THE CHAIRMAN'S MARK: FY 2009 SENATE BUDGET RESOLUTION

Overview

The Chairman's Mark for the Fiscal Year 2009 Senate Budget Resolution is a budget plan that focuses on strengthening the economy, creating jobs, and making America safer. It responds to the current economic slowdown by providing additional stimulus for the economy and tax relief for the struggling middle class. And it creates the building blocks for future economic growth by making needed investments in energy, education, infrastructure, and health care. These investments will:

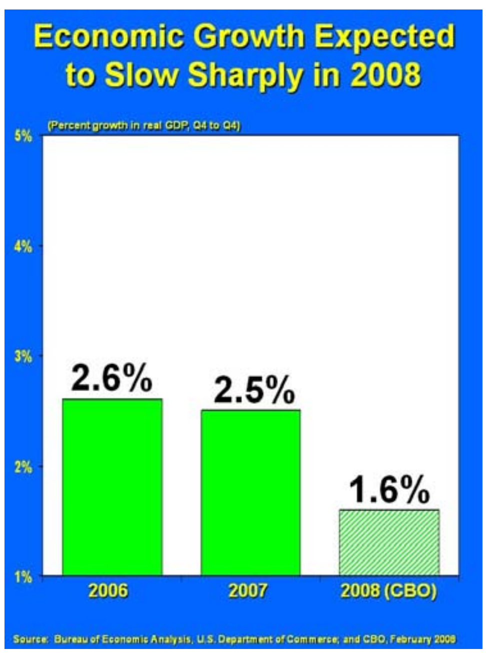
- reduce America's dependence on foreign energy;
- prepare the nation's workforce to compete in the global economy;
- increase productivity by repairing crumbling roads, bridges, transit, and airports; and
- improve the health care of families and children.

The Chairman's Mark makes America safer by supporting our troops, our veterans, and our law enforcement officers. And it achieves these goals in a fiscally-responsible way, reaching balance in 2012 and 2013, without raising taxes.

Responding to Economic Slowdown

The Chairman's Mark recognizes that strengthening the economy now is essential for us to tackle the challenges of tomorrow. It therefore provides a proactive response to the country's current economic slowdown.

Economic growth has slowed to a crawl – just six-tenths of one percent in the fourth quarter of last year. Homebuilding and home sales have collapsed. Energy costs are soaring. Unemployment is up. Consumer confidence is down. And the middle class is being squeezed.



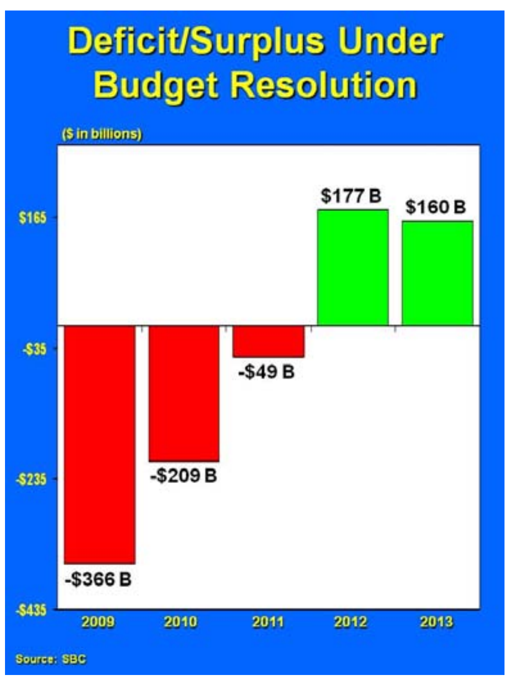
In February, the Democratic Congress led the way by moving quickly to pass a stimulus package to provide rebate checks to working families, seniors, and disabled veterans, and to encourage business investment. This package was a good start, but more needs to be done.

The Chairman's Mark provides room for additional stimulus to get the economy moving again. It gives Congress the opportunity to take additional action to help those most in need during the current slowdown. These initiatives could include Unemployment Insurance (UI) benefits for the long-term unemployed, a temporary increase in Food Stamp benefits, and state fiscal relief – all measures that experts have determined will provide significant stimulus for the economy. Other possible initiatives include assistance to those caught in the housing downturn, funding for "ready-to-go" infrastructure projects that can quickly inject money into the economy and create jobs, and help for families struggling with high heating bills.

Returning to Sound Fiscal Course

Unfortunately, the budget has deteriorated dramatically on President Bush's watch. His fiscal policies, which have been rubber-stamped by Republicans in Congress, have completely wiped out the record $5.6 trillion surplus projected when he took office. And gross debt has exploded – rising from $5.8 trillion in 2001 to an estimated $9.6 trillion by the end of this year. And this debt is accumulating at the worst possible time, with the baby boom generation beginning to retire this year.

As an important first step in restoring our nation's fiscal security, the Chairman's Mark brings the budget back into balance – reaching a surplus of $177 billion in 2012 and $160 billion in 2013. Gross debt as a share of GDP will begin to fall after 2009. And spending as a share of GDP will decline in every year after 2009. The plan also retains crucial budget enforcement provisions, such as a strong paygo rule and allowing reconciliation for deficit reduction only.



Providing Tax Relief
The Chairman's Mark prevents more than 20 million Americans from being thrown onto the Alternative Minimum Tax (AMT) by providing a one-year extension of AMT relief. It provides tax relief to make college more affordable, and encourage investment in alternative energy technologies. It extends important tax provisions, such as the research and development tax credit and the deduction for state and local sales taxes. It includes a reserve fund to allow for new tax relief or the extension of other expiring tax provisions, if the cost of these measures is offset. And it calls for additional measures to close the tax gap, address offshore tax havens, and shut down tax scams.

The country must tackle major tax issues before the Bush tax cuts expire in 2010. The tax code will need to be simplified and reformed, so that rates can be kept low, while still generating enough revenue to allow for a sustainable fiscal policy over the long term. But given the Bush administration's refusal to work with Congress in a cooperative and bipartisan fashion on revenue issues, these simplifications and reforms are more likely to be addressed next year, once a new administration has taken office.

Supporting Our Troops
The Chairman's Mark matches the President's core defense budget and the President's request for additional war costs. While the war funding request in the President's budget is insufficient for a full year's costs under his policy of a long-term commitment in Iraq, the Chairman's Mark's war funding will cover expenses for about the first six months of the next administration, and longer still under the policies preferred by most Democrats in Congress.

Rejecting Bush / Republican Cuts in Domestic Priorities
The Chairman's Mark rejects the President's proposals to again cut domestic priorities. In addition to making critical investments in energy, education, infrastructure, and health care, it provides badly needed resources in other key areas that have been underfunded by the Bush administration, such as veterans' medical care, first responders, law enforcement, and community development.

Beginning to Address Long-Term Fiscal Challenge
The nation faces a long-term challenge with the retirement of the baby boom generation. However, the rising cost of health care poses an even larger threat to our long-term budget outlook.

In an effort to appear to be addressing this issue, the President proposes deep cuts in Medicare and Medicaid. These cuts would shift costs and reduce access to health care, while doing little to address the underlying causes of the rising cost of health care. The Chairman's Mark recognizes that a real solution to our long-term fiscal imbalance must address this underlying rising cost.

The Chairman's Mark takes an important step to begin addressing this threat. It includes a comparative effectiveness reserve fund to allow for a new initiative to generate objective and credible research about the comparative effectiveness of different health care services and treatments. This research could be used by patients and providers to make better health care decisions, reduce ineffective care, and improve health outcomes. The budget also supports on-going comparative effectiveness research at the Agency for Healthcare Research and Quality.

The Mark also includes a health care reform reserve fund so that legislation could be adopted to improve health care and provide quality health insurance for the uninsured and underinsured.

The Chairman's Mark also renews a point of order against increasing the long-term deficit, to prevent new mandatory spending and tax cuts that would worsen our long-term budget outlook.

The Chairman's Mark recognizes that our long-term fiscal imbalance is a challenge too large to be handled by one party alone. Democrats and Republicans will need to come together to reach a balanced, bipartisan solution to this challenge.

The Congressional Budget Resolution
The annual budget resolution allows Congress to express its collective judgment on the overall level of spending, revenue, deficit, and debt, and the priorities and values within those totals. Upon adoption by the House and Senate, the budget resolution serves as a blueprint that guides subsequent Congressional consideration of legislation.

Section 301 of the Congressional Budget Act of 1974 sets forth the requirements of the budget resolution. As a concurrent resolution – a special legislative vehicle that applies only to the operations of the House and Senate – a budget resolution is not presented to the President for signature and does not have the force of law. As such, it does not directly change spending, revenues, or debt levels, but does establish levels which are enforced by congressional points of order.

