SUMMARY
CHAIRMAN'S MARK
FY 2011 SENATE BUDGET RESOLUTION

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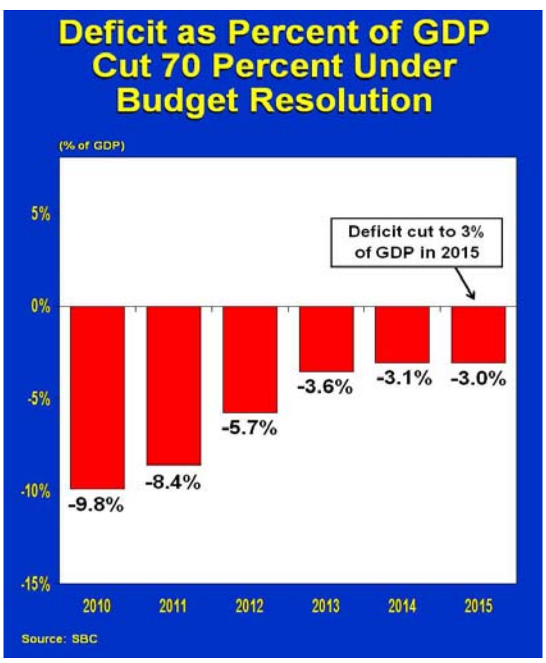
Cutting Spending and Deficits, While Making Investments to Strengthen Nation's Recovery and Promote Economic Growth

The Chairman's Mark for the Fiscal Year 2011 Senate Budget Resolution cuts spending and deficits, while making critical investments to strengthen the nation's economic recovery and promote long-term economic growth. It cuts spending as a share of the economy by 11 percent. It cuts the deficit as a share of the economy by 70 percent, bringing the deficit down to 3.0 percent of GDP by 2015. It includes $671 billion more deficit reduction than President Obama's budget. It cuts taxes by $780 billion. And it invests in education and energy, laying the foundation for long-term economic security.

Cutting Spending and Deficits

The Chairman's Mark cuts spending and the deficit over the five years of the plan. Specifically, it cuts spending as a share of the economy by 11 percent, from 25 percent of GDP in 2011 to 22 percent in 2013 through 2015. A large portion of this reduction is due to restraints on non-security discretionary spending. The Chairman's Mark freezes all non-security discretionary spending for three years, from 2011 through 2013. These levels are enforced with spending caps in each of the three years. And the Chairman's Mark cuts discretionary spending by $4 billion below the President's requested level in 2011.*



The Chairman's Mark cuts the deficit as a share of the economy by 70 percent, from 9.8 percent of GDP in 2010 to 3.0 percent in 2015. In dollar terms, the Chairman's Mark reduces the deficit from $1.4 trillion in 2010 to $545 billion in 2015. It includes $671 billion more deficit reduction than the President's budget over five years.

And the plan retains crucial budget enforcement provisions. It ensures that the Senate paygo rule is coordinated with the statutory paygo rule enacted this year. It also continues the requirement that reconciliation be used for deficit reduction only.

Importantly, the estimates of deficit reduction included in the Chairman's Mark are based on CBO's January 2010 economic assumptions, which were not revised in CBO's March baseline. Since January, the near-term economic outlook has improved further, so actual deficits under the Chairman's Mark could end up being lower than projected.

Addressing Long-Term Fiscal Challenges

While the Chairman's Mark makes important progress on the deficit over the five years of the plan, more will be needed to put the nation on a sound long-term fiscal course. The historic comprehensive health care reform legislation enacted this year will make an important contribution to addressing the problem of rising health costs, the largest cause for the projected long-term fiscal imbalance. To further address the imbalance, President Obama has established by executive order a bipartisan fiscal commission, known as the National Commission on Fiscal Responsibility and Reform. The Chairman's Mark includes a deficit-reduction reserve fund to ensure savings from the President's commission cannot be spent and are used to reduce deficits and debt.

