	980	1,010	1,040	4,780
Exclusion of interest on rental housing bonds	90	100	100	100	100	490	360	400	430	440	450	2,080
Deductibility of mortgage interest on owner-occupied homes							79,860	87,820	94,490	100,980	108,280	471,430
Deductibility of State and local property tax on owner-occupied homes							12,810	12,910	12,830	12,720	22,930	74,200
Deferral of income from post 1987 installment sales	300	300	310	310	310	1,530	860	880	890	1,000	1,120	4,750
Capital gains exclusion on home sales							43,900	48,490	59,900	78,860	87,100	318,250
Exclusion of net imputed rental income							33,210	36,860	40,630	44,785	49,364	204,849
Exception from passive loss rules for $25,000 of rental loss							6230	6060	5880	5700	5510	29,380
Credit for low-income housing investments	3,610	3,790	4,000	4,210	4,440	20,050	640	670	710	740	780	3,540

	Corporations						Individuals					
	2007	2008	2009	2010	2011	2007-11	2007	2008	2009	2010	2011	2007-11
Accelerated depreciation on rental housing (normal tax method)	760	840	910	960	1,030	4,500	10,710	11,820	12,910	13,750	14,890	64,080
Commerce:												
Cancellation of indebtedness							110	40	40	40	40	270
Exceptions from imputed interest rules							50	50	50	50	50	250
Capital gains (except agriculture, timber, iron ore, and coal)							26,760	31,280	22,340	17,580	23,410	121,370
Capital gains exclusion of small corporation stock							260	300	320	350	470	1,700
Step-up basis of capital gains at death							32,460	35,700	36,480	34,560	38,010	177,210
Carryover basis of capital gains on gifts							640	750	790	1,270	6,370	9,820
Ordinary income treatment of loss from small business corporation stock sale							50	50	50	50	50	250
Accelerated depreciation of buildings other than rental housing (normal tax method)	330	520	750	990	1,250	3,840	-900	-640	-320	30	390	-1,440
Accelerated depreciation of machinery and equipment (normal tax method)	39,300	48,290	57,590	63,630	69,350	278,160	12,180	14,200	16,280	17,740	19,340	79,740
Expensing of certain small investments (normal tax method)	1,230	-270	10	160	310	1,440	3,110	630	870	950	1,150	6,710
Graduated corporation income tax rate (normal tax method)	3,590	3,940	4,180	4,300	4,390	20,400						
Exclusion of interest on small issue bonds	90	90	100	100	100	480	350	390	410	430	440	2,020
Deduction for US production activities	8,320	9,770	10,630	16,550	16,880	62,150	2,350	2,420	2,480	3,770	5,390	16,410
Special rules for certain film and TV production	70	60	-30	-70	-50	-20	20	10	-10	-20	-10	-10
Transportation:												
Deferral of tax on shipping companies	20	20	20	20	20	100						
Exclusion of reimbursed employee parking							2,880	3,030	3,180	3,330	3,420	15,840
Exclusion for employer-provided transit passes							630	710	790	880	960	3,970
Tax credit for certain expenditures for maintaining railroad tracks	150	110	50	30	10	350						
Exclusion of interest on bonds for Financing of Highway Projects and rail-truck transfer facilities	15	20	25	25	25	110	35	55	70	70	75	305
Community and regional development:												
Investment credit for rehabilitation of structures (other than historic)	20	20	20	20	20	100	20	20	20	20	20	100
Exclusion of interest for airport, dock, and similar bonds	190	190	200	200	210	990	720	800	860	880	910	4,170

	Corporations						Individuals					
	2007	2008	2009	2010	2011	2007-11	2007	2008	2009	2010	2011	2007-11
Exemption of certain mutuals' and cooperatives' income	70	70	70	70	70	350						
Empowerment zones and renewal communities	340	370	420	190	60	1,380	1,000	1,110	1,320	940	360	4,730
New markets tax credit	210	220	200	170	130	930	620	650	590	500	390	2,750
Expensing of environmental remediation costs	30	0	-20	-10	-10	-10	10	0	0	0	0	10
Credit to holders of Gulf Tax Credit Bonds							10	10	10	10	10	50
Education, training, employment, and social services:												
Education:												
Exclusion of scholarship and fellowship income (normal tax method)							1,510	1,580	1,640	1,720	1,790	8,240
HOPE tax credit							3,060	3,090	3,220	3,240	3,480	16,090
Lifetime Learning tax credit							2,020	2,030	2,060	2,090	2,220	10,420
Education Individual Retirement Accounts							110	140	180	230	280	940
Deductibility of student-loan interest							810	820	830	840	780	4,080
Deduction for higher education expenses							0	0	0	0	0	0
State prepaid tuition plans							620	710	810	930	1,090	4,160
Exclusion of interest on student-loan bonds	70	70	70	70	70	350	250	280	300	310	320	1,460
Exclusion of interest on bonds for private nonprofit educational facilities	250	260	260	270	280	1,320	970	1070	1150	1180	1220	5,590
Credit for holders of zone academy bonds	140	150	150	150	150	740						
Exclusion of interest on savings bonds redeemed to finance educational expenses							20	20	20	20	20	100
Parental personal exemption for students age 19 or over							1,760	1,650	1,510	1,420	2,740	9,080
Deductibility of charitable contributions (education)	590	620	660	700	740	3,310	3,440	3,640	3,890	4,170	4,470	19,610
Exclusion of employer-provided educational assistance							620	660	690	730	40	2,740
Special deduction for teacher expenses							0	0	0	0	0	0
Discharge of student loan indebtedness							20	20	20	20	20	100
Training, employment, and social services:												
Work opportunity tax credit	150	100	80	50	20	400	40	30	30	20	10	130
Welfare-to-work tax credit	60	30	10	0	0	100	10	10	0	0	0	20
Employer provided child care exclusion							920	960	1010	1060	1070	5,020
Employer-provided child care credit							10	20	20	20	10	80
Assistance for adopted foster children							350	370	400	430	470	2,020
Adoption credit and exclusion							560	570	580	600	540	2,850
Exclusion of employee meals and lodging (other than military)							930	970	1,010	1,060	1,110	5,080
Child credit 2/							42,120	42,070	41,830	41,870	31,730	199,620
Credit for child and dependent care expenses							1,820	1,750	1,660	1,590	1,540	8,360

	Corporations						Individuals					
	2007	2008	2009	2010	2011	2007-11	2007	2008	2009	2010	2011	2007-11
Credit for disabled access expenditures	10	10	10	10	10	50	20	30	30	30	30	140
Deductibility of charitable contributions, other than education and health	1,360	1,430	1,500	1,570	1640	7,500	33,140	35,360	37,910	40,640	43,570	190,620
Exclusion of certain foster care payments							450	450	450	460	470	2,280
Exclusion of parsonage allowances							510	540	580	610	640	2,880
Employee retention credit for employers affected by Hurricane Katrina	0	0	0	0	0	0	10	10	0	0	0	20
Health:												
Exclusion of employer contributions for medical insurance premiums and medical care							146,780	161,120	176,290	191,980	212,820	888,990
Self-employed medical insurance premiums							4,630	5,080	5,570	6,050	6,730	28,060
Medical Savings Accounts / Health Savings Accounts							2,650	3,510	3,960	3,910	3,860	17,890
Deductibility of medical expenses							5,310	6,490	7,720	9,220	12,260	41,000
Exclusion of interest on hospital construction bonds	430	440	460	470	490	2,290	1,680	1,860	1,990	2,050	2,110	9,690
Deductibility of charitable contributions (health)	170	180	190	200	210	950	3,720	3,970	4,260	4,570	4,900	21,420
Tax credit for orphan drug research	260	290	320	360	410	1,640						
Special Blue Cross/Blue Shield deduction	850	920	760	830	920	4,280	0	0	0	0	0	0
Tax credit for health insurance purchased by certain displaced and retired individuals							30	30	30	30	30	150
Income security:												
Exclusion of railroad retirement system benefits							380	360	370	370	350	1,830
Exclusion of workers' compensation benefits							6,180	6,390	6,630	6,860	7,090	33,150
Exclusion of public assistance benefits (normal tax method)							470	490	510	530	550	2,550
Exclusion of special benefits for disabled coal							50	40	40	40	40	210
Exclusion of military disability pensions							110	120	120	130	130	610
Net exclusion of pension contributions and earnings:												
Employer plans							52,470	48,100	45,760	44,760	36,910	228,000
401(k) plans							39,800	43,100	48,810	53,870	47,290	232,870
Individual Retirement Accounts							5,970	7,180	8,300	8,840	8,060	38,350
Low and moderate income savers credit							830	0	0	0	0	830
Keogh plans							10,670	11,630	12,670	13,800	15,040	63,810
Exclusion of other employee benefits:												
Premiums on group term life insurance							2,180	2,250	2,310	2,380	2,490	11,610
Premiums on accident and disability insurance							300	310	320	330	340	1,600

	Corporations						Individuals					
	2007	2008	2009	2010	2011	2007-11	2007	2008	2009	2010	2011	2007-11
Income of trusts to finance supplementary unemployment benefits							20	20	20	20	20	100
Special ESOP rules	1520	1640	1780	1940	2100	8,980	370	390	390	390	390	1,930
Additional deduction for the blind							30	40	40	40	50	200
Additional deduction for the elderly							1,740	1,880	1,930	1,980	2,940	10,470
Tax credit for the elderly and disabled							20	10	10	10	10	60
Deductibility of casualty losses							480	290	300	320	340	1,730
Earned income tax credit 3/							5,147	5,445	5,637	5,806	6,069	28,104
Additional exemption for housing Hurricane Katrina displaced individuals							20	0	0	0	0	20
Social Security:												
Exclusion of social security benefits:												
Social Security benefits for retired workers							19,590	20,250	20,700	21,000	23,330	104,870
Social Security benefits for disabled							4,110	4,330	4,570	4,960	5,530	23,500
Social Security benefits for dependents and							4,040	4,070	4,100	4,180	4,360	20,750
Veterans benefits and services:												
Exclusion of veterans death benefits and disability compensation							3,770	3,900	4,050	4,140	4,350	20,210
Exclusion of veterans pensions							140	140	140	150	150	720
Exclusion of GI bill benefits							210	240	280	330	400	1,460
Exclusion of interest on veterans housing bonds	10	10	10	10	10	50	40	40	40	40	40	200
General purpose fiscal assistance:												
Exclusion of interest on public purpose State and local bonds	6,060	6,240	6,430	6,620	6,820	32,170	23,580	26,090	27,980	28,820	29,690	136,160
Deductibility of nonbusiness state and local taxes other than on owner-occupied homes							27,210	27,730	28,260	29,000	49,510	161,710
Tax credit for corporations receiving income from doing business in U.S. possessions	40	0	0	0	0	40						
Interest:												
Deferral of interest on U.S. savings bonds							1,350	1,360	1,380	1,390	1,440	6,920
Addendum: Aid to State and local governments:												