The Baseline
The baseline is a neutral benchmark of spending, revenues, deficits, and debt under current laws and policies, and is the starting point for developing the annual budget resolution.

The Budget Committee uses as its baseline the projections made by the Congressional Budget Office (CBO) in its January 2008 *The Budget and Economic Outlook: Fiscal Years 2008 to 2018*, as revised and updated in CBO's March 2008 *Preliminary Analysis of the President's Budget Request for 2009*. In preparing those projections, CBO followed the rules and guidelines contained in section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985 (the Deficit Control Act).

For discretionary spending (which is controlled by annual appropriations acts), the baseline rules provide that projections assume that discretionary appropriations are maintained at the level enacted in the current year (in this case, fiscal year 2008), adjusted for inflation. These rules are the same for both emergency and nonemergency appropriations. For instance, the CBO March 2008 baseline projects throughout the baseline period the $88 billion in emergency funding already provided for ongoing military operations and related defense spending in 2008, but does not assume the President's requested supplemental funding in 2008 of $108 billion for ongoing military operations.

For mandatory spending and revenues, which are usually governed by permanent law and do not require annual Congressional action, the baseline rules generally require that projections reflect current law. There are exceptions. In the case of mandatory spending, programs in place in 1997 with outlays of $50 million or more in the current year are assumed to continue throughout the baseline period even if they actually expire under current law. (Table 3-6 on pages 70 and 71 of CBO's January 2008 *The Budget and Economic Outlook: Fiscal Years 2008 to 2018* lists the programs that the baseline assumes will continue beyond their expiration dates.) In the case of revenues, any excise tax dedicated to a trust fund is assumed to continue in the baseline even if it is scheduled to expire under current law. The Committee notes that the baseline and scoring rules combine to treat mandatory spending and revenues in a symmetrical and equivalent manner. Whether spending *or* revenue, the budget rules ensure consistency. That is, sunset dates are either *ignored* at both stages (scoring of legislation and baseline) or *recognized* at both stages.

Although section 257 of the Deficit Control Act expired on September 30, 2006, CBO continues to follow its guidelines and rules in constructing the baseline. The Committee expects CBO to continue this practice until Congress replaces or amends section 257.

Stimulus: Responding to the Economic Slowdown

The Democratic Congress has already moved swiftly to address the weakness in the economy, enacting a stimulus package in February with rebates for American workers and families, as well as for seniors and disabled veterans. The measure also provided incentives for businesses to boost investment spending.

Despite this stimulus, it is clear that more will be needed to provide lift to the economy and mitigate the impact of the slowdown on workers and families. The Chairman's Mark, therefore, provides the option for $35 billion for additional stimulus, including tax relief and mandatory and discretionary programs.

During the discussion of the first stimulus package, economists identified a number of effective means of stimulating the economy. Among those with the highest "bang for the buck" were unemployment benefits, Food Stamps, and state fiscal relief. The Mark assumes that the committees of jurisdiction will review these and other measures to help those hardest hit by the slowdown and to spur the economy toward recovery. Possible forms of additional stimulus could include:

- *Housing* – The Senate has already begun debate of the Foreclosure Prevention Act. This pending legislation includes funding for the Community Development Block Grant (CDBG) program to fund state initiatives to address the housing crisis. With budgets of state and local governments increasingly strained by the economic slowdown, the additional CDBG assistance will give states the opportunity to offer help. In addition, it provides funds for housing counseling to assist homeowners who are facing foreclosure and help them keep their homes. The measure also includes provisions recommended by the Senate Finance Committee to provide a one-year increase in mortgage revenue bond authority to the states and to assist homebuilders and other hard-hit businesses by extending the carry back period for net operating losses (NOLs) from two years to five years.

- *Unemployment Benefits* – As part of its initial stimulus package, the Senate Finance Committee recommended making unemployment benefits available for an additional 13 weeks for unemployed workers and providing an additional 13 weeks for those living in states with high unemployment.

- *Infrastructure* – During the first debate on stimulus, more than 3,000 "ready-to-go" infrastructure projects were identified. An investment in these projects will not only repair roads and bridges, but it will create jobs and improve economic growth, and start the process of reversing the Bush administration's underfunding of infrastructure.

- *LIHEAP and WIC* – Two programs that provide timely assistance to those most in need during an economic downturn are the Low-Income Home Energy Assistance Program (LIHEAP), which helps low-income families cope with rising energy bills, and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC).

- *Summer Jobs* – The Summer Jobs program can provide an immediate stimulus to the economy, as teens will spend the money they earn. In addition to contributing to local economies, this program provides many teens with their first jobs, which can increase their long-term workplace prospects.

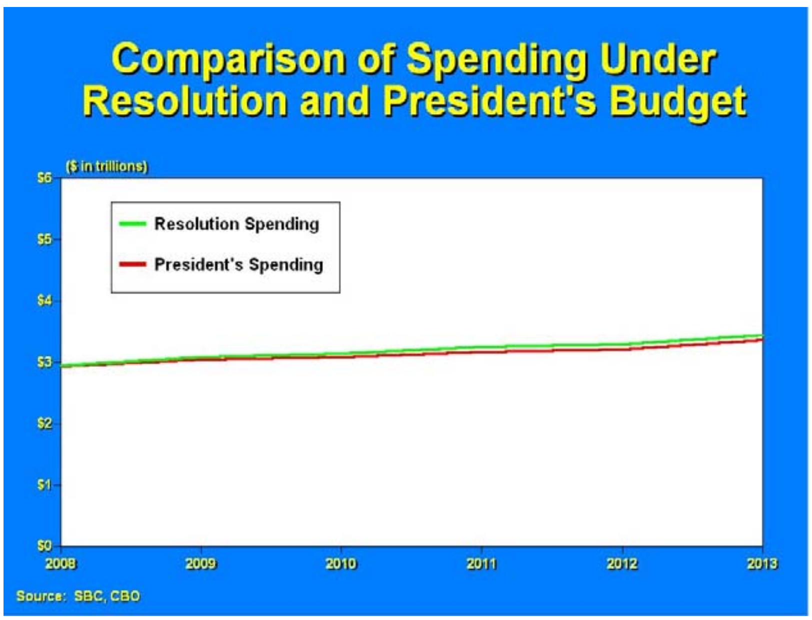
Spending

The Chairman's Mark takes a fiscally-responsible approach to spending, while ensuring that we adequately fund our nation's priorities.

Discretionary

The Chairman's Mark provides $1,009.6 billion in budget authority and $1,109.5 billion in outlays for discretionary programs in 2009. Over the five-year period, this spending will fall from 8.0 percent of GDP in 2009 to 6.2 percent in 2013. These totals exclude emergency and war funding.

The Chairman's Mark enhances fiscal responsibility by establishing discretionary spending limits on budget authority and outlays for 2008 and 2009. For 2008, it provides a cap of $1,055.5 billion in budget authority and $1,093.3 billion in outlays. For 2009, it provides a cap of $1,008.6 billion in budget authority and $1,108.5 billion in outlays. For 2009, the Chairman's Mark permits adjustments to this cap for certain program integrity efforts. These adjustments would bring funding, excluding emergency and war funding, up to the level assumed in the Mark (further discussion of cap adjustments is included in the "Budget Enforcement" section of this document).



Defense and War Costs

As it did last year, the Chairman's Mark fully funds the President's core defense budget request over the five-year budget window. It also fully funds the President's request for $70 billion in additional war funding for 2009 and assumes the enactment of the President's pending 2008 war funding request.

The Chairman's Mark provides for a 3.4 percent pay raise for military personnel, and again rejects the President's proposals for new TRICARE enrollment fees and deductibles for military retirees under the age of 65.

The National Guard has a long history of outstanding service to our nation, and our nation's reliance on the Guard has only increased since September 11, 2001. The Chairman's Mark assumes that the Department of Defense will provide at least $49.1 billion to recruit, train, equip, and sustain National Guard and Reserve units. The Chairman encourages the Appropriations Committee to identify additional resources within the defense budget to address critical needs for National Guard equipment left unfunded in the President's budget.

The Chairman's Mark also assumes no less than $5.8 billion in funding for the Defense Environmental Cleanup account, an increase of $500 million compared to the President's request. The environmental management program is charged with efficiently cleaning up the environmental damage resulting from 50 years of nuclear weapons production. The President's budget underfunded cleanup efforts at several major sites addressed under this program including Hanford, Idaho Falls, Oak Ridge, and Savannah River. This increase brings total environmental management funding for nuclear site cleanup (including amounts in other budget functions) to $6.4 billion.

