

HOUSE BUDGET COMMITTEE

Democratic Caucus

The Honorable John M. Spratt Jr. ■ Ranking Democratic Member

B-71 Cannon HOB ■ Washington, DC 20515 ■ 202-226-7200 ■ www.house.gov/budget_democrats

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House vs. Senate FY 2006 Budget Resolutions: A Comparison and Analysis

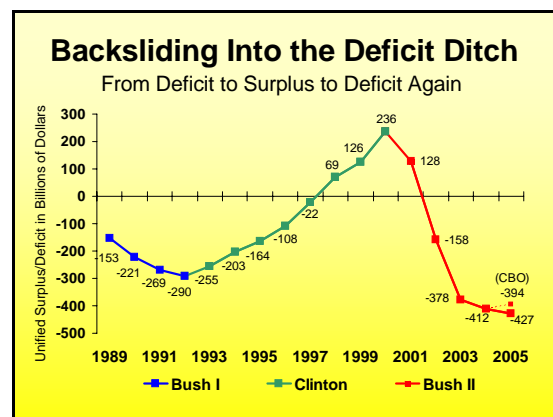
Overview

While containing some significant differences, the fiscal year 2006 budget resolutions passed by Republicans in the House and the Senate largely mirror the misplaced priorities contained in the President's budget.

- Like the President's budget, the House and Senate budget resolutions make the deficit bigger, not smaller — while failing to reveal the full extent of the fiscal damage caused by Republican policies.
- Both the House and Senate resolutions also mirror the President's budget by using every penny of the Social Security Trust Fund surplus to help finance their deficits.
- Like the President's budget, both the House-passed and Senate-passed budget resolutions also include new tax cuts targeted largely to those who need help the least.
- Like the President's budget, both the House and Senate resolutions cut funding for key services that Americans rely on, such as education, veterans' services, environmental protection, and health care.

This document analyzes the key similarities and differences between the House- and Senate-passed budget resolutions in the major areas of deficits, revenues, and discretionary and mandatory spending.

Republican Budgets Create Larger Deficits — Since President Bush took office four years ago, a \$5.6 trillion projected ten-year surplus has vanished and been replaced with record deficits. Over the next ten years, the Congressional Budget Office (CBO) now estimates deficits totaling \$2.6 trillion under the President's budget. Yet, the Republican budgets present no plan to bring the budget back to balance, and, in fact, make the deficit worse. The House budget resolution makes the deficit \$127



billion worse over the next five years relative to current law, while the Senate budget resolution makes the deficit \$217 billion worse over the next five years. CBO estimates that the President's budget makes the deficit \$104 billion worse over the next five years and \$1.6 trillion worse over the next ten years. As bad as these numbers are, all three Republican budgets fail to reflect the full extent of the fiscal deterioration caused by Republican policies, such as tax cuts and Social Security privatization.

House and Senate Resolutions Make Deficits Worse						
Unified Deficits in Billions of Dollars						
	2006	2007	2008	2009	2010	2006-2010
CBO Baseline Deficits	-298	-268	-246	-219	-201	-1232
House Resolution Additional Deficits	-78	-36	-1	-11	-2	-127
Senate Resolution Additional Deficits	-70	-47	-31	-38	-31	-217

Republican Budgets Include Costly Tax Cuts — Like the President's budget, both the House and Senate budget resolutions include costly new deficit-financed tax cuts. The House resolution includes a total of \$106 billion in tax cuts over the next five years; \$45 billion of this total is included in reconciliation instructions, putting it on the procedural fast track. The Senate resolution includes \$129 billion in tax cuts over the next five years, nearly all of which is included in reconciliation instructions. Every dollar of these tax cuts adds directly to the size of the deficit. By providing only five years of numbers, both the House and Senate resolutions dramatically understate the true size of the Republican tax agenda. According to CBO, the ten-year cost of the tax policies included in the President's budget is \$1.4 trillion; only \$100 billion of this total falls in the first five years covered by the House and Senate budget resolutions (2006-2010). When the cost of a ten-year repair of the Alternative Minimum Tax (AMT) is included, the total for the Administration's tax agenda reaches \$2 trillion.

