



CHAIRMAN'S MARK

FY 2003 SENATE BUDGET RESOLUTION

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GENERAL NOTES

All years referred to are fiscal years, unless otherwise noted.
Table, text, and chart details may not add to totals due to rounding.

OVERVIEW
THE CHAIRMAN'S MARK FOR
THE CONGRESSIONAL BUDGET RESOLUTION FOR FISCAL YEAR 2003

The Chairman's Mark for the Congressional Budget Resolution for Fiscal Year 2003 provides a strong response to all the serious challenges facing America today. Unfortunately, the President and the Republican-controlled Congress last year squandered a golden opportunity to address the serious problems facing the nation before the terrible September 11 attacks. And, while it appropriately provides the resources necessary to wage the war on terrorism, the budget the President submitted this year does no better in facing up to the challenges that existed before September 11 than did the Republican budget last year.

Unlike the President's budget, the Chairman's Mark not only provides the resources needed to meet the challenge of fighting the war against terrorism at home and abroad, it also faces up to all of the other challenges facing the nation.

- The Chairman's Mark provides all the resources requested by the President for homeland security.
- The Chairman's Mark provides all the resources requested by the President for the Department of Defense for the next two years. It includes a reserve fund that will provide all the defense funding requested by the President in 2005 through 2012 if it becomes clear that the funds are needed. If the funds in the defense reserve are not needed for future defense needs, those funds will be used to pay down the debt.
- The Chairman's Mark proposes to pay down more debt than the President would, reducing it as much as possible given the other high priority needs of the nation. If the amounts in the defense reserve fund are not needed to meet unanticipated demands in the defense area, debt paid down under the Chairman's mark will exceed the debt paid down under the President's budget by about \$500 billion over 10 years. If the defense reserve funds are needed to boost spending for national security, the Chairman's Mark would still provide more than \$230 billion more debt reduction than the President's budget would.
- Unlike the President's budget, the Chairman's Mark puts the budget on a path back to balance without the use of the Social Security trust funds so that those funds can be used as intended – to help prepare for the retirement of the baby boom population – instead of to pay for tax cuts and other programs. The Chairman's Mark puts in place a mechanism that will require Congress to consider a plan next year that would lead to a balanced budget without Social Security by 2008. The President's budget does not achieve balance without Social Security in any year.

- Unlike the President's budget, the Chairman's Mark does not propose additional reductions in revenues over and above those resulting from the tax cuts enacted last year. The Chairman's Mark assumes no repeal or delay of rate reductions that are scheduled to occur in future years under the law enacted last year. It also assumes that any additional tax cuts will be paid for.
- The Chairman's Mark proposes a Medicare prescription drug benefit that will provide real help for the nation's elderly. The Chairman's Mark also provides resources that are needed to expand health coverage for Americans who currently lack insurance. The resources for these purposes provided in the Chairman's Mark are almost double the amount proposed by the President.
- Unlike the President's budget, the Chairman's Mark provides new mandatory spending to ensure that the Individuals with Disabilities Education Act will be fully funded.
- And unlike the President's budget, the Chairman's Mark provides the resources for crucial investments that will meet high priority current needs and help prepare the nation to meet all of the daunting challenges facing us in coming years. For instance, in 2003:
 - It provides \$5.4 billion more than the President for education;
 - It provides \$3.5 billion for COPS and other state and local law enforcement assistance programs, \$1.4 billion more than the President;
 - It provides \$5.7 billion more funding than the President for highways;
 - It provides \$1.2 billion more than the President for veterans medical care; and,
 - It provides \$2.4 billion more than the President for natural resources and environment programs.

The Challenges

America faces tremendous challenges as winter turns to spring in 2002. Some of these challenges are all too obvious every morning in the nation's newspapers and every evening on the nightly news: the challenge of rooting out al Qaeda and Taliban fighters that confronts our troops in Afghanistan; the challenge of responding to the possibility of more terrorist attacks against our homeland; and the challenge of ensuring that the American economy resumes the robust economic growth that marked the record-breaking economic expansion that ended a year ago.

Facing the Retirement of the Baby-Boom Generation

But America also faces other very serious challenges that are not so much in the daily news. In just six years, the oldest members of the huge baby-boom population will become eligible for federal retirement benefits. As the number of citizens over 65 grows – that population is expected to double by 2035 – the pressure on the federal budget will increase dramatically. The Congressional Budget Office (CBO) estimates that the cost of Social Security, Medicare, and Medicaid will nearly double by 2030, to almost 15 percent of gross domestic product (GDP). Currently, *total* federal spending equals 19 percent of GDP. In testimony before the Senate Budget Committee in January, CBO Director Dan Crippen stated that:

Put more starkly, Mr. Chairman, the extremes of what will be required to address our retirement are these: We'll have to increase borrowing by very large, likely unsustainable amounts; raise taxes to 30 percent of GDP, obviously unprecedented in our history; or eliminate most of the rest of the government as we know it. That's the dilemma that faces us in the long run and these next ten years will only be the beginning.

This demographic tidal wave represents a challenge unlike any this nation has ever faced. Although the most serious impacts on the budget posed by this graying of America will not be felt in the next 10 years, what is done in the budget over the next decade will have a crucial effect on how the nation is able to meet the long-term challenge.

Facing the Need for a Medicare Prescription Drug Benefit

In addition to the challenge posed by the anticipated needs of tomorrow's elderly population, we also face a challenge to provide today's elderly with relief from the crippling costs of prescription drugs. The federal Medicare program has made a great contribution to the well-being of America's elderly citizens, ensuring that they will receive the hospital and physician services they need without bankrupting themselves and their families. But when

Medicare was enacted nearly four decades ago, its proponents did not foresee the tremendous strides that would be made in the development of pharmaceuticals and did not include a general prescription drug benefit in the Medicare package. Today, thousands of drugs that were unknown decades ago play a crucial role in keeping our elderly population alive, healthy, and active. But the costs of these drugs are skyrocketing and the lack of prescription drug coverage in Medicare and the cost of private prescription drug insurance are forcing seniors to spend far too much of their limited income on prescription drugs or to do without prescriptions they need.

Facing the Need for Improved Education, Infrastructure, and Environmental Protection

We also face a series of challenges in providing our citizens with the tools they will need to prosper. The first challenge is to provide a high-quality education to every American. Not only do all Americans deserve an education that will allow them to make the most of their potential, but investing in a first-class educational system is the best way to ensure that the American economy will remain the strongest in the world and our citizens will be able to meet all of the challenges that will face them in coming decades. Another challenge is to make investments that will improve our highways and other elements of our infrastructure that play a crucial role in our economy and in the well-being of our citizens. We also must meet the challenge of protecting our environment while promoting strong economic growth.

Facing the Need to Protect the Well-being of our Citizens

We also face a challenge to ensure that Americans are secure not only against the threat of terrorism but also from other threats to their health and happiness. We must provide resources for police who can protect our citizens from crime and ensure that neighborhoods are safe and full of vitality. We must make sure that all Americans are protected from the threat of inadequate access to health care. We must provide first-class services for veterans of our nation's armed services. We must ensure that workers who temporarily lose their jobs and citizens who are struggling to enter the workforce have the resources they and their families need to prepare for a better future.

These challenges are daunting, but the American people have the capacity to meet them and continue to move this country forward if the nation's leaders face up to the challenges and help citizens prepare to meet them.

Squandered Opportunities

Last year our national leaders were presented with a golden opportunity to set this nation on a course to deal with the challenges facing it. After more than 15 years of nearly constant efforts to reduce large budget deficits and a decade-long economic expansion that was spurred at least in part by that fiscal discipline, the near-term budget outlook was unprecedentedly bright.

The Congressional Budget Office projected that unified surpluses would total \$5.6 trillion over the 2002-2011 period. Excluding the Social Security and Medicare trust funds, the projected surpluses would still total \$2.7 trillion over that period.

The Senate Democrats developed a budget plan that would have used those unprecedented projected surpluses in a manner that would address all of the issues facing the nation. That plan would have devoted all of the Social Security and Medicare trust fund surpluses to pay down the debt, instead of allowing them to be used to pay for tax cuts or other programs. The remaining \$2.7 trillion would have been divided into thirds and used to meet the other national needs. One-third (\$900 billion) would have been devoted to a tax cut that would go primarily to middle- and working-class Americans, would provide an immediate boost to help fend off or dampen a recession, and would not explode in costs in the later years of the plan. A second \$900 billion would have been devoted to high priority needs such as a Medicare prescription drug benefit and needed improvements in education. The final \$900 billion of the available (non-Social Security, non-Medicare) surplus would have been set aside as a cushion against unanticipated reductions in the projected surplus and to fund needed major reforms of Social Security and Medicare.

But the President and Republicans in Congress instead pushed through a plan that had only one priority – tax cuts. The President proposed a tax cut that would have cost nearly \$2.2 trillion over 10 years (including interest costs). Because of the huge tax cut, there were not enough resources left to address other challenges. The President's budget proposed an inadequate Medicare prescription drug benefit, did not fully fund all of the nation's education needs (even though he called education his top priority), and did not set aside any funds to reform Social Security or Medicare. The cost of the President's tax cut over 10 years was reduced slightly as it made its way through Congress, but that largely reflected a slow phase-in of key provisions in the bill and the sunset of all provisions of the bill at the end of 2010. More importantly, if the provisions in the tax bill are made permanent, the cost would exceed \$4 trillion in the second decade – 2012 through 2021 – *without counting the cost of increased interest payments*. This would drain a vast amount of resources from the government just as the costs of the retirement of the baby-boom population begin to soar.

The effects of this squandered opportunity are being felt this year. Because of enactment of the huge tax cut, there was no cushion against the unanticipated costs of the war on terrorism or against the revenue drain resulting from the economic slowdown that began last March. As a result, we are facing deficits excluding Social Security until 2010 if current policies remain unchanged.

According to CBO, the President's budget would not ever produce a surplus without using Social Security. In fact, without Social Security, deficits under the President's budget would total \$1.8 trillion for the entire 2003 - 2012 period. Given the drain on resources resulting from last year's tax cut, it is not surprising that the President has once again failed to propose adequate resources for a Medicare prescription drug benefit, for needed education improvements, or for a host of other priority national needs. And once again the President has

failed to propose any resources for Social Security or Medicare reform, much less the resources that would be needed to implement any of the alternatives proposed by his own Social Security commission.

Perhaps worst of all, the budget submitted by the President this year proposes even more tax cuts. In fact, tax cuts represent the largest cost in his budget. According to CBO, his proposed tax cuts would cost more than \$680 billion (including refundable tax credits but not including interest costs) over the next 10 years. This is 42 percent more than the \$483 billion CBO estimated the President's proposed increase in defense spending would cost during the same period.

The President's budget does represent an appropriate response to the September 11 attacks – it provides the resources that will allow our armed forces, homeland security personnel, and citizens to respond to the challenge posed by terrorists. But – just as last year – the President's budget does not respond adequately to the other major challenges facing this nation.

Responding to the Challenges – The Chairman's Mark

The Chairman's Mark represents a budget that confronts all of the challenges facing our nation and provides the resources needed to help Americans meet these challenges the way our forefathers have met challenges throughout our history.

Homeland Security. The events of September 11 and their aftermath requires that homeland security be one of the nation's highest priorities. The Chairman's Mark reflects the national commitment to homeland security by fully funding the President's \$37.7 billion request for homeland security for 2003 (\$4.7 billion of this total is offset by user fees under both the President's budget and the Chairman's Mark). This total represents an \$8.4 billion increase above the 2002 level provided for activities identified as homeland security. Of the total funding for 2003, \$7.8 billion is for defense-related homeland security. The remaining net spending of \$25.2 billion is for domestic agency homeland security activities, which are spread throughout the government. As identified in the President's budget, that funding is for activities dealing with first responders, biological terrorism, border security, aviation security, and information technology.

National Security. The Chairman's Mark provides the full amount of discretionary funding requested by the President for defense activities for fiscal years 2003 and 2004 (\$393 billion, including \$10 billion requested as an unallocated contingency fund, and \$400 billion, respectively). The amount provided for 2003 represents a \$35.9 billion increase above the level appropriated for 2002, adjusted for inflation. This amount provides full funding for the war on terrorism and defense-related homeland security efforts, accelerated transformation of the armed services, a 4.1 percent pay raise for all military personnel, and accelerated replacement of military family housing.

The Chairman's Mark includes a Reserve Fund for Defense that guarantees that the full amount requested by the President for 2005 through 2012 will be available if events prove that the full amount is needed in those years as well as in 2003 and 2004. If the reserve funds are not needed for defense spending, they will be devoted to protecting Social Security and paying down the debt.

In 2004, defense funding provided in the Chairman's Mark is \$34 billion above the level provided for 2002, adjusted for inflation. The Chairman's Mark assumes that, in the absence of unanticipated levels of military action due to the war on terrorism after 2004, it will be possible to achieve savings in defense in 2005 and later years through transformation efforts touted by the Secretary of Defense and others inside and outside the administration. The Chairman's Mark assumes that defense funding can grow at the rate of inflation from the 2004 level through 2012. Over the entire 2003-2012 period, defense funding without the reserve funds would be \$378 billion above CBO's projections of the amount required to maintain the current level of funding, adjusted for inflation. Over that ten years, it would be almost \$900 billion above what CBO estimated in January 2000 would be required to maintain the enacted fiscal year 2000 level of funding, adjusted for inflation. At the level of spending provided for 2003, the United States will spend more on defense than the next 18 top-spending other nations combined.

The Chairman's Mark provides mandatory funding of \$516 million in 2003 and \$17.8 billion over 10 years to provide full concurrent receipt of military retirement and veterans disability benefits to veterans who are 60 percent to 100 percent disabled as a result of military service. Phase-in of this benefit begins in 2003 and is fully in place by 2007. The Chairman's Mark supports the same policy on concurrent receipt as the budget resolution reported by the House Budget Committee on March 13, but provides funding for 10 years (the House resolution covers only five years).

Paying Down Debt. If the defense reserve fund amounts do not have to be used to meet unanticipated defense costs, \$502 billion more in debt reduction will be achieved under the Chairman's mark than under the President's budget. Even if the defense reserve is needed to fund a higher-than anticipated level of defense spending instead of being used to pay down the debt, the debt reduction in the Chairman's mark still exceeds that in the President's budget by \$233 billion.

Protecting the Social Security Trust Funds. The Chairman's Mark includes a "circuit breaker" that will put the budget on a path to balance without Social Security by 2008. Under this circuit breaker mechanism, if the Congressional Budget Office determines next January that the outlook has not improved and the Social Security trust funds are still in danger of being used for other than their intended purposes over the next decade, the Budget Committee will be required to report a budget plan that will return the budget to balance without Social Security within five years. In contrast, the President's budget would not put the budget on a path to balance. According to the Congressional Budget Office, in 2012 there would still be a deficit of \$100 billion without Social Security under the President's budget.