The administration has unfortunately abandoned its earlier commitment to include war costs in its budget request and continues to seek war funding as an emergency, five years into the war in Iraq. Without a good faith estimate of war costs, it will be very difficult for the Committee to accurately assess the budgetary environment. The Armed Services and Foreign Relations Committees have indicated that they believe these costs should no longer be handled on an emergency basis. Therefore, the Chairman's Mark includes a $70 billion cap adjustment provision that allows the Chairman to revise the discretionary spending cap for non-emergency appropriations related to the wars in Iraq and Afghanistan. The Chairman's Mark's levels of deficits and debt assume that this cap adjustment is fully utilized, but the existence of this cap adjustment would not prevent further war funding on an emergency basis if war costs exceed the allotted level.

<u>Domestic Discretionary</u>
The Chairman's Mark provides $436.2 billion for overall domestic discretionary funding in 2009 (excluding emergencies and war costs). This represents an increase in an area badly underfunded by the Bush administration.

<u>Energy</u>
Our nation currently relies on imports for approximately 60 percent of our oil, and this trend is expected to continue well into our future. Since President Bush came into office, the price of oil has climbed from $30 per barrel to over $100 per barrel. Our dependence on imported energy is also a driving force behind our trade deficit. In 2007, imported petroleum products accounted for almost half of our trade deficit. As a result, we are becoming increasingly vulnerable to oil supply disruptions and instability in other parts of the world.

These challenges require a significant commitment of resources to a strategy to reduce our dependence on imported energy. In 2005 and 2007, Congress took the first steps by passing two comprehensive energy bills. While the President signed these bills into law, he has not adequately funded these programs in his 2009 budget. The Chairman's Mark corrects this mistake by providing $8.45 billion in 2009 discretionary funding to invest in clean energy, create green collar jobs in our communities, and reduce our dependence on imported energy. This would represent the highest discretionary spending level for the energy function since 1981.

The Chairman's Mark assumes approximately $2 billion for the Department of Energy's Energy

Efficiency and Renewable Energy program. This funding level is $738 million above the President's request and would accommodate significant increases for programs such as wind, solar, geothermal, biomass and biorefinery R&D, hydrogen, and vehicle/ building technologies. This funding level would also provide $450 million for the Weatherization Assistance Program, a program which was zeroed out in the President's budget. The Mark also significantly increases funding for the Energy Efficiency and Conservation Block Grant Program and Energy Grants for Universities and Institutions.

The Chairman's Mark includes $2.7 billion to invest in green jobs in our nation's communities. This funding level could accommodate significant increases in a variety of loan guarantee and grant programs which would fund energy efficiency and conservation activities, the production of fuel efficient vehicles, worker training programs, and biofuels production. These programs were authorized in the Energy Independence and Security Act of 2007 and not adequately funded in the President's budget. The Chairman's Mark believes that funding these programs will move our nation towards energy independence, cleaner energy, and energy efficiency while also developing new industries and creating green jobs. The Chairman's Mark also assumes funding increases for similar programs authorized in the Energy Policy Act of 2005.

The Chairman's Mark also includes significant increases for fossil energy R&D. This funding would provide additional resources for programs such as carbon sequestration and clean coal research.

The Chairman's Mark significantly increases funding for DOE's Office of Electricity Delivery and Energy Reliability. The funding increase would be used to modernize the electric grid, enhance security and reliability of energy infrastructure, and facilitate recovery from disruptions to energy supply. The Chairman's Mark also includes a reserve fund which could be used for legislation to improve our nation's energy infrastructure.

<u>Education and Training</u>

The Chairman's Mark recognizes that strong education and training programs at all levels are critical for building a highly skilled workforce that can compete in the global marketplace. It makes this effort a high priority by providing an increase for discretionary education and training funding of $8.8 billion above the President's request, or $5.5 billion above the 2008 level adjusted for inflation.

The Chairman's Mark rejects the President's proposed cuts in education, training and social services, including his proposal to eliminate 48 education programs and slash resources for the Corporation for Public Broadcasting. It assumes that additional funding will be invested in critical areas from birth through post-secondary education, including Head Start; key programs authorized by the No Child Left Behind Act, especially Title I; the Individuals with Disabilities Education Act (IDEA); Pell Grants; and job training. The increased investments will:

- ensure that more preschool children will be ready for school;
- help grade schools, middle schools, and high schools close achievement gaps, increase graduation rates, and reduce the need for remedial education;
- ensure that all schools can attract, train, and retain high-quality teachers and reduce class sizes;
- keep our commitment to educate students with disabilities;
- expand access to higher education by making college more affordable;
- ensure that employers have increasingly well-educated employees that can compete in

the global marketplace; and,

- expand job training opportunities to help workers respond to shifts in the economic landscape, including training for green jobs.

With regard to the Department of Education, the Mark increases overall funding by $5.4 billion above the President's requested level. This level is $4.8 billion, or 8 percent, above the 2008 level adjusted for inflation. In contrast, the President cuts Department of Education funding by $612 million in 2009, or one percent, below the 2008 inflation-adjusted level. To help schools meet the requirements of the No Child Left Behind Act and IDEA, the Mark provides the largest increase for elementary and secondary education programs since 2002.

Infrastructure

The Chairman's Mark recognizes that the nation's infrastructure is crumbling. Roads, bridges, transit systems, airports, and schools are strained and face overcrowding and disrepair. The collapse of the Interstate 35 bridge in Minneapolis last summer was a wake up call. The underfunding of our infrastructure is hurting our economy, inhibiting our ability to compete globally, and costing lives.

The Chairman's Mark addresses this problem with a significant investment in our nation's infrastructure. This investment will create jobs; improve economic growth, productivity, and global competitiveness; help reduce traffic and airport delays; improve transportation safety; and reverse the Bush administration's underfunding of infrastructure.

In total, the Chairman's Mark provides almost $9 billion more than the President in 2009 for transportation, water, and energy infrastructure investments, with increases continuing in the outyears.

The Chairman's Mark fully funds the highway, safety, and transit programs authorized in the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). It provides almost $7 billion more than the President's budget for key transportation accounts, and provides an additional $3.5 billion in stimulus in 2008 for "ready-to-go" infrastructure projects.

The Chairman's Mark also provides significant funding increases for programs such as: the Army Corps of Engineers; the Bureau of Reclamation; the Environmental Protection Agency's Clean and Safe Drinking Water State Revolving Funds; and the Department of Energy's Office of Electricity Delivery and Energy Reliability.

The Chairman's Mark also includes increases sufficient to fully fund ongoing Everglades Restoration Activities at the Army Corps of Engineers and the Department of Interior. The funding levels could also fully fund ongoing Great Lakes environmental restoration activities.

And the Chairman's Mark provides a deficit-neutral reserve fund to accommodate major infrastructure legislation, such as establishing a National Infrastructure Bank or bonding program, which would provide a sustained robust federal investment in infrastructure.

Veterans

Over the past several years, the President has consistently underestimated the needs of veterans, and Congress has made up the shortfall. In 2005, the President's budget underfunded the Veterans Health Administration, which required Congress to pass two supplemental funding bills. Last year, the nation was shocked to learn of the mistreatment of soldiers recuperating from wounds at the Walter Reed Army Medical Center. To address these and other funding shortfalls in the President's budget, last year's Democratic Budget Resolution paved the way for the largest funding increase in the Department of Veterans Affairs' history.

Once again, the Chairman's Mark recognizes the deep debt our nation owes to those who have served in defending our country and continues to provide critical resources to ensure that they get the quality health care they deserve. The Chairman's Mark provides $48.2 billion in 2009 for discretionary veterans programs, including medical care. This amount is $3.2 billion more than the President's proposed funding level. The funding in the Chairman's Mark will ensure that the Veterans Health Administration within the Department of Veterans Affairs (VA) can provide the highest quality health care for all veterans.

The Chairman's Mark also recognizes the difficulties veterans leaving active duty have in transitioning their medical records to the VA. These administrative disconnects can have dramatic and sometimes dire consequences on our young men and women when they leave the military. It is also difficult for the VA to evaluate and treat veterans because the VA may not have a complete medical record. Therefore, the Chairman's Mark supports efforts to implement fully the Wounded Warrior Act, Section 1635 in the National Defense Authorization Act. This provision requires the Department of Defense and the VA to develop a "fully interoperable electronic personal health information system" and create a "joint program office" to oversee the creation of this new health care system.

COPS

The Chairman's Mark rejects the President's proposal to eliminate the Community Oriented Policing Services (COPS), a cut of $599 million below the 2008 level adjusted for inflation. This marks the sixth straight year that the President has proposed massive cuts to this program, leaving Congress to make up the difference. The Chairman's Mark instead funds the COPS program at the 2008 inflation-adjusted level. The COPS program has put over 100,000 police officers in communities across the country. It provides valuable support for communications and equipment needs of local law enforcement. And this program has been critical in helping local law enforcement efforts, particularly in rural areas, to fight the production, distribution and use of methamphetamine.

