Summary of the Revised Conference Agreement on the FY 2002 Budget Resolution

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Updated: May 9, 2001

Conference Agreement on the 2002 Budget Resolution

The budget resolution agreed to by Republican conferees does not reflect the real priorities or meet the real needs of the nation. The conference agreement:

- **Calls for a tax cut that is much larger than we can afford.** The proposed cut of $1.35 trillion over 11 years is too big given the uncertainties of the economic and budget projections for those 11 years and the certainty of the budget pressures that will occur when baby boomers begin to retire in large numbers in the succeeding years.

- **Fails to set aside funds for reform of Social Security and Medicare.** There are no funds reserved to facilitate reforms in Social Security and Medicare that will allow those programs to cope with increasing demographic pressures without deep cuts in program benefits or a return to massive federal deficits.

- **Provides no funds to meet high priority domestic needs.** With total nondefense discretionary funding for 2002 limited to an amount that is $5.5 billion less than the amount CBO estimates is needed just to maintain funding at the 2001 level, adjusted for inflation, any increases for high-priority programs can be accomplished only if cuts are made in other programs.

  The conference agreement does not provide any specific increases even for those areas identified as high priority – for instance, appropriated education programs would receive no increase above CBO's baseline in 2002 or any other year. Both the Harkin and Breaux/Jeffords amendments were dropped from the final version.

- **Ignores substantial costs that everyone knows will be incurred.** The conference agreement does not include $8.5 billion in 2002 in additional funding that was added due to Senate passage of the Warner defense amendment, and it fails to include other funding to implement the recommendations that will result from the review of defense needs currently being undertaken by Defense Secretary Rumsfeld. Recent press reports indicate proposed increases for weapons procurement alone could total $25 billion per year.

- **Does not protect Social Security and Medicare.** The conference agreement does not guarantee that all of the Social Security and Medicare surpluses will be used only for the purposes of those programs and to pay down debt. In fact, when costs ignored in the conference agreement – such as the defense increases noted above, additional funds for education, and the cost of fixing the alternative minimum tax – are accounted for, the conference agreement would raid the Medicare Trust Fund by a total of $326 billion in 10 years and the Social Security Trust Fund by a total of $225 billion in seven years. Furthermore, it would allow Medicare Hospital Insurance (HI) Trust Fund surpluses to be used to pay for a new prescription drug benefit, which would move up the date of insolvency for that trust fund.

Table 1: Conference Agreement on the Budget Resolution for 2002

($ billions)	2002	2002-11
Projected Unified Surplus	**313**	**5,610**
Social Security/postal service	171	2,488
Medicare HI Trust Fund	36	393
Projected Available Surplus	106	2,729
Tax cuts	50	1,269
Economic stimulus *	15	15
Prescription drugs	0	300
Agriculture	7	74
Defense discretionary	5	40
Domestic discretionary	-3	-56
Other spending	12	87
Interest	7	498
Remaining surplus (contingency)	**12**	**504**

*The budget resolution contains $85 billion in economic stimulus in fiscal year 2001.

Tax Cut Is Too Big

The conference agreement calls for a tax cut of $1.35 trillion over the 11 years 2001-2011. (The $1.35 trillion includes $100 billion in economic stimulus that is shown in the budget resolution as spending but can be used to pay for tax cuts. It does not include revenue losses from assumed changes in fees or other policies that are not reconciled to the Ways and Means or Finance Committees.) The reconciliation instructions identify $100 billion in outlay increases and $1.25 trillion in revenue reductions in 2001 through 2011. Under the so-called "fungibility rule" in the Budget Act, these amounts could be used to fund a $1.35 trillion tax cut with no explicit stimulus component, despite Sense of Congress language included in the House reconciliation instructions that says that $100 billion is for an economic stimulus package in fiscal years 2001 and 2002.