The Chairman's Mark recognizes that it is crucial to return the budget to balance without Social Security as soon as possible because the first members of the baby-boom generation will become eligible for Social Security in 2008 and the effects of this demographic tidal wave will begin to grow rapidly in the succeeding years. Balancing the budget without Social Security will help pay down the debt, boost economic growth, and make sure resources are available to pay for needed reforms of Social Security and Medicare.

Medicare Prescription Drugs and Other Health Care. The Chairman's Mark includes a \$500 billion (over 10 years) reserve fund for a bill or bills that would establish a Medicare prescription drug benefit, provide relief for Medicare providers, or expand health care coverage for Americans currently lacking health insurance. It also provides that additional benefits that would push the total cost of the package above \$500 billion will be allowed if those additional benefits are paid for.

The health care funding provided in the Chairman's Mark contrasts with the \$258 billion over 10 years included in the President's budget for Medicare prescription drugs and expanded health coverage. The amount provided in the President's budget clearly is insufficient for a prescription drug benefit that will truly meet the needs of the nation's elderly citizens and to expand health coverage for working families without health care coverage. The President's budget did not provide any funds for Medicare provider relief.

The Chairman's Mark matches the President's request for a \$3.9 billion increase for 2003 above last year's level for the National Institutes of Health. This amount meets the target for the final installment in the plan to double the agency's budget over five years (1999-2003). The Chairman's Mark provides a \$1 billion increase in funding above the President's request for the Indian Health Service. It also provides an increase of \$0.5 billion above the President's request for the Centers for Disease Control and Prevention. This will fully restore the cuts the President proposed to programs including Chronic Disease Prevention, Occupational Safety and Health, Infectious Disease Control, and Public Health Improvement.

Education. The Chairman's Mark provides a substantial increase in 2003 program year education funding above last year's level. Taking into account discretionary funding for the Department of Education and new mandatory funding proposed for the Individuals with Disabilities Education Act (IDEA), it provides an increase of \$6.8 billion over the 2002 program level. This is slightly higher than last year's \$6.7 billion increase above the 2001 program level. By comparison, the President's budget proposed only a \$1.4 billion increase this year.

This \$6.8 billion increase includes \$2.5 billion over the 2002 program level for elementary and secondary education programs in the *No Child Left Behind Act*. In contrast, the President's budget proposes a nearly \$100 million cut in these programs.

The Chairman's Mark assumes that full funding of IDEA will be phased in over the next six years. To help ensure that outcome, it includes a reserve fund that provides new mandatory budget authority increases in each year of \$2.5 billion over the previous year until the full

funding level is reached. This new mandatory spending totals \$91 billion in outlays over 10 years.

State and Local Law Enforcement. The Chairman's Mark provides \$1.4 billion to restore cuts the President proposed in 2003 for state and local law enforcement grants, including Community Oriented Policing Services (COPS) grants. Although the President cuts current COPS programs by almost \$500 million, he claims an increase in COPS funding because of a proposed new \$800 million Justice Assistant grant he wants included under the COPS umbrella. More importantly, he proposes a \$1.7 billion cut in all other state and local law enforcement grant funding, so that total funding for state and local law enforcement assistance would decline by \$1.4 billion under the President's budget.

Highways and other Transportation. The Chairman's Mark rejects the President's request for a deep cut in the Federal Aid Highway Program (FAHP) obligation limitation that would force states to forego or postpone critical highway infrastructure investments. The Chairman's Mark assumes an FAHP obligation limitation of \$28.9 billion in 2003 – \$5.7 billion above the President's revised request (and \$6.3 billion above the level included in the President's budget). The amount provided in the Chairman's Mark would allow states to proceed with their plans and could save more than 200,000 jobs that would be lost under the President's proposal. The funding provided in succeeding years will allow for steadily increasing spending on highways while maintaining a sufficient cash balance reserve in the Highway Trust Fund throughout the period expected to be covered by the next surface transportation reauthorization bill.

The Chairman's Mark provides \$1.2 billion in funding for Amtrak in 2003, \$679 million above the amount requested by the President and \$579 million above the level enacted for 2002. In addition, it fully funds the President's request for \$4.8 billion for the newly-created Transportation Security Administration, which will coordinate and manage federal security efforts across all transportation modes and will be responsible for overseeing passenger screening and aviation security.

Veterans' Services. The Chairman's Mark provides a \$2.6 billion increase in funding in 2003 above last year's level for veterans' medical care, \$1.2 billion above the amount requested by the President. The Chairman's Mark rejects the President's proposal to impose a \$1,500 deductible for medical services on certain veterans. That proposal would cause an estimated 100,000 or more veterans to leave, or choose not to enroll in, the Department of Veterans Affairs medical care system. Another 300,000 veterans would have their health care services diminished. The additional funding provided by the Chairman's Mark will relieve the financial pressure on the Veterans Health Administration and allow it to provide the high quality care it is capable of delivering. Most importantly, this funding will ensure that we are able to meet the health care needs of those who have served our nation through military service.

The Environment and Energy Security. The Chairman's Mark restores \$2.4 billion in cuts (below the 2002 level, adjusted for inflation) proposed by President Bush for natural resource and environment programs. It restores over \$1 billion in funding for water resources, \$113

million for Superfund cleanup, and bolsters effective federal enforcement of our existing environmental laws.

Including additional amounts provided for salmon conservation and restoration, the Chairman's Mark provides \$2.5 billion more in funding for natural resource and environment programs. The Chairman's Mark provides full funding of the Land, Conservation, Preservation and Infrastructure Improvement Program at \$1.9 billion in budget authority in 2003.

The Chairman's Mark assumes enactment of the Energy Policy Act of 2002. Following the authorizations in the Act, it provides a net increase of \$4.3 billion for priority energy research and development over 10 years.

The Chairman's Mark rejects the President's proposal to supplement renewable energy research and development with funds made available through the sale of oil and gas drilling rights in the Arctic National Wildlife Refuge.

Help for America's Farmers. The Chairman's Mark assumes timely enactment of a farm bill with funding consistent with the Senate-passed bill and the President's overall request for programs covered by the farm bill. This funding will facilitate establishment of a new approach to providing assistance to our nation's hard-pressed farmers in place of the failed policies of the Federal Agricultural Improvement and Reform Act of 1996 (also known as the Freedom to Farm Act).

Help for America's Working Families. The Chairman's Mark assumes reauthorization of the Child Care Development Block Grant and the Temporary Assistance for Needy Families Block Grant and provides \$23 billion over 10 years to help expand and improve upon the accomplishments of welfare reform and to ensure that families that have moved from welfare to work continue to move up the ladder of economic success. The Chairman's Mark also includes a \$10 billion increase in mandatory spending over 10 years for food and nutrition programs, consistent with provisions included in the Senate-passed farm bill.

The Chairman's Mark restores more than \$500 million in cuts the President proposed in low-income housing assistance programs and \$300 million in cuts the President proposed in the Low Income Home Energy Assistance Program.

The Chairman's Mark provides \$900 million for 2003 to restore cuts proposed in the President's budget for the Department of Labor's job training and employment services programs, including assistance for low-income and disadvantaged youth and adults, displaced workers, and community services for older Americans. It also funds a \$73 million increase that the President proposed for the Job Corps program.

The Chairman's Mark provides a \$400 million increase above last year's program level for Head Start, \$270 million more than the President proposed in his budget. The Chairman's Mark also provides \$150 million to prevent the elimination of the early learning fund and cuts in

community services and research programs, which the President proposed in his budget.

Chairman's Mark for FY 2003 Budget Resolution: Budget Totals by Category

(\$ billions)	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues	2,046	2,180	2,338	2,464	2,586	2,723	2,871	3,019	3,286	3,555
On-budget	1,501	1,607	1,736	1,833	1,925	2,031	2,144	2,255	2,483	2,713
Off-budget	545	574	602	631	661	693	727	764	803	842
Outlays										
Discretionary	795	816	835	847	858	885	907	929	955	970
Mandatory	1,169	1,197	1,279	1,359	1,444	1,548	1,649	1,760	1,891	1,984
Net interest	175	194	198	197	193	188	182	173	163	146
Subtotal	2,139	2,207	2,313	2,403	2,496	2,621	2,737	2,862	3,009	3,100
On-budget	1,769	1,827	1,921	1,998	2,075	2,185	2,281	2,385	2,510	2,575
Off-budget	370	379	391	406	420	436	456	477	499	525
Surplus	-92	-27	26	60	90	102	134	157	277	455
On-budget	-268	-221	-185	-165	-150	-154	-137	-130	-27	138
Off-budget	176	194	211	226	241	256	271	287	304	318
Debt held by the public	3,517	3,558	3,548	3,503	3,428	3,339	3,218	3,072	2,807	2,362
% of GDP	32%	31%	29%	27%	25%	24%	22%	20%	17%	14%

Notes: On-budget totals exclude the Social Security surpluses and the Postal Service.

These estimates assume that defense reserve funds will be available to protect Social Security and pay down the national debt.

FY 2003 Surplus and Deficit Totals: OMB and CBO Basis

(\$ billions)	2003	2004	2005	2006	2007	2003-07	2003-12
<u>CBO Basis</u>							
Chairman's Mark	-92	-27	26	60	90	57	1,183
On-budget	-268	-221	-185	-165	-150	-990	-1,299
Off-budget	176	194	211	226	241	1,047	2,483
President's Budget	-121	-51	24	48	68	-33	681
On-budget	-297	-245	-187	-178	-173	-1,079	-1,801
Off-budget	176	194	211	226	241	1,047	2,483
<u>OMB Basis</u>							
Chairman's Mark	-59	3	61	97	130	232	1,476
On-budget	-237	-192	-155	-131	-114	-830	-991
Off-budget	179	195	217	228	243	1,061	2,466
President's Budget	-80	-14	61	86	104	157	1,002
On-budget	-259	-208	-156	-142	-139	-904	-1,464
Off-budget	179	195	217	228	243	1,061	2,466

Chairman's Mark for FY 2003 Budget Resolution -- Budget Totals by Function

\$ billions	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Total budget										
Budget authority	2,171.0	2,233.7	2,341.9	2,439.7	2,540.3	2,658.6	2,774.2	2,897.1	3,039.8	3,138.1
Outlays	2,138.7	2,206.7	2,312.7	2,403.3	2,495.5	2,620.9	2,736.9	2,862.0	3,009.3	3,100.2
Revenues	2,046.5	2,180.2	2,338.3	2,463.8	2,585.7	2,723.2	2,871.2	3,019.3	3,286.0	3,555.4
Surplus	-92.2	-26.5	25.6	60.4	90.2	102.3	134.3	157.4	276.7	455.3
On-budget										
Budget authority	1,799.2	1,851.9	1,948.1	2,031.6	2,117.1	2,219.4	2,315.5	2,416.8	2,537.4	2,609.8
Outlays	1,768.9	1,827.1	1,921.2	1,997.6	2,074.9	2,184.4	2,281.1	2,384.7	2,510.1	2,575.3
Revenues	1,501.0	1,606.6	1,736.0	1,832.7	1,924.6	2,030.7	2,144.4	2,254.9	2,483.3	2,712.9
Surplus	-268.0	-220.7	-185.4	-165.1	-150.5	-153.8	-136.8	-129.9	-27.0	137.6
Off-budget										
Budget authority	371.9	381.7	393.8	408.2	423.1	439.3	458.7	480.3	502.4	528.3
Outlays	369.8	379.6	391.5	405.7	420.6	436.5	455.8	477.2	499.1	524.9
Revenues	545.5	573.6	602.3	631.1	661.1	692.5	726.8	764.4	802.7	842.5
Surplus	175.9	194.2	210.9	225.5	240.6	256.1	271.1	287.2	303.6	317.6
050 National Defense										
Budget Authority	393.4	401.1	411.7	422.8	434.1	445.5	457.3	469.2	481.3	493.7
Outlays	380.1	394.4	405.8	411.6	415.3	432.9	446.2	459.7	476.7	481.9
150 International Affairs										
Budget Authority	25.7	26.3	26.9	27.4	27.9	28.4	28.8	29.6	30.0	30.4
Outlays	22.0	22.8	22.8	23.1	23.6	24.2	24.4	24.9	25.3	25.8
250 General Science, Space and Technology										
Budget Authority	22.9	23.2	23.6	24.0	24.4	24.8	25.3	25.7	26.1	26.6
Outlays	22.1	22.8	23.1	23.4	23.8	24.3	24.7	25.2	25.6	26.0
270 Energy										
Budget Authority	2.7	2.9	2.7	2.5	2.4	2.3	2.3	2.3	2.4	2.4
Outlays	0.8	1.0	1.0	1.0	1.0	0.9	0.9	1.0	1.1	1.2
300 Natural Resources and Environment										
Budget Authority	33.3	34.4	35.3	36.2	35.4	36.3	37.9	38.7	39.5	40.2
Outlays	31.5	32.8	33.9	35.2	35.6	36.2	37.3	38.1	39.0	39.7
350 Agriculture										
Budget Authority	30.0	23.9	24.9	22.1	21.8	20.3	19.2	18.8	18.7	18.9
Outlays	28.7	22.5	23.6	20.8	20.7	19.2	18.1	17.8	17.7	17.9
370 Commerce and Housing Credit										
Total Budget Authority	6.3	5.6	6.8	7.4	7.4	7.6	7.8	7.9	8.1	8.3
Outlays	1.9	1.1	2.3	3.1	3.2	3.2	3.3	3.6	3.9	4.2
On Budget Authority	5.6	5.5	7.5	7.4	7.4	7.6	7.8	7.9	8.1	8.3
Outlays	1.2	1.0	3.0	3.1	3.2	3.2	3.3	3.6	3.9	4.2
Off Budget Authority	0.7	0.1	-0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Outlays	0.7	0.1	-0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
400 Transportation										
Budget Authority	65.8	65.2	67.0	68.3	69.7	71.1	72.5	74.0	75.5	77.0
Outlays	65.1	63.2	64.0	65.3	66.4	68.0	69.4	70.9	72.4	73.8
450 Community and Regional Development										
Budget Authority	15.9	15.9	16.2	16.5	16.6	16.9	17.2	17.5	17.7	18.0
Outlays	16.4	17.3	17.1	16.4	16.2	15.8	16.0	16.2	16.5	16.8
500 Education, Training, Employment, and Social Services										
Budget Authority	85.6	92.2	95.9	99.7	103.5	106.0	107.8	109.2	110.8	112.4
Outlays	79.5	85.3	91.2	95.5	99.3	103.1	106.0	107.8	109.5	111.1
550 Health										
Budget Authority	221.5	242.2	261.7	279.4	299.6	321.0	343.7	369.3	396.4	426.4
Outlays	217.9	241.8	261.0	278.8	298.1	319.8	342.3	367.8	394.9	425.1
570 Medicare										
Budget Authority	240.1	256.2	290.5	312.4	342.9	382.1	415.8	452.4	498.0	531.8
Outlays	240.0	256.5	290.4	312.2	343.2	382.0	415.5	452.7	497.8	531.5
600 Income Security										
Budget Authority	322.7	319.2	326.5	336.6	344.0	357.8	369.6	382.7	400.7	392.3
Outlays	325.7	319.7	326.4	335.7	342.5	356.3	367.7	380.6	398.4	389.9
650 Social Security										
Total Budget Authority	478.4	499.2	524.7	552.2	582.2	614.6	651.5	691.8	735.0	781.9
Outlays	476.3	497.0	522.4	549.8	579.6	611.9	648.7	688.8	731.8	778.5
On Budget Authority	13.4	14.3	15.2	16.1	17.2	18.6	20.3	22.2	25.4	27.9
Outlays	13.4	14.3	15.2	16.1	17.2	18.6	20.3	22.2	25.4	27.9
Off Budget Authority	465.0	484.9	509.6	536.1	564.9	596.0	631.2	669.6	709.6	754.1
Outlays	462.9	482.8	507.2	533.7	562.4	593.3	628.4	666.6	706.4	750.6
700 Veterans Benefits and Services										
Budget Authority	56.2	58.2	62.3	61.8	61.1	65.0	66.7	68.4	72.7	70.1
Outlays	55.3	57.8	61.8	61.3	60.6	64.7	66.3	68.0	72.4	69.7
750 Administration of Justice										
Budget Authority	38.4	37.9	36.6	37.4	38.3	39.2	40.1	41.1	42.0	43.0
Outlays	39.0	38.5	36.7	37.0	37.7	38.8	39.7	40.6	41.6	42.6
800 General Government										
Budget Authority	16.7	16.5	16.7	17.0	17.3	17.2	17.5	17.8	18.1	18.5
Outlays	16.6	16.8	16.7	16.8	17.0	17.0	17.1	17.4	17.7	18.2
900 Net Interest										
Total Budget Authority	174.8	193.7	198.3	196.7	193.0	187.9	181.5	173.1	163.1	146.1
Outlays	174.8	193.7	198.3	196.7	193.0	187.9	181.5	173.1	163.1	146.1
On Budget Authority	259.1	286.7	302.3	312.9	322.3	331.3	339.9	347.3	354.1	354.8
Outlays	259.1	286.7	302.3	312.9	322.3	331.3	339.9	347.3	354.1	354.8
Off Budget Authority	-84.3	-93.0	-104.0	-116.2	-129.4	-143.4	-158.3	-174.2	-191.0	-208.7
Outlays	-84.3	-93.0	-104.0	-116.2	-129.4	-143.4	-158.3	-174.2	-191.0	-208.7