Homeland Security

The Chairman's Mark rejects the President's efforts to shortchange our nation's first responders by cutting grant programs at the Department of Homeland Security (DHS). For example, the President proposes to cut Firefighter Grants by $463 million and State formula grants by $705 million below the 2008 level adjusted for inflation (excluding emergency funding). The Chairman's Mark provides sufficient funding to keep these programs at the 2008 level adjusted for inflation.

In addition, the Mark provides $200 million for interoperable communications grants authorized by the Implementing the 9/11 Commission Recommendations Act of 2007. The act established a new grant program to assist states in improving interoperable communications, including communications in collective response to natural disasters, acts of terrorism, and other man-made disasters.

The Chairman's Mark also rejects the President's proposed cuts for other priority homeland security programs including port security grants and transit and rail security grants.

Community Development
The Chairman's Mark rejects the President's proposal to cut the Department of Housing and Urban Development (HUD) community development funding (including the Community Development Block Grant (CDBG) program) by $932 million, or 24 percent, below the 2008 level adjusted for inflation. As communities across the country experience the effects of the economic slowdown, the President's proposed cuts are particularly shortsighted. The Chairman's Mark instead funds HUD community development programs at $4 billion, an increase above the 2008 inflation-adjusted level of $68 million. HUD funds several programs to support community development, the largest of which is the CDBG program, which is the largest source of federal grant assistance in support of state and local government housing and community development efforts.

LIHEAP
The Chairman's Mark rejects the President's proposal to cut the Low Income Home Energy Assistance Program (LIHEAP) by $359 million, or 15.2 percent, below the 2008 level adjusted for inflation. It instead funds LIHEAP at $2.5 billion, $141 million above the 2008 level adjusted for inflation and $500 million above the President's request. In addition, the Chairman's Mark includes an additional $600 million for LIHEAP in 2008. These increased funds for LIHEAP will help to continue providing heating and cooling assistance to over five million low-income households, including the working poor, disabled persons, elderly, and families with young children. According to the Congressional Research Service, when LIHEAP began in 1983, approximately 6.8 million households, or 31 percent, of the 22.2 million federally eligible households received heating assistance. In 2005, the most recent year for which data are available, only 5.3 million, or 15.2 percent, of the 34.8 million eligible households received heating assistance.

Amtrak
As part of the recognition that investments in infrastructure are important to economic growth, the Chairman's Mark provides $1.8 billion for AMTRAK, a funding level that is $1 billion above the President's request and $453 million above the 2008 level adjusted for inflation. As in previous years, the President's request would significantly underfund AMTRAK and is well below the level Congress typically appropriates. AMTRAK is a vital part of our nation's mobility and is one of the most environmentally-friendly modes of travel. As AMTRAK continues to grow its marketshare in key areas, this robust investment will continue to help AMTRAK enhance its operations, replace aged and damaged capital stock, and increase connectivity across the country.

Housing Assistance
The Chairman's Mark rejects the President's proposal to cut various housing assistance programs below the 2008 level adjusted for inflation, including cuts to the Public Housing Capital Fund (-$454 million), Hope VI Distressed Housing Program (-$100 million), Housing for the Disabled (-$82 million), Housing for the Elderly (-$208 million), and the Section 8 tenant-based Housing Choice Voucher program (-$562 million). In addition, the Mark includes $2.8 billion for Section 8 housing assistance in order to address the shortfall in funding for the project-based Section 8 program. The Banking, Housing, and Urban Affairs Committee has advised that HUD is requiring private owners to sign short-term, 3- or 4- month contracts for federal funding due to the funding shortfall. The additional funding would stabilize the project-based program and preserve thousands of affordable housing units which might otherwise be lost.

Community Health Centers

The Chairman's Mark provides $2.9 billion for Federally Qualified Health Centers (FQHCs) in 2009. This is $756 million above the 2008 level adjusted for inflation and $798 million more than the President's request. These health centers are community-based providers of comprehensive primary and preventive health care that serve more than 16 million people, many of whom are uninsured or are on Medicaid.

Health Professions & National Health Service Corp

The Chairman's Mark provides $369 million for the Health Professions program in 2009, a funding level that is $45 million above the 2008 level adjusted for inflation and $303 million more than the President's request. In addition, the Mark includes $248 million for the National Health Service Corps, an amount $123 million above the 2008 level adjusted for inflation and $127 million more than the President's request.

National Institutes of Health

The Chairman's Mark provides $30.0 billion for the National Institutes of Health (NIH) in 2009. This is $400 million above the 2008 level adjusted for inflation and $950 million more than the President's request.

Supplemental Nutrition Program for Women, Infants, and Children

The Chairman's Mark provides $6.5 billion for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) in 2009, a funding level that is $784 million above the 2008 level adjusted for inflation and $400 million more than the President's request. In addition, the Mark includes an additional $300 million for WIC in 2008.

Child Care Development Block Grant

The Chairman's Mark provides $2.5 billion for the Child Care Development Block Grant in 2009. This is $406 million above the 2008 level adjusted for inflation and $441 million more than the President's request.

Global Climate Change

The Chairman's Mark includes a reserve fund which could be used for legislation addressing global climate change. The Mark also rejects the President's cuts to a variety of discretionary programs which fund climate change research.

Environmental Protection

The Chairman's Mark includes approximately $7.9 billion for the Environmental Protection Agency. This funding level will accommodate significant increases for programs such as Superfund and EPA's programs to support clean and safe drinking water. The Chairman's Mark rejects the President's proposal to cut a variety of environmental protection programs.

Public Lands

The Chairman's Mark rejects the President's cuts to numerous programs at the Department of Interior and the Forest Service. The Chairman's Mark reflects concerns that, in recent years, the President's budget has significantly underestimated fire suppression costs. The Mark also responds to concerns that increasing fire suppression costs are having a negative impact on funding levels for other discretionary programs at agencies such as the Forest Service. The funding levels in the Chairman's Mark assume that if the severity of the fire season requires additional funding, wildland fire suppression activities will be funded for 2009 at no less than $500 million above the ten-year average.

NASA

The Chairman's Mark funds the National Aeronautics and Space Administration (NASA) at $18.7 billion, $1.0 billion above the President's 2009 request. This level of funding reflects the ongoing need to reimburse NASA for the catastrophic loss of Space Shuttle Columbia as well as the costs of investigating the Columbia tragedy. For the agency, this represents an increase of $1.2 billion, or 6.8 percent, above the 2008 level adjusted for inflation.

The United States' goals for space exploration were defined in the President's "Vision for Space Exploration" and included in the National Aeronautics and Space Administration Authorization Act of 2005, which is scheduled to be updated and renewed during the current session of Congress. The Chairman's Mark recognizes the importance of our nation's space program and endorses the Act's balanced goals of exploration, science, and aeronautics. The Act calls for retirement of the Space Shuttle by 2010 and launching the Crew Exploration Vehicle (CEV) as close to 2010 as possible. NASA currently projects that the CEV will not be operational before 2015, thus creating a five-year gap in U.S. human space flight capability. The Chairman's Mark recognizes the strategic importance of uninterrupted access to space and supports efforts to reduce or eliminate this five-year gap in U.S. human space flight.

Manufacturing Extension Program

The President's budget proposes to eliminate funding for the Manufacturing Extension Program (MEP), which helps small businesses adopt advanced manufacturing technologies. The Chairman's Mark rejects elimination of MEP funding and restores the funding to this vital program to the level authorized in the America COMPETES Act.

Mandatory

On the mandatory spending side, the Chairman's Mark follows the paygo, or pay-as-you-go, principle – with any new spending done in a deficit-neutral manner.

Kids' Health - SCHIP

The Chairman's Mark recognizes that providing for our children's health care should be one of the most important priorities of our nation. It therefore rejects the inadequate funding level proposed by the President for reauthorization of the State Children's Health Insurance Program (SCHIP).

The President proposes to provide a net increase of $19.7 billion over five years. The President's proposal is unlikely to provide sufficient funding to cover all children currently enrolled in SCHIP, let alone provide coverage to children who are currently eligible but not enrolled in the program.

The FY 2008 Budget Resolution included a deficit-neutral reserve fund that provided the Finance Committee with the flexibility it needed to develop a bipartisan approach to addressing the needs of millions of uninsured children. The bipartisan SCHIP bills that were passed by the Congress in 2007 and vetoed by the President would have provided coverage to more than 3.8 million children who would otherwise have been uninsured. The Chairman's Mark once again provides a deficit-neutral reserve fund for up to $50 billion in order to expand coverage of the estimated six million children eligible but not enrolled in either SCHIP or Medicaid, and maintain coverage for all currently-enrolled children.