The reconciliation instruction to the Senate Finance Committee does provide that $100 billion of the revenues and outlays contained in the instruction are available *only* in fiscal years 2001 and 2002. But, this does not reserve the $100 billion for a stimulus package. All $100 billion could be used to pay for proposed Bush tax cuts in 2002, allowing the $1.25 trillion to pay for bigger tax cuts in 2003 through 2011. It is unlikely that the Bush tax cuts contained in the reconciliation bill will cost the full $100 billion in 2002, but they are likely to cost at least $63 billion – the Joint Committee on Taxation's estimate of the cost of the bills the House has already passed to implement most of the Bush proposals plus the Administration's estimate of the cost of the parts of the Bush plan that have not yet been considered.

Even though a $1.35 trillion tax cut is less than the $1.6 trillion President Bush had argued was "just right," the size of the tax cut is still wrong. It is too large, given the uncertainty inherent in the economic and budget forecasts over the period covered by the resolution. And it is too large, given the certainty that the retirement of the baby boomers will put increasing pressure on the budget in the years just beyond.

While the tax cut in the conference agreement is too large from the standpoint of prudent budgeting, it may be too small to contain the competing claimants for those resources. Tax bills already passed in the House have a combined cost of nearly $1.6 trillion and do not yet include all the President's proposals. For example, making the R&E tax credit permanent enjoys widespread bipartisan support but is not included in the bills passed so far. Nor do the bills that have passed so far do much to address the growing alternative minimum tax (AMT) problem that will be exacerbated by rate cuts anything like those the President has proposed.

We have already seen an egregious example of the kind of gimmicks that might be used to fit an oversized tax cut into the available container in the House-passed repeal of the estate tax. The cost of the bill was scored at $186 billion over 2002-2011, but rates are phased down very slowly until 2011, when the tax is repealed. While the cost is less than $50 billion in 2011, it would be over $100 billion the following year. Indeed, if the estate tax were repealed immediately in 2002, the ten-year cost would approach $700 billion.

The conference agreement invites such gimmicks by backloading the timing of the tax cuts. Costs appear low in the early years but grow to full effect in the later years when there is a greater risk that they will prove unaffordable. The resolution also contains language that would allow the House to increase the funds available for a tax cut by any upward revisions in baseline surpluses that might result from the mid-session re-estimates of the budget.

The President's original tax plan included some elements whose benefits were widely shared among taxpayers, but overall the benefits were heavily tilted toward those with very high incomes. For example, the introduction of a new 10 percent tax bracket would provide tax relief for virtually anyone who pays income taxes, since everyone would pay the new lower rate on a portion of their income. However, cuts in higher rates would benefit a much smaller number of taxpayers, while adding substantially to the cost of the plan. Child credit provisions passed in the House also improve on the Bush plan by making them partially refundable for lower-income working families and not extending the upper-income limits on receiving the benefits. Whether the $1.35 trillion tax plan envisaged in the resolution is more or less equally distributed among taxpayers at different income levels than the original Bush plan will depend on which elements of the original plan are kept and which are modified.

No Funds for Social Security and Medicare Reform

The large surpluses projected for the next 10 years mask the large deficits we face in the following decades if no steps are taken to deal with a coming demographic tidal wave. Comptroller General David Walker testified before the Senate Budget Committee that, "We must not only respond to the legitimate needs of today but also take into account the longer term fiscal pressures that loom ever larger in coming decades as the nation ages and the baby-boom generation retires. Our long-term simulations ... show that spending for federal health and retirement programs eventually overwhelms even today's projected surpluses."

A necessary step in preparing to deal with these long-term pressures is the reform of Social Security and Medicare. Every serious plan to reform these programs assumes that a substantial amount of funds from the non-Social Security, non-Medicare part of the budget will be needed to facilitate the reforms, at least during a significant transition period. The alternative budget offered by Senate Democrats sets aside $750 billion over the next 10 years for this purpose. The conference agreement sets aside nothing for Social Security and Medicare reform. Without these funds, it will be much more difficult to make needed changes in Social Security and Medicare without creating a serious imbalance in the budget or a serious burden on beneficiaries and taxpayers.

