THE CHAIRMAN'S MARK: FY 2011 SENATE BUDGET RESOLUTION

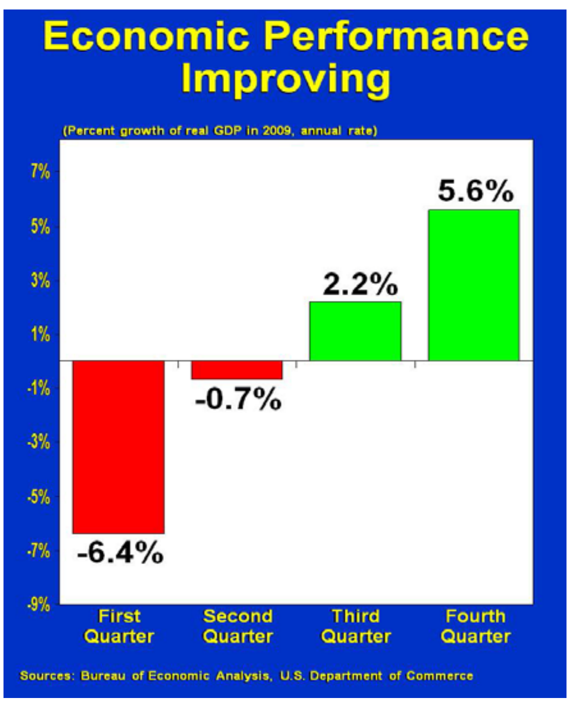
Overview

The Chairman's Mark for the Fiscal Year 2011 Senate Budget Resolution cuts spending and deficits, while making critical investments to strengthen the nation's economic recovery and promote long-term economic growth. It cuts spending as a share of the economy by 11 percent. It cuts the deficit as a share of the economy by 70 percent, bringing the deficit down to 3.0 percent of GDP by 2015. It includes $671 billion more deficit reduction than President Obama's budget. It invests in education and energy, laying the foundation for long-term economic security. And it cuts taxes by $780 billion.

Economic and Jobs Picture Improving

At the beginning of 2009, we were in the midst of the worst recession since the Great Depression. We faced crises in the housing and financial markets. And the economy was shedding jobs at an alarming rate.

The federal response to the downturn, including actions taken by the Federal Reserve and passage of the Economic Recovery Act, has produced a dramatic turnaround in this economic picture. Economic growth in the first quarter of 2009 was negative 6.4 percent. By the last quarter, it had improved to a positive 5.6 percent growth. And we have seen a steady improvement in the jobs picture as well. In January 2009 alone, the economy lost nearly 800,000 jobs. Job losses diminished through the year and, in the first quarter of 2010, job growth returned, with gains of 162,000 jobs in March.

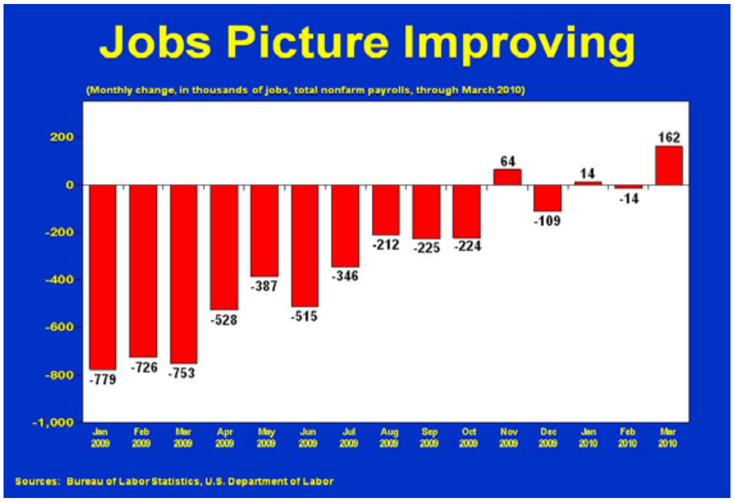


Despite this improving economic outlook, too many Americans remain out of work or are struggling to get by. The unemployment rate fell from 10.0 percent at the end of 2009 to 9.7 percent in the first three months of 2010, but that is still far too high.

Already this year, Congress has taken a number of further steps to strengthen the economy. The HIRE Act, enacted in March, provides a tax cut to encourage businesses to hire and retain workers, increases the amount that small businesses can expense for capital investments, expands financing options for investments in infrastructure, and extends authorization for surface transportation programs to ensure highway and transit projects continue through the summer construction season.

And Congress continues to work on legislation to extend Unemployment Insurance (UI) benefits and other provisions to aid the economic recovery.

The Congressional Budget Office (CBO) has identified these policies as having positive effects on employment. In a January report requested by Senate Budget Committee Chairman Kent Conrad, CBO concluded that a tax cut to encourage hiring and retaining workers and an extension of Unemployment Insurance would be the two most effective policies for boosting employment in 2010.

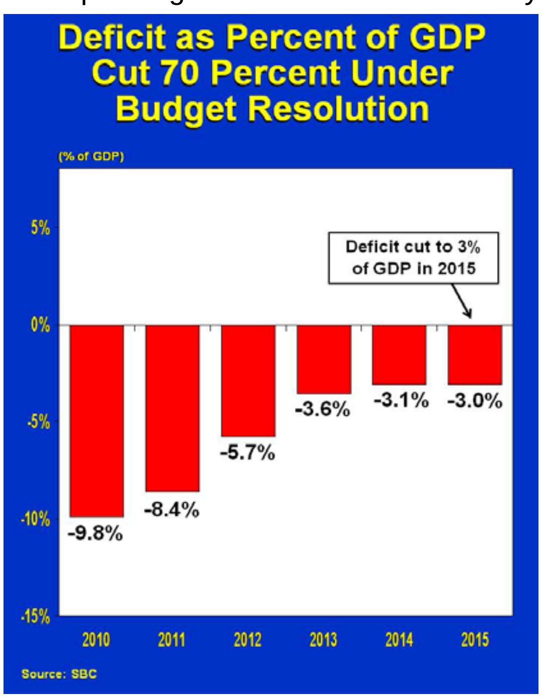


The Chairman's Mark takes additional steps to promote economic growth. It prioritizes discretionary programs that can have positive effects on employment, including investments in infrastructure, manufacturing, and trade promotion. It also provides assistance to small businesses. Finally, the Chairman's Mark includes a reconciliation instruction that can be used later in the year for jobs legislation as well as reserve funds that can facilitate passage of other bills promoting employment growth.

Cutting Spending and Deficits

The fiscal challenge confronting the nation is tremendous. When President Obama took office at the beginning of 2009, he inherited a deficit for that year of $1.3 trillion. And the federal debt had almost doubled over the previous eight years, rising to $11.9 trillion in 2009.

The Chairman's Mark cuts spending and the deficit over the five years of the plan. Specifically, it cuts spending as a share of the economy by 11 percent, from 25 percent of GDP in 2011 to 22 percent in 2013 through 2015. A large portion of this reduction is due to restraints on non-security discretionary spending. The Chairman's Mark freezes all non-security discretionary spending for three years, from 2011 through 2013. These levels are enforced with three-year limits on discretionary spending.



The Chairman's Mark cuts the deficit as a share of the economy by 70 percent, from 9.8 percent of GDP in 2010 to 3.0 percent in 2015. Economists believe that, under current economic projections, a deficit of 3 percent of GDP would roughly stabilize the federal debt relative to GDP.

In dollar terms, the Chairman's Mark reduces the deficit from $1.4 trillion in 2010 to $545 billion in 2015. It includes $671 billion more deficit reduction than the President's budget over the five years of the plan.

And the plan retains crucial budget enforcement provisions. It ensures that the Senate paygo rule is coordinated with the statutory paygo rule enacted this year. It also continues the requirement that reconciliation be used for deficit reduction only.

Importantly, the estimates of deficit reduction included in the Chairman's Mark are based on CBO's January 2010 economic assumptions (see explanation in Economics section), which were not revised in CBO's March baseline. Since January, the near-term economic outlook has improved further, so it is likely that actual deficits under the Chairman's Mark will end up being lower than projected. According to a recent report in the *Washington Post*, based on higher-than-expected revenues and lower-than-expected spending recorded during the first half of the year, Administration officials now expect the actual 2010 deficit to be closer to $1.3 trillion – or roughly $300 billion below OMB's estimate of $1.6 trillion in February.

Relative to a year ago, spending is significantly lower than expected for the Troubled Asset Relief Program (TARP). While the original TARP authorization requested by the Bush Administration in the fall of 2008 was for $700 billion, only about $490 billion has been used or committed so far. Of the remaining authorization, CBO now estimates that about $148 billion will never be used. The Chairman's Mark assumes none of this $148 billion will be used and therefore will not add to the debt.

Roughly $181 billion in TARP funds have already been repaid to the government, and roughly $20 billion has been received by the government through dividends, interest payments, warrant proceeds, and other distributions beyond the repayment of capital. These amounts have reduced the debt, and therefore have been built into the baseline and incorporated into the Chairman's Mark. Future repayments of capital and future dividend, interest, and warrant proceeds will also go to pay down the debt.

Addressing Long-Term Fiscal Challenges

While the Chairman's Mark makes important progress on the deficit over the five years of the plan, more will be needed to put the nation on a sound long-term fiscal course. Without significant reforms, the combination of the retiring baby boom generation, rising health care costs, and an outdated and inefficient revenue system will explode federal debt over the long term. CBO's long-term budget outlook projects that on our current course, debt could rise to 400 percent of GDP over the next 50 years – a clearly unsustainable level.

The historic comprehensive health care reform legislation enacted this year will make an important contribution to addressing the problem of rising health costs. The health reform law and the reconciliation act, when combined, are projected to reduce deficits by $143 billion (excluding debt service savings) over the first ten years (2010 – 2019) and by about $1.3 trillion over the second ten years. The CBO also concluded that the two measures will result in a long-term reduction in the federal budgetary commitment to health care. In addition, the health reform law includes a number of delivery system reforms that have the potential to provide even more long-term health savings.

To further address the projected long-term fiscal imbalance, President Obama has established by executive order a bipartisan fiscal commission, known as the National Commission on Fiscal Responsibility and Reform. The President's commission is modeled after the statutory bipartisan fiscal task force proposal of Senate Budget Committee Chairman Kent Conrad (D-ND) and Ranking Member Judd Gregg (R-NH), which received a strong bipartisan majority vote in the Senate, but fell short of the 60 votes needed for passage. Importantly, the President's commission is coupled with firm commitments from congressional leaders to bring the panel's recommendations to a vote. With these commitments, the President's executive order is as close as we can get to establishing a statutory commission, where votes on the panel's recommendations would be guaranteed. The Chairman's Mark includes a deficit-reduction reserve fund to ensure savings from the President's commission cannot be spent and are used to reduce deficits and debt.

