

# SENATE BUDGET COMMITTEE

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## KENT CONRAD, CHAIRMAN

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### **SENATE-HOUSE REACH BUDGET CONFERENCE AGREEMENT** **Fiscal Plan Funds Priorities and Returns Budget to Surplus Without Raising Taxes**

**Washington, DC** – Senate and House negotiators have reached an agreement on a budget plan for fiscal year 2008. The five-year budget resolution funds critical national priorities while returning the budget to surplus by 2012. And it achieves this goal without raising taxes.

“This budget provides a fiscally responsible plan for our country,” said Senate Budget Committee Chairman Kent Conrad (D-ND). “It balances the budget by 2012. It provides for an extension of middle-class tax cuts. And it funds the nation’s priorities, including a strong national defense, improving veterans’ health care, expanding children’s health care, and increasing our investment in education. We’ve been placed in a deep hole. This plan will begin to dig us out.”

“On all the basics, our budget is better than the President’s,” said Congressman John Spratt (D-SC), House Budget Committee Chairman. “It moves us in the right direction and to balance in five years. It posts smaller deficits than the President’s budget over five years; adheres to the Pay-As-You-Go principle and contains no new mandatory spending not paid for; and it adds ‘program integrity initiatives’ to root out wasteful spending. Within this framework, our budget does more for veterans’ health care, more for education, and more for children’s health care.”

Under the budget resolution, the budget will reach a surplus of \$41 billion in 2012. Spending as a share of the economy will fall in every year after 2008 and gross debt as a share of the economy will fall in every year after 2010. The plan also restores crucial budget enforcement provisions, such as spending caps, a strong Pay-As-You-Go rule, and allowing reconciliation for deficit reduction only.

The conference agreement provides robust funding for national defense and ensures that resources are available to address the most critical threats facing our nation. The plan rejects the President’s proposals to again cut domestic priorities. It provides badly needed resources in key areas that have been underfunded by the Bush administration, such as kids’ health, education, and veterans’ health care. In total, it provides \$954 billion for discretionary programs in 2008.

Notably, the budget resolution does not include any tax increase. To the contrary, the agreement supports tax relief that would benefit the middle class – including extension of the child

tax credit, 10 percent bracket, and marriage penalty relief – and provides for estate tax reform. The plan also provides for immediate Alternative Minimum Tax relief, preventing nearly 20 million middle-class taxpayers from being hit by the tax.

Over the five years of the budget, revenues total \$14.828 trillion, which is virtually identical to the President’s level of \$14.826 trillion, and \$180 billion below the levels in the Congressional Budget Office baseline over 2007-2012. The revenue numbers in the budget can be achieved by closing the tax gap, addressing offshore tax havens, shutting down abusive tax shelters, and without raising taxes.

Revenue legislation is subject to House and Senate Pay-As-You-Go rules, and a House only “trigger” mechanism to ensure fiscal responsibility. The House “trigger” mechanism limits tax cuts to 80 percent of the projected surplus in 2012, based on Office of Management and Budget estimates.

The plan also includes a reconciliation instruction for higher education that requires \$750 million in deficit reduction, while enhancing student benefits.

“The American people sent new leadership to Congress for a reason,” said Conrad. “They want Washington to change course, and that includes changing failed fiscal policies that have exploded our nation’s debt. This budget shows that Democrats can govern; and they can do it in a fiscally responsible manner.”

“We have an agenda that’s ambitious, but framed in a fiscally sound way,” said Spratt. “We have our priorities, and we are sticking to them, but one of those priorities is a balanced budget. To reach that goal, we cannot let the process fail, as it did last year under the Republican majority, when no concurrent resolution and only two of eleven appropriation bills were passed. This concurrent resolution is not the complete solution, but it’s a long step in the right direction.”

The full Senate and House are each expected to pass the fiscal year 2008 budget resolution this week.

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