

SENATE BUDGET COMMITTEE

KENT CONRAD, CHAIRMAN

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SENATE AND HOUSE REACH BUDGET AGREEMENT PRESERVING OBAMA BUDGET PRIORITIES Plan Invests in Energy, Education, and Health Care; Provides Middle-Class Tax Relief; and Cuts Deficit by Two-Thirds by 2014

Washington, DC – Senate and House negotiators have reached agreement on a budget resolution for fiscal year 2010 that preserves the major priorities in President Obama’s budget plan. The resolution invests in energy, education, and health care – laying a new foundation for our nation’s economy. It provides significant middle-class tax relief, directed at families with incomes under \$250,000. And it begins to put the country back on a more fiscally responsible path by cutting the deficit in half by 2012 and by two-thirds by 2014 – bringing the deficit down to three percent of GDP.

“This budget is a major accomplishment,” said Senate Budget Committee Chairman Kent Conrad. “We are meeting President Obama’s goals of reducing our dependence on foreign energy, striving for excellence in education, reforming our health care system, and providing middle-class tax relief – all while still cutting the deficit substantially. These important steps will lay the foundation for our nation’s long-term economic security.

“The Obama administration and the Democratic Congress have inherited one of the most challenging fiscal and economic environments ever experienced. We have seen record deficits and a doubling of the national debt over the last eight years. We are now in the midst of the worst recession since the Great Depression. We face housing and financial market crises that have wiped out home values and weakened credit markets. We have lost 3.7 million jobs in the last six months. And we have ongoing wars in Iraq and Afghanistan.”

In crafting the budget resolution, Congress faced a \$2.3 trillion deterioration in the budget outlook in just the last few months since President Obama’s budget was developed. Given this deteriorating outlook, it was necessary to make adjustments to the President’s budget to keep deficits on a downward trajectory. Non-defense discretionary spending under the budget is \$10 billion below the President’s level in 2010. The average annual increase in non-defense discretionary funding under the budget resolution is 2.9 percent over the 2010-2014 period. And spending as a share of the economy falls under the resolution, with domestic discretionary spending declining from 4.4 percent of GDP in 2010 to 3.4 percent in 2014.

The budget resolution makes these adjustments while still protecting the core priorities in President Obama's budget in the areas of energy, education, and health care. It invests in energy to reduce dependence on foreign oil, create green jobs, and tackle the problem of climate change. It invests in education to prepare the workforce to compete in the global economy. And it invests in health care to bend the cost curve on health care, reduce the burden of health care on businesses and families, and improve the health of citizens. It also includes a two-year placeholder for the cost of possible disaster relief.

In total, the budget resolution provides \$764 billion in tax cuts, focused on the middle-class. It extends the 10 percent bracket, the child tax credit, marriage penalty relief, and education incentives, as well as all of the other 2001 and 2003 tax cuts extended in President Obama's budget for those families making under \$250,000. It provides three years of AMT relief. It matches the President's estate tax reform proposal, which would permanently extend the 2009 level of a \$7 million exemption for couples and \$3.5 million for individuals. And it provides for two years of extenders.

"While the budget resolution takes important steps in the near-term of cutting the deficit in half by 2012 and by two-thirds by 2014, it is clear that more will be needed to address the long-term fiscal imbalance confronting the nation beyond the five-year budget window," said Conrad. "President Obama himself has indicated this year's budget is just the beginning and much more will be needed to put our nation back on a sound long-term fiscal course. No matter how successful we are in pulling out of the current economic downturn, our long-term economic security will remain in jeopardy until we address this projected long-term fiscal imbalance."

The full Senate and House are each expected to vote on the fiscal year 2010 budget resolution this week.

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