	Corporations						Individuals					
	2007	2008	2009	2010	2011	2007-11	2007	2008	2009	2010	2011	2007-11
Deductibility of:												
Property taxes on owner-occupied homes							12,810	12,910	12,830	12,720	22,930	74,200
Nonbusiness State and local taxes other than on owner-occupied homes							27,210	27,730	28,260	29,000	49,510	161,710
Exclusion of interest on State and local bonds for:												
Public purposes	6,060	6,240	6,430	6,620	6,820	32,170	23,580	26,090	27,980	28,820	29,690	136,160
Energy facilities	20	20	20	20	20	100	70	80	80	90	90	410
Water, sewage, and hazardous waste disposal facilities	100	110	110	110	120	550	400	440	470	490	500	2,300
Small-issues	90	90	100	100	100	480	350	390	410	430	440	2,020
Owner-occupied mortgage subsidies	210	220	230	230	240	1,130	830	920	980	1,010	1,040	4,780
Rental housing	90	100	100	100	100	490	360	400	430	440	450	2,080
Airports, docks, and similar facilities	190	190	200	200	210	990	720	800	860	880	910	4,170
Student loans	70	70	70	70	70	350	250	280	300	310	320	1,460
Private nonprofit educational facilities	250	260	260	270	280	1,320	970	1,070	1,150	1,180	1,220	5,590
Hospital construction	430	440	460	470	490	2,290	1,680	1,860	1,990	2,050	2,110	9,690
Veterans' housing	10	10	10	10	10	50	40	40	40	40	40	200
Credit for holders of zone academy bonds	140	150	150	150	150	740	0	0	0	0	0	0

1/ In addition, the alcohol fuel credit results in a reduction in excise tax receipts (in millions of dollars) as follows: 2005 $1,500; 2006 $2,110; 2007 $2,400; 2008 $2,740; 2009 $3,080; 2010 $3,410 and 2011 $870.
2/ The figures in the table indicate the effect of the child tax credit on receipts. The effect of the credit on outlays (in millions of dollars) is as follows: 2005 $14,620; 2006 $14,110; 2007 $13,540; 2008 $12,950; 2009 $12,760 and 2010 $12,330:2011 $12,110
3/ The figures in the table indicate the effect of the earned income tax credit on receipts. The effect of the credit on outlays (in millions of dollars) is as follows: 2005 $34,559; 2006 $35,098; 2007 $35,645; 2008 $36,955; 2009 $38,048; 2010 $38,823; and 2011 $40,278.
4/ In addition to the receipts shown outlays of $70 million in 2004, $90 million in 2005, $100 million in 2006, $120 million in 2007, $130 million in 2008, and $140 million in 2009 and $150 million in 2010 are projected.

Note: Provisions with estimates denoted normal tax method have no revenue loss under the reference tax law method.
All estimates have been rounded to the nearest $10 million. Provisions with estimates that rounded to zero in each year are not included in the table.

FISCAL YEAR 2007 BUDGET RESOLUTION
COMMITTEE-REPORTED RESOLUTION
Total Spending and Revenues
(In billions of dollars)

Fiscal year			2006	2007	2008	2009	2010	2011	2007-11
Summary									
Spending	Total	BA	2,710.236	2,766.599	2,802.863	2,912.630	3,033.932	3,176.060	14,692.084
		OT	2,674.728	2,786.989	2,840.630	2,921.476	3,029.011	3,162.752	14,740.858
	On-Budget	BA	2,279.715	2,317.893	2,339.415	2,429.717	2,532.787	2,655.164	12,274.976
		OT	2,246.519	2,340.463	2,379.718	2,441.569	2,530.892	2,645.373	12,338.016
	Off-Budget	BA	430.521	448.706	463.448	482.913	501.145	520.896	2,417.108
		OT	428.209	446.525	460.912	479.907	498.119	517.379	2,402.842
Revenues	Total		2,302.863	2,427.920	2,590.566	2,724.496	2,869.640	2,985.268	13,597.891
	On-budget		1,694.455	1,786.173	1,914.133	2,012.736	2,122.301	2,203.236	10,038.580
	Off-budget		608.408	641.747	676.433	711.760	747.339	782.032	3,559.311
Deficit (-)	**Total**		**-371.865**	**-359.068**	**-250.064**	**-196.980**	**-159.371**	**-177.484**	**-1,142.967**
	On-budget		-552.064	-554.290	-465.585	-428.833	-408.591	-442.137	-2,299.436
	Off-budget		180.199	195.222	215.521	231.853	249.220	264.653	1,156.469
Debt Held by the Public (end of year)			4,966.840	5,336.498	5,599.634	5,809.201	5,980.485	6,169.011	na
Debt Subject to Limit (end of year)			8,526.578	9,190.311	9,766.883	10,302.957	10,815.812	11,355.281	na
By Function									
National Defense (050)		BA	561.144	545.366	481.696	501.780	511.863	522.791	2,563.496
		OT	525.955	550.497	514.796	508.078	511.154	521.870	2,606.395
International Affairs (150)		BA	31.936	31.430	34.420	34.417	34.138	34.577	168.982
		OT	34.193	34.266	33.226	33.202	32.637	32.361	165.692
General Science, Space, and Technology (250)		BA	24.936	26.238	27.446	28.493	29.710	30.989	142.876
		OT	24.059	25.159	26.279	27.395	28.525	29.745	137.103
Energy (270)		BA	1.829	2.212	2.638	2.267	2.140	2.044	11.301
		OT	2.030	0.905	0.673	0.863	0.817	0.661	3.919
Natural Resources and Environment (300)		BA	35.188	29.637	28.830	29.585	29.036	28.937	146.025
		OT	32.533	33.026	30.770	30.408	29.958	29.655	153.817
Agriculture (350)		BA	28.258	27.362	25.214	24.524	23.382	23.023	123.505
		OT	26.489	26.788	24.573	23.841	22.572	22.293	120.067
Commerce and Housing Credit (370)	Total	BA	13.136	16.016	11.175	11.975	13.157	7.661	59.984
		OT	6.538	7.525	5.990	6.683	4.952	1.185	26.335
	On-budget	BA	14.536	16.516	13.175	13.275	17.057	11.861	71.884
		OT	7.938	8.025	7.990	7.983	8.852	5.385	38.235
	Off-budget	BA	-1.400	-0.500	-2.000	-1.300	-3.900	-4.200	-11.900
		OT	-1.400	-0.500	-2.000	-1.300	-3.900	-4.200	-11.900
Transportation (400)		BA	74.858	78.268	81.293	72.888	72.936	73.487	378.872
		OT	70.889	75.774	78.562	78.336	77.837	77.842	388.351
Community and Regional Development (450)		BA	38.306	14.657	11.672	11.766	11.798	12.053	61.946
		OT	59.547	31.182	25.111	20.843	16.945	12.693	106.774
Education, Training, Employment and Social		BA	112.611	86.899	87.710	87.579	86.993	86.958	436.139
Services (500)		OT	106.461	89.291	85.968	85.959	86.082	86.167	433.466

FISCAL YEAR 2007 BUDGET RESOLUTION
COMMITTEE-REPORTED RESOLUTION
Total Spending and Revenues
(In billions of dollars)

Fiscal year			2006	2007	2008	2009	2010	2011	2007-11
Health (550)		BA	267.375	277.757	291.712	311.810	328.268	349.921	1,559.468
		OT	264.431	275.319	292.529	310.164	328.026	348.486	1,554.524
Medicare (570)		BA	336.887	382.068	411.150	440.764	470.247	520.312	2,224.541
		OT	331.524	387.541	411.217	440.455	470.523	520.350	2,230.086
Income Security (600)		BA	345.572	357.862	371.276	381.802	391.687	406.513	1,909.140
		OT	356.189	362.689	374.323	384.128	393.080	406.810	1,921.030
Social Security (650)	Total	BA	556.941	585.445	613.965	646.400	682.050	719.623	3,247.483
		OT	554.629	583.264	611.429	643.394	679.024	716.106	3,233.217
	On-budget	BA	14.820	17.022	18.914	20.794	22.966	26.580	106.276
		OT	14.820	17.022	18.914	20.794	22.966	26.580	106.276
	Off-budget	BA	542.121	568.423	595.051	625.606	659.084	693.043	3,141.207
		OT	539.809	566.242	592.515	622.600	656.058	689.526	3,126.941
Veterans Benefits and Services (700)		BA	72.041	73.954	76.130	77.019	77.437	81.603	386.143
		OT	69.843	73.054	76.463	77.318	77.579	81.537	385.951
Administration of Justice (750)		BA	40.707	45.891	41.999	42.545	42.907	43.952	217.294
		OT	40.769	46.296	43.907	43.366	43.136	43.582	220.287
General Government (800)		BA	18.831	19.534	18.536	20.878	18.049	18.679	95.676
		OT	18.969	19.252	18.485	20.624	17.844	18.435	94.640
Net Interest (900)	Total	BA	218.220	247.317	267.738	279.514	289.649	298.964	1,383.182
		OT	218.220	247.317	267.738	279.514	289.649	298.964	1,383.182
	On-budget	BA	317.020	354.318	384.341	407.021	428.960	451.181	2,025.821
		OT	317.020	354.318	384.341	407.021	428.960	451.181	2,025.821
	Off-budget	BA	-98.800	-107.001	-116.603	-127.507	-139.311	-152.217	-642.639
		OT	-98.800	-107.001	-116.603	-127.507	-139.311	-152.217	-642.639
Allowances (920)		BA	--	-0.500	--	--	--	--	-0.500
		OT	--	-0.500	--	--	--	--	-0.500
Undistributed Offsetting Receipts (950)	Total	BA	-68.540	-80.814	-81.737	-93.375	-81.515	-86.027	-423.468
		OT	-68.540	-81.656	-81.409	-93.094	-81.328	-85.990	-423.477
	On-budget	BA	-57.140	-68.598	-68.737	-79.489	-66.787	-70.297	-353.908
		OT	-57.140	-69.440	-68.409	-79.208	-66.600	-70.260	-353.917
	Off-budget	BA	-11.400	-12.216	-13.000	-13.886	-14.728	-15.730	-69.560
		OT	-11.400	-12.216	-13.000	-13.886	-14.728	-15.730	-69.560

