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ANALYSIS OF THE HOUSE BUDGET PLAN

by Richard Kogan and Robert Greenstein

The House of Representatives approved a new budget plan on March 20. The plan, which is intended to guide Congress through this year's tax and spending legislation, differs slightly from the one reported by the House Budget Committee. The plan is being touted by its supporters as a fiscally responsible plan that balances the budget when the costs of the recently enacted stimulus legislation are set to the side. In fact, rather than face up to sharply changed budget realities, the House plan sidesteps and camouflages the fiscal challenges the nation faces.

- The plan uses the substantially rosier budget assumptions of the Office of Management and Budget rather than the assumptions of the Congressional Budget Office. CBO assumptions traditionally are used in fashioning Congressional budget plans because of the tendency of some administrations to provide overly optimistic forecasts that serve their political purposes.

- The House plan includes $82 billion over five years in unspecified cuts in non-defense appropriated programs other than homeland security programs. History strongly indicates that cuts of this magnitude are unlikely to be achieved.

- The plan omits inevitable costs. In particular, it omits the costs of preventing the individual Alternative Minimum Tax from encroaching heavily upon the middle class in coming years. Approximately two million filers will be subject to the AMT this year. Once a temporary provision of current law expires at the end of 2004, however, the number of filers subject to the AMT will soar to 25 million by 2007 and 39 million by 2012. Policymakers across the political spectrum and virtually all observers agree that this matter will be dealt with by 2004. Doing so will have a considerable cost. The House plan leaves out this cost. The plan also omits the costs of the supplemental appropriations bill that the Administration sent to Congress the day after the House approved the plan; that bill funds costs for Afghanistan, homeland security, foreign assistance, New York City, and related areas. Some of the expenditures from this additional funding will occur in 2003 and subsequent years.

- The House plan provides $350 billion over ten years for Medicare improvements. Since most observers expect enactment this year of legislation that raises reimbursement rates for Medicare providers by at least $50 billion to $100 billion over ten years, this appears to leave $250 billion to $300 billion (or perhaps less) for a prescription drug benefit. To fit within a constraint of $300 billion or less, however, a prescription drug benefit would have to leave out large numbers of

Which Is Better — Five Years Or Ten?

Last year, the House and Senate adopted ten-year budget resolutions, based on a projection of very large surpluses materializing in the second five years. These ten-year projections were used to justify the expensive and backloaded tax cut enacted last June, which is the largest single cause of the deterioration of the surplus over the next ten years. This year, the House has switched to a five-year plan (except with regard to Medicare improvements), with the paradoxical effect of allowing very expensive tax cuts in the second five years without the constraint of *any* budget targets.

The House Budget Committee now argues that a five-year plan is preferable to a ten-year plan because fiscal projections that extend beyond five years are too uncertain to be reliable. But if conditions beyond five years are so uncertain, then there was little justification for the heavy backloading that marks last year's tax cut and is no justification for the House Committee's action in structuring this year's budget plan so that it sanctions unlimited new tax cuts starting in the sixth year. The manner in which the House has fashioned this year's budget plan essentially makes the five-year duration of the plan a new budget gimmick.

To provide appropriate budget constraint, a five-year budget resolution would have to be accompanied by a rule requiring that any new tax cuts or entitlement increases be phased in fully by the fifth year. (A ten-year budget resolution also would benefit from a rule limiting phase-ins to a five-year period.)

seniors or impose very large co-payments. Neither of these approaches is likely to prove acceptable politically; any broad drug benefit plan that can be enacted is likely to cost considerably more than $300 billion. For this reason, the House plan would make it difficult to pass a prescription drug benefit this year. In addition, the *ultimate* cost of legislation raising reimbursement rates for Medicare providers is likely to be greater than $50 billion $100 billion. If legislation in that price range is enacted this year, it is likely to employ a budget gimmick — increasing provider reimbursements for only a few years and omitting, for the time being, the costs that would occur during the rest of the ten-year period.

- Finally, although the plan shows relatively modest numbers on paper — $28 billion over five years — for further tax cuts, it opens the door for very large additional tax cuts that would substantially worsen the nation's long-term fiscal outlook. The plan places a ceiling on the cost of allowable Medicare increases over the next *ten years*. But it sets a ceiling on the level of allowable tax cuts only for the next *five years* and thereby allows the enactment of tax cuts with unlimited costs in the sixth year and the years after that. The use of such a double standard with respect to Medicare and tax cuts is unprecedented and may hold considerable significance, since the overwhelming bulk of the tax cuts in the President's budget — $500 billion, or 87 percent of the tax cuts the President has proposed for the next ten years — would occur in the sixth through the tenth years.[1] Furthermore, the President's proposal to make last year's tax cut permanent could, by itself, cost $4 trillion in the ten years after that (i.e., in 2013-2022). The House budget plan is itself silent about such tax cuts, but House Republican leaders have been explicit in recent weeks in stating their intention to move tax cuts such as these in the months ahead. (See box on page 5.)