Investing in Education and Energy
Within the context of a budget plan that freezes non-security discretionary spending for three years, the Chairman's Mark still makes room for important investments in education and energy. These investments help lay the foundation for long-term economic strength and prosperity.

In the area of education, the Chairman's Mark builds on the investments made in the Economic Recovery Act and the Health Care and Education Reconciliation Act. The Economic Recovery Act provided $100 billion for education programs, including incentives for states and local school districts to make further education investments. This federal education funding laid the groundwork for education reform and increased funding for key education programs. The Health Care and Education Reconciliation Act provided $42 billion over 2010 – 2019 for higher education programs by eliminating bank subsidies for student loans. Of this amount, $36 billion will be used to strengthen and stabilize Pell grant funding.

The Chairman's Mark continues to invest in education, providing increases for early education, allowing for reforms to improve teaching and student learning, and funding programs to educate, support, and prepare students for college and career.

In the area of energy, the Chairman's Mark provides resources to continue to reduce our dependence on foreign sources of energy, while creating clean energy jobs here at home. Specifically, it continues investments in alternative and clean energy technology, energy efficiency, and modernization of our energy infrastructure.

Supporting Our Troops
The Chairman's Mark matches President Obama's proposed defense budget for 2011 of $574 billion and war costs of $159 billion. The Chairman's Mark also provides for the additional $33 billion in 2010 requested by the President for the Department of Defense to fund ongoing operations.

The Congressional Budget Resolution

The annual budget resolution allows Congress to express its collective judgment on the overall level of spending, revenue, deficits, and debt, and the priorities and values within those totals. Upon adoption by the House and Senate, the budget resolution serves as a blueprint that guides subsequent Congressional consideration of legislation.

Section 301 of the Congressional Budget Act of 1974 sets forth the requirements of the budget resolution. As a concurrent resolution – a special legislative vehicle that applies only to the operations of the House and Senate – a budget resolution is not presented to the President for signature and does not have the force of law. As such, it does not directly change spending, revenues, deficit or debt levels, but does establish levels which are enforced by congressional points of order.

The Baseline

The baseline is a neutral benchmark of spending, revenues, deficits, and debt under current laws and policies, and is the starting point for developing the annual budget resolution.

The Budget Committee uses as its baseline the projections made by the Congressional Budget Office (CBO) in its January 2010 *The Budget and Economic Outlook: Fiscal Years 2010 to 2020*, as revised and updated in CBO's March 2010 *Preliminary Analysis of the President's Budget Request for 2011*, and as further revised by the Senate Budget Committee for legislation enacted since CBO completed its March baseline (most notably incorporating the effects of the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010). In preparing those projections, CBO followed the rules and guidelines contained in section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985 (the Deficit Control Act). The Committee expresses its continued support for adhering to the rules and guidelines contained in section 257.

For discretionary spending (which is controlled by annual appropriations acts), the baseline rules provide that projections assume that discretionary appropriations are maintained at the level enacted in the current year (in this case, fiscal year 2010), adjusted for inflation. These rules are the same for both regular appropriations and appropriations for emergencies and overseas contingency operations. For instance, the CBO March 2010 baseline projects throughout the baseline period the $130 billion in emergency funding already provided for ongoing military operations and related defense spending in 2010, but does not assume the President's request for $37.5 billion in additional supplemental funding in 2010 for ongoing overseas contingency operations (including $4.5 billion in international affairs funding). (The President has also requested $12.5 billion in supplemental funding for other items in addition to overseas contingency operations.)

For mandatory spending and revenues, which are usually governed by permanent law and do not require annual Congressional action, the baseline rules generally require that projections reflect current law. There are exceptions. In the case of mandatory spending, programs in place in 1997 with outlays of $50 million or more in the current year are assumed to continue throughout the baseline period even if they actually expire under current law. In the case of revenues, any excise tax dedicated to a trust fund is assumed to continue in the baseline even if it is scheduled to expire under current law. The Committee notes that the baseline and scoring rules combine to treat mandatory spending and revenues in a symmetrical and equivalent manner. Whether spending or revenue, the budget rules ensure consistency. That is, sunset dates are either ignored at both stages (scoring of legislation and baseline) or recognized at both stages.

Although section 257 of the Deficit Control Act expired on September 30, 2006, CBO continues to follow its guidelines and rules in constructing the baseline. The Committee expects CBO to continue this practice until Congress replaces or amends section 257.

Spending

The Chairman's Mark cuts spending as a share of the economy, in part by meeting the President's call to freeze non-security funding for three years at the 2010 level, while still investing in key areas, such as education and energy. It also supports important increases in the defense, homeland security, and veterans budgets to maintain the nation's safety and security.

Discretionary

Overall, the Chairman's Mark provides $1,124.2 billion in discretionary budget authority and $1,315.3 billion in outlays for discretionary programs in 2011. The amount of budget authority is $4 billion less than the President's request. These totals exclude emergency and supplemental war funding. As a share of the economy, overall discretionary spending will fall from 9.4 percent of GDP in 2011 to 7.1 percent in 2015.

The Chairman's Mark further enhances fiscal responsibility by establishing discretionary spending limits on budget authority and outlays for 2010 – 2013:

2010 – $1,226.2 billion in budget authority and $1,366.9 billion in outlays
2011 – $1,122.0 billion in budget authority and $1,313.3 billion in outlays
2012 – $1,150.6 billion in budget authority and $1,250.8 billion in outlays
2013 – $1,171.0 billion in budget authority and $1,239.6 billion in outlays

These limits will be adjusted if the Appropriations Committee meets the conditions for certain program integrity initiatives, eventually bringing total regular discretionary funding to $1,124.2 billion in 2011 (further discussion of cap adjustments is included in the "Budget Process" section of this document). Within these budget authority limits, funding for non-security discretionary programs – that is, programs outside of Defense, International Affairs, Veterans, and Homeland Security – is held at or below the 2010 level for three years. This non-security freeze imposes significant discipline on discretionary spending.

Discretionary Spending in Chairman's Mark ($ in billions; non-war, non-emergency budget authority)	2010	2011 Pres.*	2011 Mark	Mark v. 2010	Mark v Pres.
Security					
Defense	554.1	573.8	573.8	19.7	0.0
International Affairs	50.9	58.8	54.8	3.9	-4.0
Veterans	53.2	57.2	57.2	3.9	0.0
DHS	38.2	42.3	42.3	4.1	0.0
Total Security	696.5	732.1	728.1	31.6	-4.0
Non-Security	397.3	396.2	396.2	-1.2	0.0
Total	**1,093.8**	**1,128.2**	**1,124.2**	**30.5**	**-4.0**

Note: 2010 amounts include a $3.0 billion transfer of BioShield funds from DHS to HHS. Defense includes all defense-related discretionary funding in Function 050, including DHS defense-related funding. Veterans includes all discretionary funding in Function 700.
*The President proposes to move the Pell program to the mandatory side of the budget; the Chairman's Mark keeps Pell on the discretionary side. Therefore, for a more accurate comparison, the President's non-security request above includes the 2011 baseline level for discretionary Pell ($17.7 billion).

Security

Defense Discretionary and War Costs

The Chairman's Mark fully funds the President's core defense budget request over the five-year budget window. National defense discretionary funding in the plan is $573.8 billion. This includes $548.9 billion in 2011 for the Department of Defense (exclusive of war funding).

The Chairman's Mark makes taking care of our servicemen and women a top priority. It includes a deficit-neutral reserve fund to facilitate enactment of a proposal to expand "concurrent receipt" of military retired pay and veterans disability compensation to retirees who were medically retired from active service. The Chairman's Mark also includes a deficit-neutral reserve fund to provide a "soft landing" program that would help reintegrate reservists and Guardsmen returning from war back into civilian life. Finally, it also provides a pay raise for the military, as well as increases in housing and subsistence allowances.

The Chairman's Mark recognizes the inequity in how the military death benefits system treats widows and orphans our servicemembers and veterans leave behind. It provides a deficit-neutral reserve fund to facilitate the repeal of the law that requires a dollar-for-dollar reduction in Department of Defense Survivor Benefit Plan (SBP) annuity benefit payments by benefits received under the Department of Veterans Affairs Dependency and Indemnity Compensation (DIC) program. Repeal of the offset would allow widows and orphans our servicemembers and veterans leave behind to receive the full SBP amount due to them. Congress recognized the injustice of the SBP-DIC offset in the National Defense Authorization Act for Fiscal Year 2008 when it authorized a special payment to SBP-DIC-affected survivors, but this payment is far below the full amount that is offset.

The Chairman's Mark incorporates a $1.3 billion increase in the Department of Energy's National Nuclear Security Administration's budget to ensure the safety and security of our nuclear stockpile. The Chairman's Mark also protects the renewed focus of the Department of Defense on keeping our nuclear enterprise safe and effective, including funding the Air Force's Global Strike Command.

The Chairman's Mark reflects the President's request for additional 2010 war funding of $33.0 billion to support ongoing operations. If enacted, this will bring total war funding for 2010 to $163.0 billion. The Chairman's Mark also provides for the President's 2011 war request of $159.3 billion. To account for these war costs, the Chairman's Mark includes a cap adjustment provision for 2011 and updates the 2010 cap adjustment to include the increased war funding for Afghanistan. Like last year, the Chairman's Mark includes war funding beyond this budget year to acknowledge our ongoing overseas commitments.

International Affairs

The President's request for international affairs activities in 2011 is $58.8 billion, $7.9 billion over the enacted 2010 levels, a 15.6 percent increase. The President has also requested an additional $4.5 billion for 2010 to help fund the civilian component of ongoing operations. The Chairman's Mark recognizes the importance of this civilian effort to our current wars, which require significant civilian expertise to achieve our strategic objectives. The Chairman's Mark, therefore, preserves the increase requested due to our current wars, as well as the supplemental funding. Additionally, the Chairman's Mark also funds an increase of $1.2 billion for our nation's allies, including Israel, as part of the Middle East peace process.

Given our severely constrained fiscal environment, the Chairman's Mark focuses on those capabilities crucial to our current wars and the Middle East and increases international affairs funding to $54.8 billion for 2011.

The Chairman's Mark also provides $2.8 billion in 2010 for our country's efforts to help the people of Haiti.