FISCAL YEAR 2007 BUDGET RESOLUTION
COMMITTEE-REPORTED RESOLUTION
Mandatory Spending
(In billions of dollars)

Fiscal year			2006	2007	2008	2009	2010	2011	2007-11
Summary									
Spending	Total	BA	1,717.088	1,803.821	1,907.091	1,993.114	2,104.799	2,234.799	10,043.624
		OT	1,649.599	1,733.646	1,834.365	1,928.883	2,038.849	2,169.374	9,705.117
	On-budget	BA	1,291.135	1,359.836	1,448.505	1,515.210	1,608.813	1,719.217	7,651.581
		OT	1,225.966	1,291.871	1,378.289	1,453.959	1,545.863	1,657.282	7,327.264
	Off-budget	BA	425.953	443.985	458.586	477.904	495.986	515.582	2,392.043
		OT	423.633	441.775	456.076	474.924	492.986	512.092	2,377.853
By Function									
National Defense (050)		BA	2.949	2.726	2.580	2.562	2.600	2.674	13.142
		OT	2.939	2.703	2.597	2.572	2.611	2.684	13.167
International Affairs (150)		BA	-3.894	-1.735	-0.809	-0.667	-0.560	-0.452	-4.223
		OT	-4.413	-2.775	-2.635	-2.533	-2.489	-2.446	-12.878
General Science, Space, and Technology (250)		BA	0.130	0.114	0.119	0.119	0.120	0.121	0.593
		OT	0.067	0.073	0.097	0.107	0.109	0.116	0.502
Energy (270)		BA	-2.016	-1.619	-1.499	-1.469	-1.512	-1.588	-7.687
		OT	-1.949	-2.997	-3.215	-3.015	-2.960	-3.037	-15.224
Natural Resources and Environment (300)		BA	-0.136	1.464	1.065	1.503	1.309	0.877	6.218
		OT	-0.905	0.406	0.618	1.256	1.346	1.076	4.702
Agriculture (350)		BA	22.207	21.667	19.651	18.962	17.861	17.417	95.558
		OT	20.454	20.845	18.935	18.254	17.062	16.737	91.833
Commerce and Housing Credit (370)	Total	BA	11.144	12.885	8.584	8.715	6.029	5.857	42.070
		OT	4.486	4.008	3.126	3.561	-1.123	-1.670	7.902
	On-budget	BA	12.544	13.385	10.584	10.015	9.929	10.057	53.970
		OT	5.886	4.508	5.126	4.861	2.777	2.530	19.802
	Off-budget	BA	-1.400	-0.500	-2.000	-1.300	-3.900	-4.200	-11.900
		OT	-1.400	-0.500	-2.000	-1.300	-3.900	-4.200	-11.900
Transportation (400)		BA	47.091	55.353	57.390	48.691	48.730	48.786	258.950
		OT	0.850	1.976	2.389	2.343	2.269	2.282	11.259
Community and Regional Development (450)		BA	21.067	2.909	-0.044	-0.046	-0.046	-0.046	2.727
		OT	21.017	2.668	-0.243	-0.260	-0.241	-0.222	1.702
Education, Training, Employment and Social		BA	32.639	10.211	10.712	10.959	11.376	10.486	53.744
Services (500)		OT	25.592	9.454	9.216	9.554	9.927	10.175	48.326
Health (550)		BA	213.223	223.257	240.545	258.426	277.368	298.261	1,297.857
		OT	212.780	221.710	239.161	257.407	276.201	297.020	1,291.499
Medicare (570)		BA	331.975	377.100	406.280	435.920	465.468	515.476	2,200.244

FISCAL YEAR 2007 BUDGET RESOLUTION
COMMITTEE-REPORTED RESOLUTION
Mandatory Spending
(In billions of dollars)

Fiscal year			2006	2007	2008	2009	2010	2011	2007-11
		OT	326.754	382.617	406.323	435.602	465.729	515.524	2,205.795
Income Security (600)		BA	297.944	310.056	323.094	333.874	344.425	358.696	1,670.145
		OT	301.453	307.568	320.209	330.998	341.741	356.440	1,656.956
Social Security (650)	Total	BA	552.373	580.724	609.103	641.391	676.891	714.309	3,222.418
		OT	550.053	578.514	606.593	638.411	673.891	710.819	3,208.228
	On-budget	BA	14.820	17.022	18.914	20.794	22.966	26.580	106.276
		OT	14.820	17.022	18.914	20.794	22.966	26.580	106.276
	Off-budget	BA	537.553	563.702	590.189	620.597	653.925	687.729	3,116.142
		OT	535.233	561.492	587.679	617.617	650.925	684.239	3,101.952
Veterans Benefits and Services (700)		BA	37.633	37.766	41.737	42.956	44.010	47.967	214.436
		OT	37.579	37.673	41.663	42.906	43.980	47.964	214.186
Administration of Justice (750)		BA	0.770	2.140	0.632	0.540	0.445	0.339	4.096
		OT	0.863	1.265	1.107	0.811	0.384	0.282	3.849
General Government (800)		BA	2.309	2.287	1.940	4.531	2.143	2.675	13.576
		OT	2.299	2.264	2.085	4.480	2.083	2.649	13.561
Net Interest (900)	Total	BA	218.220	247.317	267.738	279.514	289.649	298.964	1,383.182
		OT	218.220	247.317	267.738	279.514	289.649	298.964	1,383.182
	On-budget	BA	317.020	354.318	384.341	407.021	428.960	451.181	2,025.821
		OT	317.020	354.318	384.341	407.021	428.960	451.181	2,025.821
	Off-budget	BA	-98.800	-107.001	-116.603	-127.507	-139.311	-152.217	-642.639
		OT	-98.800	-107.001	-116.603	-127.507	-139.311	-152.217	-642.639
Allowances (920)		BA	--	--	--	--	--	--	--
		OT	--	--	--	--	--	--	--
Undistributed Offsetting Receipts (950)	Total	BA	-68.540	-80.801	-81.727	-93.366	-81.507	-86.020	-423.421
		OT	-68.540	-81.643	-81.399	-93.085	-81.320	-85.983	-423.430
	On-budget	BA	-57.140	-68.585	-68.727	-79.480	-66.779	-70.290	-353.861
		OT	-57.140	-69.427	-68.399	-79.199	-66.592	-70.253	-353.870
	Off-budget	BA	-11.400	-12.216	-13.000	-13.886	-14.728	-15.730	-69.560
		OT	-11.400	-12.216	-13.000	-13.886	-14.728	-15.730	-69.560

FISCAL YEAR 2007 BUDGET RESOLUTION
COMMITTEE-REPORTED RESOLUTION
Discretionary Spending
(In billions of dollars)

Fiscal year			2006	2007	2008	2009	2010	2011	2007-11
Summary									
Total Spending		BA	993.148	962.778	895.772	919.516	929.133	941.261	4,648.460
		OT	1,025.129	1,053.342	1,006.265	992.594	990.162	993.378	5,035.741
Defense		BA	558.195	542.640	479.116	499.218	509.263	520.117	2,550.354
		OT	523.016	547.794	512.199	505.506	508.543	519.186	2,593.228
Non-defense		BA	434.953	420.138	416.656	420.298	419.870	421.144	2,098.106
		OT	502.113	505.548	494.066	487.088	481.619	474.192	2,442.513
By Function									
National Defense (050)		BA	558.195	542.640	479.116	499.218	509.263	520.117	2,550.354
		OT	523.016	547.794	512.199	505.506	508.543	519.186	2,593.228
International Affairs (150)		BA	35.830	33.165	35.229	35.084	34.698	35.029	173.205
		OT	38.606	37.041	35.861	35.735	35.126	34.807	178.570
General Science, Space, and Technology (250)		BA	24.806	26.124	27.327	28.374	29.590	30.868	142.283
		OT	23.992	25.086	26.182	27.288	28.416	29.629	136.601
Energy (270)		BA	3.845	3.831	4.137	3.736	3.652	3.632	18.988
		OT	3.979	3.902	3.888	3.878	3.777	3.698	19.143
Natural Resources and Environment (300)		BA	35.324	28.173	27.765	28.082	27.727	28.060	139.807
		OT	33.438	32.620	30.152	29.152	28.612	28.579	149.115
Agriculture (350)		BA	6.051	5.695	5.563	5.562	5.521	5.606	27.947
		OT	6.035	5.943	5.638	5.587	5.510	5.556	28.234
Commerce and Housing Credit (370)	Total	BA	1.992	3.131	2.591	3.260	7.128	1.804	17.914
		OT	2.052	3.517	2.864	3.122	6.075	2.855	18.433
	On-budget	BA	1.992	3.131	2.591	3.260	7.128	1.804	17.914
		OT	2.052	3.517	2.864	3.122	6.075	2.855	18.433
	Off-budget	BA	--	--	--	--	--	--	--
		OT	--	--	--	--	--	--	--
Transportation (400)		BA	27.767	22.915	23.903	24.197	24.206	24.701	119.922
		OT	70.039	73.798	76.173	75.993	75.568	75.560	377.092
Community and Regional Development (450)		BA	17.239	11.748	11.716	11.812	11.844	12.099	59.219
		OT	38.530	28.514	25.354	21.103	17.186	12.915	105.072
Education, Training, Employment and Social Services (500)		BA	79.972	76.688	76.998	76.620	75.617	76.472	382.395
		OT	80.869	79.837	76.752	76.405	76.155	75.992	385.140

FISCAL YEAR 2007 BUDGET RESOLUTION
COMMITTEE-REPORTED RESOLUTION
Discretionary Spending
(In billions of dollars)