Even with unrealistic levels for non-defense discretionary programs and Medicare and the omission of the cost of addressing the problems in the individual Alternative Minimum Tax, the House plan would increase deficits or reduce surpluses by almost $380 billion over the next five years.[2] Given the coming retirement of the baby-boom generation and the nation's deeply troubling long-term fiscal outlook — which were recently described in Congressional hearings by the Comptroller General of the United States (the head of the General Accounting Office)[3] — this is ill-advised. With its rosy estimating assumptions and unrealistic policy assumptions, the plan violates four of the five guideposts the Concord Coalition recently proposed for things that this year's budget resolution should *not* do. In essence, because the House plan would add further tax cuts and program initiatives without restraining some of the tax cuts enacted last year that are not yet in effect, it would fail to produce the increase in national saving (and the reduction in the federal debt) the nation needs.

These and other issues related to the House budget plan are explored below.

Is Budget Balance the Best Target?

With respect to fiscal year 2003, the problem with the House plan is not that the budget would be out of balance, but that the plan paints a rosier picture than is warranted. Budget balance is not an appropriate target for policy-makers to shoot for in 2003. When the economy is in recession or operating well below capacity, the resulting shortfall in revenues and increase in costs for counter-cyclical programs such as unemployment insurance can drive the budget into deficit; increasing taxes or cutting programs during such periods in an attempt to balance the budget can be economically self-defeating.

Prudent policy, however, would entail that as the economic recovery proceeds, the unified budget should move from deficit to substantial surpluses, using realistic budget assumptions. The low private saving rate and the impending retirement of the baby boomers create a need for more public saving, and therefore a significant amount of debt reduction, over the coming decade. Here, the House plan falls well short of where a budget plan should be.

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[1] This figure represents the Joint Committee on Taxation's estimate of the cost of the tax cuts in the President's budget. The President's "stimulus" proposals are not included here, given the later enactment of stimulus legislation.

[2] In some years, the plan would enlarge projected deficits. In other years, it would reduce projected surpluses.

[3] "Long-Term Fiscal Challenges," testimony of David M. Walker before the Senate Budget Committee, February 27, 2002.

Does the Plan Balance the Budget?

House leaders are touting the plan as the moral equivalent of a balanced budget. The House plan would show balance for fiscal year 2003, they state, were it not for the recently enacted "stimulus" legislation. Specifically, the House plan shows a unified budget deficit of $46 billion for 2003, while the stimulus bill costs just under $47 billion in 2003, counting the revenues losses, the additional weeks of unemployment insurance, and the higher federal interest payments generated by the resulting increase in deficits and debt.

By these numbers, the budget does appear to be balanced in fiscal year 2003 if one subtracts the costs of the stimulus bill. But that accounting ignores a key point: the projections of a $46 billion deficit, including the stimulus legislation (and a $1 billion surplus without the cost

Table 1

Major Components of the House Budget Plan
calculated by CBPP using CBO's estimating assumptions; in billions of dollars

	2003	total, 2003-2007
Total budget deficit(-) or surplus in CBO's "current policy" baseline*	-40	417
Budget costs in the House plan:		
increased defense spending	24	197
decreased spending on annually appropriated non-defense programs	-2	-31
Medicare prescription drugs, "reform," and provider reimbursements	5	89
farm bill and other entitlement or mandatory program increases	8	55
tax cuts	4	28
debt service (higher interest payments) resulting from costs listed above	1	41
Total budget costs in the House plan	41	379
Resulting total budget deficit(-) or surplus	**-81**	**38**
Resulting budget deficit excluding the Social Security trust fund	**-258**	**-1,010**
Resulting budget deficit also excluding the Medicare HI trust fund**	**-293**	**-1,207**

Note: figures may not add due to rounding

* In its March 6 report, "An Analysis of the President's Budgetary Proposals for 2003," CBO projected that the current policy baseline would be in surplus by $6 billion. After CBO released its report, however, Congress enacted the "stimulus" bill, which turned the baseline surplus into a $40 billion deficit.

