



John Spratt,  
Chairman

May 16, 2007

## **Conference Agreement on the FY 2008 Budget Resolution: Building on the “Six for ‘06”**

**A New Direction for America** — Following our pledge to provide a new direction, the 110<sup>th</sup> Congress took quick action in six key areas – and the conference agreement on the FY 2008 budget builds on those themes. The budget makes a down payment to fulfill commitments we have made to the American people within the context of a balanced budget that does not raise taxes. The conference agreement closely tracks the budget resolution that passed the House on March 29.

**Six for ‘06** — The conference agreement balances the budget by 2012. It provides funding for 9/11 Commission recommendations. The budget increases funding for children and veterans’ health care services. It also accommodates additional tax relief for middle-income families including immediate relief from the Alternative Minimum Tax. It increases funding for Head Start, LIHEAP, and other vital programs, and it provides funding to assist in rebuilding the Gulf Coast communities ravaged by Hurricane Katrina.

### **Fiscal Responsibility**

- Provides for budget surplus in 2012 without raising taxes. In contrast, the President’s budget is always in deficit.
- Strengthens PAYGO by adding a Senate PAYGO rule and by calling for the reinstatement of statutory PAYGO.
- Includes House trigger mechanism to ensure that revenue legislation is fiscally responsible or else faces a second procedural hurdle in the House in addition to the PAYGO rule.

### **Defending Our Nation**

- Provides robust defense funding levels while targeting resources on the most pressing security concerns
- Increases funding for veterans’ health care and services by \$6.7 billion (18.3 percent) above the 2007 enacted level, and \$3.6 billion above the President’s budget.
- Provides more homeland security funding than the Administration
- Provides funding for the 9/11 Commission recommendations

### **Putting Children and Families First**

- Accommodates an increase of \$50 billion to expand children’s health insurance to cover millions of additional uninsured children
- Provides a 2008 program level that is \$9.5 billion over the President’s 2008 request for education, training, and social services, which includes funding for No Child Left Behind programs, special education, and aid to help students afford college

- Includes reconciliation instructions to the Education and Labor Committee, reducing the deficit by \$750 million over five years and providing procedural protection for a bill to enhance student benefits in the student loan programs
- Accommodates relief from the Alternative Minimum Tax for millions of middle-income taxpayers, as well as extension of middle-income tax cuts
- Increases funds for Head Start and child care
- Provides new funding to assist communities and rebuild housing in the aftermath of Hurricane Katrina
- Rejects the President's cut to the Social Services Block Grant program
- Provides increased funding for the Low-Income Home Energy Assistance Program (LIHEAP)
- Includes an affordable housing initiative

### **Growing Our Economy**

- Begins to reverse six years of high deficits and mounting debt
- Funds the House Democratic innovation agenda, putting us on a path to double funding for NSF and providing significant increases in K-12 math and science education
- Accommodates policies to strengthen the farm economy
- Provides funding to reauthorize FAA programs and fully funds the highway bill
- Increases funding for programs such as Community Development Block Grants to promote economic development in local communities

### **Preserving Our Planet**

- Accommodates comprehensive energy legislation promoting renewable energy, moving toward energy independence
- Increases conservation funding
- Rejects harmful Administration cuts in environmental programs

### **An Accountable and Efficient Government**

- Institutes tough program integrity initiatives to crack down on wasteful or fraudulent spending in Social Security, Medicare, and Unemployment Insurance programs
- Supports IRS enforcement to collect unpaid taxes from those who are not paying what they owe, thus helping to close the tax gap
- Provides additional resources to reduce huge backlogs in claims processing in the Veterans Administration, Social Security Administration, and other agencies
- Directs House committees to identify wasteful and lower priority spending that can be cut in order to fund more pressing needs.