Homeland Security

The Chairman's Mark matches the Administration's request for homeland security by including $43.6 billion in 2011 for the Department of Homeland Security (DHS). This level represents all agency funding (including both defense and non-defense related activities). Excluding defense related activities, the amount is $42.3 billion. This funding will help keep Americans safe by strengthening efforts to combat terrorism, protect the border, and respond to emergencies. The Chairman's Mark takes an additional step to protect the American people from threats to public health and safety by collecting a fee for inspection of international trash shipments at the U.S. border. The fee is assumed to generate approximately $45 million per year. The fee will help defray the cost of increasing the number and quality of inspections of these shipments at the border. The Chairman's Mark supports continued efforts to eliminate redundancies and gain efficiencies as the Department matures, including full funding of the new headquarters currently under construction.

Veterans

The Chairman's Mark supports the President's request for a 7.4 percent increase over the 2010 enacted level in funding for veterans benefits and services for a total of $57.2 billion in discretionary funds for 2011.

The Chairman’s Mark recognizes the deep debt our nation owes to those who have served in defending our country and continues to provide critical resources to ensure that they get the quality health care they deserve. The funding in the Chairman’s Mark will ensure that the Veterans Health Administration within the VA can provide the highest quality health care for all veterans, especially for our veterans with special health care needs, including those with mental health needs, spinal cord injuries, and for our female veterans. The Chairman's Mark also ensures that the VA will have the resources to fund research on the conditions affecting our veterans, especially those with traumatic brain injuries.

Jobs

Transportation

The Economic Recovery Act made substantial investments in addressing the nation’s backlog of transportation infrastructure projects. It has funded over 12,000 highway and bridge projects and nearly 950 transit projects to date. This infrastructure funding has clearly played a role in helping to revive our struggling economy. And infrastructure investments will have the added benefit of improving our nation’s long-term economic efficiency.

The Chairman’s Mark recognizes that continued investments in transportation infrastructure are needed. The Chairman’s Mark, therefore, adopts the Administration’s funding levels for the federal highway, transit, and highway safety programs to build the nation’s highways, bridges, and transit systems. However, it continues the current practice of providing funding for these programs through mandatory contract authority and discretionary obligation limitations.

The Chairman’s Mark provides increased funding for the Federal Aviation Administration (FAA), including additional funding to develop the Next Generation Air Transportation System that will improve the efficiency and capacity of the nation’s air traffic control system. It also includes $200 million for the Essential Air Service program to continue funding at the 2010 level. The Chairman’s Mark continues key investments in intercity passenger rail by providing $1 billion for high-speed rail and by providing increased funding for Amtrak. The Chairman’s Mark also includes $1 billion for national infrastructure investment grants, similar to the Economic Recovery Act’s TIGER grant program, to support transportation projects that will have a significant impact on the nation, a metropolitan area, or a region, with an understanding that at least one quarter of the funding will be for projects located in rural states.

The Chairman’s Mark allows for additional transportation investments by providing a deficit-neutral reserve fund for infrastructure investments which could include reauthorization of surface transportation programs. The Chairman’s Mark realizes that surface transportation programs are at a crossroads. The growing costs of repairing highways and bridges are outpacing revenues dedicated to those programs. Spending authority for these programs has been provided as contract authority based on the fact that the programs have been supported by the Highway Trust Fund with revenues paid by transportation users. The reserve fund would accommodate legislation to reauthorize the federal highway, transit, and highway safety programs above current levels provided that the legislation protects the solvency of the Highway Trust Fund, and ensures the ability of the trust fund to continue to pay for those programs for the length of the surface transportation reauthorization. The infrastructure reserve fund would also be available for deficit-neutral legislation authorizing multimodal transportation projects, an important element of future transportation investments.

Small Business

The Chairman's Mark recognizes the critical role small businesses play in job creation, and seeks to build upon the important small business investments that have been enacted already. Although financial markets have stabilized significantly since the height of the financial crisis, lending to small businesses remains weak and must be increased in order to solidify our economic recovery. The Chairman's Mark, therefore, provides almost $1.1 billion for the Small Business Administration, an increase of $245 million over the 2010 enacted level (exclusive of supplemental funding) and provides a deficit-neutral reserve fund to support further efforts to improve credit availability to small business.

Manufacturing

Consolidation in the U.S. manufacturing sector poses unique challenges to communities hit hardest by the closing of manufacturing facilities. The Chairman's Mark acknowledges the need to help American manufacturers and businesses remain competitive in the global marketplace by adopting advanced manufacturing technologies. Therefore, the Chairman's Mark provides $330 million for Economic Development Administration grants to local governments to revitalize closed manufacturing plants. In addition, the Chairman's Mark adopts the Administration's budget levels for the Industrial Technologies Program at the Department of Energy, Brownfields Assessment and Cleanup, and the Manufacturing Extension Partnership (MEP), which is dedicated to ensuring American small- and medium-sized manufacturers create jobs in the U.S. The Chairman's Mark allows for additional spending on manufacturing programs or expanded tax credits for manufacturing by including a deficit-neutral reserve fund for legislation that would revitalize and strengthen the United States domestic manufacturing sector.

Green Jobs Act

The Chairman's Mark supports increases for energy efficiency and renewable energy worker training programs as authorized under the Green Jobs Act. These programs not only protect the environment, but also promote economic recovery by training workers for jobs in emerging industries such as energy efficient construction, biofuels, and sustainable development manufacturing.

Worker Protection and Training

The Chairman's Mark provides the President's requested level for two important new initiatives. It includes $50 million to help states develop and implement paid leave programs. State paid leave programs strengthen economic security for families, improve employer competitiveness and promote better outcomes for communities. In addition, the Chairman's Mark provides $25 million to fund the Department of Labor's efforts to identify and deter misclassification of employees as independent contractors. Employers that engage in this activity do not pay taxes, such as Unemployment Insurance and Social Security, deny their employees legal protections, and disadvantage employers that follow the law.

The Chairman's Mark also provides additional resources to promote fair labor standards and enhance employment opportunities in newly emerging industries. And it allows for investments in programs that target, train, and counsel the unemployed, such as Job Corps and the Workforce Investment Act.

Lacey Act

The Chairman's Mark provides $905 million in 2011 for the Animal and Plant Health Inspection Service (APHIS). This amount will help provide sufficient resources to enforce amendments to the Lacey Act, which passed in 2008 with overwhelming support from Congress, industry, labor, and environmental organizations. The Lacey Act amendments make it unlawful to trade wood products or other plants taken in violation of the laws of either a U.S. state or a foreign country. Full and effective implementation and enforcement of the Lacey Act will enable American forest product companies to compete fairly in the global marketplace, help keep jobs in the U.S., deter the destructive impacts of illegal logging on forests and forest-dependent communities in developing countries, and reinforce initiatives to mitigate climate change.

The Lacey Act requires U.S. importers of wood products to file a declaration identifying the species name and country of harvest – a critical measure intended by the law's sponsors to increase supply chain transparency and assist U.S. agencies in fair and strong enforcement. APHIS, which is responsible for implementing the declaration provision, needs adequate funding to establish an electronic declarations database and to add internal capacity to perform data analysis needed for monitoring and enforcement purposes.

National Export Initiative
The Chairman's Mark provides a significant funding increase to trade-related agencies over their 2010 levels to meet the President's goal to double exports in the next five years. Specifically, the Chairman's Mark assumes $534 million for the International Trade Administration and $259 million for the Foreign Agriculture Service. It also includes $54 million for the Office of the U.S. Trade Representative to help with export promotion, small business, and trade enforcement.

Forestry Jobs
The Chairman's Mark provides $457 million for programs at the Bureau of Land Management and the U.S. Forest Service that fund forest thinning and restoration projects on our nation's public lands, creating immediate, on-the-ground work in the rural communities that have been particularly harmed by the downturn in the economy.

Education
The Chairman's Mark provides additional resources for education programs to prepare American students to compete internationally and secure our nation's long-term economic outlook. It supports significant investments for programs at the Department of Education.

The Chairman's Mark assumes additional investments in early childhood education programs, such as Head Start, which have long-term economic benefits by yielding savings in reduced social costs. Research shows that low-income children who enroll in early education programs have higher levels of educational achievement throughout life, higher rates of employment, greater earnings, and are less likely to be involved in criminal activity.

Given declining state and local revenues due to the economic downturn, it has been increasingly difficult for states to maintain funding for their education programs. Under federal law – the Individuals with Disabilities Education Act (IDEA) – states are required to cover the additional cost of educating students with disabilities. The increased funding for education in the Chairman's Mark could be used to provide relief to states by increasing the federal share of educating students with disabilities.

The U.S. competitive educational advantage has eroded significantly in recent years, with our global competitors spending less money per student, but having better educational outcomes. The next generation is going to have to be highly skilled and productive if we want to promote economic growth and support an aging population without a decline in living standards. The Chairman's Mark provides for additional investments in Elementary and Secondary Education Act (ESEA) programs. Additional funding within ESEA, for programs such as Title I, target low-income students and help to close the achievement gap. Authorized formula funding programs help high-poverty and rural school districts address the challenges of meeting ESEA requirements. Innovative strategies to improve student learning and support effective school leaders and teachers can enhance performance, decrease drop-outs, and ensure students graduate ready for college and careers.

Employers indicate that we are not producing enough trained workers with the skills for the modern workplace, especially in emerging industries. Increasingly, these sectors require some form of post-secondary education or job re-training. Moreover, access to college remains a barrier for many low- and moderate-income students and their families. The Chairman's Mark ensures access and affordability to post-secondary education by assuming a total maximum Pell grant award of $5,550 in 2011 and additional funding for institutions of higher education.

Energy

Our nation continues to face a dangerous addiction to foreign oil and a threat from global climate change. In 2009, we relied on imports for 63 percent of our oil, and petroleum imports account for nearly half of the trade deficit. As a result, we are increasingly vulnerable to oil supply disruptions and instability in other parts of the world. And the still-weak credit market is limiting needed private sector investment in alternative energy technology.

To meet these challenges, the President and Congress have responded with an historic investment of resources to reduce our dependence on imported energy and create green jobs. The Economic Recovery Act included $38.7 billion to fund important energy priorities, such as modernizing the electric grid, renewable energy and transmission loan guarantees, local government energy efficiency and conservation grants, weatherization assistance, carbon capture and sequestration technology, energy efficiency and renewable energy research and development, and advanced battery development.

The Chairman's Mark exceeds the President's request for 2011 energy discretionary funding by $500 million. The energy funding level in the Chairman's Mark will provide increases for the Energy Efficiency and Renewable Energy program, which will accommodate investments in important priorities such as wind, solar, geothermal, biomass and biorefinery R&D, hydrogen, vehicle/building technologies, and the weatherization assistance program. The Chairman's Mark also supports increased funding for the Energy Efficiency and Conservation Block Grant Program; and it includes increases to invest in the development of low carbon coal technologies, such as carbon capture and sequestration.