Fiscal year			2006	2007	2008	2009	2010	2011	2007-11
Health (550)		BA	54.152	54.500	51.167	53.384	50.900	51.660	261.611
		OT	51.651	53.609	53.368	52.757	51.825	51.466	263.025
Medicare (570)		BA	4.912	4.968	4.870	4.844	4.779	4.836	24.297
		OT	4.770	4.924	4.894	4.853	4.794	4.826	24.291
Income Security (600)		BA	47.628	47.806	48.182	47.928	47.262	47.817	238.995
		OT	54.736	55.121	54.114	53.130	51.339	50.370	264.074
Social Security (650)	Total	BA	4.568	4.721	4.862	5.009	5.159	5.314	25.065
		OT	4.576	4.750	4.836	4.983	5.133	5.287	24.989
	On-budget	BA	--	--	--	--	--	--	--
		OT	--	--	--	--	--	--	--
	Off-budget	BA	4.568	4.721	4.862	5.009	5.159	5.314	25.065
		OT	4.576	4.750	4.836	4.983	5.133	5.287	24.989
Veterans Benefits and Services (700)		BA	34.408	36.188	34.393	34.063	33.427	33.636	171.707
		OT	32.264	35.381	34.800	34.412	33.599	33.573	171.765
Administration of Justice (750)		BA	39.937	43.751	41.367	42.005	42.462	43.613	213.198
		OT	39.906	45.031	42.800	42.555	42.752	43.300	216.438
General Government (800)		BA	16.522	17.247	16.596	16.347	15.906	16.004	82.100
		OT	16.670	16.988	16.400	16.144	15.761	15.786	81.079
Allowances (920)		BA	--	-0.500	--	--	--	--	-0.500
		OT	--	-0.500	--	--	--	--	-0.500
Undistributed Offsetting Receipts (950)	Total	BA	--	-0.013	-0.010	-0.009	-0.008	-0.007	-0.047
		OT	--	-0.013	-0.010	-0.009	-0.008	-0.007	-0.047
	On-budget	BA	--	-0.013	-0.010	-0.009	-0.008	-0.007	-0.047
		OT	--	-0.013	-0.010	-0.009	-0.008	-0.007	-0.047
	Off-budget	BA	--	--	--	--	--	--	--
		OT	--	--	--	--	--	--	--

FISCAL YEAR 2007 BUDGET RESOLUTION
COMMITTEE-REPORTED RESOLUTION
SUMMARY LEVELS
(In billions of dollars)

		2006	2007	2008	2009	2010	2011	2007-11
Discretionary:								
Defense	BA	558.195	542.640	479.116	499.218	509.263	520.117	2,550.354
	OT	523.016	547.794	512.199	505.506	508.543	519.186	2,593.228
Nondefense	BA	434.953	420.138	416.656	420.298	419.870	421.144	2,098.106
	OT	502.113	505.548	494.066	487.088	481.619	474.192	2,442.513
Subtotal	BA	993.148	962.778	895.772	919.516	929.133	941.261	4,648.460
	OT	1,025.129	1,053.342	1,006.265	992.594	990.162	993.378	5,035.741
Mandatory outlays		1,431.379	1,486.329	1,566.627	1,649.369	1,749.200	1,870.410	8,321.935
Net interest outlays		218.220	247.317	267.738	279.514	289.649	298.964	1,383.182
Total outlays		2,674.728	2,786.989	2,840.630	2,921.476	3,029.011	3,162.752	14,740.858
Revenues		2,302.863	2,427.920	2,590.566	2,724.496	2,869.640	2,985.268	13,597.891
Unified Deficit		-371.865	-359.068	-250.064	-196.980	-159.371	-177.484	-1,142.967
% of GDP		-2.8%	-2.6%	-1.7%	-1.3%	-1.0%	-1.1%	

FISCAL YEAR 2007 BUDGET RESOLUTION
COMMITTEE-REPORTED RESOLUTION
SUMMARY OF CHANGES FROM CBO BASELINE
(In billions of dollars)

	2006	2007	2008	2009	2010	2011	2007-11
CBO Baseline:							
Unified deficit	-335.803	-264.768	-250.323	-224.345	-215.541	-117.125	-1,072.102
On-budget	*-516.002*	*-459.959*	*-465.771*	*-456.111*	*-464.650*	*-381.651*	-2,228.142
Off-budget	*180.199*	*195.191*	*215.448*	*231.766*	*249.109*	*264.526*	1,156.040
Discretionary	22.984	54.182	-11.362	-45.810	-69.528	-92.491	-165.009
Mandatory	2.785	2.740	-2.623	-5.792	-3.773	-4.525	-13.973
Net interest	0.547	3.882	6.053	5.382	3.455	3.551	22.322
Tax cuts	-9.746	-33.496	-7.673	-18.855	-13.676	-153.825	-227.524
Total change	36.062	94.300	-0.260	-27.365	-56.170	60.360	70.865
Resolution Total:							
Unified deficit	-371.865	-359.068	-250.064	-196.980	-159.371	-177.484	-1,142.967
On-budget	*-552.064*	*-554.290*	*-465.585*	*-428.833*	*-408.591*	*-442.137*	-2,299.436
Off-budget	*180.199*	*195.222*	*215.521*	*231.853*	*249.220*	*264.652*	1,156.469

FISCAL YEAR 2007 BUDGET RESOLUTION
COMMITTEE-REPORTED RESOLUTION
DISCRETIONARY SPENDING SUMMARY
(Budget authority in billions of dollars)

	2006	2007	2008	2009	2010	2011
Defense (050)	558.2	542.6	479.1	499.2	509.3	520.1
Non-defense	435.0	420.1	416.7	420.3	419.9	421.1
Total discretionary	993.1	962.8	895.8	919.5	929.1	941.3
Less emergencies	151.9	90.0	-	-	-	-
Total non-emergency discretionary	841.3	872.8	895.8	919.5	929.1	941.3

Note: Details may not add to totals due to rounding.

FISCAL YEAR 2007 BUDGET RESOLUTION
COMMITTEE-REPORTED RESOLUTION
Comparison to President's Reqest
(In billions of dollars)

		2006	2007	2008	2009	2010	2011	2007-11
PRESIDENT'S UNIFIED DEFICIT		**-371.115**	**-334.518**	**-235.815**	**-193.645**	**-165.092**	**-203.544**	**-1,132.614**
Differences from President's Budget Request:								
Discretionary								
Defense	BA	-	32.446	-3.000	-3.000	-3.000	-3.000	20.446
	OT	-	14.611	9.615	2.536	-1.381	-3.000	22.381
Nondefense	BA	-	5.000	3.000	3.350	3.350	3.350	18.050
	OT	-	4.239	1.695	3.238	3.246	3.350	15.768
Subtotal, Discretionary	BA	-	37.446	-0.000	0.350	0.350	0.350	38.496
	OT	-	18.850	11.310	5.774	1.865	0.350	38.149
Mandatory	BA	-0.008	2.303	3.338	4.283	4.221	-9.813	4.332
	OT	-0.008	1.303	5.753	6.630	7.113	-6.902	13.897
Net Interest		-0.410	1.145	3.133	3.292	3.130	2.084	12.784
Revenues		-1.168	-3.252	5.947	12.362	17.829	21.592	54.478
Total Change		0.750	24.550	14.249	3.335	-5.721	-26.060	10.353
SBC UNIFIED DEFICIT		**-371.865**	**-359.068**	**-250.064**	**-196.980**	**-159.371**	**-177.484**	**-1,142.967**

SENATE COMMITTEE BUDGET AUTHORITY AND OUTLAY ALLOCATIONS PURSUANT TO SECTION 302 OF THE CONGRESSIONAL BUDGET ACT
BUDGET YEAR TOTAL 2006
(in billions of dollars)

Committee		Direct spending jurisdiction		Entitlements funded in annual appropriations acts	
		Budget Authority	Outlays	Budget authority	Outlays
Appropriations					
General Purpose Discretionary		900.927	1,002.145		
Memo:	*on-budget*	*896.359*	*997.569*		
	off-budget	*4.568*	*4.576*		
Mandatory		540.456	516.721		
Total		1,441.383	1,518.866		
Agriculture, Nutrition, and Forestry		21.363	21.433	71.461	52.264
Armed Services		92.721	92.536	0.096	0.084
Banking, Housing and Urban Affairs		30.965	19.059	0.001	0.001
Commerce, Science, and Transportation		11.717	6.621	1.011	0.985
Energy and Natural Resources		5.543	4.576	0.054	0.060
Environment and Public Works		35.605	1.821	0.000	0.000
Finance		922.508	923.645	401.271	401.271
Foreign Relations		11.898	12.298	0.174	0.174
Homeland Security and Governmental Affairs		75.804	72.525	18.857	18.857
Judiciary		6.329	6.422	0.585	0.597
Health, Education, Labor, and Pensions		27.221	25.390	8.396	3.975
Rules and Administration		0.073	0.015	0.117	0.115
Intelligence		0.000	0.000	0.245	0.245
Veterans' Affairs		-0.002	0.037	38.188	38.093
Indian Affairs		0.523	0.529	0.000	0.000
Small Business		-0.521	-0.521	0.000	0.000
Unassigned to Committee		-493.941	-479.841	0.000	0.000
TOTAL		2,189.189	2,225.411	540.456	516.721

SENATE COMMITTEE BUDGET AUTHORITY AND OUTLAY ALLOCATIONS PURSUANT TO SECTION 302 OF THE CONGRESSIONAL BUDGET ACT
BUDGET YEAR TOTAL 2007
(in billions of dollars)

Committee		Direct spending jurisdiction		Entitlements funded in annual appropriations acts	
		Budget Authority	Outlays	Budget authority	Outlays
Appropriations					
General Purpose Discretionary		872.504	963.048		
Memo:	*on-budget*	*867.783*	*958.298*		
	off-budget	*4.721*	*4.750*		
Mandatory		577.241	558.981		
Total		1,449.745	1,522.029		
Agriculture, Nutrition, and Forestry		22.002	21.464	70.945	52.946
Armed Services		96.315	96.174	0.102	0.069
Banking, Housing and Urban Affairs		11.279	-0.726	0.001	0.001
Commerce, Science, and Transportation		17.323	8.355	1.014	1.011
Energy and Natural Resources		6.605	5.659	0.054	0.058
Environment and Public Works		42.017	1.893	0.000	0.000
Finance		1,036.609	1,041.297	443.255	443.309
Foreign Relations		11.971	11.950	0.164	0.164
Homeland Security and Governmental Affairs		78.694	75.291	19.525	19.525
Judiciary		7.836	7.006	0.612	0.623
Health, Education, Labor, and Pensions		9.186	9.050	4.235	4.088
Rules and Administration		0.072	0.047	0.122	0.122
Intelligence		0.000	0.000	0.251	0.251
Veterans' Affairs		1.236	1.290	36.961	36.814
Indian Affairs		0.506	0.512	0.000	0.000
Small Business		0.000	0.000	0.000	0.000
Unassigned to Committee		-561.956	-549.272	0.000	0.000
TOTAL		2,229.440	2,252.019	577.241	558.981