Strengthening Recovery and Promoting Economic Growth

Congress has taken a number of steps this year to strengthen the nation's economic recovery, including providing tax cuts to encourage businesses to hire and retain workers, increasing the amount small businesses can expense for capital investments, expanding financing options for investments in infrastructure, and extending authorization for surface transportation programs to ensure highway and transit projects continue through the summer construction season. And Congress continues to work on legislation to extend Unemployment Insurance (UI) benefits and other provisions to aid the economic recovery.

The Chairman's Mark takes additional steps to promote economic growth. It prioritizes discretionary programs that can have positive effects on employment, including investments in infrastructure, manufacturing, and trade promotion. It also provides assistance to small businesses. And it includes a reconciliation instruction that can be used later in the year for jobs legislation, as well as reserve funds that can facilitate passage of other bills promoting employment growth.

Middle-Class Tax Relief

The Chairman's Mark provides net tax relief of $780 billion over the five years of the plan, targeted largely on the middle-class. It reflects the permanent extension of the 2001 and 2003 income tax provisions for couples with incomes below $250,000 and singles with income below $200,000. This is consistent with the exemptions provided in the statutory paygo law enacted earlier this year. The policies extended include: the 10 percent bracket; the Child Tax Credit; marriage penalty relief; the 25 and 28 percent brackets, and part of the 33 percent bracket; capital gains and dividends tax relief; and tax incentives for families.

The Chairman's Mark provides for two years of AMT relief and for two years of estate tax reform reflecting the 2009 estate tax levels, with an exemption of $3.5 million ($7 million for a couple) indexed for inflation. These policies are also consistent with the exemptions included in the new statutory paygo law. For the AMT and estate tax, the Chairman's Mark assumes the cost beyond two years will either be paid for or resolved in the context of tax reform being considered by the President's fiscal commission.

In addition, the Chairman's Mark reflects other tax proposals from the President's budget, which are paid for. These include proposals to encourage savings by expanding the existing "savers credit," requiring employers that do not offer 401(k)s to offer automatic enrollment in IRAs, allowing employees to contribute to IRAs through payroll tax deductions, and doubling the tax credit for small employer retirement plan start up costs.

The Chairman's Mark also provides for continuing through 2011 expiring tax provisions ("extenders"), such as the R&E tax credit, the deduction for state and local sales taxes, and a range of energy incentives. It includes provisions to promote small business investment, manufacturing, and infrastructure. And it includes a reserve fund for additional tax relief and tax reform.

Supporting Our Troops

The Chairman's Mark is strong on defense. It matches President Obama's proposed defense budget for 2011 of $574 billion and war costs of $159 billion. The Chairman's Mark also provides for the additional $33 billion in 2010 requested by the President for the Department of Defense to fund ongoing operations.

Investing in Education and Energy

Within the context of a budget plan that freezes non-security discretionary spending for three years, the Chairman's Mark still makes room for important investments in education and energy. These investments help lay the foundation for long-term economic strength and prosperity.

The Chairman's Mark invests in education by providing increases for early education, allowing for reforms to improve teaching and student learning, and funding programs to educate, support, and prepare students for college and career. It assumes a total maximum Pell grant award of $5,550 in 2011, which is consistent with the reconciliation legislation the President signed into law earlier this year.

In the area of energy, the Chairman's Mark provides resources to continue to reduce our dependence on foreign sources of energy, while creating clean energy jobs here at home. Specifically, it continues investments in alternative and clean energy technology, energy efficiency, and modernization of our energy infrastructure.

*Congressional appropriators will also need to address a $5.5 billion shortfall to accommodate additional Pell funding. The President's budget included this additional Pell funding on the mandatory side. However, in the recently-enacted reconciliation legislation, Congress rejected that approach and chose to continue funding most of Pell out of discretionary funds. The Chairman's Mark assumes that the increase for Pell is fully funded, including the $5.5 billion shortfall, and that appropriators will reduce funding in other areas to make up the $5.5 billion difference.