** The authors calculated this result on the assumption that virtually all of the increased Medicare costs assumed in the House plan will occur outside of the Hospital Insurance trust fund. Prescription drugs almost certainly would be funded from a source other than the HI trust fund because the prescriptions do not represent in-patient hospital costs. In addition, proposals to increase payment rates for Medicare providers have focused primarily on physicians and home health agencies, whose costs are largely outside of the HI trust fund.

The House Plan and the President's Tax Cut Proposals

The House plan allows $28 billion for tax cuts over the next five years, significantly less than the five-year figure of $78 billion in the President's budget. This lower target does not necessarily mean, however, that the House has decided to shelve many of the President's proposed tax cuts. Administration proposals to make last year's tax cut permanent would have little cost in the next five years, and Congress could squeeze most or all of the President's other tax-cut proposals within the House plan's $28 billion target by delaying the effective dates of some of the proposed tax cuts until after 2007 (2007 is the last year of the five-year "window"), phasing in some of the proposals more slowly, or starting some proposals immediately and having them expire in a year or two (under the expectation that future Congress would feel pressure to extend these expiring tax breaks). All three of these gimmicks were used last year, when the bulk of the President's proposed tax cut and some additional tax cuts as well were squeezed into a smaller box, while hardly scaling back the overall magnitude of the tax cuts.

In recent days, House Republican leaders have stated their intention to move, perhaps as early as April, a package of tax cuts with hefty costs in years outside the five-year budget window. Both House Speaker J. Dennis Hastert and House Majority Whip Tom DeLay have said this package would include, among other items, measures to make permanent the estate tax repeal and "marriage penalty" provisions of last year's tax-cut legislation. DeLay also has called for including in the package a reduction in the taxation of Social Security benefits received by upper-income seniors and the elimination of capital gains taxes on seniors — both expensive propositions — while Hastert spokesman John Feehery has said that the Administration's proposed health insurance tax credit — another costly item — is a leading candidate for action.*

* See "Tax Cuts, Spending Priorities Set the Stage for Budget Fight," *Tax Notes*, March 14, 2002; Joyce Howard Price, "House leaders plan to seek bigger boost," *Washington Times,* March 6, 2002; Juliet Eilperin, "House Republicans Seeking to Make Tax Cuts Permanent," *The Washington Post,* March 18, 2002.

of that legislation) are reached only through the adoption by the House of optimistic assumptions in generating its budget estimates. The House chose to substitute OMB's estimating assumptions for the less optimistic CBO assumptions even though the congressional budget plans traditionally use CBO's assumptions (and the House majority threatened to shut down the government in 1995 unless CBO rather than OMB assumptions were followed).

Table 1, on the previous page, shows the principal components of the House plan, using CBO rather than OMB assumptions. Under the CBO assumptions, the 2003 deficit resulting from the House plan would be $81 billion, not $46 billion. Furthermore, the House included the surpluses in the Social Security and Medicare Hospital Insurance trust funds in its calculations. If the Social Security trust fund is excluded, the deficit under the plan rises to $258 billion. If the Medicare Hospital Insurance trust fund is excluded as well, the deficit exceeds $290 billion. Over the five-year period 2003-2007, the deficits excluding these trust funds total $1.2 trillion. Last year, the House maintained that its budget plan would produce balance in every year using CBO's estimating assumptions and excluding the Social Security and Medicare HI surpluses.

Even These Figures Are Too Optimistic

Even these sobering figures understate the likely deficits. They leave out the costs of addressing problems in the individual Alternative Minimum Tax and assume that substantial cuts will be made in non-defense discretionary programs.

The Individual Alternative Minimum Tax

Both the President's budget and, evidently, the House plan omit the cost of addressing the looming problems in the individual Alternative Minimum Tax. The AMT was intended to ensure that wealthy taxpayers do not cobble together so many special tax breaks that they pay little or no income tax. Because of design flaws, however, an increasing number of middle-class taxpayers who do not use tax shelters will nonetheless find themselves subject to the AMT in the years ahead. Currently, about two million tax filers are subject to the AMT. The Treasury estimates this figure will rise explosively after 2004 and reach 25 million tax filers by 2007 and 39 million by 2012.