Republican Budgets Include Harmful Cuts to Important Services — To help finance their deficits and new tax cuts, the Republican budgets include harmful cuts to key services.

- For appropriated programs, the House resolution matches the President's budget by providing a total of \$843 billion in non-emergency funding for 2006, and by cutting non-defense discretionary funding below the amount needed to keep pace with inflation by \$12 billion for 2006 and \$150 billion over the next five years. The Senate resolution provides a total of \$849 billion for non-emergency funding for 2006, and cuts non-defense discretionary funding below the inflation-adjusted current services level by \$6.3 billion for 2006 and \$128 billion over five years.

- The House resolution directs nine House committees to cut mandatory spending under fast-track reconciliation procedures by a total of \$69 billion over five years. The Senate resolution includes \$17 billion over five years in reconciliation cuts to mandatory programs, distributed among six Senate committees. Reconciliation instructions included in the budget resolution cannot specify where each committee will make the spending cuts required to meet its target, but the jurisdiction of each committee suggests what likely targets will be. The reconciliation instructions in the House resolution include a cut to the Energy and Commerce Committee that is likely to fall on Medicaid; the Senate-passed resolution does not include a reconciliation instruction to the Senate Finance Committee, which has jurisdiction over Medicaid. The House resolution also includes reconciled cuts that could fall on food stamps, student loans, veterans' benefits, and income security programs. The Senate resolution includes reconciled cuts that could fall on food stamps and student loans, and that could result in legislation opening the Arctic National Wildlife Refuge to oil drilling.

House and Senate Resolutions Have Differing Dates for Reconciliation Bills — The House resolution requires two reconciliation bills to be reported, and sets different deadlines for each bill — a tax bill must be reported by June 24, and a bill addressing mandatory spending by September 16. The Senate resolution requires that three reconciliation bills be reported — a spending bill by June 6, a tax bill by September 7, and a bill increasing the debt ceiling by September 16. Bills reported under reconciliation procedures are placed on the parliamentary fast track, and, like the budget resolution itself, are immune from filibuster and require only a simple majority to pass the Senate.

House Democrats Put Forward a Better Budget — The 2006 House Democratic budget had smaller deficits every year than both the House and Senate resolutions, and accumulated less debt as a result. The House Democratic budget reached balance in 2012, while the Republican budgets never reach balance. The House Democratic budget also rejected the harmful cuts included in the House and Senate budgets, protecting the key services threatened by the Republican budgets.

Deficits

Republican Budgets Deepen Deficits — Like the President's budget, the House and Senate resolutions increase annual deficits relative to current law — the House resolution by \$127 billion over five years and the Senate resolution by \$217 billion. None of the Republican budgets ever approaches balance, and, in fact, the annual deficit never drops below \$200 billion under any of the Republican plans. The House Democratic budget included smaller deficits every year relative to the Republican plans, and brought the budget back to balance by 2012.

Budget Deficits in Republican Budgets Unified Deficits in Billions of Dollars						
	2006	2007	2008	2009	2010	2006-2010
CBO Baseline	-298	-268	-246	-219	-201	-1232
President's Budget	-332	-278	-250	-246	-229	-1336
House Resolution	-376	-304	-247	-229	-203	-1359
Senate Resolution	-368	-315	-277	-257	-232	-1450

Republican Budgets Understate Deficits By Omitting Key Costs — By omitting the full costs of significant policies, the House and Senate budgets (like the President's budget) substantially understate the true size of the deficits likely to occur under Republican policies.

- **Social Security Privatization** — The Republican budgets include nothing to reflect the cost of the President's Social Security privatization plan, estimated to be \$754 billion over 2009-2015.
- **Repair of Alternative Minimum Tax** — The likely ten-year cost for AMT repair is \$642 billion if tax cuts are extended — \$774 billion including the cost of interest on the additional debt. At best, the House and Senate resolutions provide sufficient funding to address this problem for a single year, while the President's budget provides no funding at all to address this growing problem.
- **Realistic Costs for Iraq and Afghanistan** — Based on a CBO analysis, costs for military operations in Iraq and Afghanistan could run as high as \$384 billion over the next ten years. The House and Senate resolutions each include \$50 billion for 2006, but nothing for subsequent years. The President's budget includes no funding for 2006 or beyond for this cost.