Chairman's Mark for FY 2003 Budget Resolution -- Mandatory Totals by Function

(\$ billions)	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Total Mandatory										
Budget Authority	1,402.937	1,447.154	1,537.736	1,617.606	1,699.269	1,798.423	1,893.394	1,996.261	2,118.578	2,195.732
Outlays	1,343.928	1,390.268	1,477.284	1,555.931	1,637.243	1,736.071	1,830.300	1,932.862	2,054.059	2,130.390
On-budget Mandatory										
Budget Authority	1,034.899	1,069.366	1,147.942	1,213.606	1,280.413	1,363.555	1,439.255	1,520.612	1,620.971	1,672.286
Outlays	977.990	1,014.580	1,089.790	1,154.331	1,220.887	1,303.903	1,378.961	1,460.213	1,559.652	1,610.344
Off-budget Mandatory										
Budget Authority	368.038	377.788	389.794	404.000	418.856	434.868	454.139	475.649	497.607	523.446
Outlays	365.938	375.688	387.494	401.600	416.356	432.168	451.339	472.649	494.407	520.046
050 National Defense										
Budget Authority	0.596	0.578	0.902	1.545	1.941	2.049	2.166	2.292	2.423	2.550
Outlays	-0.083	0.480	0.829	1.480	1.890	1.989	2.100	2.220	2.345	2.465
150 International Affairs										
Budget Authority	-0.100	0.119	0.237	0.258	0.324	0.337	0.301	0.592	0.492	0.432
Outlays	-2.903	-2.981	-2.976	-2.997	-2.991	-2.978	-2.934	-2.952	-3.024	-3.065
250 General Science, Space and Technology										
Budget Authority	0.149	0.019	0.016	0.016	0.017	0.017	0.017	0.018	0.018	0.018
Outlays	0.140	0.142	0.090	0.038	0.021	0.017	0.017	0.017	0.018	0.018
270 Energy										
Budget Authority	-0.844	-0.702	-0.945	-1.247	-1.378	-1.589	-1.703	-1.718	-1.731	-1.798
Outlays	-2.619	-2.521	-2.649	-2.746	-2.747	-2.940	-3.038	-3.027	-2.974	-2.900
300 Natural Resources and Environment										
Budget Authority	3.188	3.573	3.835	4.054	2.486	2.631	3.248	3.438	3.516	3.435
Outlays	2.104	2.592	3.005	3.621	3.406	3.326	3.615	3.747	3.796	3.710
350 Agriculture										
Budget Authority	24.226	18.021	18.956	15.965	15.557	13.890	12.674	12.125	11.834	11.918
Outlays	22.602	16.729	17.716	14.808	14.568	12.852	11.675	11.206	10.917	11.019
370 Commerce and Housing Credit										
Total Budget Authority	5.806	5.123	6.273	6.831	6.862	7.007	7.184	7.319	7.460	7.608
Outlays	1.757	0.744	2.032	2.753	2.553	2.742	2.870	3.136	3.511	3.672
On Budget Authority	5.106	5.023	6.973	6.831	6.862	7.007	7.184	7.319	7.460	7.608
Outlays	1.057	0.644	2.732	2.753	2.553	2.742	2.870	3.136	3.511	3.672
Off Budget Authority	0.700	0.100	-0.700	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Outlays	0.700	0.100	-0.700	0.000	0.000	0.000	0.000	0.000	0.000	0.000
400 Transportation										
Budget Authority	44.359	43.243	44.580	45.384	46.196	47.026	47.877	48.743	49.631	50.537
Outlays	3.246	2.008	1.964	1.950	1.926	1.944	1.979	2.018	2.065	2.116
450 Community and Regional Development										
Budget Authority	0.337	0.163	0.163	0.165	0.066	0.080	0.083	0.089	0.091	0.094
Outlays	-0.317	-0.165	-0.176	-0.269	-0.333	-0.458	-0.542	-0.592	-0.601	-0.608
500 Education, Training, Employment, and Social Services										
Budget Authority	11.460	14.449	17.306	20.264	23.179	24.866	25.696	26.220	26.950	27.686
Outlays	8.551	10.752	13.446	16.314	19.100	21.891	23.909	24.780	25.587	26.322
550 Health										
Budget Authority	170.603	190.305	208.913	225.716	245.035	265.394	287.108	311.692	337.808	366.853
Outlays	171.976	192.175	209.572	226.422	245.124	265.664	287.166	311.711	337.889	367.039
570 Medicare										
Budget Authority	236.326	252.302	286.507	308.262	338.625	377.625	411.059	447.552	492.916	526.411
Outlays	236.175	252.580	286.433	308.051	338.917	377.525	410.842	447.858	492.793	526.180
600 Income Security										
Budget Authority	276.968	271.717	277.886	286.711	292.822	305.339	315.727	327.225	343.757	333.878
Outlays	276.665	271.059	277.046	285.455	291.108	303.521	313.668	325.269	341.705	331.829
650 Social Security										
Total Budget Authority	474.524	495.192	520.677	548.026	577.878	610.212	646.971	687.176	730.219	777.019
Outlays	472.424	493.092	518.377	545.626	575.378	607.512	644.171	684.176	727.019	773.619
On Budget Authority	13.338	14.273	15.165	16.051	17.205	18.575	20.251	22.169	25.365	27.841
Outlays	13.338	14.273	15.165	16.051	17.205	18.575	20.251	22.169	25.365	27.841
Off Budget Authority	461.186	480.919	505.512	531.975	560.673	591.637	626.720	665.007	704.854	749.178
Outlays	459.086	478.819	503.212	529.575	558.173	588.937	623.920	662.007	701.654	745.778
700 Veterans Benefits and Services										
Budget Authority	29.539	30.839	34.177	32.957	31.551	34.593	35.415	36.321	39.817	36.332
Outlays	29.224	30.721	34.110	32.851	31.365	34.495	35.348	36.247	39.771	36.196

Chairman's Mark for FY 2003 Budget Resolution -- Mandatory Totals by Function

(\$ billions)	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
750 Administration of Justice										
Budget Authority	4.422	3.050	0.866	0.823	0.786	0.743	0.699	0.651	0.600	0.548
Outlays	3.610	3.509	1.108	0.754	0.665	0.633	0.585	0.543	0.492	0.440
800 General Government										
Budget Authority	1.545	1.236	1.217	1.223	1.224	0.801	0.809	0.816	0.843	0.874
Outlays	1.543	1.425	1.187	1.167	1.195	0.934	0.806	0.795	0.816	1.001
900 Net Interest										
Total Budget Authority	174.780	193.734	198.309	196.703	192.966	187.873	181.534	173.143	163.137	146.138
Outlays	174.780	193.734	198.309	196.703	192.966	187.873	181.534	173.143	163.137	146.138
On Budget Authority	259.060	286.714	302.269	312.913	322.316	331.273	339.874	347.333	354.127	354.828
Outlays	259.060	286.714	302.269	312.913	322.316	331.273	339.874	347.333	354.127	354.828
Off Budget Authority	-84.280	-92.980	-103.960	-116.210	-129.350	-143.400	-158.340	-174.190	-190.990	-208.690
Outlays	-84.280	-92.980	-103.960	-116.210	-129.350	-143.400	-158.340	-174.190	-190.990	-208.690
920 Allowances										
Budget Authority	-0.912	-7.351	-9.717	-9.948	-10.006	-10.546	-10.879	-11.548	-11.853	-12.240
Outlays	-0.912	-7.351	-9.717	-9.948	-10.006	-10.546	-10.879	-11.548	-11.853	-12.240
950 Offsetting Receipts										
Total Budget Authority	-54.035	-68.456	-72.422	-66.102	-66.862	-69.925	-72.592	-75.885	-79.350	-82.561
Outlays	-54.035	-68.456	-72.422	-66.102	-66.862	-69.925	-72.592	-75.885	-79.350	-82.561
On Budget Authority	-44.467	-58.205	-61.364	-54.337	-54.395	-56.556	-58.351	-60.717	-63.093	-65.519
Outlays	-44.467	-58.205	-61.364	-54.337	-54.395	-56.556	-58.351	-60.717	-63.093	-65.519
Off Budget Authority	-9.568	-10.251	-11.058	-11.765	-12.467	-13.369	-14.241	-15.168	-16.257	-17.042
Outlays	-9.568	-10.251	-11.058	-11.765	-12.467	-13.369	-14.241	-15.168	-16.257	-17.042

Chairman's Mark for FY 2003 Budget Resolution -- Discretionary Totals by Function

(\$ billions)	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Total Discretionary										
Budget Authority	768.089	786.505	804.208	822.140	840.993	860.225	880.770	900.817	921.213	942.368
Outlays	794.736	816.479	835.438	847.408	858.266	884.856	906.643	929.101	955.219	969.768
On-budget Discretionary										
Budget Authority	764.251	782.560	800.157	817.981	836.720	855.834	876.254	896.177	916.447	937.471
Outlays	790.919	812.545	831.436	843.299	854.045	880.506	902.170	924.504	950.497	964.916
Off-budget Discretionary										
Budget Authority	3.838	3.945	4.051	4.159	4.273	4.391	4.516	4.640	4.766	4.897
Outlays	3.817	3.934	4.002	4.109	4.221	4.350	4.473	4.597	4.722	4.852
Total Non-Defense										
Budget Authority	375.332	386.010	393.366	400.900	408.816	416.803	425.596	433.862	442.353	451.195
Outlays	414.508	422.605	430.434	437.301	444.878	453.974	462.527	471.628	480.834	490.298
050 National Defense										
Budget Authority	392.757	400.495	410.842	421.240	432.177	443.422	455.174	466.955	478.860	491.173
Outlays	380.228	393.874	405.004	410.107	413.388	430.882	444.116	457.473	474.385	479.470
150 International Affairs										
Budget Authority	25.798	26.205	26.648	27.094	27.568	28.035	28.518	29.005	29.491	29.974
Outlays	24.867	25.819	25.785	26.122	26.628	27.141	27.369	27.858	28.370	28.891
250 General Science, Space and Technology										
Budget Authority	22.793	23.194	23.588	23.984	24.400	24.817	25.253	25.687	26.116	26.566
Outlays	21.920	22.624	23.008	23.402	23.817	24.298	24.722	25.151	25.578	26.015
270 Energy										
Budget Authority	3.584	3.610	3.676	3.741	3.812	3.884	3.955	4.030	4.102	4.178
Outlays	3.432	3.550	3.662	3.724	3.774	3.856	3.911	3.989	4.059	4.135
300 Natural Resources and Environment										
Budget Authority	30.102	30.792	31.479	32.170	32.897	33.641	34.695	35.216	35.995	36.812
Outlays	29.445	30.180	30.883	31.595	32.168	32.886	33.645	34.402	35.175	35.966
350 Agriculture										
Budget Authority	5.724	5.850	5.979	6.110	6.244	6.383	6.531	6.672	6.820	6.972
Outlays	6.052	5.778	5.900	6.017	6.151	6.306	6.451	6.591	6.739	6.889
370 Commerce and Housing Credit										
Budget Authority	0.457	0.495	0.512	0.527	0.547	0.565	0.587	0.608	0.630	0.650
Outlays	0.166	0.373	0.312	0.314	0.645	0.426	0.413	0.426	0.435	0.500
400 Transportation										
Budget Authority	21.421	21.931	22.453	22.964	23.507	24.072	24.659	25.244	25.835	26.444
Outlays	61.835	61.190	62.082	63.346	64.474	66.047	67.432	68.863	70.291	71.691
450 Community and Regional Development										
Budget Authority	15.518	15.778	16.032	16.287	16.554	16.821	17.099	17.372	17.643	17.932
Outlays	16.675	17.466	17.232	16.693	16.495	16.297	16.564	16.836	17.109	17.388
500 Education, Training, Employment, and Social Services										
Budget Authority	74.140	77.767	78.615	79.432	80.303	81.160	82.068	82.950	83.812	84.715
Outlays	70.993	74.585	77.801	79.147	80.171	81.230	82.113	83.022	83.918	84.812
550 Health										
Budget Authority	50.931	51.848	52.756	53.661	54.611	55.566	56.570	57.570	58.558	59.594
Outlays	45.951	49.672	51.421	52.363	53.024	54.128	55.091	56.075	57.059	58.055
570 Medicare										
Budget Authority	3.749	3.881	4.016	4.164	4.322	4.502	4.695	4.879	5.082	5.342
Outlays	3.777	3.878	3.989	4.122	4.266	4.454	4.643	4.830	5.028	5.276
600 Income Security										
Budget Authority	45.700	47.512	48.622	49.889	51.184	52.467	53.913	55.428	56.908	58.397
Outlays	49.017	48.655	49.307	50.276	51.405	52.763	54.035	55.332	56.666	58.061
650 Social Security										
Total Budget Authority	3.858	3.966	4.072	4.181	4.296	4.415	4.541	4.665	4.792	4.924
Outlays	3.837	3.955	4.023	4.131	4.244	4.374	4.498	4.622	4.748	4.879
On Budget Authority	0.020	0.021	0.021	0.022	0.023	0.024	0.025	0.025	0.026	0.027
Outlays	0.020	0.021	0.021	0.022	0.023	0.024	0.025	0.025	0.026	0.027
Off Budget Authority	3.838	3.945	4.051	4.159	4.273	4.391	4.516	4.640	4.766	4.897
Outlays	3.817	3.934	4.002	4.109	4.221	4.350	4.473	4.597	4.722	4.852
700 Veterans Benefits and Services										
Budget Authority	26.657	27.372	28.097	28.822	29.597	30.387	31.236	32.070	32.914	33.795
Outlays	26.085	27.097	27.706	28.425	29.188	30.195	30.935	31.752	32.587	33.458
750 Administration of Justice										
Budget Authority	34.015	34.862	35.718	36.587	37.501	38.427	39.421	40.410	41.398	42.433
Outlays	35.384	35.015	35.602	36.197	37.066	38.124	39.107	40.087	41.083	42.110
800 General Government										
Budget Authority	15.135	15.285	15.529	15.802	16.082	16.366	16.660	16.962	17.263	17.577
Outlays	15.062	15.345	15.500	15.655	15.807	16.047	16.293	16.586	16.881	17.166
920 Allowances										
Budget Authority	-4.250	-4.338	-4.426	-4.515	-4.609	-4.705	-4.805	-4.906	-5.006	-5.110
Outlays	0.010	-2.577	-3.779	-4.228	-4.445	-4.598	-4.695	-4.794	-4.892	-4.994