Medicaid Regulation Moratoria

The Chairman's Mark includes the cost of extending the moratoria on several Medicaid regulations and the August 17, 2007 SCHIP directive. The Mark provides funding for the consideration of a stimulus bill to provide lift to the economy and mitigate the impact of the slowdown on workers and families. The spending for the delay in the implementation of these Medicaid regulations and SCHIP directive serves to reinforce the efforts of the stimulus package included in the Mark.

Medicare
The resolution provides $1.325 billion in Medicare savings in 2013, allowing for legislation to delay the Medicare trigger. The savings from this assumption could be achieved from changes in the Medicare Advantage program or in the traditional Medicare fee-for-service program.

Education and Training
The Chairman's Mark recognizes that education is critically important to maintaining our nation's competitiveness in today's globalized economy and promoting long-term economic growth. It provides a deficit-neutral reserve fund to facilitate legislation to rebuild crumbling schools, reauthorize the Higher Education Act, and expand and improve education-related tax credits and deductions. These initiatives serve the national interest by creating state-of-the-art schools, supporting teachers, and improving college affordability to reduce the indebtedness of student borrowers, and ensure that students can obtain a post-secondary education.

The Chairman's Mark rejects the proposal in the President's budget to cut the Social Services Block Grant program.

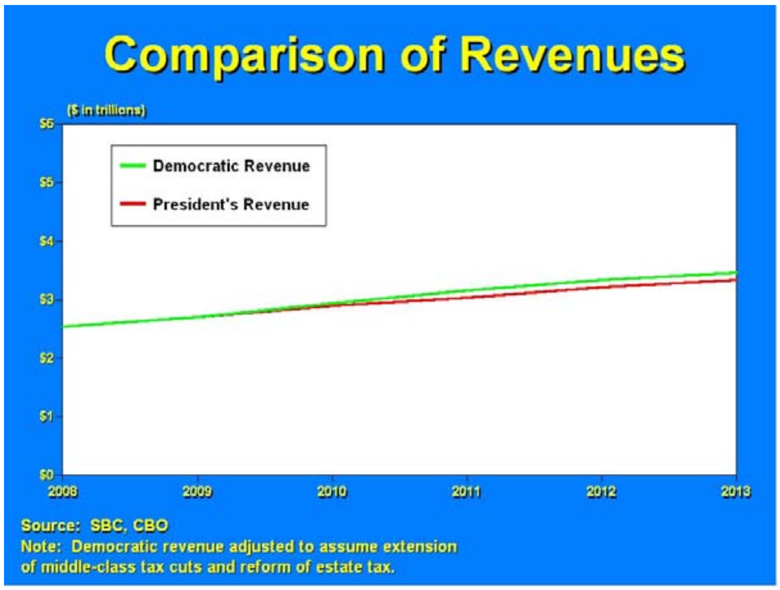
Veterans
The Chairman's Mark rejects the President's additional fees on priority level 7 and 8 veterans for health care they have earned. Instead of using the additional money to offset the VA discretionary spending and provide more services for veterans, the President directs the collected fees into the general Treasury. The President has previously proposed similar fees, and Congress has rejected them. The VA has estimated that if the enrollment fee and the increase in pharmacy co-payments were enacted, over 111,000 veterans would leave the VA health care system.

Farm Bill
With the 2002 Farm Bill expiring, the Chairman's Mark provides a deficit-neutral reserve fund for the reauthorization of agricultural programs. To address the needs of rural America and promote new sources of renewable energy from U.S. farm products, it would allow for a $15 billion increase in mandatory agriculture funding between 2008 and 2013, provided that this increase is fully paid for. The reauthorization of the Farm Bill will provide an economic safety net for agricultural producers, enhance the stewardship of our natural resources, address domestic nutrition needs, increase agricultural research, and improve our export competitiveness.

Arctic National Wildlife Refuge & Land Sales
The Chairman's Mark rejects the President's proposal to permit oil and gas leasing in the Arctic National Wildlife Refuge (ANWR) and does not assume savings from the proposal. The Chairman's Mark also does not assume any savings from the President's proposal to sell federal lands.

Revenues

The Chairman's Mark balances the budget without a tax increase. It reduces taxes on the middle class by ensuring that the Alternative Minimum Tax (AMT) does not hit more taxpayers in 2008. It also provides targeted tax relief to address the current crisis in the housing market, to make college more affordable, and to promote alternative energy technologies. At the same time, it raises enough revenue to meet the nation's most urgent needs and to put the budget on a more sustainable long-term fiscal path. And it sets the stage for tax simplification and reform.



AMT Relief

The Chairman's Mark takes steps to prevent the spread of the Alternative Minimum Tax, so that it does not impose higher taxes on middle-class families. It provides AMT relief for 2008, as the President requested. We agree with the President that "the longer term solution to the problems associated with the individual AMT is best addressed within the context of other reforms to the tax system." Such reforms, as the administration acknowledges, would be revenue neutral. Under the Mark, the number of taxpayers subject to the AMT would not be allowed to increase – protecting more than 20 million taxpayers from being subjected to the AMT in 2008.

Housing

The Mark gives Congress the option to provide additional stimulus, although details are up to the committees of jurisdiction. The Senate recently debated the Foreclosure Prevention Act. One provision would give states a one-year $10 billion increase in mortgage revenue bond authority to be used to refinance subprime loans, provide mortgages for first-time homebuyers, and for multifamily rental housing. Interest earned on such bonds would also be exempted from the AMT in order to attract more investors. The other proposal would extend the carry back period for net operating losses (NOLs) from two years to five years for NOLs arising in taxable years beginning or ending in 2006, 2007, and 2008. This proposal would be especially helpful to industries like homebuilding, where the recent real estate downturn is resulting in reduced access to critical financing that builders need to run their business and keep people employed.

Education, Energy, and Extenders
The Chairman's Mark includes the effects of a variety of tax provisions that it expects Congress will address this year. These include:

- *Education* – The Mark assumes Congress will provide tax relief to make a college education more affordable. The Mark could accommodate expansion and reform of the deduction for qualified education expenses and the HOPE tax credit. It could also provide for the extension and reform of other education tax provisions such as the deduction for teacher classroom expenses, the deduction for student loan interest, and bonding initiatives to modernize school facilities.
- *Energy* – The Mark could accommodate energy tax provisions that encourage the development of renewable energy, reduce dependence on foreign energy supplies and bolster domestic supplies, support the use of alternative vehicles, and promote more conservation and energy efficiency.
- *Extenders* – The Mark assumes that expiring tax provisions that have been routinely extended in the past will be extended. These provisions include, for instance, the research and experimentation tax credit and the deduction for state and local sales tax.

The Mark assumes the Senate Finance Committee will develop an appropriate set of offsets so that these tax provisions are paid for. In addition to reflecting the budget impact of these education tax proposals, the Mark includes deficit-neutral reserve fund language to facilitate their consideration on the floor.

Reserve Fund For Tax Relief
In general, the Chairman's Mark allows for tax relief, including the extension of the expiring provisions, as long as the cost of these measures is offset. A reserve fund is included to ensure that such revenue-neutral tax measures do not face points of order, so long as they are paid for.

Closing Tax Gap, Shutting Down Tax Shelters, and Addressing Offshore Tax Havens
The Chairman's Mark calls for collecting taxes that are already due, while at the same time improving taxpayer services for honest citizens who need help complying with the code.

The Chairman's Mark assumes that Congress will take aggressive steps to close the tax gap, the amount of taxes owed under current law but not collected. According to the IRS's latest estimate, the tax gap in 2001 was $345 billion. In the years since 2001, it is likely that the tax gap has grown even larger. And this total does not even include the tax revenue that is lost each year as a result of the billions of dollars hidden in offshore tax havens and shelters.

Closing the tax gap is not about raising taxes on anyone. It is simply collecting taxes that are already due under current law. While we will never be able to close the tax gap entirely, it is clear that much more can and should be done. To help close the tax gap, the House and Senate tax-writing committees crafted a number of well-designed measures last year to boost compliance. Unfortunately, the Bush administration has blocked enactment of many of these provisions. But failure to move forward on these provisions only means that honest taxpayers continue to unfairly bear a higher tax burden – effectively a surtax averaging about $2,700 per taxpayer, according to the National Taxpayer Advocate.

In addition to supporting steps to increase reporting and withholding requirements, the Mark fully funds the President's budget request for the IRS and includes the President's request for additional resources for IRS enforcement. Including a $490 million discretionary cap adjustment, the budget resolution would direct approximately $7.5 billion to IRS enforcement activities. A similar cap adjustment was included in the 2008 budget, but it was never enacted into law because the funding levels could not be accommodated within the inadequate appropriations total that the administration insisted on.