Five-Year Budget Window Masks Fiscal Deterioration Caused By Tax Agenda — According to CBO, the ten-year cost of the tax policies included in the President's budget is \$1.4 trillion. Only \$100 billion of this total falls in the five years (2006-2010) covered by the House and

Senate budget resolutions. Thus, by providing no deficit figures after 2010, the House and Senate resolutions mask almost all of the dramatic fiscal deterioration caused by the Republican tax agenda.

Republicans Increase the Debt Limit	
Debt Limit Increases, Billions of Dollars	
2002	\$450
2003	\$984
2004	\$800
Total	\$2,234

Republicans Create More Debt — Republican policies already have required three increases in the debt limit totaling \$2.2 trillion over the last four years. In January, CBO estimated that the budget was on a course

to require another debt ceiling increase by February 2006. Like the President's budget, the House and Senate budget resolutions only make the debt problem worse.

Republican Budgets Use 100 Percent of Social Security Trust Fund Surplus — Since 2002, Republican budgets have spent every penny of the Social Security Trust Fund surplus. Like the President's budget, both the 2006 House and Senate budget resolutions continue this practice.

Revenues

Both the House and Senate resolutions include tax cuts of more than the \$100 billion over five years called for in the President's budget — \$106 billion in tax cuts in the House and \$129 billion in the Senate. By covering only five years, both the House and the Senate resolutions fail to reflect the vast majority of the costs of the President's tax agenda, which total \$1.4 trillion (excluding interest costs) over the next ten years. Almost all of these costs occur in the second five years.

The House includes only \$45 billion of its total tax cuts in reconciliation instructions, while the Senate includes nearly all of its tax cuts in reconciliation. Bills reported under reconciliation move through the legislative process under a set of rules designed to expedite their consideration. In the Senate, such bills cannot be filibustered and can be passed by a simple majority.

Tax Cuts in Republican Budgets					
Billions of Dollars					
	2006 Total	2006 Reconciled	2006-10 Total	2006-10 Reconciled	2006-15 Total
President	3	---	100	---	1,425
House	18	17	106	45	---
Senate	19	19	129	129	---

Dates for tax-writing committees to report reconciliation bills:

House — June 24; Senate — September 7.

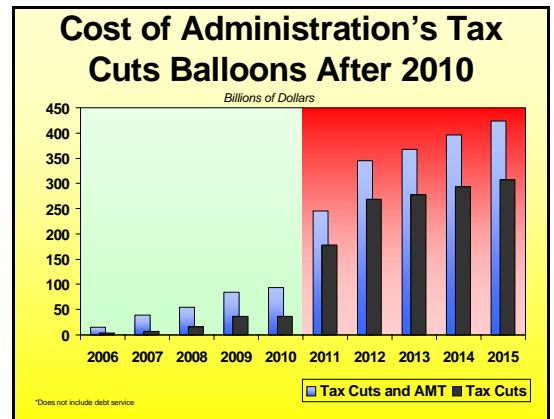
House Budget Resolution Includes Part of Its Tax Cuts In Reconciliation — The House budget resolution assumes \$106 billion in tax cuts through 2010. Though it does not make any explicit policy assumptions, language in the accompanying report suggests that the resolution envisions extension of Alternative Minimum Tax (AMT) relief (for one year), deductibility of state and local taxes, and the research and experimentation tax credit. Of this \$106 billion five-year total, the House budget resolution includes \$45 billion in reconciliation instructions. While it is the prerogative of the Ways and Means Committee to draft the resulting legislation, the

reconciliation instructions would accommodate extension for one year of AMT relief and of the research and experimentation tax credit, as well as extension of the deduction for state and local sales taxes for five years.

Senate Budget Resolution Includes Nearly All of Its Tax Cuts In Reconciliation — The Senate budget resolution assumes \$129 billion in tax cuts from 2006 through 2010, nearly all of which is included in a reconciliation instruction to the Senate Finance Committee. While the Senate Finance Committee crafts the resulting legislation according to its preferences, the Senate resolution could accommodate extension of the following provisions in the President’s budget through 2010: rate reductions for taxes on dividends and capital gains, liberalized expensing allowances for small businesses under section 179, and energy tax credits. The Senate budget resolution also allows for the extension of the following policies not included in the President’s budget: extension of the “saver’s credit” for low- and moderate-income workers; the deduction for qualified tuition and other expenses; and the deduction for state and local sales taxes. The resolution also provides for \$12 billion in unspecified tax cuts for 2006 that could be used for AMT relief, though there is no specific assumption for such a provision.