Function 050: National Defense

(in billions of dollars)

Under current law, spending for Function 050 (National Defense) will total \$347.4 billion in budget authority and \$348.0 billion in outlays for 2002. This includes spending authorized and appropriated in regular 2002 authorization and appropriations bills, in addition to the emergency anti-terror supplemental for 2002 attached to the 2002 Defense Appropriations bill. For 2003 the President has requested \$392.8 billion in budget authority and \$379.6 billion in outlays for the Department of Defense (DOD), the Atomic Energy Defense Programs of the Department of Energy (DOE), intelligence activities, and other defense-related programs at the Departments of Commerce, Transportation (including the Coast Guard), and Justice. The President's budget places particular emphasis on the war on terrorism and defense-related homeland security efforts. The budget request includes a \$10.0 billion unallocated contingency fund in 2003 and an additional \$10.1 billion to \$12.0 billion in a Defense Emergency Response Fund (DERF) in every year of the 2003-2007 Future Years Defense Plan (FYDP).

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Chairman's Mark										
Budget Authority	393.4	401.1	411.7	422.8	434.1	445.5	457.3	469.2	481.3	493.7
Outlays	380.1	394.4	405.8	411.6	415.3	432.9	446.2	459.7	476.7	481.9
President's Budget										
Budget Authority	392.8	400.4	421.4	442.4	464.3	476.8	489.6	502.8	516.3	530.1
Outlays	379.6	392.7	411.7	426.5	440.2	462.0	477.3	492.2	510.7	517.3

Discretionary

The Chairman's mark includes \$392.8 billion in budget authority and \$380.2 billion in outlays for defense in 2003, and assumes increases in defense funding in succeeding years. In particular, the Chairman's mark:

- Supports the President's request for 2003, including the \$10.0 billion unallocated contingency fund, for an increase of \$35.9 billion over the baseline (current services) level. This level of funding is \$88 billion higher than the 1998 level in constant 2003 dollars, and assumes full funding for the war on terrorism and defense-related homeland security efforts, accelerated transformation, a 4.1 percent pay raise for all military personnel, and accelerated replacement of military family housing.
- Provides a \$377.7 billion increase in budget authority over baseline over 10 years. This funding level provides the President's proposed additional National Defense budget

increases through the end of 2004, and increases that level at the rate of inflation throughout the remainder of the 10-year budget window.

- Includes a Reserve Fund for Defense which, if necessary, would allow for the President's entire defense budget request over the next 10 years. The reserve fund allows additional budget authority requested by the President in 2005-2012 relative to the Chairman's mark, should such funding be needed.
- Provides funding for sharpening the American military's already unmatched combat forces and trimming support and overhead. Recent testimony received by the Senate Budget Committee regarding the findings of the "Tail-to-Tooth" Commission indicated that this ratio stands today at an inefficient 70/30 proportion, and substantial savings are possible annually. Realization of such savings through long overdue organizational improvements is not only an obligation to American taxpayers, but is imperative to support a stronger, faster, more lethal military force.
- Accommodates \$6.7 billion for the Department of Energy's (DOE's) Environmental Management Program for 2003 as requested by the President. The Chairman's mark also recommends that an additional \$300 million be made available, consistent with the President's request, to fully fund DOE's expedited cleanup agreements with the States. The Chairman's mark recommends that DOE ensure each site in the complex be provided sufficient funding to continue cleanup at not less than last year's level.

Mandatory

The Chairman's mark adds \$516 million in 2003 and \$17.8 billion over 10 years to provide full concurrent receipt of DoD retirement and Veterans disability benefits to veterans who are 60-100 percent disabled as a result of military service. Phase-in of this benefit begins in 2003 and it is fully in place by 2007. The Chairman's mark supports the same policy on concurrent receipt as the budget resolution reported by the House Budget Committee on March 13, but provides funding across the entire 10 year budget window (the House resolution only covers five years).

In all other respects the Chairman's mark supports the President's mandatory request for Function 050.

Function 150: International Affairs

(in billions of dollars)

Under current law, total spending for Function 150 (International Affairs) will total \$23.7 billion in budget authority and \$21.9 billion in outlays for 2002. This function includes funding for International Affairs activities including: U.S. embassies and other diplomatic missions abroad; development aid and technical assistance to developing countries; security assistance to foreign governments; refugee assistance; military aid, particularly activities of the Foreign Military Sales Trust Fund; contributions to international organizations, including financial institutions; and the Export-Import Bank and other trade promotion programs.

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Chairman's Mark										
Budget Authority	25.7	26.3	26.9	27.4	27.9	28.4	28.8	29.6	30.0	30.4
Outlays	22.0	22.8	22.8	23.1	23.6	24.2	24.4	24.9	25.3	25.8
President's Budget										
Budget Authority	25.2	26.1	26.9	27.5	28.2	28.9	29.5	30.5	31.1	31.8
Outlays	21.6	22.1	22.4	23.0	23.7	24.4	25.0	25.7	26.3	26.9

Discretionary

The Chairman's mark assumes discretionary spending will total \$25.8 billion in budget authority and \$24.9 billion in outlays for international affairs in 2003. This represents an increase of \$1.8 billion in budget authority and \$12 million in outlays from the 2002 level. This also represents an increase of \$500 million in budget authority over the President's 2003 budget request.

The Chairman's mark:

- Rejects the President's proposal to phase out the Section 416(b) International food donations program under the Department of Agriculture (USDA) and shift the funds into the P.L. 480 Title II food aid program in Function 150. Instead, the Chairman's mark increases funding for Section 416(b) and P.L. 480 Title II to their respective 2003 baseline levels.
- Funds will be directed toward bolstering U.S. international affairs investments in global health, public diplomacy, global education, multilateral debt relief, international development, and embassy security.
- Provides \$200 million for the Global Fund for HIV/AIDS, \$100 million more

than requested by the President. When contributions from Function 550 (Health) are included, the Chairman's mark provides \$500 million overall for the Global Fund, \$300 million more than the President's request.

- Recognizes, in light of September 11, the need for new thinking and new approaches toward U.S. foreign assistance in order to more effectively and efficiently address the conditions which allow extremism and terrorism to take root. In particular, the Chairman's mark funds new initiatives to encourage and assist other countries in providing education, accountable democratic governance, and economic opportunities, and to improve public diplomacy to better explain U.S. policy.
- Encourages the initiation of a pilot program to target foreign assistance on debt relief, development, global health, and trade towards top performing countries in Africa and other developing regions of the world. The Chairman's mark supports efforts to build upon the success of bilateral debt relief for highly indebted poor countries (HIPC) to assist those developing countries which demonstrate the most progress toward democratization, economic development, and the provision of basic human services in reaching their development goals. Additional funding for multilateral debt relief, global HIV/AIDS programs, and other development purposes is assumed in the Chairman's mark.

Mandatory

The Chairman's mark assumes no mandatory increases or decreases in this function.

Function 250: General Science, Space and Technology

(in billions of dollars)

Under current law, total spending for Function 250 (General Science, Space and Technology) will total \$22.1 billion in budget authority and \$21.0 billion in outlays for 2002. This function includes the National Aeronautics and Space Administration (NASA) civilian space program, and basic research programs of the National Science Foundation (NSF) and the Department of Energy (DOE) Office of Science.

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Chairman's Mark										
Budget Authority	22.9	23.2	23.6	24.0	24.4	24.8	25.3	25.7	26.1	26.6
Outlays	22.1	22.8	23.1	23.4	23.8	24.3	24.7	25.2	25.6	26.0
President's Budget										
Budget Authority	22.6	23.2	23.7	24.3	24.8	25.4	26.0	26.7	27.3	27.9
Outlays	21.8	22.5	23.1	23.7	24.2	24.8	25.4	26.0	26.6	27.2

Discretionary

The Chairman's mark assumes \$22.8 billion in discretionary budget authority and \$21.9 billion in discretionary outlays for 2003. This represents an increase of \$0.86 billion in budget authority and \$1.03 billion in outlays from the 2002 level. This also represents an increase of \$380 million in budget authority over the President's 2003 budget request.

To provide increased support for scientific research, which is a driving force behind technological innovations that spur economic growth and improve our quality of life, the Chairman's mark assumes \$5.2 billion for NSF in 2003. This represents an increase of \$500 million above the 2002 level and is \$261 million above the President's request.

- The Chairman's mark assumes increased funding for NSF's research activities in such areas as the physical sciences, engineering, and the social and behavioral sciences.
- The Chairman's mark also assumes increased funding for NSF education programs, which are instrumental in developing future generations of U.S. scientists. It supports the President's increases for Math & Science Partnerships and Graduate Education, and encourages increased funding for other programs such as the Experimental Program to Stimulate Competitive Research (EPSCoR) and the Science, Technology, Engineering, and Mathematics Talent Expansion

Program (STEP).

- The Chairman's mark does not assume cuts in programs from other budget functions in order to pay for increases in NSF funding.

The Chairman's mark assumes \$3.4 billion for the DOE's science programs, an increase of \$166 million above the 2002 level. This is \$120 million above the President's request. The Chairman's mark also assumes enactment of the Energy Policy Act of 2002, which provides a net increase of \$1.3 billion in budget authority over 10 years for DOE's science programs.

The Chairman's mark assumes the President's request of \$14.2 billion for the NASA.

Mandatory

The Chairman's mark assumes no mandatory increases or decreases in this function.

Function 270: Energy

(in billions of dollars)

Under current law, spending for Function 270 (Energy) will total \$2.2 billion in budget authority and \$0.4 billion in outlays for 2002. This function includes most civilian activities of the Department of Energy, the Rural Utilities Service, power programs of the Tennessee Valley Authority, and the Nuclear Regulatory Commission. Mandatory spending in this function contains large levels of offsetting receipts, resulting in net mandatory spending of -\$1.1 billion in budget authority and -\$2.8 in outlays for 2002. Congress provided \$3.3 billion in discretionary budget authority for 2002.

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Chairman's Mark										
Budget Authority	2.7	2.9	2.7	2.5	2.4	2.3	2.3	2.3	2.4	2.4
Outlays	0.8	1.0	1.0	1.0	1.0	0.9	0.9	1.0	1.1	1.2
President's Budget										
Budget Authority	2.5	2.8	2.7	2.2	2.2	2.8	2.8	2.8	2.8	2.8
Outlays	0.7	1.0	0.9	0.9	0.9	1.2	1.3	1.5	1.6	1.7

Discretionary

The Chairman's mark assumes \$3.6 billion in budget authority and \$3.4 billion in outlays for this function in 2003. This represents an increase of \$280 million in budget authority and \$129 million in outlays from the President's request.

Over the next ten years, the Chairman's mark assumes an allocation of \$38.6 billion in budget authority and \$38.1 billion in outlays for programs in this function.

The Chairman's mark assumes enactment of the Energy Policy Act of 2002. Consistent with authorizations in the Act, it assumes \$3 billion in new budget authority over ten years for energy research and development, including increases above the 2002 enacted level for energy efficiency, renewable energy and nuclear energy.

In this function, the Chairman's mark accommodates the non-defense share of the \$6.7 billion requested by the administration for the Department of Energy's Environmental Management Program. Additionally, the resolution recommends that additional funding be made available, consistent with the administration's request, to fully fund DOE's expedited cleanup agreements with the states.

The Chairman's mark rejects the President's proposal to supplement renewable energy research and development with funds made available through the sale of oil and gas drilling rights in the Arctic National Wildlife Refuge.

Mandatory

The Chairman's mark assumes that the Bonneville Power Administration will receive \$1.3 billion in new borrowing authority, to enable it to construct critical projects that are urgently needed to ensure the reliability of the West Coast's transmission system, integrate new generation facilities, make federal hydroelectric generation more efficient, and increase renewable resource generation and conservation.

Function 300: Natural Resources and Environment

(in billions of dollars)

Under current law, spending for Function 300 (Natural Resources and Environment) will total \$30.0 billion in budget authority and \$28.7 billion in outlays for 2002. This function includes funding for water resources, conservation and land management, recreation resources, and pollution control and abatement. Agencies with major program activities within the function include the Environmental Protection Agency, the Army Corps of Engineers, the National Oceanic and Atmospheric Administration, the Forest Service (within the Department of Agriculture), and the Interior Department, including the National Park Service, the Fish and Wildlife Service, the U.S. Geological Survey, the Bureau of Land Management and the Bureau of Reclamation.