SENATE COMMITTEE BUDGET AUTHORITY AND OUTLAY ALLOCATIONS PURSUANT TO SECTION 302 OF THE CONGRESSIONAL BUDGET ACT

5-YEAR TOTAL: 2007-2011

(in billions of dollars)

Committee	Direct spending jurisdiction		Entitlements funded in annual appropriations acts	
	Budget Authority	Outlays	Budget authority	Outlays
Agriculture, Nutrition, and Forestry	95.807	94.037	347.131	278.299
Armed Services	520.645	520.000	0.262	0.270
Banking, Housing and Urban Affairs	59.813	-11.129	0.005	0.005
Commerce, Science, and Transportation	75.280	47.379	5.584	5.560
Energy and Natural Resources	24.579	22.862	0.266	0.270
Environment and Public Works	187.743	9.535	0.000	0.000
Finance	5,935.599	5,944.328	2,619.280	2,618.884
Foreign Relations	65.229	61.989	0.750	0.750
Homeland Security and Governmental Affairs	425.404	407.041	104.394	104.394
Judiciary	34.117	34.020	3.153	3.178
Health, Education, Labor, and Pensions	43.237	38.463	21.887	21.298
Rules and Administration	0.367	0.368	0.662	0.662
Intelligence	0.000	0.000	1.310	1.310
Veterans' Affairs	6.044	6.530	209.956	209.220
Indian Affairs	2.148	2.252	0.000	0.000
Small Business	0.000	0.000	0.000	0.000

Reserve Funds Withheld from Committee Allocations

($ billions)

	2006	2007	2007-2011
Banking Committee			
National Flood Insurance Program			
Budget Authority	2.700	2.900	2.900
Outlays	2.700	2.900	2.900

Reconciliation by Senate Committee

($ billions)

	2007	2007-2011
Energy and Natural Resources		
Budget Authority	0.000	-3.000
Outlays	0.000	-3.000

Pay-as-You-Go Scorecard

(In billions of dollars, fiscal years)

Pay-as-you-go scorecard reflecting levels for the Committee-reported resolution:

2006	$12.531
2007	$36.266
2007-2011	$213.942
2012-2016	$47.798

V. RESERVE FUNDS AND ENFORCEMENT

RESERVE FUNDS

Sec. 301 - Reserve Fund for the Uninsured. The Committee-reported resolution includes a deficit-neutral reserve fund for legislation reported by the Committee on Health, Education, Labor and Pensions or the Committee on Finance that addresses health care costs, coverage, or care for the uninsured by increasing access to integrated health care services and increasing the number of people who have health insurance focusing specifically on individuals without employer-sponsored coverage, college students, recent graduates, and chronically ill individuals.

Sec. 302 - Reserve Fund for Health Information Technology. The Committee-reported resolution includes a deficit-neutral reserve fund for legislation that provides incentives or other support for the adoption of health information technology to improve health care quality.

Sec. 303 - Reserve Fund for Asbestos Injury Trust Fund. The Committee-reported resolution includes a deficit neutral reserve fund for the asbestos injury compensation legislation. The committee recognizes the urgent need for litigation reform for victims of asbestos exposure. The committee intends any asbestos compensation fund to protect the budget and taxpayers from a financial obligation associated with outstanding claims, debt of the fund and interest on such debt. This reserve fund is structured to work exactly the same as the asbestos reserve fund in the FY 2006 Budget Resolution.

Sec. 304 - Reserve Fund for Prescription Drug Importation. The Committee-reported resolution includes a deficit-neutral reserve fund relating to the importation of Food and Drug Administration (FDA)-approved prescription drugs from foreign countries with strong drug safety laws.

Sec. 305 - Reserve Fund for County Payments. The Committee-reported resolution provides for a deficit-neutral reserve fund for reauthorization of the Secure Rural Schools and Community Self-Determination Act (P.L. 106-393), which provides payments to counties in the Pacific Northwest and elsewhere that have experienced significant declines in timber receipts from Federal lands.

Sec. 306 - Reserve Fund for Comprehensive Immigration Reform. The Committee-reported resolution includes a deficit-neutral reserve fund for legislation for comprehensive immigration reform that provides for increased interior enforcement, legal employment verification, and enhanced information technology systems.

Sec. 307 - Reserve Fund for Indian Tribal Payments. The Committee-reported resolution includes a deficit-neutral reserve fund relating to the settlement of trust accounting deficiencies in the Individual Indian Moneys accounts.

Sec. 308 - Reserve Fund for The National Flood Insurance Program: The Committee-reported resolution includes a reserve fund for legislation to reform the National Flood Insurance Program. The reserve fund would liquidate the program's remaining obligations from the 2005 flooding, provided that the legislation forgives the program's debt to the Treasury and places the program on a sound actuarial basis by phasing out subsidized coverage of non-primary residences, reducing the rate of repetitive loss claims, and making other needed reforms.

In past disasters, the National Flood Insurance Program (NFIP) has had to borrow from the Treasury upwards of $1 billion to pay claims that could not be covered by premiums that had been collected. But the NFIP was always able to repay the Treasury with subsequent premium collections as long as no new major flooding incidents occurred. After Hurricane Katrina made landfall in August 2005, however, the NFIP was obliged to pay unprecedented claims – exceeding $20 billion – without any money to pay them off. To date, Congress has increased the NFIP's borrowing authority from Treasury to $18.5 billion, but the NFIP is unlikely to ever be able to repay the Treasury because, under current law, future premium income will not be sufficient to pay both the interest cost on borrowing (which must be paid first) and the future claims that will occur from subsequent flood disasters. Like the savings-and-loan crisis, the losses have already occurred, and the federal government has a full faith and credit contractual pledge to make good on them. The Congress might have simply appropriated the resources to the NFIP to pay off outstanding claims, rather than increase NFIP's level of borrowing, since the NFIP has no hope of repaying unless Congress provides an appropriation to repay the debt. This can still happen, however. As the NFIP has nearly exhausted its resources to pay claims by the middle of March 2006, the Congress must act again to provide the NFIP with authority to repay remaining claims from the 2005 floods. The reserve fund in this resolution would accommodate legislation that would both resolve NFIP's obligations (to policyholders and the Treasury) and institute needed reforms to the program.

Sec. 309 - Reserve Fund to Protect America's Competitive Edge. The Committee-reported resolution includes a deficit-neutral reserve fund for legislation reported by the Committee on Health, Education, Labor and Pensions; the Committee on Energy and Natural Resources; or the Committee on Commerce, Science, and Transportation that increases the number of students and graduates pursuing science, technology, engineering and math (STEM) or foreign language courses, degrees and occupations; improves educational programs in these fields; increases investment in basic and applied research at Department of Energy; improves educational opportunities in math, science, or engineering; increases the investment in basic and applied research at NASA, NIST, or NSF, or improves quality, coordination, or support for such research.

Sec. 310 - Reserve Fund for Conservation Programs. The Committee-reported resolution includes a reserve fund stipulating that if legislation is enacted that opens the Arctic National Wildlife Refuge (ANWR) to drilling, $1.05 billion of the associated receipts will be devoted to appropriations for the Land and Water Conservation

Programs, the Forest Legacy Program, and the Coastal and Estuarine Land Protection Program ($350 million per year in 2009, 2010, and 2011).

Sec. 311 – Reserve Fund for Chronic Care Case Management. The resolution includes a deficit neutral reserve fund for legislation that addresses chronic care case managements. The reserve fund creates a demonstration project that must be offset to coordinate the care of chronically ill Medicare beneficiaries in fee-for service Medicare.

Sec. 312 - Reserve Fund for Bonneville Power Administration (BPA). The Committee-reported resolution provides for a deficit-neutral reserve fund for legislation that prohibits BPA from making early payments on its federal bond debt to the U.S. Treasury.

ENFORCEMENT

Sec. 401 – Restrictions on Advance Appropriations

The resolution also continues a cap of $23.158 billion on advance appropriations included in 2007 appropriation bills for 2008 and included in 2008 appropriation bills for 2009.

ACCOUNTS IDENTIFIED FOR ADVANCE APPROPRIATIONS

Interior:	Elk Hills
Labor, HHS:	Corporation for Public Broadcasting
	Employment and Training Administration
	Education for the Disadvantaged
	School Improvement
	Children and Family Services (Head Start)
	Special Education
	Vocational and Adult Education
Transportation, Treasury:	
	Payment to Postal Service
Veterans, HUD:	
	Section 8 Renewals

Sec. 402 - Emergency Legislation

The provision limits the use of “emergency” designations to avoid the budget process and rules. This year the resolution includes a specific cap on the total amount of emergency spending available for Fiscal Year 2007. The cap set at $90 billion is applicable to the sum of all emergency spending, inclusive of amounts made available for the defense function (050).

Sec. 403 - Discretionary spending caps

For 2007, the Committee-reported resolution sets limits for budget authority at $872.504 billion and outlays at $963.048 billion (caps that conform with enacted law to date are set for 2006 also). The resolution includes a $274 million cap adjustment for IRS tax enforcement. The resolution sets limits on budget authority at $895.784 billion for 2008 and $919.178 billion for 2009. During the appropriation process, a bill that would push total discretionary spending beyond the cap amount would be subject to a 60-vote point of order.

Sec. 406 - Creates a New Tool to Limit Direct Spending

The Committee-reported resolution includes a new enforcement tool to slow the growth of federal direct spending when the Treasury's general-fund contribution for the Medicare program rises above 45 percent of total Medicare spending. The rate of growth in Medicare spending under current law suggests that Medicare spending will soon absorb a historically unprecedented amount of resources as a share of the both federal government spending and the economy. Yet significant action to avoid this outcome is lacking.

Under current law, there is already a warning system to indicate when Medicare spending relies too much on general revenues instead of dedicated Medicare taxes (i.e., when more than 45 percent of Medicare spending comes from general revenues). To create pressure for significant Medicare or entitlement reforms (that will reduce the contribution from general revenues to pay for Medicare costs), section 406 of the resolution creates a budget point of order against any new direct spending legislation if the Chairman of the Budget Committee projects (that within seven years) and notifies the Senate (for two consecutive years) that the general fund will account for more than 45 percent of total Medicare outlays. Direct spending proposals will not be subject to points of order if the new direct spending is offset by changes in spending, receipts or revenues. The Chairman may withdraw the notification when legislation to reduce the general fund contribution to Medicare or reform of other entitlements are enacted.