Senate Resolution Reflects Bunning Amendment — The Senate budget resolution reflects an amendment by Senator Bunning that reduces revenues by \$64 billion through 2010. The intent of the amendment is to allow for the repeal of the 1993 provision making up to 85 percent of Social Security benefits taxable for high-income beneficiaries. Before the enactment of the 1993 provision, up to 50 percent of Social Security benefits were taxable for high-income beneficiaries. Under current law, the resulting revenue is deposited into the Hospital Insurance (HI) trust fund. If such a repeal were to become law, it would cost Medicare \$1.1 trillion over 75 years and hasten the date of insolvency for the HI trust fund by four years to 2016. Furthermore, such a tax cut would be regressive, benefitting only the 27 percent of Social Security recipients with the highest annual incomes.

Budget Resolutions Do Not Reflect True Costs of Republican Policies — According to CBO, the tax policies included in the President’s budget — such as making the 2001 and 2003 tax cuts permanent — total \$1.4 trillion over the next ten years, with all but \$100 billion of this total falling outside the five-year window covered by the House and Senate budget resolutions. Additionally, the likely cost of a ten-year repair of the AMT is \$642 billion if tax cuts are extended; at best, the House and Senate resolutions provide funding to address this problem for only a single year. Neither of these totals includes the added cost of paying interest on the additional debt that would result from these policies.



Appropriations

Senate Provides \$5.8 Billion More than House and President — The Senate-passed budget provides \$898.8 billion in discretionary funding for 2006, which is \$5.8 billion more than the House-passed budget resolution level of \$893.0 billion. Both congressional budgets include \$50 billion to finance the cost of operations in Iraq and Afghanistan for 2006; excluding this funding (which is omitted from the President’s budget), the House level matches the level in the President’s budget – \$843.0 billion.

Republican Budgets Cut Non-Defense Discretionary (NDD) Funding Below Current Services — Ultimately, the budget resolution simply provides a funding total that the Appropriations Committee allocates according to its priorities. However, both the House and Senate match the President’s regular defense funding request for each year, providing \$439 billion for 2006, and it is likely that the Appropriations Committees will fully fund the President’s defense request. If so, as shown in the table below, the remaining NDD funding for 2006 is a cut of \$4.0 billion in the House budget and a small increase of \$1.8 billion in the Senate budget compared with the 2005 enacted level. However, the 2006 funding levels translate into a cut of \$12.1 billion below the amount needed to maintain NDD purchasing power at current levels (the baseline) for the House budget, and a cut of \$6.3 billion for the Senate. Excluding funding for international affairs (which receives big increases in all Republican budgets), domestic funding for 2006 is cut by \$14.0 billion below current services by the House and by \$9.1 billion in the Senate. Over the five years covered by both budget resolutions, NDD funding falls further behind the amount needed to maintain purchasing power; it is cut by \$149.7 billion under the House budget and by \$127.8 billion under the Senate resolution over five years.

Appropriation Levels						
(Budget Authority in Billions of Dollars)						
<u>Non-Emergency Amounts:</u>	2005 Enacted	2006 Baseline	2006 President	2006 House	2006 Senate	Senate +/- House
Non-Defense Funding	408.0	416.1	404.0	404.0	409.8	5.8
National Defense	420.6	431.2	439.0	439.0	439.0	0
Total Non-Emergency Funding	828.6	847.3	843.0	843.0	848.8	5.8
Iraq supplemental funding	pending	n.a.	0	50.0	50.0	0
Disaster/other emergencies	11.5	n.a.	0	0	0	0
Total including emergencies	840.0	n.a.	843.0	893.0	898.8	5.8

There has been no 2005 funding yet enacted for the war, but the President has requested supplemental funding of \$81.9 billion for 2005. National Defense represents Function 050, which includes the Department of Defense and the nuclear weapons-related activities of the Department of Energy.