Setting the Stage for Tax Simplification and Reform

The revenue levels in the Chairman's Mark assume that Congress will take steps to counter the effects of the expiration of tax cuts in 2010 in a manner that achieves the goal of balancing the budget in 2012 and 2013. Last year, the Senate overwhelmingly approved an amendment relating to middle-class tax cuts and reform of the estate tax. If a similar amendment were offered and adopted again this year, the resulting revenue levels in the resolution would be about 2.6 percent above revenues in the President's budget over the next five years.

In general, the Mark recognizes that the country must tackle major tax issues before the Bush tax cuts expire in 2010, but that these issues are more likely to be addressed next year with a new administration. This administration has shown no interest in working with Congress in a bipartisan manner to tackle fundamental tax issues, preferring instead to support only the extension of its tax cuts. It is worth remembering that the problem of these tax cuts expiring was created by a Republican-controlled Congress trying to conceal the true cost of its policies.

The Mark sets up the right incentives for bipartisan tax simplification and reform. Working toward genuine tax simplification is better for the American taxpayer than merely extending the existing, flawed tax code. We can have a tax code that promotes economic growth and collects the revenues required to meet the nation's needs in a simpler, fairer way.

The Chairman's Mark rejects the fiction that tax cuts pay for themselves. The fact is that deficit-financed tax cuts, and proposals to make them permanent without offsets, add significantly to the nation's debt. This harms the economy and passes on an unfair burden to our children and grandchildren. According to the Center on Budget and Policy Priorities, extending all of the President's tax cuts without offsets would double the nation's projected debt burden in 2050.

Long-Term Fiscal Challenges

With the coming retirement of the baby boom generation, our nation faces a significant long-term imbalance between revenues and spending. While the Chairman's Mark achieves the important near-term goal of returning the budget to balance by 2012, this represents only a first step in the difficult path of restoring our long-term fiscal security.

As many budget and economic experts have noted, beyond the current budget window, things worsen considerably. In testimony before the Budget Committee in January, for example, CBO Director Peter Orszag stated: "Ongoing increases in health care costs, along with the aging of the population, are expected to put substantial pressure on the budget in coming decades; those trends are already evident in the current projection period . . . A substantial reduction in the growth of spending, a significant increase in tax revenues relative to the size of the economy, or some combination of the two will be necessary to maintain the nation's long-term fiscal stability."

Addressing our nation's long-term fiscal challenges in a comprehensive, lasting manner will require a bipartisan process that brings together members of Congress and administration officials to make balanced changes to both spending and revenues. The Chairman and Ranking Member of the Senate Budget Committee have introduced legislation that represents one such model for carrying out a bipartisan approach.

In the interim, the Chairman's Mark takes additional measures to begin to address our long-term fiscal challenges. These measures include:

Comparative Effectiveness Reserve Fund
Given that excess growth in health care costs is the largest factor driving the spending growth in our health care entitlement programs, it is crucial that we take steps to control those costs. One of the best ways to better control health care costs is to provide health care providers and patients with objective and credible evidence about which health care treatments, services, and items are most clinically effective for particular patient populations. Access to better evidence about what works best will help patients and health care providers make better-informed decisions about how best to treat particular diseases and conditions – potentially reducing unnecessary or ineffective care.

To address this need, the Chairman's Mark takes two steps. First, the Mark includes a Comparative Effectiveness Reserve Fund. This deficit-neutral reserve fund would allow for legislation to establish a new federal or public-private initiative for comparative effectiveness research. The purpose of such research would be to evaluate and compare the clinical effectiveness of two or more health care interventions, treatment protocols, procedures, medical devices, diagnostic tools, pharmaceuticals, and other processes or items used in the treatment or diagnosis of patients. This information could lead to savings over the long-term by allowing providers to avoid treatments that may be clinically ineffective, while at the same time improving health care outcomes. The Chairmen of the Budget and Finance Committees have proposed legislation, the Comparative Effectiveness Research Act of 2008, that would establish such an initiative.

Second, the Chairman's Mark includes a discretionary cap adjustment to encourage appropriators to provide more funding for comparative effectiveness research that is already being conducted at the Agency for Healthcare Research and Quality (AHRQ), as authorized under Section 1013 of the Medicare Modernization Act (MMA). Specifically, this provision would allow a discretionary cap adjustment of up to $70 million in 2009 if appropriators provide a base amount of $30 million for comparative effectiveness research at AHRQ (for a total funding level of $100 million in 2009).

Point of Order Against Long-Term Deficit Increases
Like last year's resolution, the Chairman's Mark includes a point of order against legislation that would increase the deficit over the long term – specifically, in the four decades beyond the next ten years (2019-2028, 2029-2038, 2039-2048, and 2049-2058).

Under the Chairman's Mark, the long-term point of order will apply against any net deficit increases in excess of $5 billion (including changes in revenues and mandatory spending, but excluding debt service) in any of the four ten-year periods.

The provision sunsets at the end of 2017.

Program Integrity
In an effort to achieve savings over the long term, reduce fraud, and encourage government efficiency, the Chairman's Mark includes funding for important program integrity initiatives in programs, such as Medicare, Medicaid, unemployment insurance, and Social Security.

In addition to supporting ongoing efforts at the Social Security Administration, the Mark, for example, provides for a discretionary cap adjustment of $240 million to fund the processing of additional Continuing Disability Reviews (CDRs) and Supplemental Security Income (SSI) redeterminations. CDRs save approximately $10 for every $1 spent, and redeterminations save approximately $7 for every $1 spent. In addition to being "good government" initiatives, the additional short-term funding will result in long-term savings.

The Mark also supports enhanced Internal Revenue Service tax enforcement to address the tax gap.

Budget Enforcement

While budget procedures are no substitute for a bipartisan commitment to fiscal discipline, there are a number of budget enforcement provisions that can help to put us back on a sound fiscal path.

The 2008 budget resolution included many important enforcement provisions which remain in effect. These include:

- **The 60-vote point of order against reconciliation increasing the deficit** (Sec 202);
- **The 60-vote point of order against emergency designations** (Sec. 204);
- **Continued 60-vote enforcement of budgetary points of order in the Senate** (Sec. 205);
- **The requirement that the discretionary administrative expenses of the Social Security Administration be included in the Appropriations Committee's 302(a) allocation in any budget resolution** (Sec. 210); and
- **The Senate pay-as-you-go point of order** (Sec. 201), requiring that new mandatory spending and tax cuts be offset or get 60 votes. The Chairman’s Mark assumes that all existing balances on the Senate pay-as-you-go ledger would be eliminated, and the scorecard reset to zero for 2008-2013 and 2008-2018.

The Chairman’s Mark includes the following enforcement provisions, most of which update provisions that are part of the 2008 budget resolution.

Discretionary Spending Caps

The Chairman’s Mark would strengthen fiscal responsibility by establishing discretionary spending limits for 2008 and 2009, and enforce them with a point of order in the Senate that could only be waived with 60 votes. For 2008, it provides a cap of $1,055.478 billion in budget authority and $1,093.343 billion in outlays. For 2009, it sets a cap of $1,008.582 billion in budget authority and $1,108.549 billion in outlays. As in past years, the Chairman's Mark permits adjustments to the discretionary spending limits in 2009 for program integrity initiatives, such as Social Security Administration continuing disability reviews (CDRs) and Supplemental Security Income redeterminations, enhanced Internal Revenue Service tax enforcement to address the tax gap, appropriations for Health Care Fraud and Abuse Control (HCFAC) program at the Department of Health and Human Services, and unemployment insurance improper payments reviews at the Department of Labor. It also provides for adjustments in 2008 and 2009 for expenses related to the wars in Iraq and Afghanistan, as well as adjustments in 2009 for comparative effectiveness research at the Agency for Healthcare Research and Quality (AHRQ).

Point of Order Against Legislation Increasing Long-Term Deficits

The Chairman’s Mark includes a point of order in the Senate against legislation that would cause a net deficit increase in excess of $5 billion (including changes in revenues and mandatory spending, but excluding debt service) in any of the four consecutive ten-year periods beginning with the first fiscal year that is ten years after the budget year (for 2009 these time periods will be 2019-2028, 2029-2038, 2039-2048, and 2049-2058). The point of order can be waived with 60 votes, and it sunsets at the end of 2017.