The Chairman's Mark also recognizes the need for nuclear power to bridge the gap between current and future supplies of energy. It supports the President's request to increase loan guarantees for next generation nuclear reactors, while continuing to provide loan guarantees and research and development grants for innovative technologies that hold the promise of transforming the way we use energy and confront associated pollution issues.

The Chairman's Mark increases funding for electricity delivery and energy reliability, and includes an energy reserve fund to accommodate legislation that advances important priorities such as reducing our nation's dependence on imported energy, producing green jobs, promoting renewable energy development, improving electricity transmission, and encouraging conservation and efficiency. It could also be used for a proposal to expand investments in transmission infrastructure and smart grid technology.

LIHEAP
The Chairman's Mark provides $5.1 billion in discretionary funding for the Low Income Home Energy Assistance Program (LIHEAP). This will enable LIHEAP to continue providing heating and cooling assistance to over five million low-income households, including the working poor, disabled persons, elderly, and families with young children.

Child Care
The Chairman's Mark assumes the President's requested discretionary level in 2011 for the Child Care and Development Block Grant, which will increase the number of children receiving child care assistance. In addition, the Chairman's Mark includes a deficit-neutral reserve fund that would allow for additional child care assistance.

Fighting Crime
Law Enforcement
The Chairman's Mark recognizes the important role the partnership between federal, state, and local law enforcement entities plays in maintaining safe communities. It includes $600 million for the Community Oriented Policing Service (COPS) hiring grant program. This funding is critical in many urban and rural areas in maintaining police presence, carrying out criminal investigations, and in training and equipping law enforcement officers. The Chairman's Mark also includes $519 million for the Byrne/Justice Assistance Grant (JAG) program. This program provides flexible funding directly to law enforcement agencies leading to more widespread apprehension, prosecution and detention and rehabilitation of offenders who violate laws.

Border Security
The Chairman's Mark includes $73 million to combat violence along the Southwest border. These funds will supplement efforts among federal agencies as they respond to an increased level of criminal activity related to Mexican drug cartels.

Program Integrity
In an effort to achieve savings over the long term, reduce fraud, and encourage government efficiency, the Chairman's Mark includes funding for important program integrity initiatives in Medicare, Medicaid, CHIP, Social Security, Unemployment Insurance, and IRS enforcement.

In addition to supporting ongoing efforts at the Social Security Administration (SSA), the Chairman's Mark, for example, provides for discretionary cap adjustments in 2011, 2012, and 2013 to fund the processing of additional Continuing Disability Reviews (CDRs) and Supplemental Security Income (SSI) redeterminations and to complete implementation of asset verification initiatives. As a result, the Chairman's Mark assumes $2.8 billion over three years for these program integrity efforts at SSA, $1.9 billion of which is provided through cap adjustments. CDRs save approximately $10 for every $1 spent, and redeterminations save approximately $8 for every $1 spent. In addition to being "good government" initiatives, the additional short-term funding will result in long-term savings.

The Chairman's Mark also supports enhanced spending for Health Care Fraud Abuse and Control (HCFAC) activities that safeguard the Medicare, Medicaid, and CHIP programs from fraud and abuse. Over three years, the Chairman's Mark provides discretionary cap adjustments of $1.8 billion for HCFAC program integrity efforts, such as identifying and reducing improper payments.

The Chairman's Mark also provides increased funding to reduce Unemployment Insurance improper payments. Over three years, the Chairman's Mark provides discretionary cap adjustments totaling

$180 million for states and the Department of Labor to conduct in-person reemployment and eligibility assessments and improper payment reviews.

The Chairman's Mark also supports enhanced Internal Revenue Service (IRS) tax enforcement to address the tax gap. It fully funds the President's budget request for the IRS and includes the President's request for additional resources for IRS enforcement. By including a discretionary cap adjustment of $1.1 billion, the Chairman's Mark would direct a total of approximately $8.2 billion to IRS enforcement activities for 2011. Over three years, IRS enforcement totals $26.2 billion, $4.2 billion of which is provided through cap adjustments.

Health and Aging

<u>Social Security Administration</u>

The Chairman's Mark assumes the President's full funding request of $12.5 billion for administrative expenses at SSA. The Mark commends the Administration for continuing efforts to address significant backlogs in disability claims and hearings and to expand program integrity efforts in the Social Security and SSI programs. This funding will help to reduce unacceptable delays for disabled individuals in receiving benefits and to ensure that program dollars are spent wisely at a time when SSA is facing a significant increase in new claims for disability and retirement benefits during the economic downturn.

<u>Community Health Centers</u>

The Chairman's Mark builds upon the significant resources provided for community health centers in the recently enacted health care reform legislation, which included $11.0 billion in mandatory resources over five years. The Chairman's Mark provides an increase for 2011 of $290 million above the 2010 enacted level in discretionary resources for community health centers. These health centers are community-based providers of comprehensive primary and preventive health care that serve more than 16 million people, many of whom are uninsured or on Medicaid. These increases allow the health centers to expand access to the medically-underserved. In addition, the Chairman's Mark provides an increase of $5.0 million for the State Health Access Program in the Health Resources and Services Administration (HRSA), which funds grants to states to expand access to affordable health care for the uninsured.

<u>National Health Service Corps & Health Professions</u>

The Chairman's Mark builds upon the significant resources provided for the National Health Service Corps in the recently enacted health care reform legislation. The Chairman's Mark provides an increase in 2011 discretionary funding for the National Health Service Corps and Health Professions, consistent with the President's budget request, to provide for an increase in the number of health professionals practicing in medically underserved areas, such as nurse practitioners, physicians, and dentists.

<u>National Institutes of Health</u>

The Chairman's Mark provides funding consistent with the President's request for NIH funding in 2011, which will continue important investments for biomedical research at the National Institutes of Health (NIH), such as including support for cancer research. In addition, the Chairman's Mark supports the NIH in meeting its new responsibilities following the enactment of health reform, such as improving health outcomes through the coordination of research activities on health disparities.

Rural Health
The Chairman's Mark provides funding consistent with the President's request for Rural Health Activities in HRSA, such as Rural Health Outreach Grants, Rural Hospital Flexibility Grants and the Rural and Community Access to Emergency Devices program. These programs have helped to sustain the rural health care safety net.

Environment

Environmental Protection and Water Infrastructure
The Chairman's Mark provides $10.4 billion for the Environmental Protection Agency (EPA), which includes $3.5 billion for EPA's Clean Water and Drinking Water State Revolving Funds. The overall EPA funding level could also accommodate increases for Superfund, allowing the EPA to clean up more sites, as well as the brownfields program, and a variety of other EPA programs. Except for those explicitly stated in the Mark, it does not make assumptions with regard to other EPA programs.

Everglades
The Chairman's Mark includes funding equivalent to the 2010 enacted level for the Army Corps of Engineers. It includes a small increase above the 2010 enacted level for the Department of Interior. These levels fully fund ongoing Everglades Restoration activities, including construction of authorized projects contained in the Comprehensive Everglades Restoration Plan and the Everglades National Park Expansion Act.

Aquatic Ecosystems
The Chairman's Mark fully funds the Chesapeake Bay Program at $63 million and the National Estuary Program (NEP) at $35 million.

Oceans
The Chairman's Mark matches the President's requested increase for the National Oceanic and Atmospheric Administration (NOAA), with the additional funds used primarily for the acquisition of climate satellites.

Public Lands
The Chairman's Mark exceeds the President's request for the Department of the Interior and the Forest Service. It includes the President's proposal to increase funding for land acquisition programs.

Fire Suppression
The President should be commended for taking steps in his budget to account for growing annual fire suppression costs. The Chairman's Mark fully funds the President's request for wildfire suppression activities at the Forest Service and the Department of the Interior. It provides the 10-year average for fire suppression costs and assumes that an additional $357 million will be provided if appropriated funds are exhausted and the severity of the fire season requires additional funding.

Great Lakes Restoration
The Chairman's Mark recognizes the need to address significant and long-standing problems affecting the major large-scale aquatic, estuarine, and coastal ecosystems nationwide. The Chairman's Mark therefore fully funds the EPA's Great Lakes Restoration Initiative at $475 million to work with Great Lakes states, tribes, and local communities and organizations to address issues prioritized in the Great Lakes Regional Collaboration. This initiative could address issues such as invasive species, non-point source pollution, habitat restoration, and contaminated sediment. Furthermore, the Chairman's Mark recognizes the particular threats posed by the Asian Carp to the

economy of the entire Great Lakes region and the importance in implementing prevention activities from the Asian Carp Control Strategy Framework. The Chairman's Mark also supports the President's proposal to use outcome-oriented performance goals and measures to target the most significant problems and track progress in addressing these ecosystems.

Corps of Engineers
The Chairman's Mark recognizes the Corps of Engineers' role in maintaining our nation's infrastructure, and maintains funding for its construction and operations and maintenance accounts at the 2010 level.

Rural Water
The Chairman's Mark recognizes the importance of the Bureau of Reclamation rural water program to support ongoing Municipal, Rural and Industrial (MR&I) systems. It provides funding equal to the 2010 enacted level to support these vital rural water development projects.

Yucca Mountain
The Chairman's Mark supports the President's request to close the Yucca Mountain nuclear repository and establish a blue ribbon commission to investigate alternatives.

Housing
The Chairman's Mark supports the Administration's plans to preserve and increase the supply of affordable housing. It provides full funding in 2011 to maintain the Section 8 tenant-based Housing Choice Voucher program and the project-based Section 8 program. The Chairman's Mark provides funding above the President's request to restore cuts to certain public and Native American housing programs, including housing for the elderly and disabled. In addition, the Chairman's Mark includes a deficit-neutral reserve fund that would allow for additional investments in housing assistance, including assistance provided through the Housing Trust Fund.

Native American Programs
The United States has a trust responsibility for the provision of public services to Indian people. The Chairman's Mark provides significant funding for health care, public safety, housing, and education programs benefitting American Indians and Alaska Natives. The Chairman's Mark also supports funding for the development of energy sources on Indian lands. The Native American population is facing a public safety and health care crisis. In response, the Chairman's Mark provides $4.4 billion in funding for the Indian Health Service to improve the quality of health care services and facilities and $255 million for tribal public safety and justice grant programs at the Department of Justice to improve public safety on Indian lands. The Chairman's Mark also provides $700 million for Native American Housing Block Grants.

NASA
The Chairman's Mark provides $19.7 billion in 2011 for the National Aeronautics and Space Administration (NASA), an increase of $1 billion over the 2010 enacted level.

The President's budget also increases funding for NASA, although it dramatically alters plans for human spaceflight. The authorizing and appropriating committees continue to review those plans. Furthermore, restructuring of the Constellation program, as outlined in the President's budget, remains subject to Congressional approval.

