BRIEF ANALYSIS
PRESIDENT BUSH'S FY 2008 BUDGET

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February 6, 2007

President Bush's FY 2008 Budget: More Debt and Deception

Overview

President Bush's FY 2008 budget is filled with debt and deception. It is disconnected from reality and continues to move America in the wrong direction. The Bush administration has the worst fiscal record in history and this budget does nothing to change that. It clings to the same misguided policies: costly tax cuts that primarily benefit the wealthiest, cuts in domestic priorities, and more fiscal irresponsibility.

The President is trying to wrap himself in the mantle of fiscal rectitude, showing a budget that claims to reach balance by 2012. But this is achieved only by leaving out large expenses. While the President has done a better job this year of accounting for near-term war costs, his budget again fails to include full out-year war costs or the cost of Alternative Minimum Tax relief beyond this year. And the budget again assumes cuts in domestic programs, without specifying where these cuts are to occur beyond 2008.

The President has also missed an historic opportunity to reach out to Democrats and work with a new Congress to address the nation's long-term fiscal problems. Our long-term imbalance has significantly worsened since President Bush took office, yet his budget offers no credible options for putting us back on a long-term sustainable path. The President has chosen again to reject compromise and stay the course.

True Budget Outlook Under Bush Policies

The President's budget claims to reach balance by 2012. But as with the President's past budgets, it only achieves that goal by leaving out large expenses. It leaves out full out-year Iraq costs beyond 2008. It leaves out Alternative Minimum Tax relief beyond calendar year 2007. And it leaves out discretionary spending policy details beyond 2008.

If we add back omitted costs and extend the budget out over ten years, we see that the deficit will reach $458 billion in 2017 and total $3.2 trillion over the ten years. Those deficits are occurring at a time when we should be paying down debt to prepare for the retirement of the baby-boom generation.

Bush FY 2008 Budget with Omitted Costs						
($ billions)	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Bush Budget Claim	-244	-239	-187	-94	-54	61
AMT Reform	0	-11	-70	-69	-80	-93
Ongoing War	0	0	-39	-79	-100	-87
Debt Service on Adjustments	0	-0	-3	-9	-17	-27
Bush Budget Deficits with Omitted Costs	-244	-251	-298	-252	-251	-145
Increase in Gross Debt	556	579	674	656	675	579

Federal Debt Soaring

The debt has exploded on this President's watch. We are now facing a wall of debt. At the end of 2001, the year the Bush administration took office, gross debt was $5.8 trillion. Under the President's budget with omitted costs factored in, we can see that gross debt will reach $9 trillion by the end of 2007. If we continue with these policies, gross debt is projected to soar to $12.2 trillion by the end of 2012.

Looking over the long term, we can see that the nation's debt will continue to explode if all the tax cuts are extended without offsets. In fact, according to the Center on Budget and Policy Priorities, we will more than double our debt level as a share of GDP in 2050 if all of the tax cuts are extended without offsets.

Disturbingly, we are becoming increasingly reliant on foreigners to buy our debt and finance our deficits. It took 42 Presidents 224 years to run up a trillion dollars of external debt. This administration more than doubled that amount of external debt in five years and has run up a six-year total of $1.19 trillion in foreign-held debt. We now owe Japan more than $600 billion; China more than $300 billion; the United Kingdom more than $200 billion; and "oil exporters" almost $100 billion. In fact, the United States is now the world's biggest borrower. In 2005, the United States was responsible for 65 percent of world borrowing, far and away more than any other nation.

Tax Proposals

The President's budget once again proposes further tax cuts that primarily benefit the wealthiest. The budget calls for tax cuts costing $623.8 billion over five years and $2.0 trillion over ten years. (This total includes the impact on outlays of proposals affecting refundable tax credits, such as the EITC and the Child Tax Credit.)

Extending the 2001 and 2003 tax cuts. The President proposes making permanent his previously enacted tax cuts, costing $387.2 billion over five years and $1.7 trillion over ten years (including the associated outlay effects of $13.2 billion over five years and $79.6 billion over ten years).

Extending other expiring tax provisions. The President proposes a one-year extension of Alternative Minimum Tax (AMT) relief through 2007. He calls for the permanent extension of the research and experimentation (R&E) tax credit. He also proposes a one-year extension of the Work Opportunity Tax Credit, qualified zone academy bonds (QZABs), and the first-time homebuyer credit in the District of Columbia.