Maintains existing points of order relating to Pay-as-you-go, Long-term Spending, and Sense of Senate Provisions (not germane to a Budget Resolution)

The resolution leaves unchanged the existing pay-as-you-go point of order (waivable with 60 votes), which would now apply against legislation that would increase the deficit beyond the level assumed in the 2007 Budget Resolution for 2006, 2007, the 2007-2011 period, or the 2012-2016 period Also left in place is the long-term spending prohibition against legislation that would cost more than $5 billion in any of the four 10-year periods between 2015-2055.

Finally, the Committee-reported resolution notes that Sense of the Senate amendments offered on the Senate floor to the budget resolution are not germane. During, markup, the

Chairman reiterated that section 204(g) of the FY 2001 Budget Resolution (H.Con. Res.290 (106^{th} Cong.2^{nd} Sess.) remains in effect, and reads as follows:

Precatory Amendments.—For the purposes of interpreting section 305(b) of the Congressional Budget Act of 1974, an amendment is not germane if it contains predominantly precatory language.

VI. COMMITTEE VOTES

On March 8, 2006, Chairman Gregg presented a “Chairman’s Mark” for the fiscal year 2007 Budget Resolution to the Committee.

On March 9, 2006, the following roll call votes were taken during the Senate Budget Committee mark-up of the FY 2007 Budget Resolution.

(1) Conrad, Feingold, Nelson and Wyden amendment to fully reinstate the pay-as-you-go requirement through 2011.
Amendment defeated by:

Yeas: 10	Nays: 11
Conrad	Gregg
Sarbanes	Domenici
Murray	Grassley
Wyden	Allard
Feingold	Enzi
Johnson	Sessions
Byrd	Crapo
Nelson	Ensign
Stabenow	Cornyn
Menendez	Alexander
	Graham

(2) Murray, Stabenow, and Feingold amendment to increase Veterans medical services funding by $1.5 billion in FY 2007 to be paid for by closing corporate tax loopholes.
Amendment defeated by:

Yeas: 10	Nays: 11
Conrad	Gregg
Sarbanes	Domenici
Murray	Grassley
Wyden	Allard
Feingold	Enzi
Johnson	Sessions
Byrd	Crapo
Nelson	Ensign
Stabenow	Cornyn
Menendez	Alexander
	Graham

(3) Sarbanes, Stabenow and Feingold amendment to restore the cuts to the Assistance to Firefighters Grant Program (FIRE Act) and the staffing for Adequate Fire and Emergency Response (SAFER) Act by closing corporate tax loopholes.

Amendment defeated by:

Yeas: 10	Nays: 11
Conrad	Gregg
Sarbanes	Domenici
Murray	Grassley
Wyden	Allard
Feingold	Enzi
Johnson	Sessions
Byrd	Crapo
Nelson	Ensign
Stabenow	Cornyn
Menendez	Alexander
	Graham.

(4) Feingold, Stabenow, Murray, Wyden, Sarbanes, and Menendez amendment to prevent consideration of drilling in the Arctic National Wildlife Refuge in a fast-track budget reconciliation bill.

Amendment defeated by:

Yeas: 10	Nays: 11
Conrad	Gregg
Sarbanes	Domenici
Murray	Grassley
Wyden	Allard
Feingold	Enzi
Johnson	Sessions
Byrd	Crapo
Nelson	Ensign
Stabenow	Cornyn
Menendez	Alexander
	Graham

(5)Stabenow amendment to create a Medicare Part D reserve fund to provide seniors with an option for a prescription drug benefit that is affordable, user-friendly, and administered directly by Medicare.

Amendment defeated by:

Yeas: 9	Nays: 12
Conrad	Gregg
Sarbanes	Domenici
Murray	Grassley
Wyden	Allard
Feingold	Enzi
Johnson	Sessions
Byrd	Crapo
Nelson	Ensign
Stabenow	Cornyn
	Alexander
	Graham
	Menendez

(6) Menendez, Sarbanes, and Feingold amendment to provide an additional $965 million to make our ports more secure by increasing inspections, improving existing programs, and increasing research and development, and to fully offset this additional funding by closing tax loopholes.

Amendment defeated by:

Yeas: 10	Nays: 11
Conrad	Gregg
Sarbanes	Domenici
Murray	Grassley
Wyden	Allard
Feingold	Enzi
Johnson	Sessions
Byrd	Crapo
Nelson	Ensign
Stabenow	Cornyn
Menendez	Alexander
	Graham

(7) Nelson, Stabenow amendment to provide funds ensuring Survivor Benefit Plan annuities are not reduced by the amount of dependency and indemnity compensation that military families receive and to provide funds for "paid-up" SBP by closing abusive corporate tax loopholes.

Amendment defeated by:

Yeas: 10	Nays: 11
Conrad	Gregg
Sarbanes	Domenici
Murray	Grassley
Wyden	Allard
Feingold	Enzi
Johnson	Sessions
Byrd	Crapo
Nelson	Ensign
Stabenow	Cornyn
Menendez	Alexander
	Graham

(8) Conrad amendment to provide an additional $226 million to enhance the ability of the Internal Revenue Service to collect taxes owed but not paid voluntarily, fully offset by providing that taxpayers may no longer claim tax deductions for punitive damages, and certain fines and penalties, as approved by the Senate in S. 202 and H.R. 4297.

Amendment withdrawn

(9) Murray, Stabenow amendment to restore funding for USCG traditional missions to the FY06 level, including a 4% overall increase, consistent with other Coast Guard missions. The amendment would also provide additional funding for the small boat programs, which allow the USCG the additional platforms necessary to perform its traditional mission.

Amendment defeated by:

Yeas: 10	Nays: 11
Conrad	Gregg
Sarbanes	Domenici
Murray	Grassley
Wyden	Allard
Feingold	Enzi
Johnson	Sessions
Byrd	Crapo
Nelson	Ensign
Stabenow	Cornyn
Menendez	Alexander
	Graham

(10) Stabenow and Johnson amendment to provide an assured stream of funding for veterans' health care that will take into account the annual changes in the Veterans' population and health care inflation to be paid for by restoring the pre-2001 top rate for income over $1 million, closing corporate tax loopholes and delaying tax breaks for the wealthy.

Amendment defeated by:

Yeas: 10	Nays: 11
Conrad	Gregg
Sarbanes	Domenici
Murray	Grassley
Wyden	Allard
Feingold	Enzi
Johnson	Sessions
Byrd	Crapo
Nelson	Ensign
Stabenow	Cornyn
Menendez	Alexander
	Graham

(11) Wyden, Crapo, and Murray amendment to create a reserve fund for receipts from Bonneville Power Administration.

Amendment accepted by Unanimous Consent

(12) Stabenow amendment to provide the necessary resources to our emergency responders to that they can field effective and reliable interoperable communications equipment to respond to natural disasters, terrorist attacks and public safety needs of Americas communities and fully offset this by closing egregious tax loopholes, collecting more from the tax gap and delaying a portion of tax breaks for those who make over $1 million per year.

Amendment defeated by:

Yeas: 10	Nays: 11
Conrad	Gregg
Sarbanes	Domenici
Murray	Grassley
Wyden	Allard
Feingold	Enzi
Johnson	Sessions
Byrd	Crapo
Nelson	Ensign
Stabenow	Cornyn
Menendez	Alexander
	Graham

(13) Menendez, Feingold, and Wyden amendment to help make more students access an affordable higher education, prepare for college, and learn critical skills be restoring funding for higher education and vocational education programs, and reduce debt by closing tax loopholes and Sense of the Senate regarding Pell grants.

Amendment defeated by:

Yeas: 10	Nays: 11
Conrad	Gregg
Sarbanes	Domenici
Murray	Grassley
Wyden	Allard
Feingold	Enzi
Johnson	Sessions
Byrd	Crapo
Nelson	Ensign
Stabenow	Cornyn
Menendez	Alexander
	Graham

(14) Feingold amendment to express the sense of the Senate regarding Army National Guard end strength funding.

Amendment withdrawn

(15) Conrad amendment to increase funding to combat an avian flu pandemic, increase local preparedness, and create a Manhattan Project-like effort to develop a vaccine to inoculate the U.S. population against a possible pandemic by $5 billion in FY 2007, to be paid for by increasing tax compliance by requiring withholding on all payments for goods and services by all levels of government—federal, state, and local.

Amendment defeated by:

Yeas: 10	Nays: 11
Conrad	Gregg
Sarbanes	Domenici
Murray	Grassley
Wyden	Allard
Feingold	Enzi
Johnson	Sessions
Byrd	Crapo
Nelson	Ensign
Stabenow	Cornyn
Menendez	Alexander
	Graham

(16) Murray amendment to establish a reserve fund to improve the Medicare prescription drug benefit.

Amendment defeated by:

Yeas: 10	Nays: 11
Conrad	Gregg
Sarbanes	Domenici
Murray	Grassley
Wyden	Allard
Feingold	Enzi
Johnson	Sessions
Byrd	Crapo
Nelson	Ensign
Stabenow	Cornyn
Menendez	Alexander
	Graham

(17) Wyden Amendment to ensure that any savings associated with legislation that authorizes the Secretary of Health and Human Services to use the collective purchasing power of 40,000,000 Medicare beneficiaries to negotiate the best possible price for prescription drugs provided through Part D of Title XVIII of the Social Security Act in fallback plans, by private drug plans (if asked) and in other circumstances, but not permitting a uniform formulary or price setting, is reserved for deficit reduction or to improve the Medicare drug benefit.

Amendment defeated by voice vote

(18) Sarbanes amendment to restore funding for the U.S. Army Corps of Engineers' civil works program, the Clean Water State Revolving Fund, the National Park Service, NOAA, USDA Forest Service and conservation programs and other natural resource needs. Adds $2.9 billion to bring total for Function 300 up to $31.1 billion (baseline). Offset by closing corporate tax loopholes.

Amendment defeated by:

Yeas: 10	Nays: 11
Conrad	Gregg
Sarbanes	Domenici
Murray	Grassley
Wyden	Allard
Feingold	Enzi
Johnson	Sessions
Byrd	Crapo
Nelson	Ensign
Stabenow	Cornyn
Menendez	Alexander
	Graham

(19) Conrad amendment to allow for deficit-neutral legislation that provides the Centers for Medicare and Medicaid Services (CMS) with $1.75 billion to create a demonstration project or program that assigns a case manager to coordinate the care of chronically-ill and other high-cost Medicare beneficiaries in traditional fee-for-service Medicare.

Amendment accepted by Unanimous Consent

(20) Grassley amendment to restore $500 million from Title XX of the Social Security Act—The Social Services Block Grant (SSB) for FY 2007, re-establishing funding for SSBG to a total of $1.7 billion for FY 2007.