NASA intends to retire the Space Shuttle fleet at the end of 2010, after completion of the current manifest. Recognizing that this deadline may not be met, and in order to avoid perceived schedule pressure leading to potential risk, the Chairman's Mark provides funds for the manifest to be flown into 2011.

It remains the policy of the United States to possess the capability of continuous access to space. There currently exists a sizeable gap in this capability that will not be closed until a domestically-produced system, whether government- or commercial-led, is available. The Chairman's Mark recognizes the strategic importance of uninterrupted access to space and supports efforts to reduce this gap.

The Chairman's Mark also recognizes the need for continued testing of existing technologies and vehicles for the purpose of developing a new heavy-lift launch vehicle. This effort should be executed in concert with the advancement of commercial space access capabilities to low earth orbit (LEO) and a continued government-led development of a spacecraft capable of flight beyond LEO.

Mandatory

Medicare

Both the modified CBO baseline used as the basis for constructing the Mark and the totals in the Chairman's Mark reflect the Medicare policies in the comprehensive health care reform legislation and the reconciliation legislation that are now law. In addition, the Chairman's Mark reflects the cost of extending Medicare physician payments at current levels through December 31, 2014. This funding level is consistent with the adjustment available for this program in the Statutory Pay-As-You-Go Act, which allows the cost of freezing payment rates at 2009 levels for five years to be excluded for purposes of enforcing the new statutory paygo rules. As a result, legislation that reforms or supersedes the current Sustainable Growth Rate (SGR) formula for physician payments will only be scored for paygo purposes to the extent that it costs more than this five-year freeze.

Education and Training

The reconciliation legislation enacted last month included a number of critical education-related provisions. For higher education programs, the legislation eliminates bank subsidies and invests $42 billion in higher education programs, including $36 billion for Pell grants. The act will also:

- provide an inflation adjustment for Pell grants beginning in 2013;
- manage student loan debt by limiting the amount of loan repayment to 10 percent of discretionary income starting in 2014;
- invest in historically black colleges and other minority-serving institutions; and
- extend funding for other higher education programs.

Expanding post-secondary access and ensuring college affordability will promote U.S. economic growth and allow our students to compete globally. The Chairman's Mark allows for additional investments in higher education programs by providing a deficit-neutral reserve fund.

Extension of Unemployment Insurance (UI) and COBRA

The Chairman's Mark reflects an extension of UI benefits through the end of the year, as well as COBRA premium assistance to help the unemployed pay for health insurance.

Climate Change Legislation

The Chairman's Mark recognizes that we have an obligation to current and future generations to take meaningful action to reduce greenhouse gas emissions. It includes a reserve fund to accommodate legislation that would invest in clean energy technology initiatives, decrease greenhouse gas emissions, create new clean technology jobs, increase cost savings through energy efficiency, diversify the domestic clean energy supply to increase the energy security of the U.S., or help families, workers, communities, and businesses make the transition to a clean energy economy.

The Chairman's Mark includes no specific assumptions regarding the policy details of such a proposal. The details of the proposal will be left to the committees of jurisdiction and the legislative process.

Agriculture Programs

The Chairman's Mark assumes the baseline levels for the nutrition, conservation, renewable energy, and farm safety net improvements included in the 2008 Farm Bill. However, given our current fiscal situation, the Chairman's Mark recognizes that all areas of the federal budget need to be examined for savings. Recently, the Senate Agriculture Committee passed a Child Nutrition Program reauthorization without a dissenting vote, which included targeted savings in the Environment Quality

Incentives Program (EQIP). The Chairman's Mark supports these targeted EQIP savings. Additionally, CBO's March 2010 baseline assumes crop insurance outlays will be reduced as part of the Standard Reinsurance Agreement (SRA) negotiation. These savings are thus included in the baseline upon which the Mark is built.

Geothermal Lease Revenues
The Chairman's Mark does not assume the savings included in the President's budget from eliminating payments to counties from geothermal leasing revenues.

TARP to Cost Much Less Than Expected
The Troubled Asset Relief Program (TARP), which was established by the Bush Administration to prevent a collapse of the financial sector in the fall of 2008, is now expected to cost far less than earlier projections. While the original TARP authorization requested by the Bush Administration was for $700 billion, only about $490 billion has been used or committed so far. Of the remaining authorization, CBO now estimates that about $148 billion will never be used. The Chairman's Mark assumes none of this $148 billion will be used and therefore will not add to the debt.

Roughly $181 billion in TARP funds have already been repaid to the government, and roughly $20 billion has been received by the government through dividends, interest payments, warrant proceeds, and other distributions beyond the repayment of capital. These amounts have reduced the debt, and therefore have been built into the baseline and incorporated into the Chairman's Mark. Future repayments of capital and future dividend, interest, and warrant proceeds will also go to pay down the debt.

Notably, many banks have already fully repaid their TARP funds to the federal government, including Goldman Sachs, Morgan Stanley, Bank of America, Wells Fargo, and U.S. Bancorp.
CBO estimates that the government will actually make a roughly $7 billion profit on its investments in financial institutions. And as a result of these repayments and other dynamics, CBO's credit reform score of TARP has fallen from $356 billion in March 2009, to $109 billion.

Additionally, any analysis of TARP must include consideration of the immeasurable cost averted as a result of its enactment. There is broad agreement that a failure to take decisive action in the face of a potential meltdown of the financial sector would have had a devastating impact on our economy as a whole, perhaps resulting in an economic downturn comparable to that of the Great Depression. Such an outcome would have devastated the job market, depressed U.S. wealth, and increased the public debt to a far greater degree than occurred.

Revenues

The Chairman's Mark provides net tax relief of $780 billion over the next five years targeted largely on the middle class. Much of this tax relief was specified in the Statutory Pay-As-You-Go Act of 2010, which allows the cost of extending certain tax provisions to be excluded for purposes of enforcing the new statutory paygo rules. In 2010, revenues are projected to be 14.7 percent of GDP, about the same as in 2009, which reflects the lowest revenue level in 60 years. With the economy beginning to recover, the Chairman's Mark projects that more revenue will flow into the Treasury, returning to levels as a share GDP that are more consistent with periods of economic strength.

The Chairman's Mark supports restoring fairness to the tax code and closing loopholes to shore up the revenue base. But to meet our long-term fiscal and economic needs, we will need to do more than just tinker around the edges of our current tax system, which is riddled with inefficiencies and is badly out-of-date for meeting the challenges of our 21st Century economy. Instead, we need to address the fundamental flaws in the tax code through tax reform. Only by reforming the tax code can we ensure that the nation will have a sustainable revenue base, that our tax system will be simpler and fairer than the current code, and that it will help make American businesses more competitive. The Chairman's Mark supports moving towards fundamental tax reform as quickly as possible, and encourages the President's National Commission on Fiscal Responsibility and Reform to make tax reform one of its top priorities.

Revenue Changes in Chairman's Mark

($ in billions)

	2011-2015
Middle-class tax relief	-619
AMT relief	-131
Estate tax reform	-14
Other relief for individuals, families	-34
Extenders, business provisions	-96
Subtotal, tax relief	**-894**
Loophole closers, other raisers	+114
Total, tax proposals	**-780**

Tax Relief for the Middle Class

The Chairman's Mark provides substantial tax relief for the middle class. The middle class has been hard hit by the recession. The median income of working households fell in inflation adjusted terms by $2,200 between 2000 and 2008, and these families continue to struggle even as the economy recovers.

Last year, to bolster the middle class and help stimulate the economy, Congress provided temporary tax relief in the Economic Recovery Act that benefitted 98 percent of working Americans. All of this tax relief, as well as provisions enacted in 2001 and 2003, will expire in 2010 without further action by Congress.

The Chairman's Mark reflects the permanent extension of the 2001 and 2003 income tax provisions for couples with incomes below $250,000 and singles with incomes below $200,000, consistent with middle-class tax policies exempted from paygo in the Statutory Pay-As-You-Go Act. These policies include:

- 10 percent bracket, Child Tax Credit, marriage penalty relief – The Chairman's Mark would make permanent these three provisions, which were the core middle-class provisions enacted in 2001. It also assumes that the related expansions of the Child Tax Credit and the Earned Income Tax Credit (EITC) for married couples included in the Economic Recovery Act are extended.
- 25 and 28 percent brackets, and part of the 33 percent bracket – The Chairman's Mark would make these rate reductions permanent, continuing all of the rate reductions for couples with incomes below $250,000 and singles below $200,000.
- Capital gains and dividends – The Chairman's Mark would continue the 15 percent rate for capital gains and dividend income for couples with incomes below $250,000 and singles below $200,000.
- Incentives for families – The Chairman's Mark also would continue 2001 provisions that benefit families, such as the adoption tax credit, the dependent care credit, employer-provided child care credit, the deduction for student loan interest, and the exclusion for employer-provided educational assistance.

In addition to preventing the expiration of this middle-class tax relief, the Chairman's Mark reflects other tax proposals for individuals and families from the President's budget, which are paid for. These include proposals to encourage savings by expanding the existing "savers credit," including making it fully refundable; requiring employers that do not offer 401(k)s to offer automatic enrollment in IRAs; allowing employees to contribute to IRAs through payroll tax deductions; and doubling the tax credit for small employer retirement plan start up costs. The Chairman's Mark also reflects the President's proposal to expand the Child and Dependent Care Tax Credit, and continue the expansion of the EITC for families with three or more children.

AMT Relief

The Chairman's Mark assumes two years of Alternative Minimum Tax relief, in 2010 and 2011, consistent with the exemption for AMT relief in the Statutory Pay-As-You-Go Act. This AMT patch would ensure that the number of taxpayers affected by the AMT would not increase above 2008 levels.

The Chairman's Mark ensures that the cost of AMT relief does not have to be offset while the economy is recovering from recession, and creates an opportunity for the President's bipartisan fiscal commission to develop tax reform proposals to address the AMT permanently in a way that does not increase the deficit.

Estate Tax Reform

The Chairman's Mark assumes the estate tax will reflect the 2009 estate tax parameters, with an exemption of $3.5 million ($7 million for a couple) indexed to inflation, and a top rate of 45 percent, in 2010 and 2011. This assumption is consistent with the exemption provided in the Statutory Pay-As-You-Go Act.

The Chairman's Mark anticipates that the President's bipartisan fiscal commission will develop permanent estate tax reforms as part of its proposals for a more sustainable revenue base.