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Chairman's Mark										
Budget Authority	33.3	34.4	35.3	36.2	35.4	36.3	37.9	38.7	39.5	40.2
Outlays	31.5	32.8	33.9	35.2	35.6	36.2	37.3	38.1	39.0	39.7
President's Budget										
Budget Authority	29.6	30.5	31.4	31.0	31.6	32.1	33.2	34.0	34.7	35.4
Outlays	29.3	30.0	30.7	31.6	31.7	31.7	32.5	33.0	33.8	34.4

Discretionary

The Chairman's mark assumes discretionary spending for natural resources and the environment will total \$30.1 billion in budget authority and \$29.4 billion in outlays for 2003.

Over the next ten years, the Chairman's mark assumes an allocation of \$333.8 billion in budget authority and \$326.3 billion in outlays for programs in this function to continue a strong investment in clean air, clean water, effective enforcement of our existing environmental laws, stewardship of our public lands and wildlife, and agricultural conservation.

The Chairman's mark rejects the \$2.4 billion in cuts below 2003 baseline levels to natural resource and environmental programs proposed by the Bush administration.

The Chairman's mark does not support the President's proposal to further reduce federal environmental enforcement activities at the Environmental Protection Agency. Instead, it assumes \$15 million in budget authority above the President's budget for federal enforcement personnel to help rebuild effective federal enforcement capacity. The Chairman's mark also assumes increased Superfund cleanup funding of \$113 million compared to the President's

budget, and supports the administration's request of \$200 million for the Brownfields program.

The Chairman's mark assumes an increase of \$990 million in 2003 budget authority for the Army Corps of Engineers, bringing discretionary funding to \$5 billion. It assumes at least \$888 million in budget authority for the Bureau of Reclamation to address the increasing backlog in authorized projects, and recommends increasing this funding, given the importance of the Bureau's drinking water and irrigation construction activities. It assumes full funding of the Clean Water State Revolving Fund within the Environmental Protection Agency.

The mark assumes full funding of the Land, Conservation, Preservation and Infrastructure Improvement Program (LCPIIP) at \$1.92 billion in 2003 budget authority. It assumes \$800 million in 2003 budget authority for salmon conservation and restoration in the Columbia River Basin and in Alaska, California, Oregon and Washington, and for the purpose of meeting obligations under the Pacific Salmon Treaty (a \$164 million increase over the President's 2003 request).

The Chairman's mark assumes an additional \$137 million in budget authority over the President's proposal for the operations of the National Park Service in 2003, to help preserve unimpaired the natural and cultural resources and values of the national park system for this and future generations. The mark acknowledges funding shortfalls for the operations of the National Park Service and recommends increasing this funding over the next five years. It also recommends increased 2003 funding for the National Wildlife Refuges System to support the system in its centennial year.

Mandatory

The Chairman's mark assumes enactment of a farm bill with agricultural conservation provisions.

The Chairman's mark does not assume any future receipts from the leasing of oil and gas drilling rights in the Arctic National Wildlife Refuge.

Function 350: Agriculture

(in billions of dollars)

Under current law, spending for Function 350 (Agriculture) will total \$25.3 billion in budget authority and \$24 billion in outlays for 2002. The function includes farm price support, export promotion, crop insurance, credit, research, marketing, and related activities within the Department of Agriculture.

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Chairman's Mark										
Budget Authority	30.0	23.9	24.9	22.1	21.8	20.3	19.2	18.8	18.7	18.9
Outlays	28.7	22.5	23.6	20.8	20.7	19.2	18.1	17.8	17.7	17.9
President's Budget										
Budget Authority	27.9	25.6	23.6	22.9	22.6	21.9	21.5	21.7	21.8	21.8
Outlays	26.8	24.2	22.3	21.6	21.4	20.7	20.4	20.7	20.8	20.8

Discretionary

The Chairman's mark sets discretionary agricultural spending at the baseline level in 2003.

Mandatory

The Chairman's mark assumes enactment of a conference report on the farm bill, consistent with Congressional action and the President's request for funds for this purpose.

Mandatory agricultural assumptions reflect the spending levels in the farm bill approved by the Senate on February 13, 2002. It is anticipated that these assumptions will be revised to reflect the farm bill conference.

This year's farm bill should respond to the policy shortcomings of the Federal Agricultural Improvement and Reform (FAIR) Act of 1996 by providing for an improved means of counter-cyclical support for farm income in periods of low commodity prices. Yet, it should retain many of the planting flexibility and market-oriented provisions of the FAIR Act.

Function 370: Commerce and Housing Credit

(in billions of dollars)

Under current law, spending on Commerce and Housing Credit agencies and programs is expected to total \$6.1 billion in budget authority and \$3.5 billion in outlays in 2002. Of the \$3.5 billion in total outlays, \$2.3 billion is mandatory and \$1.2 billion is discretionary. Function 370 includes funding for discretionary housing programs, such as subsidies for single and multifamily housing in rural areas and mortgage insurance provided by the Federal Housing Administration; the United States Postal Service; discretionary funding for commerce programs, such as international trade and exports, science and technology, and the census; discretionary funding for small business credit and assistance programs; and mandatory spending for deposit insurance activities related to banks, savings and loans, and credit unions.

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Chairman's Mark										
On-Budget										
Budget Authority	5.6	5.5	7.5	7.4	7.4	7.6	7.8	7.9	8.1	8.3
Outlays	1.2	1.0	3.0	3.1	3.2	3.2	3.3	3.6	3.9	4.2
Off-Budget										
Budget Authority	0.7	0.1	-0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Outlays	0.7	0.1	-0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total										
Budget Authority	6.3	5.6	6.8	7.4	7.4	7.6	7.8	7.9	8.1	8.3
Outlays	1.9	1.1	2.3	3.1	3.2	3.2	3.3	3.6	3.9	4.2
President's Budget										
Budget Authority	5.7	4.9	5.7	5.9	7.0	7.4	8.3	12.6	7.3	7.2
Outlays	1.6	0.5	1.4	1.7	2.6	2.9	3.6	7.1	4.2	3.6

Discretionary

The Chairman's mark assumes discretionary spending will total \$0.5 billion in BA and \$0.2 billion in outlays in 2003. This represents an increase of \$0.4 billion in budget authority and \$0.1 billion in outlays above the President's request.

The Chairman's mark restores deep cuts proposed in the President's budget to programs that provide invaluable assistance to small businesses, including credit programs at the Small

Business Administration (SBA) and the Manufacturing Extension Program at the Department of Commerce. The mark also funds the fee reductions for small business borrowers authorized under Public Law 107-100. In total, the mark provides an additional \$200 million above the President's level for small business programs at the SBA and \$98 million above the President's level for the Manufacturing Extension Program, which provides technical and other assistance to improve the competitiveness of small U.S. manufacturers.

In addition, the mark assumes a substantial increase – \$220 million – in funding for the Securities and Exchange Commission (SEC) to ensure that it can adequately administer and enforce the nation's securities laws. First, consistent with Public Law 107-123, the mark addresses the severe retention problem currently faced by the SEC and allows it to raise the pay of its employees to a level that is commensurate with the compensation offered by federal banking regulatory agencies. Second, in stark contrast to the President's budget, which does not provide enough funding for the SEC even to adequately maintain its 2002 level of review and enforcement activity, the Chairman's mark ensures the agency can hire additional employees and substantially increase its review and inspection of investor complaints and inquiries, new securities issues, and investment advisors.

Finally, the mark includes two sense of the Senate provisions. The first expresses the sense of the Senate regarding the unsatisfactory performance of the Office of Management and Budget (OMB) and the Small Business Administration in estimating the cost of small business credit programs. Since the enactment of the Federal Credit Reform Act of 1990, the Small Business Administration and Office of Management and Budget have repeatedly overestimated the cost of the Small Business Administration's 7(a) and 504 credit programs. For the 7(a) program alone, SBA and OMB have reestimated more than \$1 billion in subsidy costs, resulting both in borrowers and lenders paying higher than necessary fees to participate in the two programs and in the needless diversion of resources from other discretionary programs. The mark directs the Administration to expeditiously complete its new model for the 7(a) program and to immediately begin work on improving its estimates of the 504 program.

The second sense of the Senate resolution concerns the lack of broadband technologies (including wireless and satellite network capabilities) in rural and underserved areas, and expresses the sense of the Senate that the Congress should encourage the deployment of such services through grant assistance to the private sector and through investments in research that address the barriers to increased availability in rural and underserved areas.

Mandatory

The Chairman's mark assumes mandatory spending will total \$5.8 billion in budget authority and \$1.8 billion in outlays in 2003. The President proposes no new initiatives for mandatory spending in function 370. The Chairman's mark similarly includes no mandatory proposals. (Proposals regarding spectrum auctions are included and discussed under function 950.)

Function 400: Transportation

(in billions of dollars)

Under current law, spending for Function 400 (Transportation) will total approximately \$64.5 billion in budget authority and \$62.9 billion in outlays for 2002. The function includes funding for the Department of Transportation, including the newly-created Transportation Security Administration (TSA); ground transportation programs, such as the Federal-Aid Highway Program (FAHP), mass transit, motor carrier safety, and the National Rail Passenger Corporation (Amtrak); air transportation programs through the Federal Aviation Administration (FAA) airport improvement program, facilities and equipment program, research, and operation of the air traffic control system; water transportation through the Coast Guard and Maritime Administration; the Surface Transportation Board; the National Transportation Safety Board; and the Research and Special Programs Administration (RSPA). In addition, funds for air transportation programs under NASA are included within this function.

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Chairman's Mark										
Budget Authority	65.8	65.2	67.0	68.3	69.7	71.1	72.5	74.0	75.5	77.0
Outlays	65.1	63.2	64.1	65.3	66.4	68.0	69.4	70.9	72.4	73.8
President's Budget										
Budget Authority	63.4	58.4	64.6	65.9	67.2	68.6	70.0	71.4	72.9	74.4
Outlays	62.5	58.4	57.8	58.5	59.3	60.5	61.6	63.1	64.6	66.1

Discretionary

The Chairman's mark assumes discretionary spending in this function will total \$21.4 billion in budget authority and \$61.8 billion in outlays for transportation in 2003. This represents an increase of \$2.6 billion in budget authority and \$4.5 billion in outlays above the 2002 level and an increase of \$1.0 billion in budget authority and \$2.6 billion in outlays over the President's 2003 budget request. The majority of the increase above the President's budget request is due to additional funding for the FAHP, Amtrak, FAA programs, and New Start capital grants through the FTA.

The Chairman's mark assumes the funding of the President's request of \$4.8 billion for the newly-created Transportation Security Administration, which will coordinate and manage federal security efforts across all transportation modes and will be responsible for overseeing passenger screening and aviation security.

The Chairman's mark rejects the President's revised request for an \$8.6 billion cut in the Federal-Aid Highway Program (FAHP) obligation limitation compared to the 2002 enacted funding level. Instead, the Chairman's mark assumes an FAHP obligation limitation of \$28.9 billion in 2003 – \$5.7 billion above the President's revised request. The amount provided in the Chairman's mark would allow states to proceed with their transportation plans and could save more than 200,000 jobs that would be lost under the President's proposal. This funding level includes sufficient sums to provide for an obligation ceiling for fiscal year 2003 that is at least at the level articulated as a funding floor in S.1917, the Highway Funding Restoration Act, as introduced by the bipartisan leadership of the Committee on Environment and Public Works. The funding level provided in the resolution will allow for steadily increasing authorization levels while maintaining a sufficient cash balance reserve in the Highway Trust Fund throughout the period expected to be covered by the next Surface Transportation Reauthorization Bill.

In addition, the Chairman's mark assumes \$1.2 billion for Amtrak, a funding level \$679 million above the President's request and \$579 million above the 2002 enacted level. The mark also assumes \$100 million in budget authority above guaranteed levels for FTA New Starts capital grants. Finally, the mark assumes \$183 million above the President's requested level for the FAA; these additional funds could be used to meet critical construction or research needs. The Chairman's mark does not include the rail safety fees included in the President's budget.

Mandatory

The Chairman's mark assumes \$44.4 billion in mandatory budget authority and \$3.3 billion in outlays in 2003.

Function 450: Community and Regional Development

(in billions of dollars)

Under current law, spending for Function 450 (Community and Regional Development) will total \$18.9 billion in budget authority and \$14.6 billion in outlays for 2002. The function includes the Federal Emergency Management Agency (FEMA), the Appalachian Regional Commission (ARC), non-power programs of the Tennessee Valley Authority (TVA), and the Economic Development Administration (EDA) within the Commerce Department. The function also includes the Community Development Block Grant (CDBG) program of the Department of Housing and Urban Development, the Bureau of Indian Affairs within the Department of the Interior, and rural economic development programs at the Department of Agriculture.

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Chairman's Mark										
Budget Authority	15.9	15.9	16.2	16.5	16.6	16.9	17.2	17.5	17.7	18.0
Outlays	16.4	17.3	17.1	16.4	16.2	15.8	16.0	16.2	16.5	16.8
President's Budget										
Budget Authority	15.2	15.6	15.8	16.2	16.7	17.1	17.5	18.0	18.4	18.8
Outlays	16.0	16.9	16.6	15.9	15.7	15.6	16.0	16.3	16.7	17.1

Discretionary

The Chairman's mark assumes discretionary spending will total \$15.5 billion in budget authority and \$16.7 billion in outlays for community and regional development in 2003. This represents an increase of \$381 million in budget authority above the President's 2003 budget.

The Chairman's mark fully funds the President's request for \$3.5 billion in 2003 to support first responders. This proposal is an integral component of the President's homeland security request and will help train and equip firefighters, law enforcement officials and medical professionals. The administration, however, has not yet provided a detailed plan of how this program would be structured. Consequently, the Chairman's mark does not assume the elimination of existing grant programs. Rather, the budget resolution assumes continued funding for these programs until Congress changes them.

The mark rejects the President's cuts to the Community Development Block Grant program (CDBG). The Chairman's mark adds \$269 million above the President's request for 2003. The CDBG program is an important tool in helping local governments tackle the most serious challenges facing their communities. The CDBG program works to ensure decent affordable

housing and to provide services to the most vulnerable in our communities. In addition, the grants are used to create jobs and expand business opportunities.

The budget resolution rejects the President's cuts to the Community Development Financial Institutions (CDFI) fund. The Chairman's mark adds \$32 million above the President's request for 2003. The CDFI fund was created with bipartisan support to expand the availability of credit, investment capital, and financial services in distressed urban and rural communities. By stimulating the creation and expansion of diverse CDFIs and by providing incentives to traditional banks and thrifts, the Fund's investments work toward building private markets, creating healthy local tax revenues, and empowering residents. The CDFI fund provides relatively small infusions of capital to institutions that serve distressed communities and low-income individuals.

The Chairman's mark restores the President's elimination of funding for Round II empowerment zones and enterprise communities. The budget resolution includes \$15 million for rural communities and \$45 million for urban communities. This program, through federal grants, tax incentives, and partnerships with government, for-profit and non-profit entities, has funded the opening of new businesses and created jobs, housing, and new educational and healthcare opportunities for thousands of Americans.