Amendment accepted by Unanimous Consent

(21) Final Passage

Measure adopted by:

Yeas: 11	Nays: 10
Gregg	Conrad
Domenici	Sarbanes
Grassley	Murray
Allard	Wyden
Enzi	Feingold
Sessions	Johnson
Crapo	Byrd
Ensign	Nelson
Cornyn	Stabenow
Alexander	Menendez
Graham	

VIIa. VIEWS AND ESTIMATES

Section 301(c) of the Congressional Budget Act requires the committees of the Senate to report to the Budget Committee the views and estimates of budget requirements for matters within their jurisdictions to assist the Budget Committees in preparing the budget resolution.

Following are the views and estimates received from the various committees:

VIIb. ADDITIONAL VIEWS

Statement by

Senator Charles E. Grassley

Thank you Mr. Chairman. I want to acknowledge the hard work you have put into providing a bill for this committee to consider.

You have put forth a package that contains no cuts to mandatory agriculture programs. I was going to offer an amendment related to farm payments and have decided against it.

But for the record, if at anytime during the course of the budget process Congress considers cutting mandatory agriculture spending, I will offer an amendment similar to the legislation that I offered during the 2002 farm bill debate and direct the savings to conservation, rural development, and nutrition programs.

The American people recognize the importance of the family farmer to our nation, and the need to provide and adequate safety net for family farms.

Critics of farm payments have argued that the largest corporate farms reap most of the benefits of these payments. The reality is, 72 percent of the benefits have gone to only 10 percent of our nation's farmers.

Farm payments that were originally designed to benefit small and medium sized family farmers have contributed to their own demise. Unlimited farm payments have placed upward pressure on land prices and have contributed to overproduction and lower commodity prices, driving many family farmers off the land.

When I tried to strengthen payment limitations during the farm bill debate it passed this body by a bi-partisan vote of 66 to 31 but was taken out in conference.

I offered a Sense of the Senate last year in the Budget Committee addressing stronger farm payment limits and it passed by a bi-partisan vote of 15 to 7.

Last fall during reconciliation I offered an amendment that would have placed a hard cap of 250,000 on farm payments and directed the 1.1 billion in savings over five years to conservation.

This amendment was defeated because many members of the Senate wanted to wait until the 2007 farm bill debate to adopt such a provision.

As the only working farmer in the Senate it is hard for me to advocate any cuts that could negatively affect small producers.

So I was pleased with the Chairman's package that takes into account the hardships that are being felt in rural America with low commodity prices, and record high input costs.

Once again, I thank the chairman.

CONGRESSIONAL BUDGET OFFICE
U.S. Congress
Washington, DC 20515

Douglas Holtz-Eakin, Director

March 3, 2004

Honorable Ron Wyden
United States Senate
Washington, DC 20510

Dear Senator:

On January 23, 2004, CBO stated in a letter to Majority Leader Frist that striking the "noninterference" provision (section 1860D-11(i) of the Social Security Act, as added by P. L. 108-173, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003) would have a negligible effect on federal spending. This letter responds to your question concerning the potential for savings if that provision were modified to give the Secretary of Health and Human Services authority to negotiate prices for single-source drugs for Medicare beneficiaries.

Most single-source drugs face competition from other drugs that are therapeutic alternatives. CBO believes that there is little, if any, potential savings from negotiations involving those single-source drugs. We expect that risk-bearing private plans will have strong incentives to negotiate price discounts for such drugs and that the Secretary would not be able to negotiate prices that further reduce federal spending to a significant degree.

Nevertheless, there is potential for some savings if the Secretary were to have the authority to negotiate prices with manufacturers of single-source drugs that do not face competition from therapeutic alternatives. Private plans offering a prescription drug benefit to Medicare beneficiaries will have less leverage in negotiating discounts for drugs without therapeutic alternatives than they have in price negotiations for drugs that do face such competition. (In that regard, the Medicare plans will be no different than private health plans that offer prescription drug coverage to other populations.)

Under current law, there already are significant pressures that limit the prices that manufacturers charge for drugs—whether those drugs face competition from therapeutic alternatives or not. Those pressures include the prospects that plans will not cover a drug (or will substantially limit the amount they pay for a drug) and that manufacturers will provoke a backlash (potentially including legislation) if they set prices too high. Moreover, the creation of the Medicare drug benefit has given federal officials greater opportunity and incentive than under prior law to bring pressure on manufacturers—for example, by influencing public opinion and policy makers—if the prices that manufacturers set for single-source drugs that are not subject to competition from therapeutic alternatives are perceived as being too high. Giving the Secretary an additional tool—the authority to negotiate prices with manufacturers of such drugs—would put greater pressure on those manufacturers and could produce some additional savings.

CBO has not estimated the effect on federal spending of authorizing the Secretary to negotiate prices for single-source drugs. The extent of any savings would depend significantly on the details of legislative language; a proposal that applied to a broader range of drugs could generate no savings or even increase federal costs. The effect on federal spending would also depend on how the Secretary would choose to exercise any new authority to negotiate prices.

If you have any further questions, we would be happy to answer them. The CBO staff contact is Tom Bradley.

Sincerely,

Douglas Holtz-Eakin

Douglas Holtz-Eakin
Director

cc: Honorable William H. Frist, M.D.
Majority Leader

Honorable Tom Daschle
Democratic Leader

Honorable Don Nickles
Chairman
Committee on the Budget

Honorable Kent Conrad
Ranking Member

Honorable Charles E. Grassley
Chairman
Committee on Finance

Honorable Max Baucus
Ranking Democratic Member

Honorable Jim Nussle
Chairman
House Committee on the Budget

Honorable John M. Spratt Jr.
Ranking Member

Honorable William "Bill" M. Thomas
Chairman
Committee on Ways and Means

Honorable Charles B. Rangel
Ranking Member

Honorable Joe Barton
Chairman
Committee on Energy and Commerce

Honorable John D. Dingell
Ranking Member

CONGRESSIONAL BUDGET OFFICE
U.S. Congress
Washington, DC 20515

Douglas Holtz-Eakin, Director

January 23, 2004

Honorable William H. Frist, M.D.
Majority Leader
United States Senate
Washington, DC 20510

Dear Mr. Leader:

At your request, CBO has examined the effect of striking the "noninterference" provision (section 1860D-11(i) of the Social Security Act) as added by P. L. 108-173, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003. That section bars the Secretary of Health and Human Services from interfering with the negotiations between drug manufacturers and pharmacies and sponsors of prescription drug plans, or from requiring a particular formulary or price structure for covered Part D drugs.

We estimate that striking that provision would have a negligible effect on federal spending because CBO estimates that substantial savings will be obtained by the private plans and that the Secretary would not be able to negotiate prices that further reduce federal spending to a significant degree. Because they will be at substantial financial risk, private plans will have strong incentives to negotiate price discounts, both to control their own costs in providing the drug benefit and to attract enrollees with low premiums and cost-sharing requirements.

If you have any questions we would be happy to answer them. The CBO staff contact is Tom Bradley.

Sincerely,

Douglas Holtz-Eakin

cc: Tom Daschle
Democratic Leader

Honorable Don Nickles
Chairman
Committee on the Budget

Honorable Kent Conrad
Ranking Member

Honorable Charles E. Grassley
Chairman
Committee on Finance

Honorable Max Baucus
Ranking Democratic Member

Honorable Jim Nussle
Chairman
House Committee on the Budget

Honorable John M. Spratt Jr.
Ranking Member

Honorable William "Bill" M. Thomas
Chairman
Committee on Ways and Means

Honorable Charles B. Rangel
Ranking Member

Honorable W. J. "Billy" Tauzin
Chairman
Committee on Energy and Commerce

Honorable John D. Dingell
Ranking Member

Senator Charles E. Grassley Remarks
Senate Committee on the Budget Mark Up
Fiscal Year 2007 Budget Resolution
Grassley Amendment Restoring Funding for the Social Services Block Grant
March 9, 2006

- I thank Chairman Gregg for accepting my amendment to restore funding to the Social Services Block Grant.

- Look, this is a good program that provides states and localities with funding so that they can help our most vulnerable citizens.

- Rather than micromanage this assistance, the SSBG provides states with the flexibility to design a program that meets their unique needs.

- These include: child and adult protective services, services for persons with disabilities and services for older adults. Additionally, SSBG helps support child welfare programs.

- The Deficit Reduction Act (DRA) included several provisions that could have implications for child welfare services, including reforms of Targeted Case Management and other foster care eligibility provisions.

- Additionally the new welfare reform requirements could redirect money that states currently spend on child welfare in order to meet the new work requirements.

- I supported these provisions because I felt they had merit on the policy and because I was able to redirect funding back into the child welfare system in the form of increased spending on Safe and Stable Families and funding for court improvement grants.

- However, these changes do mean that there may be a disruption in state child welfare systems. We should not be reducing another critical funding source for child welfare before states have had the opportunity to adjust to the changes made in the DRA.

- Again, I thank Chairman Gregg for accepting my amendment.

VIIc. MINORITY VIEWS

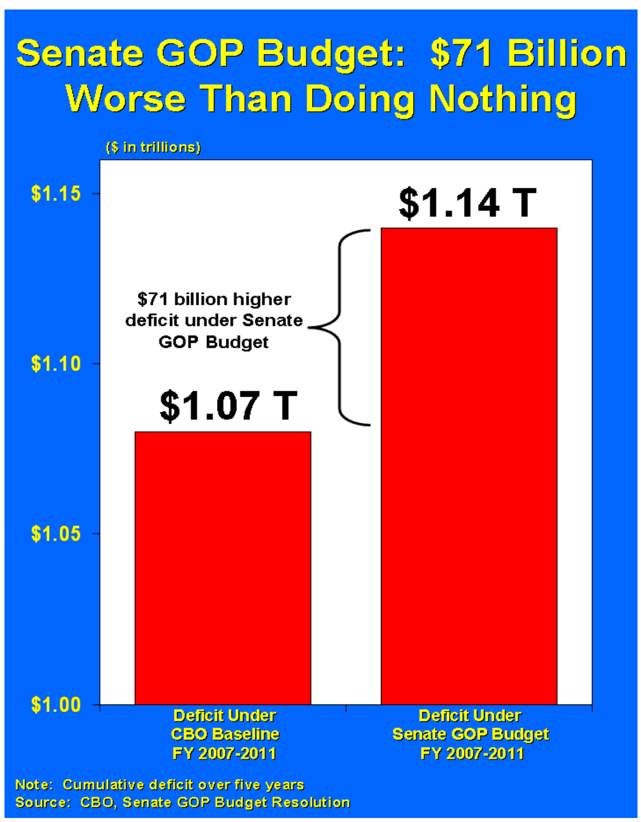
MINORITY VIEWS OF RANKING DEMOCRATIC MEMBER
SENATOR KENT CONRAD (D-ND)
March 10, 2006

To the extent that this is a "vanilla" budget, as it has been described by the Majority, that is a mistake. This is a time that calls for bold action to put the nation's fiscal house back in order. Unfortunately, by following closely to President Bush's budget proposal, the Majority's budget resolution says 'steady as you go; keep running up the debt; keep overcharging the credit cards.'