NDD Cut Will Hurt Services Across the Board — The Appropriations Committee is unlikely to concentrate the Republican funding cut in one area. Therefore, many NDD programs will be cut below their current services level. These cuts could be made to any NDD program – veterans’ health, education, homeland security, child care, environmental protection, or local law enforcement. The President’s budget cut funding in all these areas.

Following are some of the key areas where both the House and Senate budgets cut funding below the amount needed to maintain purchasing power:

- ***Veterans*** — For veterans’ appropriated programs, both the House and Senate resolutions are \$14.1 billion below the level CBO estimates is needed to keep pace with inflation over the five-year period (2006-2010), though there are small differences in the year-by-year numbers. By comparison, the House Democratic budget included \$1.6 billion more than the House resolution for veterans’ discretionary programs for 2006 and \$17 billion more over five years. (As discussed in the following section on mandatory spending, the House resolution also includes reconciliation instructions for the House Veterans’ Affairs Committee to cut spending on mandatory veterans’ services by \$798 million over five years.)
- ***Education*** — The House budget matches the President’s budget in cutting 2006 funding for education, training, and social services by \$1.5 billion below the 2005 enacted level, and by \$2.5 billion below the amount needed to maintain current services. Over five years, the House resolution cuts this funding by \$37.8 billion below the current services level. To accomplish just the 2006 cut, the President’s budget eliminates 48 education programs that receive \$4.3 billion this year. The Senate provides \$7.1 billion more than the House for these programs for 2006, but the increase is short-lived; over five years, the Senate budget cuts funding by a total of \$27.2 billion below the amount needed to maintain services. In contrast to the Republican education cuts, the House Democratic budget provided \$41.0 billion more than the House Republican budget and \$30.3 billion more than the Senate budget for education, training, and social services.
- ***Environmental Protection*** — The House budget resolution provides only \$28.5 billion for environmental protection and conservation programs for 2006, a cut of \$2.9 billion from the 2005 enacted level. Over five years, the House resolution cuts funding by \$23.1 billion below the amount needed to maintain purchasing power. The Senate budget cuts environmental funding even further than the House – \$370 million in additional cuts for 2006 and a total of \$871 million in additional cuts over the 2006-2010 period. (As discussed in the following section on mandatory spending, the Senate resolution also includes reconciliation instructions to the Energy and Natural Resources Committee that assume the opening of the Arctic National Wildlife Refuge to oil and gas exploration.)

House and Senate Increases — Both the House and Senate budgets increase funding for defense and international affairs.

- ***Defense*** — Both the House and Senate resolutions match the President’s \$439 billion request for 2006 defense discretionary spending, which reflects a \$7.7 billion increase over the amount CBO estimates is needed to maintain purchasing power at the 2005 enacted level. Over the five-year period, both budgets match the President’s request for defense dollar for dollar, providing \$133.8 billion above the amount needed to keep pace with inflation. Both resolutions also add \$50 billion to finance the cost of operations in Iraq and Afghanistan for 2006 – funding not included in the President’s budget. No war-related funding is provided beyond 2006 in any Republican budget.
- ***International Affairs*** — The House resolution includes \$32.2 billion for 2006 for international affairs funding, \$1.7 billion above the non-emergency current services level but \$1.6 billion below the level included in the President’s budget. The Senate resolution includes \$33.3 billion for 2006, \$2.9 billion above the non-emergency current services level and \$410 million below the President’s level.

Mandatory Spending Cuts

The House and Senate Republican budgets both require that the Congress cut billions of dollars from mandatory programs over the next five years using the expedited procedure known as reconciliation, which is immune from filibuster in the Senate and therefore can pass by simple majority vote. Reconciliation instructions included in the budget resolution cannot specify how each committee will make the spending cuts required to meet its target, but the jurisdiction of each committee suggests what likely targets will be. The House requires larger cuts, \$69 billion over five years, compared with the \$17 billion required by the Senate budget. Nevertheless, both budgets follow the President’s lead of cutting vital services for the American people to help finance deficits and pay for large tax cuts targeted largely to those who need help the least. The House Democratic budget rejected all of these cuts.