Health insurance deduction. The President proposes a new standard deduction for health insurance of $15,000 for families ($7,500 for singles) to replace the current exclusion for employer-provided health insurance. Under the proposal, if a taxpayer has health insurance, either employer-provided or purchased individually in the non-group health insurance market, the taxpayer is entitled to the new deduction, which would be applicable to both income and payroll taxes. Employees would now include the value of employer-provided health coverage in gross income. The proposal would eliminate certain existing health tax subsidies, such as Flexible Spending Accounts, the premium deduction for the self-employed, and the medical expense itemized deduction (for taxpayers not enrolled in Medicare). The net cost of the proposal, including outlay effects, would be $135.5 billion over five years and $32.7 billion over ten years. Starting in 2014, the proposal begins to raise revenue, as health care costs grow faster than the value of the deduction (which is increased by inflation).

Tax preferred savings vehicles. The President has again proposed a significant expansion of tax-free savings accounts. He proposes to consolidate and expand the three current types of IRAs into retirement savings accounts (RSAs). In addition, the President proposes establishing lifetime savings accounts (LSAs), which would allow any taxpayer to shelter more income from taxation. No income limits would apply to either LSAs or RSAs. The President also proposes consolidating a number of employer-sponsored retirement savings vehicles, including 401(k)s, 403(b)s, 457s, and SIMPLE IRAs, into Employer Retirement Savings Accounts (ERSAs). Together, these proposals reduce revenues by $2.1 billion over ten years. Revenue gains through 2011 resulting from people paying tax on amounts in existing savings vehicles that they are converting to RSAs and LSAs turn to losses in 2012 that increase sharply thereafter.

Expanding Health Savings Accounts (HSAs). The President would expand HSAs by making more types of health plans eligible for HSA status, expanding the scope of qualified medical expenses under HSAs, allowing larger HSA contributions by employers, and making it easier for families to get HSA coverage. Together, the HSA expansion proposals would reduce revenues by $10.4 billion over ten years.

Closing the tax gap. The budget includes proposals to improve tax compliance, primarily by expanding information reporting on the sales of publicly-traded securities, on payments to corporations for services, and on credit and debit card transactions. The proposals would raise revenues totaling $29.5 billion over ten years. While this is an improvement over past administration efforts to close the tax gap, it represents the closing of just a fraction of the estimated $345 billion annual tax gap.

Other tax items. The budget includes a variety of revenue proposals and tax preferences for small business investment, charitable giving, and pensions. The totals also reflect the elimination of the passenger ticket tax starting in 2009, which the administration proposes to replace with a new user fee.

Discretionary Spending Proposals

At the same time that the President proposes further tax cuts that primarily benefit the wealthiest, he again proposes to cut funding for domestic programs that benefit the middle class. In total, the budget includes $929.8 billion in discretionary budget authority for 2008 (excluding emergencies), an increase of $51.5 billion, or 5.9 percent, over the 2007 level (either as enacted or as provided in H.J.Res. 20, the long-term Continuing Resolution (CR) passed by the House). Relative to these 2007 levels adjusted for inflation (to maintain the same purchasing power provided to agencies and programs in 2007), the President proposes to increase funding by $26.3 billion, or 2.9 percent.

As the table below shows, however, that total includes increases for defense and international affairs, while cutting funding for domestic programs by $13.0 billion, or 3.2 percent, below the 2007 CR level adjusted for inflation.

Discretionary Spending in 2008				
Discretionary budget authority ($ billions)	**Baseline***	**Bush Budget**	**Budget Above/Below Baseline***	**Percent Difference**
Defense	**465.4**	**501.9**	**+36.5**	**+7.8%**
International	**33.4**	**36.2**	**+2.8**	**+8.5%**
Domestic**	**404.7**	**391.7**	**-13.0**	**-3.2%**
Total	**903.5**	**929.8**	**+26.3**	**+2.9%**

*Baseline is the 2007 CR level adjusted for inflation, except for programs funded in the enacted 2007 Defense and Homeland Security bills (where the enacted levels are adjusted for inflation).
**Includes domestic homeland funding.

Defense

The budget continues the rapid spending growth in defense seen in recent years, calling for an increase of 7.8 percent above the 2007 level adjusted for inflation. This reflects more than 11 percent nominal growth in the Department of Defense's budget. Under the President's proposal, defense spending would grow in real (inflation-adjusted) terms for the tenth straight year. This sustained growth would return the defense budget, even excluding costs of the wars in Iraq and Afghanistan, to real levels last seen at the height of the Reagan buildup. However, the administration appears to project an end to the defense buildup in 2010, proposing below inflation growth in defense spending from 2010 onward.