The Chairman's mark includes \$20 million above the President's budget for Indian school construction. The Bureau of Indian Affairs (BIA) funds 185 schools that are operated directly by the Bureau, tribes, or tribal organizations. Many of these schools are in need of major renovations or replacement. The President's budget provides funding for the replacement of six schools for 2003. The Chairman's mark accelerates this effort by adding funding for an additional school each year.

The Chairman's mark assumes the President's funding of \$300 million for the Flood Map Modernization Fund. Accurate flood maps are necessary to prevent loss of life and property and to reduce costs to the National Flood Insurance Program and disaster assistance funds. The Federal Emergency Management Agency estimates that modernization of its map inventory would help avoid an estimated \$26 billion in flood damage over a 50-year period by providing accurate data for siting new construction and retrofitting existing buildings.

Mandatory

The Chairman's mark includes funding for rural development programs in the farm bill.

Function 500: Education, Training, Employment and Social Services

(in billions of dollars)

Under current law, spending for Function 500 (Education, Training, Employment and Social Services) will total \$78.2 billion in budget authority and \$70.3 billion in outlays for 2002. This function includes funding for elementary and secondary, vocational, and post-secondary education programs; job training and employment services; children and family services programs; national and community service; statistical analysis and research related to these areas; and funding for the arts and humanities.

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Chairman's Mark										
Budget Authority	85.6	92.2	95.9	99.7	103.5	106.0	107.8	109.2	110.8	112.4
Outlays	79.5	85.3	91.2	95.5	99.3	103.1	106.0	107.8	109.5	111.1
President's Budget										
Budget Authority	81.0	83.0	85.0	86.9	88.8	91.0	93.2	95.1	97.4	99.7
Outlays	78.4	81.0	82.8	84.4	86.2	88.3	90.5	92.3	94.5	96.8

Discretionary

The Chairman's mark assumes discretionary spending in this function will total \$76.3 billion in budget authority and \$71.0 billion in outlays for the 2003 program level. This represents an increase of \$4.6 billion in budget authority and \$0.8 billion in outlays over the 2003 CBO baseline and \$5.6 billion in budget authority and \$1.1 billion in outlays over the 2002 program level.

The Chairman's mark assumes a budget authority increase of \$2.5 billion over the 2002 program level for elementary and secondary education programs in the *No Child Left Behind Act*. This is \$2.6 billion more than requested in the President's budget. The mark includes \$1.35 billion to restore the President's proposed cuts and adds \$1.275 billion over the President for high priority programs, including Title I, teacher quality, afterschool programs, and bilingual and rural education.

The Chairman's mark also assumes that full funding of the Individuals with Disabilities Education Act (IDEA) Part B state grants program will be phased in over the next six years. In addition to the discretionary funds currently provided for IDEA, the mark assumes new mandatory budget authority increases in each year of \$2.5 billion over the previous year until the full funding level (40 percent of the national average per pupil expenditure) is reached. In 2003, the President proposed a \$1.0 billion increase for IDEA.

For other education programs, the Chairman's mark assumes an increase of \$1.8 billion over the 2002 program level and \$1.3 billion over the President's request. It includes \$0.4 billion to restore cuts proposed by the President and provides \$0.9 billion more than the President for high priority programs, including the Pell Grant program.

If discretionary education programs and funding for IDEA are considered, the Chairman's mark provides a budget authority increase of \$6.8 billion over the 2002 program level. By comparison, the President's budget requested a \$1.4 billion increase.

The Chairman's mark includes \$0.8 billion to restore the cuts proposed by the President in the Department of Labor's job training and employment services programs, including assistance for low-income and disadvantaged youth and adults, displaced workers, and community services for older Americans. The mark assumes these programs would be funded at their 2002 enacted levels adjusted for inflation. It also provides a \$73 million increase over 2002 for the Job Corps program as requested by the President. The mark does not assume the President's proposal to transfer \$179 million in veterans employment and training programs to the Department of Veterans Affairs.

The Chairman's mark assumes an increase of \$0.7 billion over the 2002 program level for Administration of Children and Families (ACF) programs administered by the Department of Health and Human Services (HHS). This is \$0.4 billion over the President's request. For the Safe and Stable Families program, the mark includes an increase of \$155 million as proposed by the President. The mark also provides an increase of \$400 million for the Head Start program, \$270 million more than the President, and \$150 million to restore the President's proposals to eliminate the early learning fund and cut community services and research programs.

The Chairman's mark provides an increase of \$0.3 billion over 2002 for the Corporation for National and Community Service as requested by the President.

Mandatory

The Chairman's mark includes a new mandatory spending proposal that assumes full funding of the Individuals with Disabilities Education Act (IDEA) Part B state grants program will be reached over the next six years. The mark assumes annual increases in budget authority in each year of \$2.5 billion over the amount provided in the previous year until the full funding level, including both mandatory and discretionary funding, is reached in 2008. This would cost \$113 billion in budget authority and \$91 billion in outlays over ten years. The mark assumes this new mandatory spending is in addition to the discretionary funds currently provided in appropriations bills.

The Chairman's mark also includes \$285 million in budget authority and \$275 million in outlays over ten years, as requested in the President's budget, to expand the current student loan forgiveness program to allow math, science, and special education teachers who teach in high-

poverty schools for at least five years to have up to \$17,500 -- up from \$5,000 -- of their federal student loans forgiven.

The Chairman's mark does not include the President's proposal to eliminate the H-1B Skill Training Grants program in 2003 or to create a new refundable education tax credit.

Function 550: Health

(in billions of dollars)

Under current law, spending for Function 550 (Health) will total \$201.2 billion in budget authority and \$195.1 billion in outlays for 2002. The major programs in this function include Medicaid, the State Children's Health Insurance Program, health benefits for federal workers and retirees, the National Institutes of Health, the Food and Drug Administration, the Health Resources and Services Administration, the Centers for Disease Control and Prevention, the Substance Abuse and Mental Health Services Administration, Indian Health Services, and the Agency for Healthcare Research and Quality.

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Chairman's Mark										
Budget Authority	221.5	242.2	261.7	279.4	299.6	321.0	343.7	369.3	396.4	426.4
Outlays	217.9	241.8	261.0	278.8	298.1	319.8	342.3	367.8	394.9	425.1
President's Budget										
Budget Authority	220.7	242.8	258.0	276.6	297.2	318.6	341.3	366.8	394.5	424.9
Outlays	217.7	239.6	257.6	275.9	295.6	317.2	340.1	365.6	392.9	423.3

Discretionary

The Chairman's mark assumes discretionary health spending will total \$50.9 billion in budget authority and \$46.0 in outlays in 2003.

The Chairman's mark matches the President's request for the National Institutes of Health (NIH), which is a \$3.9 billion increase in budget authority and a \$4 billion increase in outlays for the agency above the 2002 level. This amount meets the target for the final installment in the plan to double the agency's budget over five years (1999-2003).

The Chairman's mark assumes a \$1 billion increase in budget authority and an \$825 million increase in outlays above the President's request for the Indian Health Service. This represents a 37 percent increase for the agency above the 2002 level and will be used primarily to expand clinical services. A portion of the increase will also be used to fund contract support costs and restore the President's cuts to health facilities construction.

The Chairman's mark assumes an increase above the President's request of \$868 million in budget authority and \$302 million in outlays for the Health Resources and Services Administration. This represents a two percent increase in funding for the agency above the 2002 level. The increased funding will fully restore the President's cuts to such programs as Rural

Health, the Community Access Program, the Universal Newborn Hearing Screening program, Children's Hospitals Graduate Medical Education, and Health Professions.

The Chairman's mark assumes an increase above the President's request of \$534 million in budget authority and \$126 million in outlays for the Centers for Disease Control and Prevention, which is a 2.4 percent increase in funding over the 2002 level. This funding will fully restore the President's cuts to programs including Chronic Disease Prevention, Occupational Safety and Health, Infectious Disease Control, and Public Health Improvement.

The Chairman's mark assumes \$300 million in budget authority and \$30 million in outlays for the Global Fund to Fight HIV/AIDS, Tuberculosis and Malaria within discretionary health funding. Another \$200 million for the Global Fund is included in Function 150, International Affairs. In total, the Fund will receive \$500 million in 2003, a \$300 million increase above the President's request and the 2002 level.

Mandatory

The Chairman's mark includes a reserve fund for health that provides up to \$95 billion to expand health insurance coverage to the uninsured. (These resources are included in the reserve fund for Medicare, prescription drugs, and health care, which is described in the "Other Provisions" portion of this document.) An appropriate use of these funds includes funding legislation that provides states the option of allowing families of disabled children to purchase coverage under the Medicaid program for these children (commonly referred to as the "Family Opportunity Act of 2001").

Function 570: Medicare

(in billions of dollars)

Medicare is a federal health insurance program that covers 40 million Americans aged 65 and older as well as younger adults who are disabled or suffer from end-stage renal disease. Medicare spending is expected to reach \$226 billion by the end of this year and is the second largest entitlement program, exceeded only by Social Security. By 2012, spending for the Medicare program will total about \$432 billion under current policies. Medicare's share of the economy is expected to increase from 2.1 percent of GDP in 2002 to 2.5 percent in 2012, growing at an average annual rate of 6.7 percent.

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Chairman's Mark										
Budget Authority	240.1	256.2	290.5	312.4	342.9	382.1	415.8	452.4	498.0	531.8
Outlays	240.0	256.5	290.4	312.2	343.2	382.0	415.5	452.7	497.8	531.5
President's Budget										
Budget Authority	238.6	251.0	270.1	295.6	322.0	346.3	372.2	399.6	432.7	459.4
Outlays	238.4	251.3	270.0	295.4	322.3	346.2	371.9	399.9	432.6	459.2

Discretionary

The Chairman's mark assumes that discretionary spending for Medicare administrative expenses will total \$3.7 billion in 2003, 2.8 percent above last year's appropriation.

The mark rejects the President's proposal to impose a \$1.50 fee on duplicate or paper claims submitted by Medicare contractors. This proposal would unfairly penalize small providers in rural areas who cannot afford to invest in up-to-date claims processing technology.

The mark also rejects the President's \$4.5 billion cut in Medicare administrative expenses and, instead, allows for growth of about four percent a year. The General Accounting Office (GAO) has advised that too great a mismatch between the Medicare program's administrative capacity and its designated mandate will leave the Centers for Medicare and Medicaid Services (CMS) unprepared to handle anticipated Medicare changes (including the addition of a pharmaceutical benefit) and future enrollment growth. Sufficient resources are particularly important to support key oversight activities – such as ensuring proper payment of claims – and to make capital investments in information systems that could help the agency and its contractors conduct the program more efficiently.

Mandatory

The Chairman's mark assumes an increase in mandatory spending of up to \$500 billion over the next ten years to provide a prescription drug benefit that is voluntary, affordable, accessible to all beneficiaries, and sustainable over time and protects beneficiary access to covered health care services and providers.¹

Today, about 38 percent of all Medicare beneficiaries lack prescription drug coverage because the program does not include a drug benefit. This lack of coverage has made it difficult for many seniors to afford life-sustaining pharmaceuticals and this problem has been exacerbated by double digit annual increases in prescription drug prices. Those without drug coverage pay significantly more (68 percent on average) out-of-pocket for their medications than those with prescription drug coverage. Studies have shown that these seniors tend to be in poorer health, have lower incomes, and are disproportionately sicker than their insured counterparts.

Even for those with prescription drug insurance, access to coverage is not stable. Over the last decade, increasing numbers of employers have dropped retiree health coverage, supplemental insurance costs have continued to skyrocket, and Medicare+Choice plans have continued to leave the Medicare program. Including a comprehensive and affordable prescription drug benefit in the Medicare program, which is available to all 40 million Medicare beneficiaries, will help ensure *all* seniors have access to much-needed prescription drug coverage. The President included \$169 billion in his budget to provide a state-based low-income drug assistance program and to "modernize Medicare". The House included \$350 billion for Medicare modernization and prescription drugs. These resources are inadequate to fund an affordable, comprehensive, prescription drug benefit.

¹These resources are included in the reserve fund for Medicare, prescription drugs, and health care, which is described in the "Other Provisions" section of this document. The Medicare function contains the full \$500 billion reserve, which is the allocation allowed for Medicare and prescription drugs. An additional \$95 billion is included in the Health function, and is the allocation allowed for expanded health care coverage. An adjustment which reduces the total resources allocated for these purposes to \$500 billion is included in the Allowances function.

Function 600: Income Security

(in billions of dollars)

Under current law, spending for Function 600 (Income Security) will total \$311.6 billion in budget authority and \$314.1 billion in outlays for 2002. This function contains: 1) major cash and in-kind means-tested entitlements; 2) general retirement, disability, and pension programs excluding Social Security and veterans' compensation programs; 3) federal and military retirement programs; 4) unemployment compensation; 5) low-income housing programs; and 6) other low-income support programs. Function 600 is the third largest functional category after Social Security and defense. Mandatory programs account for 87 percent of total spending in this function.

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Chairman's Mark										
Budget Authority	322.7	319.2	326.5	336.6	344.0	357.8	369.6	382.7	400.7	392.3
Outlays	325.7	319.7	326.4	335.7	342.5	356.3	367.7	380.6	398.4	389.9
President's Budget										
Budget Authority	317.0	317.5	324.6	335.1	342.7	356.2	367.9	380.6	407.7	400.4
Outlays	319.4	318.0	324.9	335.0	342.2	355.7	367.5	380.4	407.7	400.6

Discretionary

The Chairman's mark assumes discretionary spending in this function will total \$45.7 billion in budget authority and \$49 billion in outlays for 2003.

The Chairman's mark does not accept the President's cut of over \$500 million in low-income housing assistance programs such as the Public Housing Capital and Operating funds, Native American Housing Assistance, Rural Housing and Economic Development, Housing for Special Populations, and other housing programs. The Chairman's mark also includes a \$205 million increase for the HOME Investment Partnerships Block Grant. The Chairman's mark includes the administration's assumption that \$1.1 billion in Section 8 funds will be recaptured and reapplied towards purposes of the Section 8 program.

The Chairman's mark increases budget authority for the Supplemental Nutrition Program for Women, Infants, and Children by \$364 million over the 2002 enacted level to support nutrition assistance for a projected 7.8 million at-risk low-income women, infants, and children per month.

The Chairman's mark assumes \$60 million in education and training vouchers for youth aging out of the foster care system.

The Chairman's mark does not accept the President's \$300 million cut for the Low Income Home Energy Assistance Program.

Mandatory

The Chairman's mark assumes reauthorization of the Child Care Development Block Grant and the Temporary Assistance for Needy Families Block Grant. In addition, the mark includes \$23 billion over ten years to help expand and improve upon the accomplishments of welfare reform to ensure that families that have moved from welfare to work continue to move up the ladder of economic success. The mark includes funds for food and nutrition assistance programs.