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U.S. HOUSE OF REPRESENTATIVES

# COMMITTEE ON THE BUDGET

207 Cannon House Office Building, Washington, DC 20515 (202) 226-7200 ★ [www.budget.house.gov](http://www.budget.house.gov)

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## Key Features of the 2008 Budget Conference Agreement

### Fiscal Responsibility

- Reaches balance in 2012, without raising taxes
- Posts a smaller deficit than the President's budget over five years
- Complies with House pay-as-you-go rule and institutes a strong pay-as-you-go rule in the Senate, as well
- Includes program integrity initiatives to root out wasteful spending
- Includes House trigger mechanism to ensure that revenue legislation is fiscally responsible or else faces a second procedural hurdle in the House in addition to the pay-as-you-go rule

### Revenue Highlights

- Provides for immediate fix of the AMT, consistent with pay-as-you-go
- Provides for additional middle-income tax relief – such as extension of the child tax credit, 10 percent individual income bracket, and marriage penalty relief – and enhanced economic equity through tax policies, consistent with pay-as-you-go

### Mandatory Program Highlights

Accommodates the following initiatives, consistent with pay-as-you-go rules:

- expansion of children's health insurance coverage
- reforms to improve Medicare for beneficiaries and protect access to care
- changes to student loans, grant aid, or tax benefits to make college more affordable
- reauthorization of the farm bill

### Discretionary Funding Highlights

- Includes a robust defense level, while targeting resources toward our most pressing security needs
- Increases veterans' funding for 2008 by \$6.7 billion (18.3 percent) over the 2007 enacted level
- Provides additional resources to begin to address domestic priorities within a fiscally responsible framework, including homeland security, scientific innovation, and education – providing \$9.5 billion above the President's 2008 request for education, training, and social services

### Scope of the Budget Resolution

- Establishes a framework to guide budgetary decisions for the year
- Leaves specific direct spending, revenue initiatives, and offset decisions to authorizing committees



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## Top Five Reasons to Support 2008 Budget Conference Agreement

**Restores Fiscal Responsibility** — This is a fiscally responsible budget that brings the budget back to surplus by 2012 without raising taxes. It strictly adheres to the pay-as-you-go principle that the House passed in January, requiring that any increased costs for mandatory spending or tax policy be offset elsewhere in the budget. The budget conference agreement also restores a strong pay-as-you-go rule to the Senate. In addition, it contains tough program integrity measures to crack down on wasteful spending, and it directs all committees to review their programs to promote efficiency and eliminate unnecessary spending. It also includes a House trigger mechanism to ensure that revenue legislation is fiscally responsible or else faces a second procedural hurdle in the House in addition to the pay-as-you-go rule

**Defends Our Nation** — The budget conference agreement provides the necessary resources to meet critical threats to the nation and to deliver excellent health care to those who have served. The budget increases funding for veterans' services by \$6.7 billion over the 2007 enacted level, and by \$3.6 billion above the President's request for 2008, to cover VA's increasing patient load and the cost of forthcoming recommendations to improve health care facilities and treatment for service members and veterans. The budget conference agreement also provides robust defense funding while calling for a better targeting of resources to address the nation's most pressing security needs. Finally, it provides more homeland security funding than the President's budget to fund the 9/11 Commission's recommendations, reject the President's cuts to first responders, and adequately address port security needs.

**Rejects Misguided Administration Budget** — The conference agreement on the budget stands in stark contrast to the Administration budget on many fronts. Our budget reaches balance in 2012 and starts paying down our debt. The Administration budget does neither. Our budget invests in vital services that help Americans – including Head Start, education, LIHEAP, COPS and other first responder programs, CDBGs, and child care – while the President's budget cuts each of these areas.

**Promotes Economic Growth and Security** — Most important, the budget reduces the deficit. That will decrease our reliance on foreign investors to buy our debt – since 2001, foreign ownership of Treasury securities has more than doubled to \$2.2 trillion, leaving our economy more vulnerable to foreign investment decisions and instability. Our budget invests in education, job training, and health care, which will make the workforce more productive. It stimulates the economy by accommodating investments in the farm economy and in research to develop clean, sustainable energy alternatives to help America achieve energy independence in

10 years. And our budget accommodates tax relief to reduce burdens on middle-income families, and to promote fairness and efficiency in our economy.

