

FY 2008 Budget: President's Request vs. House-passed Resolution vs. Senate-passed Resolution

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Billions of dollars in **Budget Authority (BA)**, unless otherwise specified¹

BUDGET ITEM	PRESIDENT'S REQUEST* Released February 5th	HOUSE-PASSED BUDGET RESOLUTION H.Con.Res. 99	SENATE-PASSED BUDGET RESOLUTION S.Con.Res. 21
Total Discretionary Spending	\$1.078 trillion	\$1.100 trillion	\$1.094 trillion
Defense Discretionary Spending	\$646 billion (Including \$142 b in war funding for '08)	\$646 billion (Including \$142 b in war funding for '08)	\$646 billion (Including \$142 b in war funding for '08)
Defense Mandatory Spending (primarily military retirement & energy employee comp)	\$3 billion	\$3 billion	\$3 billion
Non-defense Discretionary Spending (budget authority) (FY 2007 level is \$438 billion.)	\$432 billion	\$454 billion (Note: Budget Committee assumptions are non-binding. Appropriations Committee determines how total is allocated among discretionary programs.)	\$448 billion (Note: Budget Committee assumptions are non-binding. Appropriations Committee determines how total is allocated among discretionary programs.)
Total Outlays	\$2.905 trillion	\$2.933 trillion	\$2.927 trillion
Total Mandatory Outlays	\$1.527 trillion	\$1.536 trillion	\$1.539 trillion
Total Revenues	\$2.679 trillion	\$2.720 trillion	\$2.678 trillion
Net Interest Outlays	\$256 billion	\$255 billion	\$256 billion
Deficit Outlook: 2008 Deficit Outlook: 2012	\$226 billion deficit \$31 billion deficit	\$213 billion deficit \$153 billion surplus	\$249 billion deficit Approximate Balance
Income Taxes (In 2001, tax rates were reduced from 15, 28, 31, and 39.6 percent to 10, 15, 25, 31, and 35 percent; lower rates expire in 2010)	Permanently extend: tax rate reductions; increase in child credit (to \$1000); and marriage penalty relief at 10-year cost of \$1 trillion.	Retain current law; tax cuts expire as scheduled.	Would extend marriage penalty relief, child credit, adoption tax credit, and 10% bracket (although subject to PAYGO point of order).
Alternative Minimum Tax** Relief expired at end of 2006. Extending relief over 10 yrs costs \$492 b.)	Relief for '07 tax year only at a cost of \$37 billion	No relief built into the Budget Resolution; relief contingent on identifying PAYGO offsets.	Relief for '07 reflected in revenue numbers; further relief, for FY'08 and beyond, contingent on PAYGO offsets over the 5-yr period.
Capital Gains and Dividends (current law calls for reduced rates to expire in 2010)	Permanently extends reduced rates at 10-yr cost of \$216 billion	Retain current law (allow reduced rates to expire in 2010.)	Retain current law (allow reduced rates to expire in 2010.)
Estate Tax (current law calls for exemption and rates to increase through '09; estate tax elimination in '10, and bounce back to '01 rates in '11)	Permanently extend elimination of estate tax at 10-year cost of \$500 billion.	Retain current law: estate taxes revert to 2001 levels in 2011.	Would set estate taxes at 2009 level (45% rate and \$3.5 million exemption) (although subject to PAYGO point of order).
Research & Experimentation Credit (businesses can obtain a tax credit of 20% on research above a base amount.)	Permanently extend R&E credit at 10-year cost of \$100 billion.	Extension contingent on finding PAYGO offsets.	Extension contingent on finding PAYGO offsets.
Medicare	Medicare reforms (lower provider payments; and premium increases on upper income seniors) saving \$232 b over 10 years.	No reforms in Medicare. (The Medicare "reserve fund" requires no action and is contingent on unidentified offsets.)	No reforms in Medicare. (The Medicare "reserve funds" requires no action and are contingent on unidentified offsets.)

Medicaid	Medicaid reforms saving \$49 billion over 10 years (lower Federal match on some services; less spending on Rx drugs, decrease Medicaid augmenting of SCHIP, tighten eligibility).	No reforms in Medicaid.	No reforms in Medicaid.
Social Security	Diverts payroll tax revenues into individual accounts beginning in 2012 costing \$270b over 10 yrs.	No reforms in Social Security.	No reforms in Social Security. (The reserve fund on repealing taxation of benefits is contingent on unidentified offsets.)
SCHIP: State Children's Health Insurance Program Funding. To be reauthorized this year. CBO baseline level is \$5 b/year.	Increase funding above baseline by \$12 b over 10 years; however, CBO says this is insufficient to maintain current enrollment.	Additional funding contingent on offsets.	Adds \$15 billion above baseline for efforts to expand coverage; additional increases contingent on offsets.
FARM PROGRAMS: (CBO's baseline assumes continuation of most current farm programs)	Commodity, conservation, trade, rural development, and nutrition proposals would increase mandatory spending \$9 billion above baseline over 10 yrs.	Additional funding contingent on offsets.	Additional funding contingent on offsets.
Budget Enforcement Measures***	No PAYGO No Spending Caps	House already has a PAYGO rule requiring that tax cuts and spending increases be revenue neutral over 5 yrs and 10 yrs. Limits advance appropriations to specified items that will be specified in the Joint Statement of Managers accompanying the Conference Report.	PAYGO offsets required for budget year, first 5 years and second 5 years. Imposes FY2008 spending caps. Extends 60 vote points of order to 2017. Limits advance appropriations. New points of order against: increasing long-term deficits; emergency legislation; increasing deficits before Social Security is fixed; raising income tax rates; budget resolutions with on-budget deficits; more than 20% direct spending in Reconciliation; direct spending in appropriations; and failure to disclose interest costs.
Budget Reconciliation: filibuster-proof procedure to expedite passage of legislation	As a congressional procedure, the use of Reconciliation is not addressed by the President's Budget.	Reconciliation instructions to enact changes in student loan programs.	No Reconciliation. New point of order to ensure that Reconciliation is only used for deficit reduction.
Entitlements: the Long-Term Fiscal Crisis	Over 10 yrs tax cuts lose \$1.8 trillion in revenue; and entitlement spending increases \$164 billion because savings in Medicare and Medicaid are offset by increased costs from Social Security individual accounts.	No revenue erosion (tax cuts not extended); however, no entitlement reforms.	Some revenue erosion from Baucus amendment; No entitlement reforms.
10-year Impact of Budget	Increases deficits over 10 years \$1.6 trillion (compared to baseline).	Not Available	Not available

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¹Budget Authority refers to amounts appropriated by Congress (as opposed to outlays which are actual disbursements).

*Source: CBO Analysis of the President's FY 2008 Budget; the Joint Committee on Taxation generates CBO's revenue estimates.

**AMT exists alongside the regular income tax, but w/ tighter limits on exemptions, deductions, and credits; originally intended for upper income taxpayers, but because exemption amounts are not indexed for inflation, its reach is extending to upper middle income taxpayers.

***PAYGO requires that all new tax cuts & entitlement increases be paid for by offsetting taxes, spending cuts elsewhere in the budget.