No New Funds to Meet Needs in High Priority Discretionary Programs

The conference agreement assumes that discretionary appropriations (budget authority) will total $661.3 billion in 2002. That represents a $2.1 billion (0.3 percent) reduction below the amount that CBO estimates is needed just to maintain funding at the 2001 level, adjusted for inflation. (It is 4.1 percent above the level of appropriations scored for 2001.)

The conference agreement assumes that discretionary appropriations for defense will be $325.1 billion in 2002, $3.3 billion above CBO's baseline with full inflation. Nondefense appropriations are set at $336.2 billion in 2002, $5.5 billion below the level needed to keep pace with inflation.

Table 2: Discretionary Totals for 2002

	Defense		Nondefense		Total	
($ billions)	BA	O	BA	O	BA	O
Conference agreement	325.1	319.4	336.2	363.4	661.3	682.8
Changes from:						
Senate-passed budget	-9.7	-7.7	-17.4	-8.1	-27.1	-15.8
CBO baseline	+3.3	+5.3	-5.5	-3.0	-2.1	+2.3

The conference agreement assumes that both defense and nondefense budget authority will grow at the rate of inflation in 2003 through 2011 from the levels assumed for 2002. Defense appropriations for 2002 through 2011 are $38 billion above CBO's baseline and nondefense funding is $62 billion below the baseline.

Because a reduction is assumed for overall funding for nondefense programs, any increases for high priority programs can be accommodated only to the extent that even deeper cuts are made in other programs. Thus, claimed increases in funding for education will have to come at the expense of other programs.

Conferees were apparently unwilling to specify where cuts should be made to pay for claimed increases. Thus, the conference agreement shows discretionary spending at CBO's baseline levels for every budget function except defense and except for a negative amount in function 920 (allowances) that brings the total to the assumed level. So despite claims that the conference agreement provides for increases in education, health care research, and other high priority programs, none of these increases – and none of the cuts that would have to pay for them -- are reflected in the functional numbers in the budget resolution.

Ignores Costs That Will Be Incurred

In order to make it appear that a massive tax cut is affordable, the conference agreement simply ignores substantial costs that are virtually certain to be incurred. For instance, the conference agreement does not include any additional spending for defense that will occur as a result of recommendations that will come from Defense Secretary Rumsfeld's ongoing review of Pentagon needs. Recent press reports suggest that the Secretary may recommend increases of $25 billion a year above the President's budget just for weapons procurement. When additional increases in funding related to personnel are included, the amounts that are expected to be provided but are not reflected in the conference agreement could total $400 billion or so over the next 10 years. The additional funding likely to be added would result in outlays totaling at least $370 billion in 2002 through 2011.

In addition, based on comments in the press by Congressional Republicans, the $1.35 trillion tax cut assumed in the conference agreement is not likely to include the costs of reforming the alternative minimum tax (AMT). But it is clear that Congress will eventually deal with the AMT. The AMT, which was enacted to ensure that wealthy individuals cannot largely or entirely avoid paying income taxes by engaging in tax shelter activities, currently affects fewer than 2 million taxpayers. Because of certain features of the AMT (in particular, because the AMT exemption amounts are not indexed for inflation) the number of people affected by the AMT will grow to 21 million by 2011 if there are no changes in tax laws. According to the Congressional Joint Committee on Taxation (JCT), the tax cuts proposed by President Bush and assumed by the conference agreement would increase the number of taxpayers affected by the AMT to 36 million in 2011. Such an increase means that some 15 million taxpayers would not get the full benefit of the tax cuts promised by the President and the conference agreement. It is virtually certain that

Congress and the President will eventually act to reform the AMT and ensure that taxpayers do get the full benefit of the promised tax cuts. The JCT estimates that it will cost an additional $292 billion in 2002 through 2011 to achieve that result.

The conference agreement also does not reflect the cost of an amendment to the education bill adopted by the Senate that provides new mandatory spending totaling $149 billion over the next 10 years to help cover the costs of complying with the Individuals with Disabilities Education Act. Nor does the conference agreement reflect the likely costs of responding to natural disasters and other emergencies in the coming decade. Simply assuming that emergency spending over the next 10 years will on average equal the amounts spent in recent years would add $55 billion in outlays to the spending included in the resolution.