The President's budget proposes $99.6 billion in war supplemental emergency funding for 2007 (in addition to the $70 billion already provided in the 2007 DOD appropriations conference agreement). The budget also proposes $145.2 billion in supplemental war funding for 2008 and a $50 billion placeholder for 2009.

Key Domestic Discretionary Cut Proposals for 2008

DOJ Law Enforcement Grants. The President's budget provides $32 million for the COPS program. This reflects a cut of $510 million below the 2007 level in the Continuing Resolution and $520 million (94.2 percent) below the 2007 CR level adjusted for inflation.

Byrne/JAG. Funding for the Byrne/JAG formula grant program is restructured into a competitive grant program under the President's budget. Proposed funding in 2008 is $350 million. This represents a cut of $170 million below the 2007 CR level and a cut of $180 million, or 34 percent, from the 2007 CR level adjusted for inflation.

DHS First Responders. The budget proposes to cut funding for DHS first responder grant programs by $1.7 billion below the 2007 level adjusted for inflation, or a cut of 50 percent. State formula grants would be funded at $187 million, a cut of $348 million below the inflation-adjusted 2007 level. Local Law Enforcement Terrorism Prevention Grants would be funded at $263 million, which is $119 million below the 2007 level adjusted for inflation. The budget includes a cut to Urban Area Grants. The program is funded at $770 million in 2007; the President's budget proposes $185 million below the 2007 level adjusted for inflation. The Firefighter Grant program is also cut by $375 million below the inflation-adjusted 2007 level.

CDBG. The budget proposes $2.98 billion for the Community Development Block Grant program (CDBG), a cut of $736 million below the 2007 CR level and $807 million below the CR level adjusted for inflation.

Education. The budget provides $56 billion in discretionary funding for education programs in the Department of Education. This reflects a cut of $1.5 billion below the level in the 2007 Continuing Resolution and $2.3 billion below the 2007 CR level adjusted for inflation.

The budget eliminates 44 discretionary education programs, including Federal Supplemental Educational Opportunity Grants (SEOG), Leveraging Education Assistance Grants (LEAP), education technology state grants, school counseling, Even Start, mentoring, parent information and resource centers, physical education, dropout prevention, school leadership, and Tech Prep State grants.

IDEA. Funding for Individuals with Disabilities Education Act (IDEA) is cut $291 million below the level in the 2007 Continuing Resolution, and $393 million, or 3.6 percent, below the CR level adjusted for inflation.

Head Start. Head Start is cut by $107 million from the level in the 2007 Continuing Resolution, and $207 million, or 3 percent, below the CR level adjusted for inflation.

Transportation. The budget includes $800 million for Amtrak, a cut of $518 million, or 39 percent below the 2007 CR level adjusted for inflation. It provides $2.75 billion for Airport Improvement Program (AIP) capital grants, a cut of $832 million or 23 percent below the 2007 CR level adjusted for inflation.

Clean Water. The Clean Water State Revolving Fund is funded at $688 million, which is $396 million or 37 percent below the level in the 2007 Continuing Resolution, and $417 million or 38 percent below the CR level adjusted for inflation.

Energy Efficiency and Renewable Energy. The budget provides $1.2 billion for this DOE program, a cut of $238 million below the 2007 CR level.

LIHEAP. The President proposes $1.8 billion for LIHEAP, a $420 million cut (19 percent) from what is needed to maintain LIHEAP funding at the 2007 CR level adjusted for inflation.

NIH. The President proposes $28.7 billion for the National Institutes of Health, a $743 million (2.5 percent) cut from what is needed to maintain NIH funding at the 2007 CR level adjusted for inflation.

CDC. The President proposes $5.8 billion for the Centers for Disease Control, a $165 million (2.8 percent) cut from what is needed to maintain CDC funding at the 2007 CR level adjusted for inflation. Of this total cut, $99 million reflects the elimination of the Preventive Health and Health Services Block Grant.

Commodity Supplemental Food Program (CSFP). The budget eliminates the CSFP, which would save $108 million relative to the level funded in the 2007 Continuing Resolution adjusted for inflation. The population served by CSFP is similar to that served by the WIC program but CSFP also serves the elderly and provides food rather than the food vouchers WIC provides.

