SUMMARY

CHAIRMAN'S MARK
FY 2010 SENATE BUDGET RESOLUTION

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Laying Foundation for Long-Term Economic Security With Investments in Energy, Education, and Health Care

Cutting Deficit in Half by 2012 and by Two-Thirds by 2014

The Chairman's Mark for the Fiscal Year 2010 Senate Budget Resolution is a fiscally responsible budget plan that addresses the fiscal and economic crises inherited by the Obama Administration and lays the foundation for long-term economic security. It preserves the major priorities in President Obama's budget: reducing our dependence on foreign energy; striving for excellence in education; and reforming our health care system. It provides significant middle-class tax relief, directed at families with incomes under $250,000. And it cuts the deficit in half by 2012 and by two-thirds by 2014.

Inheriting Fiscal and Economic Crises

President Obama and the Democratic Congress have been handed a colossal mess. We are now in the midst of the worst recession since the Great Depression. We face housing and financial market crises that have wiped out home values and weakened our credit markets. We have lost 3.3 million jobs in the last six months. And we have ongoing wars in Iraq and Afghanistan.

Spending nearly doubled under the prior administration and revenues have now fallen to the lowest level as a share of the economy since 1950. Not surprisingly, we have seen record deficits and a doubling of the national debt over the last eight years. Gross debt rose from $5.8 trillion in 2001 to an estimated $12.1 trillion in 2009. While that $6.3 trillion includes some debt resulting from the economic recovery package, the additional debt load is directly a function of the collapsed economy – a collapse that occurred under the watch of President Bush.

Regrettably, the economic mess left for the Obama Administration is making the budgetary outlook even worse than originally believed. The Congressional Budget Office's re-estimate of the President's budget shows the 10-year deficits will be $2.3 trillion more than originally projected by the administration. The Chairman's Mark responds to this worsening situation by making adjustments in the President's budget proposal, while maintaining the President's core priorities.

Restoring Economic Growth

President Obama and the Democratic Congress acted swiftly in February to adopt an economic recovery package to jumpstart the economy, create jobs, and begin laying the foundation for long-term economic growth. The package included investments in infrastructure, energy, education, and health. It provided tax cuts for 95 percent of working Americans. The package strengthened the economy by increasing food stamp and unemployment insurance benefits, which have a strong stimulative effect on the economy.

The Obama Administration has also presented plans to address both the housing and financial market crises, which are being coordinated with additional actions by the Federal Reserve and other agencies. As these plans take effect, we should begin to see a positive impact on our nation's economy.

Preserving Major Priorities in Obama Budget

The Chairman's Mark includes President Obama's budget proposals that focus on areas that will lay the foundation for our nation's long-term economic security, including: reducing our dependence on foreign energy; striving for excellence in education; and reforming our health care system.

Energy. It has never been more clear that our nation's economic and national security are directly linked to our energy policy. We must address our dangerous addiction to foreign oil and confront the challenges of global climate change. In the process, we can create new "green collar" jobs that will help our nation's economic recovery. To meet these challenges, the Chairman's Mark builds on the energy initiatives in the economic recovery package with continued investments in alternative and clean energy technology, energy efficiency, and modernization of our energy infrastructure. It includes a deficit-neutral reserve fund that could accommodate initiatives to invest in clean energy or address global climate change, such as that proposed by the President.

Education. The Chairman's Mark also recognizes that education is crucial to our nation's future economic strength. For too long, we have been falling behind our competitors in educating our citizens. The Chairman's Mark responds with investments in education and training programs that will help our economic growth and build a highly skilled workforce to compete in the global marketplace. Increasing access to higher education is central to this effort. This is why the Chairman's Mark assumes a Pell grant level of $5,550 in 2010 and includes a deficit-neutral reserve fund to allow for increases in Pell grants in line with those proposed in President Obama's budget. This will make college more affordable and thus more accessible for millions of Americans.

Health Reform. The Chairman's Mark recognizes that reforming our nation's health care system is essential to ensuring our long-term fiscal stability and economic strength, in addition to the well-being of our citizenry. Soaring health care costs are the biggest source of the projected explosion in federal debt in our long-term budget outlook. Rapidly rising health costs make it harder for our businesses to compete globally, while putting a tremendous strain on family budgets. The Chairman's Mark follows up on the health investments made in the economic recovery package, and includes, as requested by the President, a reserve fund to allow for a major health reform initiative. This deficit-neutral reserve fund is in keeping with President Obama's commitment to paying for the cost of health reform.