Function 650: Social Security

(in billions of dollars)

Under current law, spending for Function 650 (Social Security) will total \$459.0 billion in budget authority and \$457.0 billion in outlays for 2002. This function includes old-age, survivors, and disability Social Security benefit payments and administrative expenses.

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Chairman's Mark										
On-Budget										
Budget Authority	13.4	14.3	15.2	16.1	17.2	18.6	20.3	22.2	25.4	27.9
Outlays	13.4	14.3	15.2	16.1	17.2	18.6	20.3	22.2	25.4	27.9
Off-Budget										
Budget Authority	465.0	484.9	509.6	536.1	565.0	596.0	631.2	669.7	709.6	754.1
Outlays	462.9	482.8	507.2	533.7	562.4	593.3	628.4	666.6	706.4	750.6
Total										
Budget Authority	478.4	499.2	524.8	552.2	582.2	614.6	651.5	691.8	735.0	782.0
Outlays	476.3	497.1	522.4	549.8	579.6	611.9	648.7	688.8	731.8	778.5
President's Budget										
Budget Authority	478.4	499.3	524.9	552.3	582.3	614.7	651.6	691.9	735.0	782.0
Outlays	476.3	497.1	522.5	549.9	579.7	612.0	648.7	688.8	731.8	778.5

Discretionary

The Chairman's mark assumes discretionary spending will total \$3.9 billion in budget authority and \$3.9 billion in outlays for Social Security in 2003. This represents an increase of \$0.3 billion in budget authority and \$0.4 billion in outlays from the 2002 level. The increase will allow the Social Security Administration (SSA) to improve services for Social Security beneficiaries. The President's discretionary spending request for function 650 assumes a \$166 million increase for SSA administrative expenses starting in 2004 and growing with inflation through 2012. No policy change related to this new spending was included in the President's budget submission. It is the Budget Committee's understanding that this funding was included in the President's budget request in error. It is not assumed in the Chairman's mark.

Mandatory

The Chairman's mark assumes no mandatory increases or decreases in this function from current policies. The Chairman's mark assumes mandatory spending will total \$474.5 billion in budget authority and \$472.4 billion in outlays in 2003. This represents an increase of \$19.1 billion in budget authority and \$19.0 billion in outlays from the 2002 level. The increase primarily reflects an increase in the number of individuals eligible for Social Security benefits and additional costs associated with cost-of-living adjustments.

Function 700: Veterans Benefits and Services

(in billions of dollars)

Under current law, spending for Function 700 (Veterans Benefits and Services) will total \$50.5 billion in budget authority and \$49.9 billion in outlays for 2002. This budget function includes funding to meet the income security needs of disabled veterans, indigent veterans, and survivors of deceased veterans through compensation benefits, pensions and life insurance programs. Major education, training and rehabilitation and readjustment programs include the Montgomery GI Bill, the Veterans Educational Assistance program and the Vocational Rehabilitation and Counseling program. Priorities also include the maintenance of veterans cemeteries as national shrines and burial benefits for veterans and eligible family members. Roughly half of all spending in this function is for the Veterans Health Administration, which comprises hospitals, nursing homes and outpatient clinics.

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Chairman's Mark										
Budget Authority	56.2	58.2	62.3	61.8	61.1	65.0	66.7	68.4	72.7	70.1
Outlays	55.3	57.8	61.8	61.3	60.6	64.7	66.3	68.0	72.4	69.7
President's Budget										
Budget Authority	55.2	56.8	60.7	60.0	59.2	62.9	64.3	65.9	70.0	67.5
Outlays	54.7	56.5	60.3	59.6	58.7	62.6	64.0	65.5	69.6	67.0

Discretionary

The Chairman's mark assumes discretionary spending in this function will total \$26.7 billion in budget authority and \$26.1 billion in outlays for 2003. This represents an increase of \$2.8 billion in budget authority and \$2.3 billion in outlays over the 2002 level. The Chairman's mark provides a \$1 billion increase in budget authority and a \$561 million increase in outlays above the President's request for discretionary funding.

The Chairman's mark assumes an increase of \$2.6 billion above the 2002 level for the medical care appropriation for the Department of Veterans Affairs (VA). This is an increase of \$1.2 billion above the President's request for medical care. The additional monies will provide full funding for the Veterans Health Administration to ensure access to quality health care for all veterans. The mark rejects the President's proposal to impose a \$1,500 deductible on priority 7 veterans for medical services.

The Chairman's mark does not assume the transfer of programs from the Department of Labor's Veterans Employment and Training Service to the Department of Veterans Affairs for the establishment of a veterans employment and training competitive grants program.

Mandatory

The Chairman's mark assumes \$29.5 billion in budget authority and \$29.2 billion in outlays for veterans' mandatory spending in 2003. This is an increase of \$3 billion in budget authority and \$3.1 billion in outlays above the 2002 level. This provides for a 1.8 percent cost of living adjustment in 2003, which is included in the mandatory baseline.

The Chairman's mark assumes the President's proposal to extend to 2012 Internal Revenue Service income verification on means-tested veterans and survivors benefits.

The Chairman's mark assumes the additional one-year extension (from 2011 to 2012) of certain fees paid by veterans who obtain a government-guaranteed housing loan.

Function 750: Administration of Justice

(in billions of dollars)

Under current law, spending for Function 750 (Administration of Justice) will total \$36.2 billion in budget authority and \$34.3 billion in outlays in 2002. This function funds the federal law enforcement activities at the Department of Justice and the Treasury Department. The law enforcement activities include criminal investigations by the Federal Bureau of Investigation (FBI) and the Drug Enforcement Agency (DEA), as well as border enforcement and the control of illegal immigration by the Customs Service and the Immigration and Naturalization Service (INS). The function also includes civil rights enforcement and prosecution; federal block, categorical, and formula grant programs to state and local governments; prison construction and operation; the United States Attorneys; and the federal judiciary.

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Chairman's Mark										
Budget Authority	38.4	37.9	36.6	37.4	38.3	39.2	40.1	41.1	42.0	43.0
Outlays	39.0	38.5	36.7	37.0	37.7	38.8	39.7	40.6	41.6	42.6
President's Budget										
Budget Authority	37.1	40.2	37.8	38.7	39.6	40.6	41.5	42.5	43.5	44.6
Outlays	38.4	40.4	38.4	38.8	39.2	40.2	41.1	42.1	43.1	44.1

Discretionary

The Chairman's mark assumes discretionary spending will total \$34 billion in budget authority and \$35.4 billion in outlays for administration of justice in 2003. This represents an increase of \$1.4 billion in budget authority above the President's request for 2003.

The Chairman's mark fully funds the President's \$8.8 billion request for border security, including the administration's new technology initiative that will enhance security while allowing for the free flow of people and commerce across the nation's borders.

The Chairman's mark, however, does not accept the President's cuts to the Community Oriented Policing Services (COPS) grant program and other state and local law enforcement grants. State and local governments are struggling to meet increased security needs at the same time they face unprecedented strains on their budgets. The federal government should not add to their burden by withdrawing critical law enforcement support.

Overall, the Chairman's mark increases funding by \$1.4 billion above the President's request for COPS and other state and local law enforcement assistance. This funding will protect the COPS

in schools grants, the universal hiring program, and law enforcement technology grants. In addition to the COPS program, the budget resolution restores funding to the Byrne Grant program, the State Criminal Alien Assistance program, and the local law enforcement block grant program.

The President's budget includes an obligation limitation for expenditures from the Crime Victims Fund for 2003. This limitation ensures that a stable level of funding will remain for these programs. The Chairman's mark carries this limitation forward in all years.

Mandatory

The Chairman's mark assumes that Customs user fees will be extended. This fee offsets \$14.9 billion in spending over the period 2004-2012.

Function 800: General Government

(in billions of dollars)

Spending on General Government agencies and programs is expected to total \$17.2 billion in budget authority and \$16.6 billion in outlays in 2002. Function 800 funds the government’s legislative, executive, financial, and management activities. As such, it includes the Legislative Branch, the Executive Office of the President, the Department of the Treasury (including the Internal Revenue Service), the Office of Personnel Management, and the General Services Administration. It also includes payments to the District of Columbia and U.S. territories and the sharing of natural resources receipts with state and local governments. About 90 percent of all spending in function 800 is discretionary, with the Internal Revenue Service accounting for more than 60 percent of that total.

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Chairman’s Mark										
Budget Authority	16.7	16.5	16.7	17.0	17.3	17.2	17.5	17.8	18.1	18.5
Outlays	16.6	16.8	16.7	16.8	17.0	17.0	17.1	17.4	17.7	18.2
President’s Budget										
Budget Authority	17.2	18.4	17.4	18.1	18.2	18.2	18.6	19.1	19.5	20.0
Outlays	16.9	18.5	17.3	17.9	17.9	17.9	18.2	18.6	19.0	19.7

Discretionary

The Chairman’s mark assumes discretionary spending will total \$15.1 billion in budget authority and outlays in 2003. This represents a decrease of \$0.5 billion in budget authority and \$0.3 billion in outlays from the President’s request. Over the 2003-2007 period, the mark provides \$77.8 billion in budget authority for discretionary programs.

Much of the savings from baseline occurs from dropping emergency spending and other one-time items, such as funding provided to the District of Columbia for emergency planning, and the payment to the District of Columbia Corrections Trustee, which will complete its work in 2002. Additionally, the Chairman’s mark assumes budget authority at the level provided in 2002 for most of the remaining discretionary programs. The mark, however, restores the President’s proposed cut of more than 20 percent for payments to state and local governments in lieu of taxes. It also assumes the President’s proposal to increase funding by one-half – \$52 million – in 2003 for the Office of the Special Trustee for American Indians. That amount will help the Department of the Interior better comply with the U.S. District Court order in *Cobell v. Norton* to account for the funds held in trust by the U.S. government on behalf of individual Native Americans. The mark also proposes an additional \$8 million in 2003 for the Department of the

Treasury to develop and implement a program to provide financial services, such as access to ATMs, to low- and moderate-income individuals.

Finally, the mark includes a sense of the Senate resolution that there should continue to be parity in the annual adjustment in compensation of the members of the uniformed services and civilian employees, as there has been in almost every year during the past two decades.

Mandatory

The Chairman's mark assumes mandatory spending will total \$1.5 billion in budget authority and outlays in 2003. Mandatory programs funded within this function include payments of claims and judgments against the federal government, the Presidential Election Campaign Fund, payments to U.S. territories and states freely associated with the U.S., the sharing of certain natural resources receipts with state and local governments, and Members' salaries and related administrative expenses. The President's budget proposes to increase mandatory spending by \$1.6 billion over the 2003 - 2012 period. Virtually all of that increase results from the President's proposal to share one-half of the receipts (included in function 950 in the President's budget) from drilling in the Arctic National Wildlife Refuge with the state of Alaska (\$1.25 billion of that increase occurs in 2004 under the President's budget). That proposal is not included in the Chairman's mark.

Function 900: Net Interest

(in billions of dollars)

Function 900 (Net Interest) totaled \$168 billion in budget authority and outlays in 2002. Net interest is a mandatory payment; there are no discretionary programs in Function 900. Net interest includes interest on the public debt after deducting the interest income received by the federal government. Interest on the public debt, or gross interest, is the cost of financing the entire public debt of the U.S. government, including debt held in the Social Security trust funds and other government accounts.

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Chairman's Mark										
On-Budget										
Budget Authority	259.1	286.7	302.3	312.9	322.3	331.3	339.9	347.3	354.1	354.8
Outlays	259.1	286.7	302.3	312.9	322.3	331.3	339.9	347.3	354.1	354.8
Off-Budget										
Budget Authority	-84.3	-93.0	-104.0	-116.2	-129.4	-143.4	-158.3	-174.2	-191.0	-208.7
Outlays	-84.3	-93.0	-104.0	-116.2	-129.4	-143.4	-158.3	-174.2	-191.0	-208.7
Total										
Budget Authority	174.8	193.7	198.3	196.7	193.0	187.9	181.5	173.1	163.1	146.1
Outlays	174.8	193.7	198.3	196.7	193.0	187.9	181.5	173.1	163.1	146.1
President's Budget										
Budget Authority	179.9	199.0	201.6	199.9	197.4	194.9	189.4	181.8	174.3	165.6
Outlays	179.9	199.0	201.6	199.9	197.4	194.9	189.4	181.8	174.3	165.6

Function 920: Allowances

(in billions of dollars)

Function 920 (Allowances) displays the budgetary effects of proposals that cannot be easily distributed across other budget functions because the precise effects are uncertain, the proposals are not clearly specified, or they affect multiple functions. Examples include contingent reserves, such as the President’s proposal last year to create a National Emergency Reserve; the President’s proposal this year for an unspecified economic stimulus plan; and across-the-board agency cuts. Once enacted, the Office of Management and Budget allocates the effects across specific budget functions. To prevent a point of order, last year’s resolution included a negative adjustment in 920 equal to the difference between the discretionary totals assumed in that resolution and the lower cap on discretionary spending set in law at that time for 2002.

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Chairman’s Mark										
Budget Authority	-5.2	-11.7	-14.1	-14.5	-14.6	-15.3	-15.7	-16.5	-16.9	-17.4
Outlays	-0.9	-9.9	-13.5	-14.2	-14.5	-15.1	-15.6	-16.3	-16.7	-17.2
President’s Budget										
Budget Authority	8.0	2.9	1.4	0.1	0.1	0.1	0.0	0.0	0.0	0.0
Outlays	8.0	1.5	0.1	0.2	0.3	0.3	0.4	0.4	0.3	0.3

Discretionary

The Chairman’s mark assumes rescissions of discretionary spending in 2003 of just over \$4 billion – an amount that is well below the recent annual average of more than \$5 billion. The mark rejects the President’s proposal to change the accruals for federal employees.

Mandatory

This function includes an adjustment to the health reserve fund. The adjustment is needed because spending on Medicare and prescription drugs, which is included in Function 570 (Medicare), is capped at \$500 billion, while spending on expanded health coverage, which is included in Function 550 (Health), is capped at \$95 billion. Since total spending from the fund cannot exceed \$500 billion, an adjustment to bring the total increase in spending for those purposes to that amount is included in the Allowances function.

Function 950: Undistributed Offsetting Receipts

(in billions of dollars)

Undistributed offsetting receipts will total \$46.4 billion (negative budget authority and outlays) in 2002. Most offsetting receipts, which are derived from business-type activities that distinguish them from taxes and other compulsory revenues, are recorded as offsets to other budget functions. Function 950, however, displays several particularly large sources of offsetting receipts that, if distributed, would distort the other functional totals. Examples of undistributed receipts include: the payments federal agencies make to the retirement trust funds on behalf of their employees, payments made by companies for the right to explore and produce oil and gas on the outer continental shelf, and payments by those who bid for the right to buy or use public goods and assets, such as the electromagnetic spectrum. The receipts in function 950 are all mandatory.