Reconciled Spending Cuts, 2006-2010
(Billions of dollars)

<u>House Committees</u>		<u>Senate Committees</u>	
Agriculture	5.278	Agriculture, Nutrition, and Forestry	2.814
Education and the Workforce	21.410	Banking, Housing and Urban Affairs	0.270
Energy and Commerce	20.002	Commerce, Science, and Transportation	2.576
Financial Services	0.270	Energy and Natural Resources	2.658
Judiciary	0.603	Environment and Public Works	0.112
Resources	1.413	Health, Education, Labor, and Pensions	8.576*
Transportation and Infrastructure	0.103		
Veterans Affairs	0.798		
Ways and Means	18.680		
Total, 2006-2010	\$68.557	Total, 2006-2010	\$17.006

*The Senate resolution specifies that this cut is for the period 2005-2010.

The House resolution requires House committees to report reconciliation bills on spending by September 16.

The Senate resolution requires Senate committees to report reconciliation bills on spending by June 6.

In addition to the reconciled spending cuts, the Senate budget resolution includes additional cuts in mandatory spending of \$5.7 billion over five years. Most of the non-reconciled cuts occur in education, as explained below.

Senate Budget Reveals Greater Specificity of Cuts — The House-passed budget differs from the Senate budget in another important respect. The numbers in the Senate resolution show how the cuts in mandatory spending are spread across the various functions of government, such as health, education, agriculture, and natural resources. By contrast, the House budget fails to specify its assumptions regarding the extent to which each government function would be affected by the cuts to mandatory programs. Instead, the House budget lumps together all of the mandatory cuts in a catch-all function called “Allowances.” Either the House reconciliation instructions to committees are not based on policy assumptions and are therefore arbitrary, or they are based on policy assumptions that the House resolution does not disclose.

House Resolution Cuts Medicaid, While Senate Resolution Does Not — The House-passed budget directs the Energy and Commerce Committee to cut spending on programs within its jurisdiction by \$20 billion over five years. The Chairman of the House Budget Committee highlighted the President’s opposition to Medicare cuts, and indicated that for all practical purposes, these reconciled cuts must come from other Energy and Commerce programs. Once Medicare is excluded, Medicaid constitutes 94 percent of the Committee’s remaining mandatory spending, so most or all of this \$20 billion in spending cuts will fall on Medicaid. This amount far exceeds the Medicaid cut in the President’s budget, which incorporated a package of spending and savings for a net cut of \$7.6 billion over five years for health programs within the Energy and Commerce Committee’s jurisdiction.

In contrast, the Senate approved an amendment by Senators Smith and Bingaman to strike reconciliation instructions directing the Finance Committee to cut spending by \$15 billion over five years. The vote was 52-48, with seven Republicans joining every Democrat to oppose the Medicaid cut. By striking the reconciliation instructions, the amendment protected Medicaid. The amendment also created a reserve fund allowing for the creation of a Bipartisan Commission on Medicaid Reform.

Both House and Senate Budgets Cut Education — The House budget requires the Education and the Workforce Committee to cut mandatory spending by \$21.4 billion over five years (2006-2010). Although Republicans have denied that their cuts are driven by specific policies, their reconciled cuts match the proposals in the President's budget to cut student loans, raise the maximum Pell Grant by \$500 over five years, and cut spending for two non-education-related programs (the Federal Employees' Compensation Act and the Pension Benefit Guaranty Corporation). A total of \$18.1 billion of the President's cuts come from this pension proposal, while the other \$3.3 billion in cuts match the education proposals mentioned above.

In contrast, the Senate budget resolution reconciles smaller cuts (\$8.6 billion over six years, 2005-2010) to the Senate Health, Education, Labor, and Pensions (HELP) Committee, but also includes other unreconciled cuts to mandatory education programs. The Senate budget cuts mandatory education spending in Function 500 by \$6.1 billion relative to spending under current law over the years 2006-2010. This is a net number, already factoring in the \$5.0 billion in a reserve fund that the Committee may spend on Higher Education Act programs.

