



OVERVIEW

FY 2009 BUDGET CONFERENCE AGREEMENT



May 20, 2008

Charting a New Way Forward

Reclaiming our nation's economic prosperity, creating jobs, and strengthening our nation's security will require a significant change in direction. The country cannot afford to continue the last seven years' ill-advised policies of high deficits, significant foreign borrowing, and underinvestment in key areas.

The Fiscal Year 2009 Budget conference agreement charts a new way forward for the country. It provides tax relief for the middle class; makes needed investments in energy, education, innovation, and infrastructure; and supports our troops and veterans. And the resolution restores fiscal responsibility – complying with a strong pay-as-you-go rule and returning the budget to surplus in 2012 and 2013, without raising taxes. Given the challenges ahead, these steps are critically important to return the country to a sound fiscal and economic path.

Returns to Sound Fiscal Course

Recognizing that the failed fiscal policies of the past seven years have resulted in record deficits and an explosion in federal debt, the conference agreement returns the budget to balance – achieving a surplus in 2012 and 2013. While making critical investments in key areas, the resolution holds the line on growth in overall spending.

The conference agreement adheres to key budget enforcement tools implemented last year, such as the pay-as-you-go rule. It also includes additional procedural protections to help ensure fiscal responsibility.

Invests for Economic Growth

The conference agreement creates the building blocks for economic growth by making needed investments in energy, education, innovation, and infrastructure. These investments will help to revitalize our economy.

Energy

Our nation's growing dependence on foreign oil is putting our national and economic security at risk. And record energy costs are straining our economy and squeezing the middle class. The conference agreement responds by encouraging investment in new businesses and industries that focus on renewable energy, clean fuel technology, and energy efficiency. These investments will create green collar jobs, reduce our dependence on foreign energy, strengthen the economy, help with high energy costs for consumers, and reverse the Bush administration's underfunding of energy investments. Specifically, the conference agreement

- provides for energy tax relief;
- includes \$2.8 billion over the President's budget in discretionary funding for energy in 2009;
- rejects the President's budget cuts to energy programs by providing for significant increases in programs such as weatherization assistance, renewable energy, and energy efficiency; and
- includes a deficit-neutral reserve fund for energy legislation.

Education and Innovation

In the global economy, our capacity to retain a competitive edge is highly dependent on our having a skilled, technologically literate workforce and a strong research and development base. Yet, our status as a world leader could falter. Too many schools are outdated and crumbling. Too many of our children are going without the early childhood education they need. We have under-invested in K-12 education, and we risk falling behind our global competition in reading, math, and science. We are losing the race on new patents and have become a net importer of high technology products. The conference agreement responds with additional investments in education and innovation. The resolution boosts funding for the Department of Education, the National Science Foundation, and the National Institutes of Health. All of these investments will generate economic growth and jobs, help restore our competitive edge, prepare the workforce to compete in the global economy, make college more affordable, improve student achievement, and reverse the Bush administration's underfunding of education. Specifically, the conference agreement includes:

- significant increases over the President's budget in discretionary funding for the Department of Education and Head Start in 2009;
- a deficit-neutral education reserve fund for school construction and Higher Ed reauthorization over five years; and
- additional funding for general science, space, and technology programs.

Infrastructure

Our nation's infrastructure is crumbling. Roads, bridges, transit systems, airports, and schools are strained and face overcrowding and disrepair. The collapse of the Interstate 35 bridge in Minneapolis last summer was a wake-up call. The underfunding of our infrastructure is hurting our economy, inhibiting our ability to compete globally, and costing lives. The conference agreement responds by investing in our nation's infrastructure. Specifically, it includes:

- a deficit-neutral reserve fund to allow for major infrastructure legislation;
- \$2.5 billion more than the President for key discretionary transportation accounts in 2009;
- full funding of Highway and Transit programs as authorized in the highway bill (SAFETEA-LU); and
- funding for the Airport Improvement Program.

Provides Middle Class Tax Relief

The conference agreement supports significant tax relief, including marriage penalty relief, the child tax credit, and the 10 percent bracket. It provides for estate tax reform to protect small businesses and family farms. It provides for an additional year of tax relief for more than 20 million Americans who would otherwise be subjected to the Alternative Minimum Tax. It accommodates property tax relief for homeowners. It supports tax relief to make college more affordable. It also supports tax incentives to promote renewable and clean energy. And it provides for the extension of the research and experimentation tax credit, the state and local sales tax deduction, and other "extenders." All of these tax provisions are subject to the pay-as-you-go rule.

The conference agreement includes no tax increase. Overall, the revenue levels in the conference agreement are only 2.9 percent above the levels assumed in the President's budget. This modest additional revenue could be achieved by closing the tax gap, addressing offshore tax havens, and shutting down abusive tax shelters. Closing the tax gap is not about raising taxes on anyone. It is simply collecting taxes that are already due under current law. While we will never be able to close the tax gap entirely, it is clear that much more can and should be done.

Makes America Safer

The conference agreement makes our country safer by providing robust funding for national defense and ensuring that resources are available to address the most critical threats facing our nation. Within the core defense budget, it places a higher priority than the President's budget on programs such as Cooperative Threat Reduction ("loose nukes") and other nuclear nonproliferation programs, and improving the quality of life for our troops and their families.

The conference agreement also ensures that veterans get the quality health care they need and deserve by providing \$3.3 billion more in discretionary funding for 2009 than the President's budget and \$39 billion more over five years for veterans programs. The resolution also protects the homeland with higher funding levels for homeland security. And it rejects the President's cuts in law enforcement, the COPS program, firefighters, and other first responders.

Strengthens Safety Net

Given the economic downturn we now confront, the conference agreement also takes important steps to strengthen the safety net for those families most in need. It boosts funding for home energy assistance (LIHEAP) to help millions of low-income families. It provides funding for children's health; nutrition assistance for women, infants, and children (WIC); and the Social Services Block Grant. And the resolution accommodates legislation to reauthorize and expand the trade adjustment assistance program and modernize the unemployment insurance program.

Begins to Address Long-Term Fiscal Challenge

While the conference agreement achieves the important near-term goal of returning the budget to balance, this represents only a first step in the difficult path of restoring long-term fiscal security. Addressing the long-term imbalance between spending and revenues will require a sustained bipartisan effort.

Recognizing that the underlying growth in health care costs is the largest factor driving the spending growth in our health care entitlement programs, the resolution takes important steps to begin addressing this challenge. It includes a "comparative effectiveness" reserve fund so important research can be done to evaluate and compare the effectiveness of different health care treatments, procedures, and outcomes. The results of this research could help improve the value that we get for our health care dollars and lower health care costs. It also includes a Health IT reserve fund designed to promote the use of advanced information technology to improve the quality and efficiency of health care.

The resolution is also tough on government waste, fraud, and abuse. It includes important program integrity initiatives to crack down on wasteful or fraudulent spending in the Social Security, Medicare, and Unemployment Insurance programs. And it includes \$490 million for the Internal Revenue Service to step up enforcement efforts to close the tax gap.

The conference agreement also updates a point of order in the Senate against legislation that would increase the deficit over the long term.

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