No Real Protection for Social Security and Medicare Trust Fund Surpluses

The conference agreement does not provide a sufficient guarantee that Social Security and Medicare Hospital Insurance trust fund surpluses will be used only for the purposes of those programs and to pay down the debt. The conference agreement assumes that the tax cuts and spending increases included in the conference agreement will not eat into the Social Security or Medicare surpluses, but it does not provide a real lock box procedure that will ensure that the trust funds will be protected. Furthermore, the conference agreement ignores the costs cited above. As shown in Table 3, when those virtually certain costs (and the resulting increase in interest payments) are taken into account, the Medicare HI Trust Fund surplus is raided in 10 years to the tune of $326 billion, and the Social Security Trust Fund is raided in seven years by a total of $225 billion.

Table 3: Final Conference agreement Threatens Social Security and Medicare

($ billions)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Surplus in Budget	1	12	19	24	16	13	33	46	75	118	149
Defense	0	13	21	27	32	37	45	48	49	49	49
AMT	0	1	4	7	13	21	37	43	49	56	63
IDEA (S. 1)	0	0	6	10	13	15	18	20	21	22	23
Average emergencies	0	2	4	5	6	6	6	6	6	7	7
Interest on changes	0	0	2	4	7	11	17	24	32	41	51
Remaining surplus	1	-5	-16	-28	-55	-78	-90	-95	-83	-57	-43
Raid on Medicare	0	-5	-16	-28	-40	-44	-41	-41	-39	-37	-34
Raid on Social Security . .	0	0	0	0	-15	-34	-48	-54	-44	-20	-9

Mandatory Spending Assumptions in Conference Agreement

The conference agreement adds an additional $460 billion in new mandatory spending. The majority of this spending is for heath-related needs: prescription drugs ($300 billion), home health care provider addbacks ($14 billion), expanded health care coverage ($28 billion), and the Family Opportunities Act ($7.9 billion). These and other major mandatory changes are described below.

Prescription drugs. The conference agreement includes $300 billion for prescription drugs in the resolution function totals – $147 billion above the funding proposed in the President's budget. The resolution rejects the President's Immediate Helping Hand proposal, and allocates all $300 billion to the Medicare program beginning in 2004. The resolution contains reserve fund language that withholds the allocation of these funds until legislation providing the new benefit is reported by the Finance Committee. (The reserve fund adjustments cannot be made to floor amendments offered to unrelated legislation.) The resolution allows spending on prescription drugs to reduce the on-budget surplus below the level of the Medicare Hospital Insurance Trust Fund surplus in any year, up to $300 billion over the period 2004-2011. The prescription drug benefit is not reconciled in either the House or the Senate.

Medicare home health provider addbacks. The conference agreement contains an additional $13.7 billion over ten years to pay for legislation that repeals the 15 percent reduction in payments under the Medicare program to home health agencies enacted by the Balanced Budget Act of 1997, which is now scheduled to go into effect on October 1, 2002. Although these amounts are included in the budget totals, reserve fund language withholds the allocation of these funds to the Finance Committee until a bill is reported that eliminates the 15 percent reduction. The language also stipulates that the reserve funds cannot be allocated to legislation that would reduce the surplus below the level of the Medicare HI Trust Fund surplus for any fiscal year or to amendments offered to unrelated legislation. This new spending is not reconciled.

Agriculture programs. The conference agreement provides $79 billion in additional resources for agriculture over the 11-year period 2001-2011. The total is much closer to the level first proposed in the Democratic amendment on agriculture that the full Senate narrowly rejected on April 3.

Of the total, $5.5 billion is provided in 2001 and $7.35 billion in 2002, including an additional $350 million in 2002 for agricultural conservation programs. Unfortunately, the increase for the current fiscal year (2001) is far less than the level of emergency aid provided to farmers in recent years and $3.5 billion less than the Senate-approved amount for 2001 – woefully short given the continued collapse in farm commodity prices.

