

INFORMED BUDGETEER:

Summary of Conference Resolution: Levels of Spending								
(\$ in Billions)								
		2000	2001	2002	2003	2004	2005	2001-2005
Discretionary:								
Defense	BA	292.6	310.8	310.1	316.4	324.1	332.4	1593.9
	OT	289.1	297.7	304.1	310.6	318.6	328.9	1559.9
Nondefense	BA	282.2	289.5	298.6	302.6	305.0	307.7	1503.4
	OT	322.5	327.4	336.7	340.0	339.9	341.6	1685.6
Subtotal	BA	574.8	600.3	608.7	619.1	629.1	640.1	3097.2
	OT	611.7	625.1	640.7	650.6	658.5	670.5	3245.5
Mandatory	OT	947.7	990.4	1037.3	1099.9	1169.7	1247.4	5544.7
Net Interest	OT	224.6	219.4	211.1	197.0	182.3	166.7	976.5
Total Outlays	OT	1783.9	1834.9	1889.1	1947.5	2010.5	2084.7	9766.6
Revenues		1945.1	2004.7	2072.8	2145.8	2222.8	2317.1	10763.3
Unified Surplus		161.2	169.9	183.7	198.3	212.3	232.5	996.7
On-Budget		12.2	8.8	5.9	7.1	7.2	10.8	39.8
Off-Budget		148.9	161.1	177.8	191.3	205.0	221.7	956.9
Summary of Conference Resolution: Changes from CBO Baseline*								
		2000	2001	2002	2003	2004	2005	2001-2005
CBO Baseline:								
Unified Surplus		179.4	192.4	236.7	273.0	314.7	357.7	1374.5
On-Budget		26.5	26.5	54.3	77.5	105.6	132.5	396.4
Off-Budget		152.9	165.9	182.4	195.5	209.0	225.2	978.0
Discretionary (Change +/-)								
		8.6	0.5	14.0	22.3	35.3	45.5	117.6
Mandatory		9.4	8.9	11.7	14.1	15.4	17.7	67.8
On-budget		5.5	4.6	8.1	11.0	12.8	15.8	52.3
Off-budget		3.9	4.3	3.6	3.1	2.6	1.9	15.5
Net Interest		0.2	1.5	3.9	7.4	11.9	17.8	42.4
Tax Cuts (net)		0.0	-11.6	-23.4	-30.9	-39.8	-44.3	-150.0
Total Change		-18.2	-22.5	-53.0	-74.7	-102.4	125.2	-377.8
Resolution Total:								
Unified Surplus		161.2	169.9	183.7	198.3	212.3	232.5	996.7
On-Budget		12.2	8.8	5.9	7.1	7.2	10.8	39.8
Off-Budget		148.9	161.1	177.8	191.3	205.0	221.7	956.9

*The Baseline assumption is the CBO "freeze" variation, which assumes discretionary BA remains unchanged at the FY 2000 Level, including on-time appropriations in this year.

FY2001 BUDGET RESOLUTION APPROVED
NOW WILL CONGRESS AND THE PRESIDENT FOLLOW THE ROADMAP?

- The Congress adopted the FY 2001 budget resolution on April 13 – only the third time in the Budget Act's history that the Congress has met the statutory deadline of April 15 for completing its fiscal blueprint.
- Summary tables of the five year budget plan are presented above. The new spending and revenue allocations to committees responsible for carrying out the budget plan now are officially in place. For purpose of Budget Act enforcement procedures, these allocations require the Congress to enact implementing legislation that follows the roadmap.
- Detours from the Congressional roadmap will result in various Budget Act points of order that could doom legislation considered for the remainder of this Congress and beyond. Of course, the President has his own roadmap, and time will tell which road is to be followed or whether detours are coming.
- The Congressional budget maps a fiscal policy that:
 - < Protects the social security surplus and reaffirms Senator Abraham's social security lock box.
 - < Reduces debt held by the public over the next five years by \$1.0 trillion.
 - < Balances the budget every year not counting the social security

surplus.