Extenders

The Chairman's Mark would extend through 2011 tax provisions that expired in 2009 or will expire at the end of 2010, and that have been routinely extended in the past. Often referred to as "extenders," these provisions include, among others, the research and experimentation tax credit, the deduction for state and local sales taxes, the deduction for teacher classroom expenses, the exception for active financing income, and a range of energy incentives. The Chairman's Mark also assumes a one-year extension of the American Opportunity Tax Credit, which supports higher education and is partially refundable.

Business Provisions

The Chairman's Mark calls for small business tax relief. It assumes the permanent extension of the Section 179 provision, allowing small businesses to expense up to $125,000 of capital expenditures, consistent with the exemption provided in the Statutory Pay-As-You-Go Act. In addition, it includes the President's proposals to eliminate capital gains taxation on certain small business stock held for more than five years, and the tax on the personal use of business cell phones and similar communication devices. The Chairman's Mark also includes the President's request to expand the tax credit for investments in advanced energy manufacturing. And it also assumes the permanent extension and reform of Build America Bonds.

Tax Relief and Tax Reform Reserve Fund

The Chairman's Mark includes a reserve fund for tax relief and tax reform. The tax relief portion of the reserve fund is specifically designed to accommodate any tax relief, including the extension of expiring provisions and refundable tax credits, as long as the cost of this tax relief is offset. The tax reform portion of the reserve fund would provide for comprehensive tax reform that would ensure a sustainable revenue base in a tax system that promotes simplicity, fairness, and competitiveness. In addition, other reserve funds, such as those designated for infrastructure, education, and energy would accommodate tax proposals.

Loophole Closers and Other Revenue Raisers

The Chairman's Mark assumes enactment of loophole closers and other revenue-raising provisions to offset the cost of tax relief beyond the extension of those tax provisions specified in the Statutory Pay-As-You-Go Act. The Chairman's Mark assumes that the Finance Committee will work closely with the Obama Administration to develop the specific proposals needed to achieve the revenue levels set in the resolution.

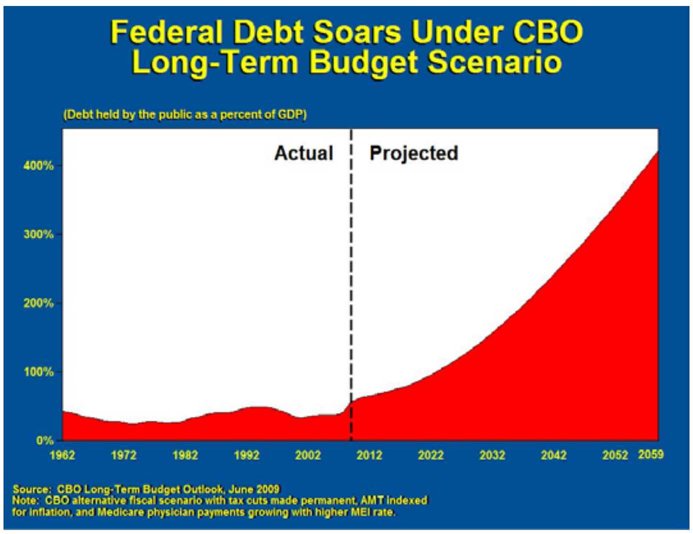
The IRS estimated that the tax gap in 2001 totaled $345 billion – a total that has surely grown. Moreover, this outdated and growing figure does not fully account for the revenue that is lost each year as a result of the billions of dollars hidden in offshore tax havens and shelters. Unfortunately, the previous Administration blocked efforts to address the tax gap.

In the face of severe fiscal challenges, the need to address flaws in the tax code is even more urgent. Congress and the Administration have taken some important steps to close loopholes and improve compliance, for instance, by codifying the economic substance doctrine and requiring disclosure of foreign accounts. But more action is needed to simplify the tax code to make it easier for taxpayers to comply, and to improve and strengthen tax enforcement to combat willful noncompliance.

While the first step in raising needed revenues is to collect those taxes that are already due under current laws, any changes to the tax code should also strive to make it more progressive and fair. A 2008 study by the Government Accountability Office found that a majority of large corporations paid no income tax in at least one year between 1998 and 2005, and that most of those firms had no tax liability in multiple years. The IRS recently found that the wealthiest 400 people are paying a lower share of their income in taxes than they were in the 1990s, even as their incomes have risen substantially. When profitable corporations or wealthy individuals pay little or no taxes, it not only shortchanges the government of needed revenues but also undermines confidence in our tax system and its ability to distribute the tax burden in a fair and appropriate manner.

Long-Term Fiscal Challenges

The combination of the retiring baby boom generation, rising health care costs, and an outdated and inefficient revenue system are projected to explode federal debt to an absolutely unsustainable level. Publicly held debt as a share of gross domestic product (GDP) will surpass 60 percent this year. Without meaningful steps toward fiscal reform, CBO projects that the deficits implied by current law, plus the extension of policies that are regularly enacted, will propel the debt along an explosive long-term trajectory. If left unchecked, growth of the debt will exceed the growth of the nation's income by an ever-widening margin and, over the next 50 years, the debt will be on track to exceed 400 percent of GDP.



However, long before things reached that extreme point, painful and unmanageable economic adjustments would likely begin. At some point, foreign investors would lose confidence and become convinced that a U.S. debt crisis is unavoidable and sharply reduce their purchases of dollar-denominated assets. This would cause a precipitous decline in the U.S. dollar and a rise in domestic interest rates, which, in turn, would trigger self-reinforcing waves of declining economic performance both here and abroad.

While such a future may not be imminent, it will be inevitable if we fail to address the long-term debt explosion.

Moreover, it is essential that we act sooner rather than later. We need to begin making tough choices now, so that policies can be phased in once the economy has more fully recovered. The costs of delaying action on the long-term problem will rise as time passes. An ever-growing federal debt will put upward pressure on interest rates. Increasingly, the mounting debt will "crowd out" productive investment, increase our indebtedness to overseas creditors, and divert federal government resources from other uses toward paying interest on the debt. Diminished rates of national investment and increased foreign claims on the returns to productive investment mean that American living standards would decline over the long run.

While fiscal adjustments are never easy, they are far more manageable when undertaken in advance of a debt crisis. Early action also reduces the uncertainty facing the households and businesses affected by the fiscal adjustments, allowing them to adjust more confidently and smoothly to the policy changes.

Health Care Reform

Rising health care costs remain the biggest driver of the projected long-term debt explosion. One in every six dollars in the economy is spent on health care right now, and CBO has projected that total health care spending will grow to 38 percent of GDP by 2050. And federal spending on Medicare and Medicaid will reach 12.7 percent of GDP by 2050. Health care costs are not only threatening the government's finances, but are imposing crippling burdens on families and businesses. These costs are driving our long-term fiscal imbalances and threatening our future economic prosperity. And there is clear evidence that not all of this spending is contributing to better health care for Americans. According to work by the Dartmouth Atlas Project, nearly 30 percent of total spending in our health care system is wasteful and does nothing to improve health outcomes.

The historic comprehensive health care reform legislation enacted this year will make an important contribution to addressing the problem of rising health costs. This health reform legislation will provide coverage to 32 million uninsured Americans, expand choice and competition in the health insurance marketplace, stop insurance company abuses, and fundamentally change the delivery of health care to provide more value for the dollars the government, employers, and families are spending. This legislation was fully paid for and, when combined with the reconciliation legislation that followed, reduces the deficit by $143 billion over the first ten years and by as much as $1.3 trillion over the second ten years.

The delivery system reforms in the legislation are particularly important, because they could reap further long-term savings for the federal government and private health spending. The key delivery system reforms include:

- establishing an Independent Payment Advisory Board to curb excess cost growth in Medicare without compromising quality;
- giving providers incentives to coordinate care, such as through accountable care organizations and bundled payments for services;
- paying hospitals and physicians for quality and value and not simply quantity of services delivered;
- creating a new Innovation Center at the Centers for Medicare and Medicaid Services to rapidly test and evaluate models of delivering high quality and value through federal health programs;
- penalizing hospitals with high rates of avoidable readmissions of Medicare beneficiaries and hospital acquired infections; and
- establishing a non-profit Patient-Centered Outcomes Research Institute.

While CBO did not score significant short-term savings to all of the delivery system reforms, these reforms clearly have the potential to fundamentally alter the delivery of care in our health system and to control health care cost growth for the federal government, employers, and families in the future.

Bipartisan Fiscal Commission

To further address the projected long-term fiscal imbalance, President Obama has established by executive order a bipartisan Fiscal Commission, known as the National Commission on Fiscal Responsibility and Reform. The President's Commission is modeled after the statutory bipartisan fiscal task force proposal of Senate Budget Committee Chairman Kent Conrad (D-ND) and Ranking Member Judd Gregg (R-NH), which received a strong bipartisan majority vote in the Senate, but fell short of the 60 votes needed for passage. Importantly, the President's Commission is coupled with firm commitments from congressional leaders to bring the panel's recommendations to a vote. With these commitments, the President's executive order is as close as we can get to establishing a statutory commission, where the votes would be guaranteed.

The President's bipartisan Fiscal Commission is broadly charged with identifying policies to improve the nation's fiscal condition over the medium-term and to achieve fiscal sustainability over the long-term. In particular, the Commission is tasked with proposing policies that would balance the federal budget, excluding interest payments on the debt, by 2015. The Commission's recommendations must be approved by 14 of its 18 members, and its final report is due December 1. Congressional leaders have pledged to put those recommendations to a vote before the end of the year.

The Commission undertakes its charge even as the nation struggles to recover from the most protracted and severe downturn since the Great Depression. Certainly, the need to return to fiscal discipline and the costs of delaying fiscal reforms must be balanced against the ongoing need to ensure the economy stays on the path of a sustainable recovery. By making a credible commitment today to reduce the federal debt once the economy has moved more solidly into recovery, the federal government would reduce current uncertainty about future fiscal policy and gain some flexibility in supporting the recovery. Moreover, achieving and maintaining fiscal balance will ultimately afford the federal government the ability to respond aggressively to future emergencies.

Budget Process

While budget procedures are no substitute for a bipartisan commitment to fiscal discipline, there are a number of budget enforcement provisions that can help to put us back on a sound fiscal path.

The 2008, 2009, and 2010 budget resolutions included many important enforcement provisions which remain in effect. These include:

2008 Budget Resolution (S. Con. Res. 21)

- **The Senate pay-as-you-go point of order** (Sec. 201);
- **The 60-vote point of order against reconciliation increasing the deficit** (Sec 202); and
- **Continued 60-vote enforcement of budgetary points of order in the Senate** (Sec. 205).

2009 Budget Resolution (S. Con. Res. 70)

- **The 60-vote point of order against legislation increasing long-term deficits** (Sec. 311); and
- **The 60-vote point of order against provisions of appropriations legislation that constitute changes in mandatory programs** (Sec. 314).