The resolution holds the remaining additional funds for agriculture ($66.15 billion over 2003-2011) in a reserve fund pending reporting of a new Farm Bill. (The House is allowed to shift some of those funds into 2002.) In so doing, the conference agreement wisely rejects the House approach that would have required the Agriculture Committee to report a narrowly focused Farm Bill commodity title by July 11 of this year in order to receive an unspecified increase in funding. With the specific additional resources provided by the conference agreement in the reserve fund, the

Agriculture Committee can now focus its efforts on developing an appropriately comprehensive Farm Bill that includes income safety net, conservation, trade, nutrition, research, credit, and other essential provisions.

Reserve Fund for Family Opportunities Act (FOA). The conference agreement includes the Grassley-Kennedy amendment creating a reserve fund for the Family Opportunities Act with $180 million in 2002 and totaling $7.9 billion in outlays over ten years. The FOA will allow parents of children with disabilities to buy into Medicaid.

Expanding Coverage for the Uninsured. The conference agreement includes $28 billion in funding for expanded health insurance coverage added in the Senate by the Smith/Wyden amendment. The conference agreement allows these funds to be spent through the three year period of fiscal years 2002 through 2004 and to be used to provide tax deductions related to the purchase of health insurance. The conference agreement also authorizes the chairman of the appropriate Committee on the Budget to allocate these resources over a period of time longer than three years.

Refundable Piece of Health Tax Credit. The conference agreement includes the $18.7 billion to pay for the refundable portion of the President's health tax credit proposal.

Tightening of Upper Payment Limit (UPL). The conference agreement includes the President's proposal to close the Medicaid UPL loophole, for a savings of $12 billion over ten years.

Veterans Education. The conference agreement assumes the House version of the increase in the Montgomery GI Bill education benefits of $228 million in 2002 and $8.1 billion over ten years. The Senate-passed resolution included $775 million in 2002, $4.3 billion for the period 2002 through 2006, and $10 billion over ten years.

Extension of Expiring Omnibus Budget Reconciliation Act of 1990 Provisions. The conference agreement assumes permanent extension of expiring provisions dealing with several IRS income verification procedures on means-tested veterans and survivor benefits, limitations on VA pensions for Medicaid recipients in nursing homes, and housing loan fees, which produce a total of $2.6 billion in savings over ten years.

Burial Benefits. The conference agreement includes an increase in veterans burial benefits of $36 million in 2002 and $473 million over ten years.

Temporary Assistance to Needy Families Supplemental Grants (TANF Supplemental). The conference agreement assumes an additional $319 million to extend TANF Supplemental grants in 2002.

Child Tax Credit. The conference agreement assumes $7.7 billion in spending over 10 years to pay for the refundable credits associated with the President's proposal to double the child tax credit.

Effect of H.R.3 on Refundable Portions of EITC and Child Credit. The conference agreement assumes provisions of H.R. 3 which spend $10.8 billion over ten years on limited correction of interactions among the alternative minimum tax (AMT) and the refundable portions of the EITC and Child Tax Credit, rate reductions and income bracket alterations.

TANF/Charity State Tax Credit. The conference agreement assumes the President's proposal amending the TANF program to permit states to use TANF block grant funds to offset any revenue losses because of state income tax credits for charitable reductions. The proposal costs $60 million over 10 years.

Social Services. The conference agreement includes $600 million in budget authority over 10 years for the President's Older Foster Care Initiative and $2 billion for his Promoting Safe and Stable Families proposal.

Student Loans. The conference agreement assumes $82 million in budget authority over 10 years for the President's proposal to expand existing student loan forgiveness limits from $5,000 to $17,500 for math and science teachers who teach those subjects in high-need schools. The conference also includes a reserve fund of $7.7 billion in budget authority and $6.6 billion in outlays over 11 years for a new provision to continue the interest rate formulas in the student loan programs which currently are set to expire on July 1, 2003.