Appropriations Changes in Mandatory Programs (ChIMPs) with Net Costs
The Chairman's Mark again includes a 60-vote point of order against any provision of appropriations legislation that would have been estimated as affecting direct spending or receipts if it were included in legislation other than appropriations legislation, if all three of the following conditions are met:
(1) the provision would increase BA in
    (a) at least one of the nine fiscal years that follow the budget year, and
    (b) over the period of the total of the budget year and the nine fiscal years following the budget year;
(2) the provision would increase net outlays over the period of the total of the nine fiscal years following the budget year; and
(3) the sum total of all changes in mandatory programs in the legislation would increase net outlays as measured over the period of the total of the nine fiscal years following the budget year.
The point of order does not apply against any ChIMPs that were enacted in each of the three fiscal years prior to the budget year. The point of order works like the Byrd rule in that it applies against individual provisions of legislation rather than against an entire bill, amendment, or conference report. If the point of order is not waived then the offending provision is stricken.

Treatment of Postal Service Administrative Expenses
The 2008 budget resolution included a provision, which remains in effect, requiring that all budget resolutions include the Administrative Expenses of the Social Security Administration in the 302(a) allocations to the Appropriations Committee. The Chairman's Mark includes a new, similar requirement, that all budget resolutions include the Administrative Expenses of the Postal Service in the 302(a) allocations to the Appropriations Committee.

Advance Appropriations
As in past years, the Chairman’s Mark provides a supermajority point of order in the Senate against appropriations in 2009 bills that would first become effective in any year after 2009, and against appropriations in 2010 bills that would first become effective in any year after 2010. It does not apply against appropriations for the Corporation for Public Broadcasting, nor does it apply against changes in mandatory programs or deferrals of mandatory budget authority from one year to the next. There is an exemption for each of 2009 and 2010 of up to $29.352 billion for the following:

ACCOUNTS IDENTIFIED FOR ADVANCE APPROPRIATIONS IN THE SENATE

Labor, HHS:
- Employment and Training Administration
- Job Corps
- Education for the Disadvantaged
- School Improvement
- Children and Family Services (Head Start)
- Special Education
- Career, Technical, and Adult Education

Financial Services and General Government: Payment to Postal Service
Transportation, Housing and Urban Development: Section 8 Renewals

Economics

Chairman's Mark Based on CBO's Economic Assumptions
The Chairman's Mark is built on CBO's assumptions about the future path of the U.S. economy. In February, CBO updated its economic outlook to include recent economic indicators, the Federal Reserve's interest rate cuts since mid-December, and the fiscal stimulus passed by Congress.

CBO now predicts that the economy will endure a period of slow growth (though not a recession) over the course of this year and into next, before recovering and then gradually returning to a sustainable longer-term pace thereafter. Weak economic growth will keep the unemployment rate relatively high, and inflation and interest rates relatively low over the near term. Thereafter, according to CBO's projection, the unemployment rate will decline and inflation and interest rates will rise to their trend levels.

CBO's forecast for economic growth this year is similar to the Blue Chip average of private-sector forecasts, as well as the Federal Reserve's most recent forecast. However, CBO's revised outlook for growth in 2008 is considerably more pessimistic than OMB's, which was not revised (see the comparison table at the end of this section). CBO expects the economy will grow only 1.6 percent between the fourth-quarter of last year and the fourth-quarter of this year, substantially slower than the 2.5 percent pace of growth over the course of 2007. OMB, on the other, expects the economy to grow by 2.7 percent over the course of this year.

While both CBO and OMB have similar medium-term economic assumptions, OMB projects that nominal gross domestic product (GDP) will be nearly $170 billion higher in fiscal year 2013 than CBO assumes. That difference largely reflects OMB's assumption that both real growth and inflation will be higher than CBO expects over the near term, and it works to raise the administration 's revenue projections relative to CBO's.

Near-Term Economic Growth is Shifting from Slow to Slower
The U.S. economy has grown at a subpar pace since 2001. At the same point during the nine previous expansions, real (inflation-adjusted) GDP grew at a 3.4 percent annual rate, on average. By contrast, over the course of the current expansion, real GDP has advanced at a 2.5 percent average pace. Growth rates of business investment and employment have been similarly slow during the current expansion, contradicting the claims made by supply-side advocates that the administration's tax cuts would boost investment and create jobs. In fact, real investment spending by business has grown at an average annual pace of only 2.0 percent since 2001, half the 4.0 percent growth recorded in previous expansions. Employment growth has been even more disappointing: private-sector payrolls have expanded by only 0.5 percent a year, on average, since 2001. That's less than a third of the 1.7 percent average annual pace achieved during previous expansions, or a shortfall of more than 9 million jobs.

Already slow, economic growth slowed further last year to 2.2 percent, down from 2.9 percent in 2006. Notably, real GDP decelerated sharply in the fourth quarter of 2007, rising at an anemic 0.6 percent annual rate. The unemployment rate has risen sharply, climbing half a percentage point since the end of 2006, to just under 5 percent in January of this year.

Further slowing is all but inevitable. Real housing investment fell by 17.0 percent last year, the largest drop in 25 years, and recent housing market indicators have provided no cause to be optimistic that the declines in home building and sales will end soon. Moreover, the fallout from the collapse of subprime mortgage markets is likely to linger for a time even after housing demand begins to firm up. Home prices have fallen sharply since mid-2006 and are expected to continue dropping this year and next; those declines erode household wealth, thereby tempering growth in consumer spending at the same time that rising energy costs are also straining household budgets. Additionally, the subprime collapse has instigated a general repricing of portfolio risks worldwide and that has already worked to constrain credit availability. Recent indicators have shown that banks have tightened their lending standards on all types of loans, not just nonconforming mortgages. As a result, healthy households and businesses are finding it more difficult to borrow funds for financially sound investments.

The economy could easily take a turn for the worse – the risk of a recession is now higher than it has been for years. In recent months, some economic indicators have suggested that service-producing industries that are not directly related to housing have weakened sharply. Should those indications persist or worsen, it might be difficult for the economy to avoid a recession.

Bush / Republican Deficits Drain National Savings

Congress' fiscal stimulus package will work to bolster demand and thereby help to get the economy back on track. However, policymakers continue to face the challenge of ensuring that budget policies contribute to rising living standards for all Americans over the long term. That challenge has been made more daunting by the Bush administration's track record of fiscally-irresponsible budget policies, which have endangered the nation's long-term economic security.

In 2001, the Bush administration inherited a record budget surplus, the legacy of fiscal discipline achieved over the previous decade. Today, after years of staggering rises in deficit-financed war spending and deficit-financed tax cuts for the wealthiest Americans, the administration expects to leave behind a deficit approaching $400 billion in 2008 and well more than $300 billion in 2009. That swing from surplus to deficit represents the drag that this administration has imposed on national saving, saving that would otherwise be available to fund productive investment.

The administration's abandonment of fiscal discipline has led to an explosion of federal debt. Over the past seven years, gross federal debt has increased by nearly 60 percent to over $9 trillion in 2007 – that's about $30,000 per person. Moreover, the administration has more than doubled the debt owed to foreign lenders, which currently amounts to $2.4 trillion. The top three foreign holders of our debt are Japan with $581 billion; China with $478 billion; and United Kingdom with $157 billion.

American Workers Not Benefitting From Productivity Gains

The Bush administration has defended its budget policies as having boosted productivity growth over the past seven years. However, in claiming success for the 2.7 percent average annual productivity growth since 2001, the administration neglects to mention how little American workers have benefitted from those gains. Since 2001, real compensation (wages and salaries plus benefits) has grown at an average rate of only 1.2 percent a year. That is below the 1.4 percent average annual increase in compensation between 1990 and 2001, and less than half the 2.6 percent average annual gain between 1948 and 1973. In fact, the 1.5 percentage point gap between growth of productivity and compensation that has opened up this decade has no precedent in post-war U.S. history.

While productivity growth is critical to overall economic growth, that growth ultimately enhances the nation's economic welfare when it works to increase the living standards of Americans. Contrary to the administration's claims, its budget policies have done little to help most Americans. While the wealthiest have received large tax cuts, middle-class living standards have stagnated. The income of a typical American household was $48,201 in 2006 (the last year for which data are available). That is 2 percent below the level in 2000, after accounting for inflation.

Moreover, a variety of data suggest that the distribution of income has become increasingly unequal since 2001. For example, while the usual weekly earnings of workers in the top 10 percent of the earnings distribution increased by 4.7 percent, after inflation, from the end of 2000 through the end of last year, workers in the bottom 10 percent of the distribution saw their real weekly earnings decline by 2.2 percent.

Chairman's Mark Puts Nation Back on Sound Fiscal Course

The Chairman's Mark seeks to stem and ultimately reverse the dangerous fiscal trends that seven years of the Bush administration's budget policies have produced. By lowering the deficit and moving the budget back to balance, it will reduce the federal government's drag on national saving, thereby opening opportunities for households and businesses to finance productive investments that otherwise might not be made. Reducing the deficit will also stop the explosive rise in federal borrowing that has substantially raised U.S. indebtedness to foreign lenders in recent years.