2010 Budget Resolution (S. Con. Res. 13)

- **The 60-vote point of order against legislation that increases the short-term deficit** (Sec. 404)

The Chairman's Mark continues the strong budget enforcement practices of the last three budget resolutions with these modifications:

Discretionary Spending Caps

The Chairman's Mark would strengthen fiscal responsibility by establishing discretionary spending limits for 2010 through 2013 and enforcing them with a point of order in the Senate that could only be waived with 60 votes. The discretionary cap levels assume a non-security discretionary spending freeze. The discretionary caps for each year are set forth in the spending section above.

As in past years, the Chairman's Mark permits adjustments to the discretionary spending limits in 2011 – 2013 for program integrity initiatives, such as Social Security Administration continuing disability reviews (CDRs) and Supplemental Security Income redeterminations, enhanced Internal Revenue Service tax enforcement to address the tax gap, appropriations for the Health Care Fraud and Abuse Control (HCFAC) program at the Department of Health and Human Services, and Unemployment Insurance improper payments reviews at the Department of Labor. It also provides for adjustments in 2010 through 2013 for expenses related to the wars in Iraq and Afghanistan, as well as other Presidential supplemental requests for FEMA, Haiti and other items for 2010.

Advance Appropriations

As in past years, the Chairman's Mark provides a supermajority point of order in the Senate against appropriations in 2011 bills that would first become effective in any year after 2011, and against appropriations in 2012 bills that would first become effective in any year after 2012. It does not apply against appropriations for veterans medical services, support, or facilities, or the Corporation for Public Broadcasting, nor does it apply against changes in mandatory programs or deferrals of mandatory budget authority from one year to the next. There is an exemption for each of 2011 and

2012 of up to $28.852 billion (the same level as provided for in the 2010 Budget Resolution) for the following:

ACCOUNTS IDENTIFIED FOR ADVANCE APPROPRIATIONS IN THE SENATE

Labor, HHS:

- Employment and Training Administration
- Job Corps
- Education for the Disadvantaged
- School Improvement
- Special Education
- Career, Technical, and Adult Education

Financial Services and General Government: Payment to Postal Service

Transportation, Housing and Urban Development: Tenant-based Rental Assistance
Project-based Rental Assistance

Emergency Legislation

The Chairman's Mark makes technical changes in the emergency legislation designation to provide consistent treatment for emergency legislation with respect to enforcement of various points of order.

Adjustments for the Extension of Certain Current Policies

The Chairman's Mark allows the Chairman of the Committee on the Budget to exclude the budgetary effects of provisions that extend certain current policies from certain points of order. The policies – permanently extending the 2001 and 2003 middle class tax cuts, reforming or superseding the Sustainable Growth Rate for Medicare physician payments for five years, a two-year extension of the Estate and Gift Tax, and two years of relief from the Alternative Minimum Tax – are the same as those for which adjustments can be made under the Statutory Pay-As-You-Go Act of 2010 (Public Law 111-139). This section ensures that legislation that is exempt from statutory PAYGO is also exempt from the Senate PAYGO rule and other related budget enforcement rules. The adjustments are not authorized for reconciliation bills or reconciliation resolutions considered under Section 310 of the Congressional Budget Act.

Application and Effect of Changes in Allocations and Aggregates

The Chairman's Mark details the adjustment procedures required to accommodate legislation provided for in this resolution, and requires adjustments made to be printed in the Congressional Record. For purposes of enforcement, the levels resulting from adjustments made pursuant to this resolution will have the same effect as if adopted in the levels of Title I of this resolution. The Committee on the Budget determines the budgetary levels and estimates required to enforce budgetary points of order, including those pursuant to this resolution and the Congressional Budget Act of 1974.

Adjustments to Reflect Changes in Concepts and Definitions

The Chairman's Mark allows the Chairman of the Committee on the Budget to adjust levels in this resolution upon the enactment of legislation that changes concepts or definitions.

Exercise of Rulemaking Powers

This section of the Chairman's Mark recognizes that the provisions of this resolution are adopted pursuant to the rulemaking power of the Senate, and also recognizes the Constitutional right of the Senate to change those rules as they apply to the Senate.

Reconciliation

The Chairman's Mark contains two reconciliation instructions, both to the Senate Finance Committee. The first instruction directs the Finance Committee to report changes in laws, bills, or resolutions within its jurisdiction that would result in a reduction of the deficit of $2 billion over the period of fiscal years 2010 to 2015. The instruction could be used for jobs legislation. The reporting date for the instruction is September 23, 2010. The second instruction directs the Finance Committee to report an increase in the statutory debt limit of no more than $50 billion no later than December 10, 2010. Bills or resolutions reported pursuant to these instructions are eligible for consideration in the Senate under section 310 of the Congressional Budget Act of 1974.

Economics

Overview of the Economy in 2009

Overall U.S economic performance in 2009 turned out to be stronger than most forecasters had anticipated at the start of the year. As of late 2008 and early 2009, the U.S. economy was contracting at an alarming rate and world trade was collapsing. The global crisis elicited an extraordinarily coordinated monetary and fiscal policy response around the world which helped temper the severity of economic contractions and, particularly evident in the United States, helped speed the move toward recovery. Real (inflation-adjusted) gross domestic product (GDP) declined at a 3.6 percent rate in the first half of the year and returned to growth with a 3.9 percent advance in the second half of the year. At the start of the year, leading forecasters (including CBO) had predicted the U.S. economy would decline by 1 to 1½ percent between the end of 2008 and 2009. In fact, GDP was essentially unchanged over the course of the year.

While U.S. production of goods and services in 2009 exceeded early-year expectations, labor markets did not. The unemployment rate rose through the year to average 10.0 percent of the civilian labor force in the final three months of the year. Payroll employment showed some improvement as the year progressed, but only in the sense that the magnitude of job losses had diminished from the extraordinarily large losses early in the 2009. The average number of hours worked per week in private-sector establishments remains extraordinarily low.

With employment and hours lagging the stabilization and subsequent return to growth in production, productivity has been surging since the first quarter of last year. Output per hour worked in nonfarm business grew at a remarkable 5.8 percent pace over the course of last year but unit labor costs (which equals wages, salaries, and benefits paid per unit of output produced) declined by 4.7 percent (the largest four-quarter decline on record). Some strengthening in wage and salary incomes will be necessary to sustain the overall recovery.

Fiscal policy worked to boost both demand and incomes in 2009. CBO estimates that the Economic Recovery Act likely contributed between 1.5 and 3.4 percentage points to GDP growth over the course of last year. In other words, the economy would likely have declined by 1.4 to 3.3 percent last year (instead of edging up by 0.1 percent) had the Economic Recovery Act not been enacted. Furthermore, CBO estimates that the unemployment rate would have been even higher than 10.0 percent in the fourth quarter (10.5 to 11.1 percent) without the Economic Recovery Act – that translates into 1.0 to 2.1 million jobs created or saved by the package.

CBO's Economic Assumptions

The Chairman's Mark is built upon CBO's January 2010 baseline assumptions about the future path of the U.S. economy, the same assumptions CBO used in its March update of the budget baseline. Those economic assumptions are consistent with CBO's current-law baseline and reflect economic information available through the early part of December 2009. Economic data released since CBO published its January assumptions indicate that real GDP grew more strongly in the fourth quarter (5.6 percent at an annual rate) than CBO had anticipated, but also that wages and salaries grew more slowly than CBO had assumed. Additionally, both private-sector employment and the average work week returned to growth in the first quarter, and the unemployment rate declined somewhat. In most other respects, recently released indicators remain broadly in line with CBO's assumptions. On balance, CBO's January economic assumptions continue to provide a reasonable basis for budget projections.

Near-Term Economic Forecasts CBO expects that the U.S. economy will continue to grow this year and next. Real GDP is expected to increase by 2.1 percent over the course of 2010, and by 2.4 percent in 2011 (see table). Using data available through the closing months of last year, CBO forecasts that the unemployment rate will average 10.1 percent this year and 9.5 percent next year. Since the start of the year, however, the unemployment rate has averaged 9.7 percent. That means the unemployment rate would have to rise significantly above 10 percent in coming months for the 2010 average unemployment rate to reach the level that CBO has forecast.

In any case, unemployment is nearly certain to remain well above its stable long-term trend level (which CBO assumes to be 5.0 percent). As a result, inflation is likely to remain subdued. CBO expects inflation in the consumer price index (CPI-U) to average 1.6 percent over the course of 2010, and 1.1 percent over the course of 2011. With inflation forecast to remain low through the near term, CBO expects interest rates to remain low as well: yields on 3-month Treasury bills are expected to average 0.2 percent this year and 0.7 percent next year while yields on 10-year Treasury notes are likely to average 3.6 percent in 2010, edging up to only 3.9 percent in 2011.

CBO forecasts an economic recovery through 2011 that is well off the pace observed in previous U.S. recoveries from deep and protracted downturns. That reflects the tendency for advanced economies to recover more slowly from downturns accompanied by financial crises and plunging asset prices than from those triggered by other factors. Current economic conditions indicate a number of particular concerns that are expected to slow the recovery over the near-term:

- The stimulative fiscal and monetary policies that worked to temper the downturn and its duration are already likely to be diminishing in terms of their impacts on economic growth.
- Consumer spending is likely to grow more slowly than in previous recoveries as a result of relatively weak income growth, ongoing balance sheet concerns, and strained access to credit markets.
- Growth of residential and commercial construction is hampered by high vacancy rates and strained financing for both homes and nonresidential building along with still sizeable builder stocks of unsold new homes. Additionally, high unemployment continues to boost delinquency and foreclosure rates on residential mortgages.
- State and local governments are likely to face strains on their operating and capital budgets for some years to come and, as a result, state and local purchases of goods and services may not contribute to the current economic recovery to the same extent that was true in previous recoveries.

It is difficult to compare CBO's current economic forecast with other forecasts. CBO's near-term economic forecast appears weaker than the Administration's economic assumptions and, to a lesser extent, the average forecast of those private-sector forecasters who responded to the Blue Chip survey in April (see table). However, the Administration's economic assumptions would include the effects of additional countercyclical relief proposed by the President that are, by design, excluded from CBO's baseline. This same difficulty arises in comparing CBO's forecast with the Blue Chip average, as the private-sector forecasters represented in the Blue Chip survey have presumably included the effects of additional fiscal relief to varying degrees in their forecasts (as well as data released since CBO first published its baseline assumptions).

Adjusting the various forecasts to a common policy base is not possible, though that would certainly work to reduce their apparent differences. Indeed, even including additional fiscal relief to the extent they do, the near-term growth rates predicted by the Administration and Blue Chip forecasts are also very low relative to previous U.S. recoveries from severe downturns, presumably for the same reasons listed above for CBO.