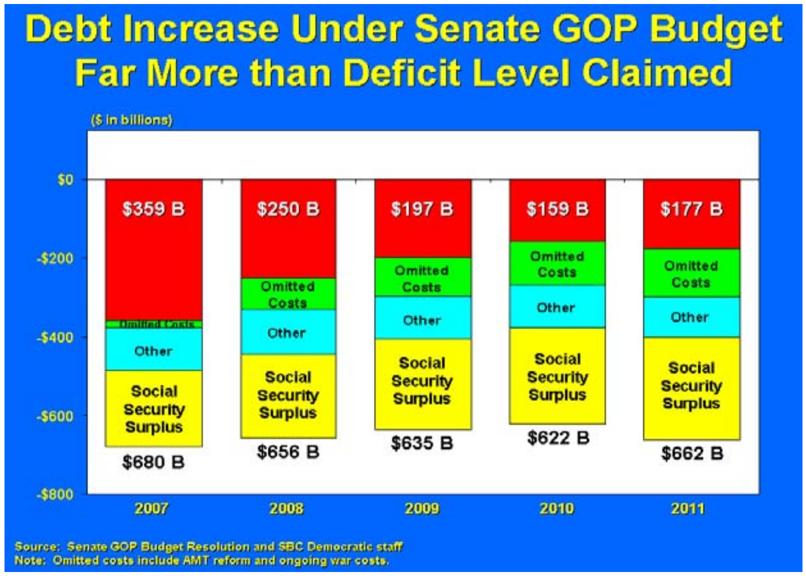
The reality is that the Bush administration has taken the nation from record surplus to record deficit and has put us on a fiscal course that is utterly unsustainable. It has run up deficits and debt at the worst possible time, on the brink of the retirement of the baby boom generation. And the Majority's budget resolution does nothing to put us on a more secure fiscal path.

Like the President's budget, the Majority's budget resolution leaves out large costs to make the deficit look smaller. It leaves out the full ten-year numbers, concealing the exploding cost of tax cuts in the second five years. It leaves out funding for ongoing war costs beyond 2007. It leaves out Alternative Minimum Tax (AMT) reform beyond 2006. And it leaves out the cost of the President's Social Security privatization plan, which the President claims he is still committed to enacting.

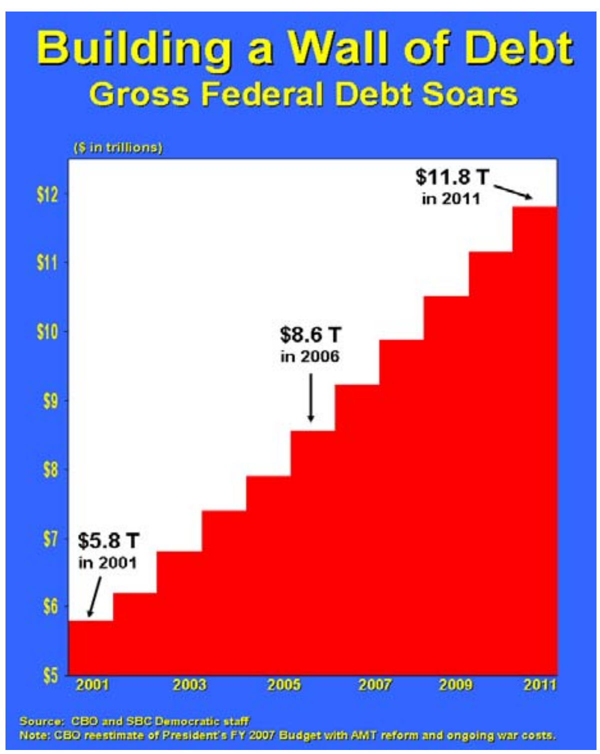
Although the Majority claims that its budget plan will reduce the deficit, we can see that it will actually result in a $71 billion higher deficit over five years than doing nothing at all. The cumulative deficit over five years under the Congressional Budget Office's baseline is $1.07 trillion, while the cumulative deficit over five years under the Majority's budget resolution is $1.14 trillion.



But the deficit increase doesn't tell the whole story. The debt is increasing far more each year than the deficit levels claimed by the Majority. When you add in omitted costs such as AMT reform and ongoing war costs, as well as the Social Security and other trust fund surpluses also being spent, we see that the debt will actually go up by more than $600 billion every year over the next five years.



The result of following closely to the administration's irresponsible fiscal policies is that gross federal debt is exploding. At the end of 2001, the year the Bush administration took office, gross debt was $5.8 trillion. By the end of 2006, gross debt is projected to reach $8.6 trillion. And under the President's budget, with AMT reform and ongoing war costs added in, gross debt will soar to $11.8 trillion by the end of 2011. We can expect a similar outcome if the Majority's budget resolution is adopted.



This soaring debt has made us increasingly reliant on foreigners to buy our debt and finance our deficit spending. Foreign holdings of U.S. debt have gone up 115 percent since 2001, rising from $1.01 trillion in January 2001 to $2.18 trillion in December of last year. It took 42 Presidents 224 years to run up a trillion dollars of external debt. This administration has more than doubled that amount of external debt in five years.

Notably, the Majority's budget resolution fails to restore the stronger paygo, or pay-as-you-go, budget enforcement rule that was so effective in bringing down deficits in the 1990's. The paygo rule simply requires that any new mandatory spending or tax cut legislation be paid for, or get 60 votes in the Senate. Instead, the Majority's budget resolution leaves in place the current weaker paygo rule that exempts all mandatory spending and tax cuts included in any budget resolution.

The bipartisan budget watchdog group, the Concord Coalition, among others, has repeatedly called for the restoration of a stronger paygo rule that applies to both spending and tax cuts. Last year, the group stated: *"Exempting tax cuts from PAYGO does nothing to promote fiscal discipline. It would neither control spending nor shrink the deficit. All it would do is exempt any tax legislation from fiscal scrutiny, regardless of the circumstances. Such an enormous and unnecessary loophole would not be wise policy given that deficits are back for as far as the eye can see. Since spending and tax decisions both have consequences for the budget, there is no good reason to exempt either from enforcement rules."*

Finally, like the President's budget, the Majority's budget resolution focuses on the wrong priorities. At the same time that the Majority proposes tax cuts that primarily benefit the wealthiest, it again proposes to cut funding for programs that impact the rest of the American people. Although the resolution only provides overall spending levels for different areas, the totals assume most of the President's misguided cuts will be enacted.

A recent *National Catholic Reporter* editorial described the President's budget this way: *"But what has become cliché during five years of the Bush administration is now glaringly apparent in the easily discerned outlines of its proposed 2007 budget: Cuts in vital programs that benefit the poor and middle class, continuing tax relief for the very wealthy and substantial increases for defense and Homeland Security. If budgets are, as some contend and we would agree, moral documents, then this one suggests we have abandoned a basic sense of right and wrong and any notion that we are at our best when we strive to make life better for all, not just those who manage to accumulate wealth."*

Wrong Priorities

Program	Cut
Byrne Justice Assistance Grants	Eliminated
Safe and Drug-Free School Grants	Eliminated
Vocational Education	Eliminated
COPS	78%
Firefighter Grants	55%
Essential Air Service	54%
Weatherization Grants	32%
Amtrak	30%
Community Development Block Grants	20%
LIHEAP	17%

Source: OMB, SBC Democratic staff
FY 2007 Senate GOP Budget Resolution versus FY 2006 enacted.

We can provide the resources to support America's priorities while still restoring fiscal responsibility. But it will take real leadership. Unfortunately, the Majority has chosen instead to propose a budget resolution that focuses on the wrong priorities and takes us further down the road of deficits and debt.

* * *

VIId. ADDITIONAL REPORT LANGUAGE

Emergency Management Performance Grants

The Committee recognizes that Emergency Management Performance Grants are important for building state and local emergency management capability and recommends that sufficient appropriations are provided for Emergency Management Performance Grants to carry out the mission of the program.

Renewable Energy Research

The Committee recognizes the importance of renewable energy in creating an energy future for the nation that is environmentally and economically sustainable. Recognizing the important work performed by the Department of Energy's Office of Energy Efficiency and Renewable Energy, the Committee recommends that sums appropriated be directed toward the Office's core programs, such as the National Renewable Energy Laboratory (NREL) and its competitive grant process. The Committee finds that the doubling of earmarks from FY 2005 to FY 2006 detracted from the Office's core programs and, if continued over the long term, threatens NREL's ability to provide for our nation's energy future.

Agricultural and Forestry Research

The Committee recognizes the importance of base support for university-based agriculture and forestry research through the Hatch Act and McIntire-Stennis Cooperative Forestry Research programs. The Committee urges the Administration to work with universities on a long-term plan to combine base and competitive funds to maximize university response to federal research priorities.

Coal Research

The Committee recognizes the important role of coal (our most abundant domestic energy source and primary fuel for electricity generation) and coal technologies in helping America become energy independent. The Committee recognizes the success of the Clean Coal Power Initiative (CCPI) and urges funding levels that put this program back on track to meet the government's $2 billion funding commitment to CCPI by 2010. The Committee also recognizes the FutureGen Project and the advanced coal research program and urges additional adequate funding for these coal research programs as well.

Kidney Care

The Committee recognizes the importance of high-quality kidney care to Medicare beneficiaries and urges review of the impact on patient care that the lack of an automatic annual payment update for dialysis services has had on beneficiaries.

Rural Ambulance

The Committee believes that Medicare beneficiaries should continue to have access and high quality service from rural ambulance providers.

Poison Control Centers

The Committee supports funding for the Poison Control Program as it serves an integral part of our Nation's health care system. Ready access to poison control services has proven to reduce severity of illness, death, and health care costs. Additionally, the Poison Control Centers serve an important role as a source of public information regarding potential public health and bioterrorism threats.