**Puts Children and Families First** — The budget conference agreement puts children and families first by investing in health care and education, accommodating tax relief for middle-income families, and providing assistance for hurricane-ravaged communities. The budget includes a \$50 billion reserve fund to expand the State Children’s Health Insurance Program (SCHIP) to cover more of the nine million children without health insurance in this country. It puts its money where its priorities are, increasing funding for education, social services, and job training programs by \$9.5 billion over the 2008 program level in the President’s budget – funding that could be used for vital programs such as Head Start, special education (IDEA), and Title I and other programs under the No Child Left Behind Act, as well as to raise the maximum Pell Grant to at least \$4,600 this year.



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### **False Republican Claim That the 2008 Budget Raises Taxes**

The budget resolution calls for no tax increases and instead accommodates middle-income tax cuts so long as they are fiscally responsible. Some of America's most respected non-partisan, budget watchdog groups confirm that the resolution contains no tax increases.

**“Thus, to be clear, the budget resolution does not call for or require a tax increase.”**

-- Concord Coalition, March 28, 2007

**“The House plan does not include a tax increase.”**

-- Center on Budget and Policy Priorities, March 28, 2007

**“The budget would not raise taxes....If anything, the budget resolution assumes that Congress will cut taxes.”**

-- The Hamilton Project at the Brookings Institution, May 16, 2007

#### **2008 budget resolution does not contain a single penny of tax increases – period.**

Republicans have been inaccurately claiming that the 2008 budget includes the largest tax increase in history – a charge that is simply not true. In fact, the 2008 budget includes no tax increase whatsoever.

**Accommodates extension of the middle-income tax cuts.** In section 401, the conference agreement clearly states its support for tax relief that would benefit the middle class – including extension of the child tax credit, 10 percent individual income bracket, and marriage penalty relief – and provide for estate tax reform. The budget also supports extending beyond 2010 the research and development tax credit and the deduction for state and local sales taxes. Section 303 of the conference agreement provides reserve funds in both the Senate and the House for the extension of such tax cuts, as long as the legislation complies with the Pay-As-You-Go rule.

**Provides immediate relief for middle-income taxpayers from the Alternative Minimum Tax.** Section 401 of the resolution states the policy of the House to protect middle-income taxpayers against the looming threat of the Alternative Minimum Tax. Section 303 of the resolution accommodates reform of the AMT, as long as the legislation complies with the House Pay-As-You-Go rule. Unless the AMT is reformed, 19 million additional families will have to pay higher taxes in 2007.

**Leaves current tax cuts in place now, and provides for their responsible extension in the future.** Nothing in this budget resolution will change the tax cuts that are currently on the books for the next four years.

**Deficit-financed tax cuts mean future tax increases on our children.** Republicans want to extend the tax cuts through deficit-financing – charging them to the national credit card and leaving our children and grandchildren to pay higher taxes in the future to pay the bill, with interest. A better approach is to extend the tax cuts in a fiscally responsible and cost-effective manner. The first place to look to help pay for tax cuts we want to extend is to crack down on wasteful or fraudulent spending and squeeze out more of the “tax gap” – which totals around \$300 billion per year and represents taxes that are already owed under current tax law but are not collected.

**Claims about tax cuts are contradictory.** While touting the deficit-financed extension of all of its 2001 and 2003 tax cuts, on the one hand, the President’s budget would impose nearly \$81 billion in new taxes over the next five years in the form of user fees for veterans, seniors, and other taxpayers. In addition, the President’s proposal to eliminate the exclusion for employer-provided health care and replace it with a standard deduction would increase taxes by more than \$300 billion.