WIC. The budget assumes $5.5 billion for WIC. The administration estimates that this funding level is sufficient to serve a monthly average of 8.3 million participants.

Veterans' Discretionary Programs. The budget provides $39.6 billion for discretionary veterans' programs, which includes veterans' medical services. This amount is $1.9 billion more than the levels provided in the 2007 Continuing Resolution, adjusted for inflation. However, the budget also imposes new fees on veterans (discussed in the Mandatory Spending Proposals section). Congress has rejected similar fee proposals in the past.

Even Steeper Cuts Through 2012. The budget fails to provide any account-level detail on discretionary spending after the first year. The Bush administration claims savings from reduced spending on domestic programs, without detailing where those cuts would come from. However, aggregate budget function totals provided show that the President is proposing to cut a number of priority areas. For instance, the function totals reflect the following cuts in 2012 below the level in the long-term Continuing Resolution adjusted for inflation (excluding emergencies):

- $2.5 billion, or 6.0 percent, in veterans programs;
- $4.2 billion, or 7.2 percent, in health;
- $9.0 billion, or 10.3 percent, in education, training, employment, and social services;
- $5.2 billion, or 15.0 percent, in natural resources and the environment; and
- $3.6 billion, or 24.5 percent, in community and regional development.

Mandatory Spending Proposals

Major mandatory changes proposed by the President include: payment cuts to Medicare fee-for-service providers; savings in Medicaid legislative proposals; the establishment of voluntary private accounts in Social Security; new cost-sharing for veterans' health programs; cuts to student loan lenders; increased premiums and other reforms to the Pension Benefit Guaranty Corporation; cuts to crop safety net and agriculture insurance programs; restrictions in food stamp eligibility; reductions in Social Security benefits; and drilling in ANWR.

The primary consequence of most of the President's Medicare and Medicaid proposals will simply be to shift existing health care costs to other entities, including health care providers, beneficiaries, state and local governments, and employer-provided health plans. Most of these proposals will do little to address the underlying causes of health care cost growth in the overall health care system.

Medicare. In total, the President's budget includes legislative proposals to cut payments to health care providers and to increase seniors' premiums, totaling $66.0 billion in savings over the next five years and $252.4 billion over the next ten years. Separately, the budget assumes regulatory changes to Medicare provider payments that would achieve $10.2 billion in additional savings over five years, for total five-year savings in Medicare spending of $76.2 billion.

Over five years, some of these cuts in Medicare payments to fee-for-service providers include:

- permanently instituting a market basket update, minus 0.65 percent, for most providers, including hospitals, skilled nursing facilities (SNFs), hospices, inpatient rehab facilities (IRFs), the ambulance fee schedule, and ambulatory surgical centers (ASCs) ($29.9 billion) [Note: SNFs and IRFs would get a payment freeze in 2008 and ASCs would get a full market basket update until 2010.];

- freezing payments to home health agencies every year through 2012, then providing a market basket update, minus 0.65 percent, in 2013 and beyond ($9.7 billion); phasing out Medicare bad-debt payments to providers ($7.2 billion);
- equalizing payments for five post-acute conditions between SNFs and IRFs ($2.9 billion);
- expanding competitive bidding to include lab services ($2.4 billion);
- limiting the oxygen rental period to 13 months for older oxygen technologies ($2.4 billion);
- extending Medicare Secondary Payer status for ESRD from 30 to 60 months ($1.1 billion); and
- establishing a 13-month rental period for power wheelchairs ($530 million).

The budget proposes no change to override an automatic cut in Medicare physician payments that will go into effect in 2008 without legislative action.

The budget proposes to eliminate annual inflation indexing of the income thresholds for income-related Part B premiums, saving $7.1 billion over five years. Starting in 2007, beneficiaries with incomes greater than $80,000 ($160,000/couple) are subject to higher Part B premiums, on a graduated basis. Under current law, these income thresholds are indexed to inflation. Under the President's proposal, these income thresholds would no longer be indexed for inflation. Over time, more seniors will be subject to higher premiums (similar to the AMT).

Separately, the budget proposes to establish income-related premiums under Part D, saving $3.2 billion over five years. As under Part B, beneficiaries with incomes greater than $80,000 ($160,000 per couple) will pay a larger share of the overall Part D premium cost, on a graduated basis. The income thresholds for Part D income-related premium provisions would not be indexed for inflation.

Separately, the budget assumes Medicare regulatory changes that would achieve $10.2 billion in additional savings over five years, including: post-acute care provider reform, program integrity, upcoding adjustments and other efficiency improvements.