Virtually all observers agree that Congress and the President will act by 2004 to prevent this from occurring. Addressing the problems associated with the AMT will almost certainly cost a minimum of $45 billion just in fiscal years 2005 to 2007 (and much more than that, with costs likely totaling $300 billion to $500 billion over ten years). The House plan does not make room for these costs in 2005-2007. The plan essentially pretends that these virtually inevitable costs will not occur.[4]

Non-defense Appropriations

The House plan also includes an unrealistic level of funding for non-defense "discretionary" (or non-entitlement) programs. For 2003, the funding target for these programs is $12 billion below the fiscal year 2002 level, adjusted for inflation. Over the five-year period

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[4] The figure of $45 billion is based on an estimate the Joint Committee on Taxation provided last year of the cost of limiting the increase in the number of tax filers subject to the AMT to 21 million by the end of the decade. Prior to enactment of last year's large tax cut, the number of tax filers subject to the AMT was projected to mushroom to 21 million by the end of the decade. Last year's tax-cut legislation had the effect of swelling this number to 39 million. Simply limiting the increase in the number of filers subject to the AMT to the politically unsustainable levels that it was projected to reach under the pre-tax-cut law would cost approximately $45 billion in 2005 to 2007.

Most observers find it hard to believe, however, that Congress and the Administration will allow the numbers of filers hit by the AMT to swell to 21 million. A more realistic assumption is that the number of filers subject to the AMT will be held in years after 2004 to approximately the same number it reaches in 2004, more than five million. Under this assumption, the cost in 2005-2007 would be approximately $60 billion. The House plan does not accommodate either approach; it contains a total of $18 billion for *all* tax cuts in 2005-2007.

Failing the Concord Coalition's Test

On March 12, the Concord Coalition issued a list of do's and don'ts for budget-makers writing this year's budget plans. The Coalition listed five possible budget features it condemned as fiscally irresponsible. It appears as though the House has violated four of these five proscriptions.

"Do not," said the Coalition, "use an Orwellian definition of 'balance,' by excluding the cost of the recently passed stimulus bill or any other popular legislation for the calculation." Although the cost of the stimulus bill is included in the House figures, the House Leadership omits this cost when it says the plan is balanced. In addition, the cost of AMT relief is omitted entirely, as is the cost of the supplemental appropriations bill the Administration is about to submit.

"Do not adopt back-loaded initiatives that rely on unrealistic assumptions." It remains to be seen whether Congress will attempt to squeeze substantial tax cuts into the $28 billion, five-year allowance for tax cuts by engaging in backloading. The budget plan would clearly permit this.

"Do not enact any new tax cuts or remove the 'sunset' from last year's tax bill unless it is done within the context of an enforceable plan to balance the budget without using the Social Security surplus." The House plan includes new tax cuts and is quite far from the Coalition's fiscal goal.

"Do not assume large unrealistic savings, as the President's budget does, by holding non-defense discretionary spending below inflation over the next decade." The House holds such funding below inflation in every year covered by its budget plan.

from 2003 to 2007, the House plan assumes reductions in overall funding for non-defense discretionary programs totaling $54 billion.[5] (See Table 2, page 8.)

Furthermore, this $12 billion funding cut in 2003 — and the $54 billion funding reduction over five years — reflect the net effect of substantial *increases* in funding for "homeland security" programs and still larger *reductions* in other non-defense programs. According to the President's budget, the funding increases for homeland security total more than $5 billion in 2003; they are likely to total approximately $28 billion over five years. Outside of homeland security, therefore, the cut in non-defense appropriations equals $17 billion in 2003 and approximately $82 billion over five years.

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[5] The $12 billion reduction in funding for non-defense discretionary programs in fiscal year 2003 would result in a reduction of $2 billion in outlays, or actual expenditures, in fiscal year 2003, as Table 1 shows. The remaining $10 billion in expenditure reductions would occur in fiscal years after 2003. Similarly, the $54 billion reduction in funding over the next five years would result in a $31 billion reduction in outlays over that period and an additional $23 billion in outlay reductions in years after 2007.

Funding (or appropriations, or "budget authority") represents the amount of money that Congress allows an agency to commit during a fiscal year. Some of the amounts committed during a year are expended in that year, but some of these funds are expended in subsequent years. This is especially the case with large construction or procurement projects that typically take a number of years to complete, or with grants that are typically awarded near the end of one year but expended over the following 12 months (or over a period longer than that). Consequently, reductions in funding initially produce smaller reductions in outlays, or actual expenditures. Over a multi-year period, this gap between funding cuts and expenditure reductions largely disappears.