Spectrum. The conference agreement assumes the President's proposal to raise $1.8 billion in spectrum receipts over 10 years by postponing the auction of a certain portion of the analog spectrum scheduled for 2002 to 2004 and the auction of another portion of the spectrum from 2002 to 2006.

Radiation Exposure Compensation. The conference agreement supports the Senate's approval of the President's proposal to provide mandatory benefits to uranium miners and other workers who are eligible for compensation under the Radiation Exposure Compensation Act (RECA). Under current law these benefits are provided through discretionary accounts. The net new cost of this mandatory benefit is $440 million from 2002 to 2011.

2001 Defense Supplemental. The conference adds $6.5 billion in discretionary budget authority for a 2001 defense supplemental, a measure urgently requested by the military services in January, but not included in the Senate or House resolutions. Even so, the conference report's supplemental is $600 million lower than the supplemental in the Democratic alternative and insufficient to make up increasingly serious shortfalls in accounts related to readiness, pay, housing, and health care.

Language Provisions

Reconciliation instructions. The conference agreement contains reconciliation instructions directing the House Ways and Means Committee and the Senate Finance Committee to report legislation no later than May 18, 2001 reducing revenues by up to $1.25 trillion over the period

2001-2011, and increasing spending by up to $100 billion over the period 2001-2011, provided that $100 billion of the tax cuts and spending increases shall only be available for fiscal years 2001-2002. The instructions state that the reconciliation bill may not, when taken together with all other previously-enacted legislation other than any Medicare prescription drug or home health addback legislation, reduce the on-budget surplus below the level of the Medicare Hospital Insurance Trust Fund surplus in any year covered by the budget resolution. In addition, the instructions express the sense of the Congress that of the total amount reconciled, $100 billion will be for an economic stimulus package over the next two years.

Restrictions on advance appropriations. The conference agreement places restrictions on advance appropriations in both the House and Senate. In the Senate these restrictions are enforced with a supermajority point of order, which operates like the Byrd rule, against provisions of legislation that would provide an advance appropriation (defined as any discretionary new budget authority making general or continuing appropriations for fiscal year 2002 that first becomes available for any fiscal year after 2002), except for certain fiscal year 2003 projects identified in the statement of managers and appropriations for the Corporation for Public Broadcasting.

Discretionary spending cap. The conference agreement includes a mechanism for purposes of Senate enforcement that allows discretionary spending in 2002 to be increased to $661.3 billion in budget authority and $682.8 billion in outlays once the statutory caps on discretionary spending are increased.

Defense/nondefense firewall. The conference agreement includes a firewall for purposes of enforcing separate limits on defense and nondefense discretionary spending in 2002, with caps at $325.1 billion in budget authority for defense and $336.2 billion in budget authority for nondefense. These separate caps are enforced with a supermajority point of order in the Senate, with an exception if a declaration of war is in effect.

House treatment of Social Security administrative expenses. Notwithstanding the off-budget status of Social Security, the conference agreement requires the House to include in its 302(a) allocation to the Appropriations Committee amounts for the discretionary administrative expenses of the Social Security Administration.

Reserve fund for Medicare prescription drugs and payments to home health agencies. The conference agreement includes a reserve fund that will allow the 302(a) allocations to the Senate Finance Committee, House Ways and Means Committee, and House Energy and Commerce Committee to be increased by up to $300 billion over the next ten years for legislation that reforms Medicare and improves the access of Medicare beneficiaries to prescription drugs, and by up to $13.7 billion over the next ten years to accommodate legislation for Medicare payments to home health agencies, provided that the home health legislation would not reduce the on-budget surplus below the level of the Medicare Hospital Insurance Trust Fund surplus. Allocations may not be increased for floor amendments offered to unrelated legislation.