Medicaid. The administration proposes policy changes resulting in net Medicaid cuts of $10.9 billion over five years and $28.0 billion over ten years.

Separately, the budget assumes $12.7 billion in additional Medicaid cuts in the baseline over five years as a result of Medicaid regulatory changes the administration will be pursuing in areas they have identified, such as revising payments for government providers ($5 billion), eliminating Medicaid graduate medical education ($1.8 billion), clarifying rehabilitation services ($2.3 billion), and reforming school-based services administration ($3.6 billion).

State Children's Health Insurance (SCHIP) Reauthorization. The budget assumes an additional $4.2 billion over five years and $9.7 billion over ten years for SCHIP reauthorization. However, this proposed funding level will not cover the funding shortfalls facing the SCHIP program.

Veterans' Health. As in previous years, the administration assumes savings from new fees on veterans for health care. Specifically, the administration assumes $1.1 billion in savings over ten years from creating a tiered annual enrollment fee based on a veteran's family income. In addition, the budget assumes $3.4 billion in savings over ten years from increasing the pharmacy co-payment from $8 to $15 for all Priority 7 and Priority 8 veterans. Finally, the administration assumes $421 million in savings over ten years by eliminating the third-party offset to first-party debt. In total, the new fees equal $2.3 billion over five years and $4.9 billion over ten years.

Social Security. The budget provides $29.3 billion over five years and $637.4 billion over ten years to implement the President's Social Security voluntary private accounts proposal. However, because the proposal would only be in effect for six years of the ten-year budget window, this figure does not reflect the true cost of the proposal once fully implemented.

Separately, the budget proposes specific cuts to Social Security benefits, totaling $3.2 billion over five years and $9.7 billion over ten years. Proposed cuts include: requiring full-time school attendance for continued eligibility of a child's Social Security benefits at age 16; tightening enforcement of the windfall elimination provision (WEP) and the government pension offset (GPO); and changing the disability insurance/worker's compensation offset. In addition, the budget proposes to increase program integrity efforts in the disability insurance program.

Agriculture. The President's budget includes his 2007 Farm Bill proposal to add $500 million in 2008 and $5 billion over the 2008 to 2017 period for agriculture and nutrition programs. These proposals would also cut the crop safety net and insurance programs by close to $14 billion over ten years and redistribute these funds to other USDA programs.

Food Stamp Program. The administration proposes net Food Stamp cuts of $50 million over five years, and $27 million over ten years.

> *Restricting Food Stamp Eligibility for TANF Recipients* – The administration proposes to cut Food Stamp spending by $63 million in 2008, $611 million over five years, and $1.4 billion over ten years. Under current law, low-income families that receive or are eligible to receive any type of benefit from the Temporary Assistance to Needy Families (TANF) program are considered categorically eligible for food stamps. Categorically eligible families are not subject to the same income and asset tests as other participants. The administration proposes to tighten the eligibility for food stamps by restricting categorical eligibility to only those TANF low-income families receiving cash assistance. CBO scored a similar proposal in October 2005 and estimated that 225,000 individuals would become ineligible for food stamps.
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> *Exclusion of Retirement/Education Savings For Food Stamp Eligibility* – The administration proposes to exclude retirement and education savings from the asset test when determining eligibility for the Food Stamp program. The budget assumes this proposal would increase Food Stamp spending by $44 million in 2008, $556 million over five years, and $1.3 billion over ten years.

Education. The budget proposes mandatory increases for higher education in three areas. It increases the maximum Pell grant to $4,600 in 2008 using mostly mandatory funding. (The Continuing Resolution adopted by the House and on the calendar in the Senate increases the maximum Pell grant to $4,310 in 2007 using discretionary funding.) The proposal would cost $15.3 billion over five years and $43.1 billion over ten years.

The budget increases Academic Competitiveness Grant awards by 50 percent, at a cost of $1.1 billion over five years. The budget also increases aggregate and annual loan limits for undergraduates in their third year and beyond at a cost of $870 million over five years and $2.6 billion over ten years.

The budget proposes savings in a number of areas, including lender payments and fees and guaranty agency default retention rates and fees. The overall cut to lenders is $16.9 billion over five years and $39.5 billion over ten years. The budget also recalls Federal Perkins loan revolving funds, saving $3.2 billion over five years and $6.4 billion over ten years. On a net basis, the overall proposals for student aid programs would save $3.7 billion in 2008, $2.9 billion over five years and $128 million over ten years.