Table 2

Funding for Non-defense "Discretionary" Programs in the House Plan
budget authority and highway cuts in billions of dollars

	2003	total, 2003-2007
Non-defense funding relative to the baseline	-12	-54
homeland security	+5	+28
all other non-defense programs	-17	-82

Note: The reduction of $12 billion in fiscal year 2003 includes a reduction of $7 billion in budget authority (or appropriations) for non-defense programs other than highways, and a reduction of $5 billion in highway programs that, for technical reasons, is not treated as budget authority. The figures for 2003-2007 similarly include reductions in both highway programs and other non-defense discretionary programs.

Even this $82 billion figure may understate the depth of the proposed reduction. The $82 billion reduction is measured relative to CBO's baseline, which adjusts the previous year's funding level only for inflation.[6] A number of analysts believe it is more appropriate to adjust the previous year's funding level for both inflation and increases in the size of the U.S. population. Doing so would provide a baseline in which the real, or inflation-adjusted, amount of funding *per person* remains constant from year to year. On this basis, the funding cut in appropriations other than defense and homeland security would be approximately $135 billion over five years. If actually implemented, a funding reduction of this magnitude would likely result in sizeable cuts in a number of important domestic programs, including programs that serve lower-income families and individuals and other vulnerable constituencies that lack significant political clout.

Measuring proposed reductions in funding for these programs relative to a baseline that adjusts for both inflation and increases in the size of the population also provides a useful political reality check. In 13 of the last 15 years, Congress provided funding for non-defense appropriations that exceeded the amount needed to cover both inflation and population growth.

[6] Supporters of the non-defense funding levels in the House plan are likely to note that CBO's baseline is artificially high (and therefore the cuts relative to that baseline are artificially magnified) because the baseline continues the costs of cleaning up and repairing New York City that were funded in the second emergency supplemental appropriations bill last fall. While this point is correct, it is largely offset by the fact that the baseline has virtually no funding for natural disasters such as hurricanes, earthquakes, floods, and major forest fires. By coincidence, the amount of funding in the baseline for repairing New York is almost the same as the historical average annual amount of funding for natural disasters. Consequently, the total level of the baseline is not overstated.

How Much is Available for Prescription Drugs?

The level that the plan includes for Medicare — $89 billion over five years and $350 billion over ten years — also appears unrealistic if the House is serious about enacting a prescription drug benefit this year.

While the House plan covers five years, it places its increase in Medicare funding in a "reserve" that covers *ten* years, 2003 through 2012. The ten-year amount held in "reserve" for Medicare is $350 billion. The design of this "reserve" prevents the committees with jurisdiction over Medicare from designing a Medicare drug benefit in a way that grows rapidly in cost after 2007, and stands in stark contrast with the plan's approach to tax cuts, which would be allowed to grow without any limit at all after 2007.

The $350 billion, ten-year reserve for Medicare is intended to cover *both* a new prescription drug benefit and an increase in provider reimbursements. Medicare providers — hospitals, physicians, home health agencies, and the like — have requested increases in the statutory Medicare reimbursement rates, relative to the rates that are set under current law. In some cases, the reimbursement rates have recently dropped or are scheduled to drop or be frozen this year, so some of the proposed increases above current law may result in little or no growth in actual reimbursement rates. The Medicare Payment Advisory Commission (MedPAC), an independent federal body that advises the Congress on Medicare policy, recently recommended increases for Medicare physicians costing $126 billion over ten years and has also proposed increases in rates for certain other providers such as home health care agencies. The Ways and Means Committee estimates that, in total, the MedPAC proposals would cost $174 billion over ten years. The Chairman of the House Ways and Means Committee earlier suggested that the total cost of provider increases to be enacted this year might reach $100 billion over ten years. Medicare providers are reported to favor a figure twice as high.

Congress is likely to use a gimmick to make the $350 billion appear to go further. Medicare providers might be granted substantial relief but for only a year or two, with the notion that this relief would be extended when it was scheduled to expire. This would leave more of the reserve for prescription drugs. Of course, the costs of extending the relief for Medicare providers beyond the initial one- or two-year period would eventually be borne, but those costs would be reflected in future budgets rather than in the current budget plan. Even by using such a gimmick, however, the "scored" cost of provider increases enacted this year is likely to range from $50 billion to $100 billion over ten years.

If $50 billion to $100 billion of the $350 billion Medicare reserve is used to address perceived problems with provider reimbursement rates, then $250 billion to $300 billion will be available for prescription drugs. A drug benefit that could be provided for that price would be likely to cover only a minority of Medicare beneficiaries or to be spread so thin that it would relieve most beneficiaries of only a relatively modest fraction of their prescription costs.