Reserve fund for Family Opportunity Act. The conference agreement includes a reserve fund allowing the Chairman of the Budget Committee to increase the 302(a) allocations to the

Senate Finance Committee and House Energy and Commerce Committee by up to $8.3 billion in budget authority and $7.9 billion in outlays over ten years for legislation that will allow states to expand Medicaid coverage for children with special needs, provided that the legislation would not reduce the on-budget surplus below the level of the Medicare HI Trust Fund surplus.

Reserve fund for agriculture. The conference agreement includes a reserve fund that allows the House and Senate Agriculture Committees' 302(a) allocations to be increased by up to $66.15 billion over the total of fiscal years 2003 through 2011 to accommodate farm bill reauthorization, as long as the legislation would not reduce the on-budget surplus below the level of the Medicare Hospital Insurance Trust Fund surplus.

Reserve fund for additional tax cuts and debt reduction in the House. If CBO's budget and economic update estimates on-budget surpluses are higher than previously projected, the conference agreement allows the Chairman of the House Budget Committee to dedicate any such increases to additional tax cuts (including revisions to the resolution's reconciliation instructions) and additional debt reduction, or any combination of those two purposes. Unlike the other reserve funds in the conference agreement, this reserve fund does not contain any proviso protecting the Medicare Hospital Insurance Trust Fund.

Reserve fund for student loans. If the Senate Health, Education, Labor, and Pensions Committee or the House Committee on Education and the Workforce reports legislation providing additional resources to repeal the replacement interest rate structure for student loans scheduled to occur on July 1, 2003, the 302(a) allocations to those committees may be increased by up to $7.7 billion in budget authority and $6.6 billion in outlays over the period of fiscal years 2001 through 2011, as long as the legislation would not reduce the on-budget surplus below the level of the Medicare Hospital Insurance Trust Fund surplus.

Reserve fund for expanded health insurance coverage. If the Senate Finance Committee or House Energy and Commerce or Ways and Means Committees report legislation that provides health insurance for the uninsured (through increased spending or a new tax deduction), the conference agreement allows spending and revenue aggregates and committee allocations in the House and Senate to be revised by a total of up to $28 billion over the period 2002-2004 (but the resources can be allocated over a longer period of time), as long as the legislation would not reduce the on-budget surplus below the level of the Medicare Hospital Insurance Trust Fund surplus.

Reserve fund for defense in the Senate. The conference agreement includes a reserve fund in the Senate stating that if the President submits a budget amendment and the Senate Appropriations Committee or Armed Services Committee reports legislation providing additional resources for defense spending in response to the President's National Defense Review, the Chairman of the Senate Budget Committee may increase that committee's 302(a) allocation for fiscal year 2002 by the amount of that legislation, as long as it would not reduce the on-budget surplus below the level of the Medicare Hospital Insurance Trust Fund surplus.

Strategic reserve fund in the House. The conference agreement includes a reserve fund allowing the House Budget Committee Chairman to revise 2002 aggregates and allocations for a

Defense Appropriations bill, and to revise 2002-2011 aggregates and allocations for defense authorizing legislation, prescription drug legislation and “any other appropriate legislation,” as long as the legislation would not reduce the on-budget surplus below the level of the Medicare Hospital Insurance Trust Fund surplus.

Enforcement in the Senate. The conference agreement states that for purposes of enforcing the Congressional Budget Act and the budget resolution in the Senate, measures discharged pursuant to S. Res. 8 shall be considered as if they were reported by the committee of jurisdiction.

Sense of the Senate provisions. The conference agreement includes provisions expressing the sense of the Senate on conservation, AIDS and other infectious diseases, consolidated health centers, Department of Justice programs for state and local law enforcement assistance, Coast Guard funding, food safety, renewable energy research and development, and increased education funding.

Sense of the Congress provisions. The conference agreement includes provisions expressing the sense of the Congress on asset building for the working poor, federal fire prevention assistance, funding for graduate medical education at children’s teaching hospitals, concurrent retirement and disability benefits to retired members of the armed forces (the conference agreement dropped a provision added in the Senate that provided $40 billion for this purpose), federal employee pay, and sales tax deductions.

Prepared by Senate Budget Committee Democratic Staff
May 9, 2001