Energy and Environment. The budget proposes to repeal an oil and gas R&D program that was included in the Energy Policy Act of 2005, saving $210 million over five years and $460 million over ten years. The budget once again assumes receipts from permitting oil and gas drilling in ANWR, resulting in savings of approximately $4 billion (over a five-year and a ten-year period). The budget would increase direct spending by $903 million over five years and $10.9 billion over ten years to add oil to the Strategic Petroleum Reserve. (The President's budget also requests an increase in discretionary appropriations for the SPR.)

Spectrum Auctions: The administration assumes $3.6 billion in savings over ten years by providing FCC with the authority to collect spectrum license user fees on unauctioned spectrum licenses. The administration also assumes an additional $1.2 billion in savings over ten years by extending FCC's authority to auction spectrum indefinitely. Additionally, the administration assumes $690 million in savings over ten years from restoring FCC's authority to issue domestic satellite service spectrum licenses and $1.5 billion over ten years from the auction of land-based components of hybrid terrestrial-satellite communications networks.

Temporary Assistance for Needy Families (TANF). The President proposes $1.2 billion over five years and $2.8 billion over ten years to extend the authorization for TANF supplemental grants for certain states through 2010. These grants are provided to states that meet criteria of high population growth and/or low historic grants per poor person.

Budget Process Proposals

Across-the-Board Cuts in Mandatory Programs. The President proposes a pay-as-you-go requirement for mandatory spending only. Under the President's proposal, new mandatory spending that would increase the deficit in the current year and the budget year would trigger across-the-board cuts in other mandatory spending, unless paid for with reductions in other mandatory spending.

Automatic Cuts in Medicare. The President's budget includes a proposal that would trigger automatic cuts in Medicare if the Medicare Modernization Act's threshold (when general revenue Medicare funding is projected to exceed 45 percent of Medicare's total spending) is exceeded. The cuts would begin as a four-tenths of one percent reduction to all payments to providers in the year that the threshold is exceeded, and would grow by four-tenths of one percent every year the shortfall continues.

Social Security Disability Insurance Funding Warning. The President proposes that if Social Security Administration actuaries project a negative disability insurance cash flow that is more than 10% of the program's cost for four consecutive years in the upcoming ten years, the Board of Trustees would issue a Funding Warning in its annual Trustees Report. The issuance of a Funding Warning would require the President to propose legislation within 15 days of the next budget submission to address the Funding Warning, and Congress would be required to consider the President's legislation.

Long-Term Underfunded Obligations. The President proposes a new point of order against legislation that would worsen the long-term underfunded obligations of major entitlements including Social Security, Medicare, Federal civilian and military retirement, veterans' disability compensation, and Supplemental Security Income.

Discretionary Spending Caps Enforced with Sequesters. The President proposes separate annual discretionary spending caps for defense and nondefense for 2007, 2008, and 2009, enforced through across-the-board cuts in non-exempt discretionary programs. For 2010-2012, separate defense/nondefense caps would be eliminated and replaced with overall discretionary caps.

Emergency Spending. The President's budget would require the President's concurrence in order for items of emergency spending designated by the Congress as emergencies to be scored as emergencies.

Line-Item Veto. The Line Item Veto Act of 1996 attempted to give the President the authority to cancel spending and tax line-items, but the Supreme Court struck down that law as unconstitutional. The President's budget again proposes a line-item veto, to give the President the authority to cancel new mandatory and discretionary spending whenever the President determines that the spending is not an essential government priority. Under the President's proposal, Congress would be required to vote on the President's proposed rescissions on an expedited basis and without amendment.

Earmark Reform. The President calls on Congress to disclose all earmarks; provide justifications for them; identify the sponsor, costs, and recipients of each project; stop placing earmarks in report language; and cut the number and cost of earmarks by at least half.

Biennial Budgeting. The President's budget proposes to switch from annual budgeting to biennial budgeting. Under biennial budgeting, in the first year of a new Congress, the President would be required to submit to Congress a two-year budget plan. Congress would then pass a two-year budget and enact two-year appropriations bills. The second year of each Congress would be used for considering authorizing legislation.

Automatic Continuing Resolution. The budget proposes that if Congress and the President fail to complete action on appropriations bills by the October 1 start of each fiscal year, an automatic continuing resolution should go into effect to provide funding at the lower of the President's budget or the prior year's level.

Note: All years are fiscal years unless otherwise noted.

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