The Chairman's Mark will also aid the economy by providing much-needed investments in energy, education, and infrastructure. Economic researchers have found that federal investments in these areas can offer positive economic returns. Federal investment in energy can enhance the productivity of households and businesses, as well as reduce the economy's vulnerability to fluctuations in world oil supplies. Federal investment in education can improve the overall productivity and competitiveness of the U.S. labor force and ensure that the productivity gains are broadly shared. Federal investment in infrastructure, such as highways and bridges, can reduce the costs of travel to businesses and households, further raising their productivity.

Comparison of Economic Assumptions

	2008	2009	Annual Average 2008-2013
Percent change, fourth quarter over fourth quarter			
Nominal GDP			
President's Budget	4.8	5.1	4.9
CBO	3.3	4.8	4.7
Blue Chip Survey	3.8	5.0	n.a.
Real GDP			
President's Budget	2.7	3.0	2.9
CBO	1.6	3.0	2.8
Blue Chip Survey	1.6	2.8	n.a
GDP Price Index			
President's Budget	2.0	2.0	2.0
CBO	1.7	1.7	1.9
Blue Chip Survey	2.2	2.1	n.a.
Consumer Price Index (CPI-U)			
President's Budget	2.1	2.2	2.3
CBO	2.1	1.9	2.2
Blue Chip Survey	2.4	2.3	n.a.
Percent, calendar year over calendar			
Unemployment Rate			
President's Budget	4.9	4.9	4.8
CBO	5.2	5.5	5.0
Blue Chip Survey	5.2	5.3	n.a.
3-Month Treasury Bill Rate			
President's Budget	3.7	3.8	4.0
CBO	2.1	2.4	3.8
Blue Chip Survey	2.4	3.1	n.a.
10-Year Treasury Note Rate			
President's Budget	4.6	4.9	5.1
CBO	3.6	3.8	4.7
Blue Chip Survey	3.8	4.4	n.a.

Sources: OMB, *Budget of the U.S. Government: Fiscal Year 2009* (February 2008); CBO (February 2008); and Aspen Publishers, *Blue Chip Economic Indicators* (February 2008).

Note: "n.a." denotes that estimates are not available.

Reserve Funds

The Chairman's Mark includes a number of reserve funds, which will allow the Chairman to revise committee allocations, budgetary aggregates, and other levels in the resolution for deficit-neutral legislation to address the following priorities.

STRENGTHENING AND STIMULATING THE AMERICAN ECONOMY AND PROVIDING ECONOMIC RELIEF TO AMERICAN FAMILIES, including –

> **Tax Relief:** Legislation providing tax relief, including extensions of expiring tax cuts and refundable tax relief.
>
> **Manufacturing:** Legislation aimed at revitalizing the manufacturing sector in the United States, including tax incentives, increased research and development, and other important support.
>
> **Affordable Housing:** Legislation that would provide housing assistance or establish an affordable housing fund to finance low-income housing investments, financed by contributions from the government-sponsored enterprises.
>
> **Trade:** Legislation addressing our trade agreements, preferences, sanctions, enforcement, or customs laws.
>
> **Economic Relief for Families:** Legislation reauthorizing the Temporary Assistance for Needy Families (TANF) grants, or for making improvements to the TANF program, child welfare programs or child support enforcement. In addition, the reserve fund would provide for legislation reauthorizing the trade adjustment compensation programs, improving the unemployment compensation program, or for providing up to $5 billion for the child care entitlement to states.
>
> **Flood Insurance:** Legislation that authorizes flood insurance reform and modernization.
>
> **Farm Bill:** The Chairman's Mark provides a deficit-neutral reserve fund to reauthorize agricultural programs, address the needs of rural America, promote new sources of renewable energy from U.S. farm products, provide an economic safety net for agricultural producers, enhance the stewardship of our natural resources, address domestic nutrition needs, increase agricultural research, and improve our export competitiveness.
>
> **County Payments:** The Chairman's Mark includes a deficit-neutral reserve fund for legislation that provides for the reauthorization of the Secure Rural Schools and Community Self-Determination Act of 2000, makes changes to the Payments in Lieu of Taxes Act of 1976, or both.

IMPROVING EDUCATION. The Chairman's Mark includes a reserve fund for deficit-neutral legislation that would make higher education more accessible or more affordable, modernize school facilities through renovation or construction bonds, or reduce the cost to teachers of out-of-pocket expenses for school supplies. The legislation may include tax provisions.

INVESTING IN INFRASTRUCTURE. The Chairman's Mark provides a reserve fund for deficit-neutral legislation that would provide a sustained robust federal investment in infrastructure, which may include transit, housing, energy, water, highways, bridges, or other important infrastructure projects.

INVESTING IN CLEAN ENERGY, PRESERVING THE ENVIRONMENT, AND PROVIDING FOR CERTAIN SETTLEMENTS. The Chairman's Mark includes a deficit-neutral reserve fund for energy and environmental legislation that would decrease greenhouse gas emissions, reduce our nation's dependence on imported energy, produce "green" jobs, or preserve our national parks. The legislation may include tax provisions. In addition, it includes a reserve fund for deficit-neutral legislation to carry out the San Joaquin River Restoration Settlement Act and implement a Navajo Nation water rights settlement.

PROVIDING FOR AMERICA'S VETERANS, WOUNDED SERVICE MEMBERS, AND A POST-9/11 G.I. BILL. The Chairman's Mark includes deficit-neutral reserve funds for –

> **Veterans and Wounded Service Members:** Legislation that would provide for improved medical care, disability benefits, or disability evaluations for wounded or disabled military personnel or veterans, including potentially increasing benefits to Filipino veterans of World War II, and allowing for the transfer of education benefits from service members to their family members.
>
> **A Post-9/11 G.I. Bill:** Legislation to enhance educational benefits of service members and veterans with service on active duty in the Armed Forces on or after September 11, 2001.

IMPROVING AMERICA'S HEALTH, including –

> **SCHIP:** Legislation to reauthorize the State Childrens Health Insurance Program, expand coverage of the estimated six million children eligible but not enrolled in either SCHIP or Medicaid, and maintain coverage for all currently-enrolled children.
>
> **Medicare Improvements.**
>
> > **Medicare Part B Physician Reimbursement:** The Chairman's Mark includes a reserve fund to increase the reimbursement rate for physician services under Medicare Part B. Under current law, without further Congressional action, physician payments under Medicare Part B will be cut over ten percent on July 1, 2008, and an additional five percent in subsequent years. The President's budget does not propose to prevent this cut. If no adjustments are made, over time, more and more physicians will stop providing services to Medicare patients, reducing seniors' access to care.
> >
> > **Other Medicare Improvements:** The Chairman's Mark includes a reserve fund to make other improvements to the Medicare program, including improvements to the prescription drug benefit under Medicare Part D, adjustments to the Medicare Savings Program, and reductions to beneficiary cost-sharing for preventive benefits under Medicare Part B, and that encourages physicians to train in primary care residencies and attracts more physicians and other health care providers to States that face a shortage of health care providers.

Health Care Quality, Effectiveness, Efficiency, and Transparency, including –

Comparative Effectiveness Research: Legislation to establish a new federal or public-private initiative for comparative effectiveness research.

Improving the Health Care System: Legislation to create a framework and parameters for the use of Medicare data for the purpose of conducting research, public reporting, and other activities to evaluate health care safety, effectiveness, efficiency, quality, and resource utilization in Federal programs and the private health care system, while protecting the privacy of beneficiaries and other proprietary information.

FDA, including –

Product Regulation: Legislation that authorizes the Food and Drug Administration (FDA) to regulate certain products and assess user fees on manufacturers and importers to cover the cost of FDA's regulatory activities, and

Drug Importation: Legislation allowing for the safe importation of prescription drugs approved by the FDA.

Medicaid, including –

Rules or Administrative Actions: Legislation addressing certain rules or administrative actions, and

TMA: Legislation extending the Transitional Medical Assistance program.

Other Improvements in Health, including legislation making health insurance coverage more affordable and available to small businesses and their employees, improving health care and provide quality health insurance for the uninsured and underinsured, reauthorizing special diabetes programs, improving long-term care, or providing for mental health parity.

JUDICIAL PAY AND JUDGESHIPS. The Chairman's Mark includes a deficit-neutral reserve fund for legislation that authorizes salary adjustments for justices and judges of the United States or increases the number of federal judgeships.

NOTE: All years are fiscal years unless otherwise noted.