Medium-Term Economic Projections In its medium-term projection, CBO projects the economy will grow at a 4.0 percent average annual rate between 2012 and 2015, a pace CBO deems sufficient to effectively close the gap between actual and potential output by 2014. (Potential output is the level of GDP that is judged to be sustainable with stable inflation over the long term.) CBO expects it would take the unemployment rate about a year longer than output growth to return to its trend level (which CBO projects to be 5 percent) by the end of 2015. Accordingly, inflation (as measured by the change in the GDP price index) will remain at a subdued level of 1.3 percent a year on average between 2012 and 2015. Inflation is projected to stabilize at 1.8 percent after 2015 once the economy is growing at its potential pace of 2.3 percent a year.

The Administration’s projection differs from CBO’s in several respects. While the Administration projects that the economy will grow at the same pace as CBO over the transition years 2012-20, it projects the unemployment rate will take even longer to return to trend. Like CBO, the Administration projects that inflation (as measured by the GDP price index) will ultimately stabilize at a 1.8 percent annual pace, but, unlike CBO, the Administration projects that inflation will be near that pace during the transition period from 2012-2015 as well. The Administration projects that the unemployment rate consistent with stable inflation over the long run is 5.2 percent, only slightly higher than CBO’s estimate. However, the Administration also estimates potential output growth to be 2.7 percent a year, considerably higher than CBO.

The Administration’s and CBO’s projections of potential output growth and long-term unemployment are within the (admittedly wide) range offered by economic analyses of long-term growth conducted using different technical methods. The Blue Chip survey projection exemplifies the uncertainty – the survey projects a longer-term growth rate for output that is near the Administration’s projection (2.6 percent a year between 2016 and 2020), but a substantially higher average unemployment rate over the long run (6.0 percent) than the Administration and CBO are projecting.

Comparison of Economic Assumptions

	Forecast		Projected Annual Average	
	2010	**2011**	**2012-2015**	**2016-2020**
	Q4-to-Q4 change, percent		*Percent change*	
Nominal GDP				
President's Budget	4.0	5.7	5.8	4.6
CBO	3.1	3.3	5.4	4.1
Blue Chip Survey	4.3	4.9	5.2	4.9
Real GDP				
President's Budget	3.0	4.3	4.0	2.7
CBO	2.1	2.4	4.0	2.3
Blue Chip Survey	2.9	3.2	3.0	2.6
GDP Price Index				
President's Budget	1.0	1.4	1.7	1.8
CBO	1.0	0.9	1.3	1.8
Blue Chip Survey	1.3	1.6	2.0	2.2
Consumer Price Index (CPI-U)				
President's Budget	1.3	1.7	2.0	2.1
CBO	1.6	1.1	1.3	2.0
Blue Chip Survey	1.7	2.0	2.4	2.4
	Annual average, percent			
Unemployment Rate				
President's Budget	10.0	9.2	7.0	5.3
CBO	10.1	9.5	6.1	5.0
Blue Chip Survey	9.6	9.0	7.0	6.0
3-Month Treasury Bill Rate				
President's Budget	0.4	1.6	3.8	4.1
CBO	0.2	0.7	3.3	4.7
Blue Chip Survey	0.3	1.7	4.0	4.2
10-Year Treasury Note Rate				
President's Budget	3.9	4.5	5.2	5.3
CBO	3.6	3.9	4.7	5.6
Blue Chip Survey	4.0	4.6	5.4	5.5

Sources: Staff calculations using data from OMB, *Budget of the U.S. Government: Fiscal Year 2011,* February 2010; Congressional Budget Office, *The Budget and Economic Outlook: Fiscal Years 2010 to 2020*, January 2010; and Aspen Publishers, *Blue Chip Economic Indicators,* April 2010.

Reserve Funds

The Chairman's Mark includes a number of reserve funds that will allow the Chairman to revise committee allocations, budgetary aggregates, limits, and other levels in the resolution for deficit-neutral or deficit-reduction legislation to address the following priorities.

PROMOTING EMPLOYMENT AND JOB GROWTH: The Chairman's Mark provides a reserve fund for deficit-neutral legislation to promote job growth that can include legislation to increase credit availability to small businesses, invest in manufacturing, reduce unemployment or provide assistance to the unemployed, or for deficit-neutral legislation related to trade, including Trade Adjustment Assistance programs.

PROMOTING STABILITY IN AND REFORM OF THE FINANCIAL AND HOUSING SECTORS: The Chairman's Mark includes a reserve fund for deficit-neutral legislation relating to financial regulatory reform and other efforts to stabilize or strengthen the financial and housing sectors of the economy.

PROMOTING TAX RELIEF AND REFORM: The Chairman's Mark includes a reserve fund for deficit-neutral legislation that provides for tax relief or comprehensive tax reform.

INVESTING IN CLEAN ENERGY AND PRESERVING THE ENVIRONMENT: The Chairman's Mark includes a reserve fund for deficit-neutral legislation that would invest in clean energy or preserve the environment. The reserve fund could be used for legislation to reduce our Nation's dependence on imported energy, produce green jobs, promote renewable energy development, improve electricity transmission, encourage conservation and efficiency, promote clean energy financing, make improvements to the Low-Income Home Energy Assistance program, implement water settlements, or preserve or protect national parks. The legislation could include tax proposals. The reserve fund could also be used for legislation that would invest in clean energy technology initiatives, decrease greenhouse gas emissions, or help families, workers, communities and businesses make the transition to a clean energy economy.

ASSISTING WORKING FAMILIES AND CHILDREN: The Chairman's Mark includes a reserve fund for deficit-neutral legislation related to child nutrition programs and/or the Special Supplemental Nutrition Program for Women, Infants, and Children (the WIC program), the Temporary Assistance to Needy Families (TANF) program, which could include the TANF contingency funds, child support enforcement programs, the Social Services Block Grant, child care assistance, or related programs that provide a critical safety net. The reserve fund could also be used for legislation providing housing assistance. In addition, the reserve fund could be used for legislation that would make improvements to child welfare programs, including strengthening the recruitment and retention of foster families, or improving the Federal Foster Care payment system to better support children, improve family support, family preservation, family reunification services, address the needs of children prior to removal, during removal, and post placement, or address the needs of children who have been abused or neglected.

INVESTING IN INFRASTRUCTURE: The Chairman's Mark provides a reserve fund for deficit-neutral legislation that would provide for Federal investment in America's infrastructure, which may include public housing, energy, water, wastewater, transportation, freight and passenger rail, or financing through Build America Bonds. The reserve fund may be used to provide new contract authority paid out of the Highway Trust Fund for surface transportation programs to the extent such new contract authority is offset by an increase in receipts to the Highway Trust Fund (excluding transfers from the general fund of the Treasury into the Highway Trust Fund not offset by a similar increase in receipts). Spending authority for surface transportation programs has been provided as contract authority based on the fact that the programs have been supported by the Highway Trust Fund with revenues paid by transportation users. Therefore, the reserve fund would accommodate legislation to reauthorize these programs above the current level provided that the legislation protects the solvency of the Highway Trust Fund and ensures the ability of the trust fund to continue to pay for those programs. In addition, the reserve fund may be used for legislation that would authorize multimodal transportation projects, or legislation for flood control projects or flood insurance reform.

INVESTING IN AMERICA'S VETERANS, AND RETURNING AND WOUNDED SERVICE MEMBERS: The Chairman's Mark includes a reserve fund for a deficit-neutral legislation that would expand concurrent receipt; reduce the offset between Survivor Benefit Plan annuities and Veterans' Dependency and Indemnity Compensation; maintain the affordability of health care for military personnel, retirees, or veterans; improve disability benefits for wounded military personnel or veterans; promote adjustment among Reserve Component service members from combat to civilian life; or expand veteran's benefits, including for veterans living in rural areas or for caregivers providing assistance to veterans.

SUPPORTING HIGHER EDUCATION: The Chairman's Mark includes a deficit-neutral reserve fund for higher education legislation that would make college more accessible or affordable.

IMPROVING HEALTH CARE: The Chairman's Mark includes a reserve fund for deficit-neutral legislation that would improve health care. The reserve fund could be used for legislation that increases physician payment rates under Medicare, addresses health care workforce shortages, or increases or repeals Medicare outpatient therapy caps. The reserve fund could also be used for legislation that extends expiring Medicare, Medicaid (including FMAP assistance to states), or other health provisions, such as COBRA subsidies. In addition, the reserve fund could be used to make changes to benefits for federal workers, including postal retirees.

INVESTING IN OUR NATION'S COUNTIES AND SCHOOLS: The Chairman's Mark includes a reserve fund for deficit-neutral legislation that would reauthorize the Secure Rural Schools and Community Self Determination Act of 2000 (Public Law 106–393), make changes to the Payments in Lieu of Taxes Act of 1976 (Public Law 94–565), or both.

THE FEDERAL JUDICIARY: The Chairman's Mark includes a reserve fund for deficit-neutral legislation that authorizes salary adjustments for justices and judges of the United States or increases the number of federal judgeships.

In addition to deficit-neutral reserve funds, the Chairman's Mark contains two deficit-reduction reserve funds. These reserve funds permit the Chairman to make adjustments to Committee allocations, aggregates, levels, and limits in the budget resolution, and to the Senate's PAYGO scorecard, to ensure that savings intended for deficit reduction is actually used for that purpose.

DEFICIT-REDUCTION RESERVE FUND FOR RECOMMENDATIONS OF THE NATIONAL COMMISSION ON FISCAL RESPONSIBILITY AND REFORM: The Chairman's Mark further supports the work of the President's Fiscal Commission with a deficit-reduction reserve fund. This reserve fund would ensure that deficit reduction achieved as a result of the Commission's recommendations would be preserved to improve America's long-term fiscal stability. If the

Commission's recommendations are enacted into law, the Chairman of the Budget Committee is authorized to reduce committee allocations, and make adjustments to spending and revenue aggregates and other relevant levels and limits in this resolution. The Chairman is also authorized to remove any resulting credits from the Senate's PAYGO scorecards so that the deficit reduction achieved by the recommendations cannot be used as an offset for subsequent legislation.

DEFICIT-REDUCTION RESERVE FUND FOR IMPROPER PAYMENTS: This reserve fund allows the Chairman to make the adjustments necessary to protect deficit reduction achieved by any legislation that saves money through the reduction of improper payments. An improper payment is defined as any payment made by a government agency that should not have been made or that was made in an incorrect amount. The Administration estimates $98 billion in improper payments are made annually.

NOTE: All years are fiscal years unless otherwise noted.