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Chairman's Mark										
On-Budget										
Budget Authority	-44.5	-58.2	-61.4	-54.3	-54.4	-56.6	-58.4	-60.7	-63.1	-65.5
Outlays	-44.5	-58.2	-61.4	-54.3	-54.4	-56.6	-58.4	-60.7	-63.1	-65.5
Off-Budget										
Budget Authority	-9.6	-10.3	-11.1	-11.8	-12.5	-13.4	-14.2	-15.2	-16.3	-17.0
Outlays	-9.6	-10.3	-11.1	-11.8	-12.5	-13.4	-14.2	-15.2	-16.3	-17.0
Total										
Budget Authority	-54.0	-68.5	-72.4	-66.1	-66.9	-69.9	-72.6	-75.9	-79.4	-82.6
Outlays	-54.0	-68.5	-72.4	-66.1	-66.9	-69.9	-72.6	-75.9	-79.4	-82.6
President's Budget										
Budget Authority	-53.9	-70.6	-71.8	-66.0	-66.6	-69.0	-71.5	-74.7	-78.0	-81.2
Outlays	-53.9	-70.6	-71.8	-66.0	-66.6	-69.0	-71.5	-74.7	-78.0	-81.2

The Chairman's mark assumes the reauthorization of the Federal Communications Commission's authority to publicly auction the nation's electromagnetic spectrum. Extending that authority, which expires at the end of 2007, will increase offsetting receipts by about \$3.0 billion over the 2008 - 2012 period. The authority, which was first provided under the Omnibus Budget Reconciliation Act of 1993, has successfully and fairly allocated this limited public resource, as well as deposited more than \$14 billion in receipts at the U.S. Treasury. In addition, the mark assumes the President's proposal to delay two auctions of spectrum currently assigned

to television channels 60-69 and 52-59. Delaying the two auctions is estimated to increase receipts to the federal government by almost \$1 billion over the 2003-2007 period. Finally, the mark neither includes the President's proposal to assess an analog spectrum leasing fee on television broadcasters nor does it include his proposal to compensate agencies for relocating within the spectrum.

Revenues

Federal revenues are taxes and other collections from the public that result from the government's sovereign or governmental powers. Federal revenues include individual income taxes, corporate income taxes, social insurance taxes, excise taxes, estate and gift taxes, custom duties and miscellaneous receipts (which include deposits of earnings by the Federal Reserve System, fines, penalties, fees for regulatory services, and others).

This year, total revenues are projected to equal 19.3 percent of GDP. Under current law, revenues will average between 19.1 percent and 19.2 percent of GDP through 2010, the period during which the 2001 tax cut is effective. After the sunset of the 2001 tax cut, projected revenues as a percentage of GDP increase for the years 2011 and 2012.

The Chairman's mark assumes no tax increases and no delays in tax reductions scheduled under current law. The Chairman's mark assumes the following tax legislative initiatives:

- Energy security legislation is expected to contain tax incentives to promote the production of energy from domestic sources, to reduce consumption of energy, and to encourage cleaner production of energy. The Chairman's mark assumes that the cost of these energy-related tax incentives will be offset.
- Legislation is expected to be considered in the Finance Committee to provide new incentives for taxpayers to support charitable organizations and for low-income individuals to save. The Chairman's mark assumes that the cost of these charitable and savings incentives will be offset.
- One possible offset includes legislation that will address abusive tax shelters, as well as provide meaningful penalty relief and reform for individual and corporate taxpayers. The Chairman's mark assumes that the Finance Committee will act to shut down tax shelters, such as those which may have been abused by Enron and possibly other corporate taxpayers. The Chairman's mark also assumes, in the wake of the Enron bankruptcy, legislation to provide stronger protection for employee pensions and other tax-favored retirement savings vehicles.
- Additional savings can be realized as a result of legislation to implement the President's budget recommendations for improving tax administration. The Chairman's mark assumes that the Finance Committee will act on the Bush administration's proposal to modify the IRS Restructuring and Reform Act's employee infractions subject to mandatory termination and permit a broader range of available penalties. The Chairman's mark further assumes that the Finance Committee will permit the IRS to increase revenue collections by entering into installment agreements with taxpayers that do not guarantee full payment of liability over the life of the agreement.

The President's budget proposes to eliminate the December 31, 2010 sunset contained in the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), which, according to an analysis by the Congressional Budget Office, would reduce revenues by \$374.4 billion over 2003-2012. Extending EGTRRA's provisions that sunset prior to 2010 would reduce revenues by an additional \$241.4 billion over the same period. Extending the EGTRRA tax cuts would reduce revenues by approximately \$4 trillion in the decade after 2011. The Chairman's mark assumes none of the EGTRRA effective date changes proposed in the President's budget.

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Chairman's Mark										
On-Budget revenues	1501	1607	1736	1833	1925	2031	2144	2255	2483	2713
Off-Budget revenues	545	574	602	631	661	693	727	764	803	842
Total Revenues	2046	2180	2338	2464	2586	2723	2871	3019	3286	3555
President's Budget										
On-Budget revenues	1467	1576	1712	1811	1899	2003	2115	2224	2340	2465
Off-Budget revenues	545	574	602	631	661	693	727	764	803	842
Total Revenues	2013	2150	2314	2442	2560	2695	2842	2988	3143	3307

Debt Levels

(in billions of dollars)

The government's debt situation has deteriorated dramatically over the last year. A year ago, the President's budget estimated that \$2 trillion would be available to lower the government's debt under the President's policies. Now it estimates over 10 years just \$0.5 trillion will be available. As a result of the change in outstanding debt, CBO estimates that the government will spend nearly \$1.2 trillion more on interest payments in 2002 through 2012 than it estimated a year ago.

Similarly, the President's budget also projected last year that the \$5.95 trillion ceiling on statutory debt would not be reached under the President's policies until 2008. In August, 2001 the administration revised that projection to 2004. In December 2001, it revised it downward yet again to as early as February 2002 and requested that the Congress expeditiously increase the ceiling by \$750 billion to \$6.7 trillion – an amount that would be the second-largest, one-time increase ever in the debt ceiling. That legislation is now stalled in the House.

The Chairman's mark puts the budget back on a path of fiscal discipline. As a result, under the Chairman's mark (and assuming defense reserve funds are available to protect Social Security and pay down the debt), debt held by the public would be more than \$500 billion lower in 2012 than it would be under the President's budget. In total, under the Chairman's plan, debt held by the public declines by more than \$1.0 trillion over the 2003 - 2012 period.

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Chairman's Mark										
Debt Held By Public	3,517	3,558	3,548	3,503	3,428	3,339	3,218	3,072	2,807	2,362
President's Budget										
Debt Held By Public	3,587	3,650	3,641	3,608	3,552	3,479	3,370	3,238	3,096	2,885

Other Provisions

Pay-as-you-go

The current paygo rule in the Senate expires on September 30, 2002. It is a supermajority point of order against mandatory spending and tax legislation that would cause or increase an on-budget deficit (excluding Social Security) in the first year, the first five years, or the second five years.

The Chairman's mark restores a stricter, more fiscally responsible version of the paygo rule that was used in the Senate prior to fiscal year 2000, and extends it through fiscal year 2007. It provides, consistent with the paygo sequestration statute in section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985, a supermajority point of order against mandatory spending and tax legislation that would decrease the on-budget surplus, cause an on-budget deficit, or increase an on-budget deficit in the first fiscal year, the total of the first five fiscal years, or the total of the second five fiscal years covered by the budget resolution.

Circuit Breaker to Protect Social Security

The Chairman's mark provides that starting in January 2003, if CBO's budget and economic outlook report for a fiscal year projects an on-budget deficit (excluding Social Security) for the budget year or any subsequent fiscal year covered by its projections, then the budget resolution must protect Social Security by reducing those deficits, and put the budget on a path to achieve balance within five years, or be subject to a point of order in the Senate. There is an exception for war and low economic growth.

Extension of Supermajority Enforcement of Points of Order

The Chairman's mark would extend for five years, for purposes of Senate enforcement, the supermajority waiver and appeal provisions of Sections 904(c)(2) and 904(d)(3) of the Congressional Budget Act of 1974, currently due to expire on September 30, 2002. Those provisions require a three-fifths vote to waive the following points of order, or to appeal a ruling of the Chair:

- Sec. 301(i) of the Congressional Budget Act, against a budget resolution that reduces Social Security surpluses;
- Sec. 302(c) of the Congressional Budget Act of 1974, against appropriations bills without 302(b) allocations;
- Sec. 302(f) of the Congressional Budget Act of 1974, against bills exceeding committee/subcommittee allocations;
- Sec. 310(g) of the Congressional Budget Act of 1974, against a reconciliation bill that changes Social Security;

- Sec. 311(a) of the Congressional Budget Act of 1974, against legislation breaching levels in budget resolution for total budget authority/outlays, revenue floors, and Social Security surpluses;
- Sec. 312(b) of the Congressional Budget Act of 1974, against legislation exceeding discretionary spending caps;
- Sec. 312(c) of the Congressional Budget Act of 1974, against legislation exceeding maximum deficit amount;
- Sec. 258(a)(4)(C) of the Balanced Budget and Emergency Deficit Control Act of 1985, prohibiting amendments to low growth/war resolutions;
- Sec. 258A(b)(3)(C)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985, against nongermane amendments to a joint resolution modifying a sequestration order;
- Sec. 258B(f)(1) & 258B(h)(1) of the Balanced Budget and Emergency Deficit Control Act of 1985, against nongermane amendments to a joint resolution affirming the President's decision regarding sequestration of function 050 (defense);
- Sec. 258B(h)(3) of the Balanced Budget and Emergency Deficit Control Act of 1985, against amendments/conference reports on a joint resolution that would increase Function 050 outlays above the President's recommended cuts, unless they are offset;
- Sec. 258C(a)(5) of the Balanced Budget and Emergency Deficit Control Act of 1985, against any reconciliation bill that exceeds the maximum deficit amount; and
- Sec. 258C(b)(1) of the Balanced Budget and Emergency Deficit Control Act of 1985, which makes the provisions of sections 305 and 310 of the Congressional Budget Act of 1974 apply also to the consideration of resolutions, reconciliation bills, and reconciliation resolutions reported under section 258C of the Balanced Budget and Emergency Deficit Control Act.

Advance Appropriations

The Chairman's mark amends the exception to the supermajority point of order in the fiscal year 2002 budget resolution that limited advance appropriations enacted last year for fiscal year 2003. The revised provision will limit appropriations in fiscal year 2003 appropriations bills that first become effective in fiscal year 2004 to \$25.403 billion (excluding appropriations for the Corporation for Public Broadcasting). It strikes language in the fiscal year 2001 budget resolution providing points of order against advance appropriations and delayed obligations.

Emergency Designations

The Chairman's mark expands the current exception to the supermajority emergency designation point of order in the Senate so that the point of order does not apply to emergency designations for discretionary appropriations for defense or nondefense, including homeland security.

Improvement in Budget Projections Dedicated toward Further Debt Reduction.

The Chairman's mark provides that if CBO's summer budget and economic update includes improved deficit/surplus numbers, the improvement in those amounts shall be dedicated toward debt reduction.

Reserve Fund for Medicare, Prescription Drugs, and Health Care

The Chairman's mark allows the Chairman to adjust the allocations to the Finance Committee for legislation reported by the Finance Committee to expand health insurance coverage to the uninsured, and for legislation to provide a prescription drug benefit, protect beneficiary access to covered health care services and providers, and strengthen Medicare. A total of \$500 billion over fiscal years 2003 through 2012 is made available for these purposes. The Committee may use all of this amount for providing a prescription drug benefit, protecting access to health care services and providers, and modernizing Medicare; or the Committee may use up to \$95 billion of the total for expanded health insurance coverage legislation; or the Committee may provide for some combination of the two, up to \$500 billion. In addition, the reserve fund does not preclude provisions that would exceed the reserve fund's limits, so long as those provisions are effective only upon the enactment of legislation producing savings sufficient to offset the cost of such provisions.

Reserve Fund for the Individuals with Disabilities Education Act

The Chairman's mark allows the Health, Education, Labor, and Pensions (HELP) Committee's allocations to be increased by up to \$2.5 billion in new budget authority and \$50 million in outlays for fiscal year 2003, \$37.5 billion in new budget authority and \$21.4 billion in outlays for the total of fiscal years 2003 through 2007, and \$112.5 billion in new budget authority and \$90.6 billion in outlays for the total of fiscal years 2003 through 2012, for legislation that would increase funding for Part B grants, other than Section 619, under IDEA, with the goal that funding for these grants, when taken together with amounts provided by the Appropriations Committee, provides 40 percent of the national average per pupil expenditure for children with disabilities in the sixth year.

Reserve Fund for Defense

The Chairman's mark establishes a reserve fund from fiscal years 2005-2012 to accommodate possible war-related or other defense expenses which may materialize in those years. The Chairman's mark supports President Bush's defense increases for two years, and then increases the 2004 level at the rate of inflation thereafter. The reserve fund provides a mechanism to allow total budget authority and outlays and functional totals in the budget resolution to be increased by the Budget Committee in consultation with the Chairman and Ranking Member of the appropriate committee, by up to \$11 billion in budget authority and \$7 billion in outlays for 2005, \$21 billion in budget authority and \$17 billion in outlays in 2006, \$32 billion in budget authority and \$27 billion in outlays in 2007, \$33 billion in budget authority and \$31 billion in

outlays in 2008, \$35 billion in budget authority and \$33 billion in outlays in 2009, \$36 billion in budget authority and \$35 billion in outlays in 2010, \$38 billion in budget authority and \$37 billion in outlays in 2011, and \$39 billion in budget authority and \$38 billion in outlays in 2012, in the event that the Armed Services Committee reports legislation supporting such increases for expenses related to the war on terrorism. In the event that the reserve fund is not used, those amounts are dedicated toward debt reduction.

Application and Effect of Changes in Allocations and Aggregates

The Chairman's mark contains language identical to that included in previous resolutions which makes clear when adjustments to the levels in the resolution for reserve funds will take effect, and clarifies the authority of the Budget Committee to make such adjustments.

Rulemaking Authority

As always, the Chairman's mark includes language stating Congress' authority to legislate rules of procedure for the House and Senate.

Sense of the Senate Regarding Small Business Credit Programs

The Chairman's mark expresses the sense of the Senate that the administration should work with the Congress to ensure that adequate funding is provided in fiscal year 2003 for small business credit programs.

Sense of the Senate Regarding Pay Parity

The Chairman's mark expresses the sense of the Senate that there should continue to be parity between the adjustments in the compensation of members of the uniformed services and the adjustments in the compensation of civilian employees of the United States.

Sense of the Senate Regarding Broadband Capabilities for Underserved Areas.

The Chairman's mark expresses the sense of the Senate that Congress should provide grants to facilitate private sector deployment of broadband telecommunications networks and capabilities to underserved rural areas.