House Republicans Cut Income Security Programs More Deeply Than the Senate Does — The House-passed budget requires much deeper cuts to programs serving low-income populations than does the Senate budget. The House Republican budget requires the Ways and Means Committee to cut spending from programs under its jurisdiction by \$18.7 billion over five years. Excluding Medicare and Social Security, nearly all remaining Ways and Means programs provide income security for vulnerable individuals and families, such as unemployed workers, low-income elderly and disabled, and the working poor and their children. In the Senate, the Finance Committee shares jurisdiction over many of these programs with the HELP Committee. The Senate budget requires no cuts by the Finance Committee. The Senate budget requires \$8.6 billion in cuts by the HELP Committee over six years, most of which are likely to affect student financial aid programs and private pension plans.

The food stamp program is also at risk of cuts in both the House and Senate budgets as a result of the reconciliation instructions to the House and Senate Agriculture Committees, discussed below.

Cuts to Agriculture and Nutrition Programs — The House-passed resolution directs the Agriculture Committee to cut \$797 million in 2006 and \$5.3 billion over five years from programs within its jurisdiction. While the House resolution does not provide guidance about what programs should be trimmed, the Agriculture Committee's jurisdiction includes farm programs and food stamps.

The Senate-passed resolution includes several proposals to cut agriculture spending, imposing cuts totaling \$5.9 billion over five years on farm programs, conservation programs, and nutrition assistance, including food stamps. Of the total \$5.9 billion mandatory cut, \$2.8 billion is included in the reconciliation instruction to the Agriculture Committee, which has jurisdiction over farm programs and food stamps. The size of the overall cuts in the Senate resolution is consistent with Administration proposals, including the President's five percent cut in crop payments, the assessment on sugar producers, and the cut to the milk price support program. The Senate-passed budget also appears to accommodate the President's new user fees for the Grain Inspection, Packers and Stockyards Administration (GIPSA), the Animal and Plant Health Inspection Service (APHIS), and the Agricultural Marketing Service (AMS). Finally, the Senate budget accommodates the President's proposal to cut \$566 million in food stamp spending over five years by restricting program eligibility.

Drilling in the Arctic National Wildlife Refuge — The President's 2006 budget request assumed opening the Arctic Refuge to oil and gas exploration. The Administration estimates that the federal government would collect \$1.3 billion through lease bonuses over the 2006-2010 period (with \$1.3 billion distributed to the State of Alaska). CBO currently estimates that the federal government would net \$2.5 billion over the 2006-2010 period after distribution to Alaska, due to different economic assumptions. The House-passed budget resolution did not explicitly assume revenues from drilling in the Arctic, but did include reconciliation instructions to the Resources Committee totaling \$1.4 billion over the 2006-2010 period. This would accommodate the Administration's lease bonus estimates. The Senate-passed budget resolution, however, does explicitly assume federal revenues from drilling in the Arctic totaling \$2.5 billion over the 2006-2010 period (net amount after distribution to Alaska), and includes a reconciliation instruction to the Energy and Natural Resources Committee that accommodates this policy. An amendment to strike this provision was defeated 49-51 during Senate floor consideration.

House Budget Cuts Veterans' Benefits, Senate Budget Does Not — The House resolution includes instructions to the House Veterans' Affairs Committee to report \$798 million over five years in cuts to veterans' mandatory programs. The instructions provide no specific direction on which programs to cut, but the choices are limited, and the reduction only can be achieved in one of two ways: 1) reducing veterans' benefits, such as disability compensation; or 2) imposing new fees, such as health care enrollment fees and higher drug co-payments. The Senate resolution includes no similar provision.

Potential Rate Increases for Power Marketing Administrations (PMAs) — The President's budget changes the rate structure used by PMAs, shifting from a cost-based system to a market-based one. While details of the proposal were not clearly defined, the cost of electricity sold from federal dams could increase by 20 percent per year until rates are at an undetermined market level. Much of this power goes to rural electric cooperatives that operate at cost and have no choice but to pass the increase on to their consumers in the form of a rate increase.

The House-passed Republican budget included over \$20 billion in reconciliation cuts to the Energy and Commerce Committee. While the House-passed resolution did not make assumptions

about which policies could be considered to achieve the savings, the President's PMA proposal could certainly be among those considered by the Committee. The Senate-passed resolution did not assume the President's PMA proposal.