Returning to a Sound Fiscal Course

The Chairman's Mark begins to return the nation to a sound fiscal course by cutting the deficit by more than half by 2012, and by two-thirds by 2014. The Congressional Budget Office (CBO) estimates the deficit will reach $1.67 trillion in 2009 (before assuming additional policies). The vast majority of that amount – about $1.3 trillion – represents the deficit handed to President Obama when he took office. Under the Chairman's Mark, the deficit will be cut to $601 billion in 2012 and to $508 billion in 2014.

Spending as a share of GDP will decline significantly under the Chairman's Mark, from 27.6 percent in 2009 to 22 percent in 2014. And the plan retains crucial budget enforcement provisions, such as a strong paygo rule and allowing reconciliation for deficit reduction only.

Providing Tax Relief for Middle Class

The Chairman's Mark provides significant middle-class tax relief. In total, the Chairman's Mark cuts taxes by $825 billion over the next five years. This tax relief includes: an extension of the 2001 and 2003 income tax cuts for those taxpayers making under $250,000 each year; AMT relief; estate tax reform; and business tax relief and extenders. The changes will help restore balance and fairness to the tax code. None of the proposals affecting upper-income taxpayers would go into effect until 2011, when the economy is projected to be in recovery.

The Chairman's Mark also assumes the enactment of loophole closers and enforcement efforts to help close the tax gap, address offshore tax havens, and shut down abusive tax shelters.

Supporting Our Troops and Accounting for War Costs

The Chairman's Mark matches President Obama's core defense budget and the President's request for additional war costs. Unlike Bush administration budgets, which repeatedly left out or understated likely war costs, President Obama's budget includes a far more honest accounting of the likely costs of overseas contingency operations including the wars in Iraq and Afghanistan. The Chairman's Mark follows this approach, which will enhance oversight of war funds and save vital defense resources.

Addressing Long-Term Fiscal Challenge

The combination of our retiring baby boom generation, soaring health care costs, and an outdated and inefficient revenue system are projected to explode federal debt over the long-term. CBO's long-term debt outlook released in December 2007 showed that on our current course federal debt will rise to 400 percent of GDP by 2058. That is clearly unsustainable. The economic downturn over the last year has only worsened that long-term debt outlook.

As noted above, to begin addressing our soaring health care costs – the biggest source of the projected debt explosion – the Chairman's Mark provides for a major health care reform initiative to be done on a deficit-neutral basis.

It will be critical for that effort to follow up on the health care investments made in the recently passed economic recovery package, such as funding for health information technology, prevention and wellness interventions, and comparative effectiveness research. Over time, these investments and other steps can help us to bend the cost curve on health care and put our health care accounts back on a sustainable course.

President Obama's Fiscal Responsibility Summit – which occurred within roughly the first month of his administration – initiated an open bipartisan dialogue on ways to address this long-term fiscal challenge. That dialogue will hopefully lead to a consensus on establishing a special bipartisan process to deal with these issues. No matter how successful we are in pulling out of the current economic downturn, our long-term economic security will remain in jeopardy until we address this projected long-term fiscal imbalance.

Why a Five Year Budget?
As part of its effort to increase transparency, the Obama administration returned to the practice of presenting a 10-year budget this year. However, the economic volatility we are experiencing has significantly increased the level of uncertainty surrounding current economic forecasts. The Chairman's Mark, therefore, follows the more common practice – and the statutory requirement – of presenting a five-year budget plan.

The reality is we simply don't know how long the current downturn will last and how severe it will be. And the uncertainty surrounding our near-term economic projections makes long-term projections even more uncertain than they normally are.

In using a five-year window, the Chairman's Mark is following the more common framework for Congressional budget resolutions. In fact, in the 34 years since the Congressional budget process was started, the Senate has only had four budget resolutions covering 10 years. And since 2003, all budget resolutions have been five-year resolutions.

It is also important to note that although the Chairman's Mark covers five years, the enforcement rules of the resolution cover a 10-year period. For example, the paygo rule requires that legislation be fully offset over six and 11 years, even though those last five years are not projected out in the budget resolution.

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