This can be seen by examining the prescription drug proposal designed last year by Senator Bob Graham. That proposal would require beneficiaries to pay *half* the premiums for prescription drug insurance — about $55 per month, or $660 per year, *plus* about half the cost of purchasing prescription drugs.[7] Last year, CBO estimated the bill would cost $318 billion over ten years; CBO now believes the bill would cost substantially more, perhaps approaching $400 billion over ten years. Many analysts, such a Robert Reischauer, former director of CBO and now president of the Urban Institute, have questioned whether the public will find acceptable a drug benefit that requires such substantial payments by beneficiaries.

CBO estimates suggest that if a proposal such as Senator Graham's were modified so that beneficiaries still had to pay half of the premiums but the required co-payment for prescription drug purchases were set at 25 percent rather than 50 percent, the cost of the plan would increase by one-third. That would bring the cost close to or above $500 billion over ten years. (Moreover, reducing the required copayments from 50 percent to 25 percent would not provide as much relief to beneficiaries as one might think. Such a reduction would increase the federal costs of the drug benefit; if the premium to enroll in the drug program is set at 50 percent of the those federal costs, the premium would increase substantially. As a result, CBO estimated last year that reducing copayments from 50 percent to 25 percent would reduce total out-of-pocket drug payments by enrolled beneficiaries by only 17 percent.)

Sooner or later, a prescription drug benefit of this scope is likely. That heightens the need to reconsider elements of the tax cut not yet in effect to ensure that such a drug benefit is affordable.

Costs Outside the Five-Year Window

Finally, the House plan's double standard permits unlimited tax cuts after the end of the initial five-year period. Although, as noted, prescription drugs and other Medicare costs would be constrained by a "reserve" mechanism that provides a ten-year target, tax cuts that begin after 2007 — or that start earlier but mushroom in cost after 2007 — would face no constraint.

To understand this issue, some background in how Congressional budget plans are enforced may be of use. Multi-year revenue targets in a budget resolution create a revenue floor — that is, a limit on the size of the tax cuts that Congress can consider without making the bill or amendment subject to a point of order that, in the Senate, takes 60 votes to overcome.[8] (Likewise, multi-year targets for entitlement increases create a ceiling — a limit on the cost of the entitlement legislation that Congress can consider.) But tax-cut legislation that carries costs that first appear in years *outside* the budget window does *not* breach the cost limits that a

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[7] Under the proposal, beneficiary cost-sharing would drop from 50 percent to 25 percent once a beneficiary incurred $3,500 in out-of-pocket costs (except for premiums) in a year. In addition, the government would pay 100 percent of prescription drug costs once a beneficiary has paid $4,000 in out-of-pocket costs in a year.

[8] In the House, points of order against the consideration of legislation that breaches the targets in a budget plan can be waived by the House Rules Committee; those waiver resolutions require approval by only a majority of the House of Representatives. Consequently, unless the House Leadership is committed to enforcing budget plans — a commitment that has been largely absent since surpluses appeared in 1998 — the various points of order against budget-busting legislation only constrain amendments offered by the minority party. (This is because the House Rules Committee traditionally waives points of order for legislation and amendments favored by the leadership of the majority party. The majority party leadership traditionally controls the Rules Committee.) Nevertheless, it is important to understand what the House budget plan intends, even though its constraints can easily be waived in the House.

congressional budget plan sets. In the House, such legislation does not trigger a point of order against consideration of the legislation, no matter how costly the legislation may be. In the Senate, it does not trigger a point of order that takes 60 votes to overcome.[9] This is particularly significant here, since, as noted, 87 percent of the tax cuts that the President's budget proposes over the next ten years would occur in the second five years of that period.

While the House plan contains only a limited amount of new tax cuts over the first five years, the White House could still exert considerable pressure, joined by the House Leadership and perhaps the Ways and Means Committee, to enact the tax cuts the Administration has proposed (see box on page 5). Those tax cuts could be advanced without violating the budget plan by phasing the tax cuts in more slowly than the President proposed, delaying their implementation, or using other such timing mechanisms. The House budget plan would provide no restraint against tax cuts that explode in cost starting in 2008.

[9] There is a special Senate rule against costs in a "reconciliation bill" that occur outside the budget window; this rule can be waived only by the votes of 60 Senators. If a tax cut is considered outside of the reconciliation process, however, the special rule does not apply. The reconciliation process is an optional feature of congressional budget plans, and under the House plan, there would be no reconciliation process this year. Hence, points of order that require 60 votes to overcome would not apply in the Senate to legislation featuring large tax cuts that do not take effect until after 2007.