- < In the Senate, provides for \$40 billion for Medicare prescription drug benefits: \$20 billion would be available without reform to the system, another \$20 billion would be available with reform. A House reserve fund simply provides for \$40 billion for Medicare prescription drugs.
- < Increases funding for national defense needs – defense budget authority would increase from \$290 billion appropriated in 2000 to \$310 billion in 2001 – a 6.9% increase.
- < Increases funding for nondefense discretionary programs, from \$271 billion budget authority in 2000 (adjusted for one-time spending events in 2000) to \$290 billion in 2001 – a 7.0% increase.
- < Provides for tax cuts of at least \$150 billion over next five years including \$11.6 billion in 2001. The tax cut could be increased by an additional \$1 billion in 2001 and \$25 billion over the next five years.
- < Includes various enforcement provisions to limit the use of delayed obligations and advance funding mechanisms in the appropriation process.

REVENUES KEEP FLOODING IN

- Revenue growth remains exceptionally strong – revenues presently running at a 8.0 percent growth pace for the year, versus the 6.5 percent assumed in CBO's FY2000 estimates. In fact, YTD revenue

growth would be even faster, were it not for a calendar quirk at the end of March.

- Strength is broad-based. Individual income receipts are growing at roughly a 10 percent pace, which is consistent with the strength we're seeing in the economy and job market. Corporate tax receipts have also made a sharp recovery – they are now running 12 percent ahead of last year YTD, after having been down for all of FY99.

Receipts through March (\$ in Billions)			
	YTD 1999	YTD 2000	Percent Change
Individual Income	381	418	9.6
Corporate Income	72	81	12.5
Social Insurance	287	306	6.8
Other	74	74	-0.4
TOTAL	814	879	8.0

SOURCE: CBO Monthly Budget Review

- We are now entering the critical month of April – 15 percent of the year's revenues come in this month as final payment of individual income taxes are made. Given the strength of incomes and the stock market in calendar year 1999, it seems likely that April will produce a further revenue surge. However, one will not be able to say definitively until May 1st, when we will have received all of April's tally. In advance of the April 15th filing, April revenues are already running strong as March's calendar quirk reverses.
- Looking beyond April payments, the revenue outlook also remains favorable. The strength of the economy continues to impress. Blue Chip forecasters now expect 2000 real GDP growth of 4.5 percent – this is up sharply from their 3.2 percent forecast in December 1999. This points to continued strength in withheld income receipts.

ECONOMICS

IMF SPRING WORLD ECONOMIC OUTLOOK

- The IMF has revised up its estimates of global growth in its latest World Economic Report. They now expect that world economy to grow at 4.2 percent in 2000, up from its 2.5 percent pace in 1998.
- They note that the global downturn that followed the 1997-1998 financial crisis was much more mild and brief than nearly all had anticipated. The IMF attributes this in large part to the accommodative monetary stance of G-3 nations and to emerging nations' willingness to implement tough reforms in the wake of the crisis.
- The IMF states that the main risk to the outlook going forward stems from the recent build-up of economic and financial imbalances, notably in the US. The IMF made particular note of 1) the excessive size of the US current account deficit and Japan's persistent current account surplus, 2) significant misalignment in currencies – notably the dollar's perceived overvaluation versus the euro, and 3) exceptionally high stock market values.
- The IMF argues that the best way to deal with these imbalances is to 1) contain excessive demand in the US via a tight monetary and fiscal stance, 2) continue accommodative monetary policies in Japan and 3) pursue continued structural reforms in Japan and

Europe.

- The IMF also made one key point which seldom gets much attention. They noted that there have been numerous technical changes in economic data collection methods in the US, Europe and elsewhere. This complicates times series comparisons and cross-country analyses.

Real GDP of Advanced Economies (by percent)				
	1998	1999	2000*	2001*
United States	4.3	4.2	4.4	3.0
Japan	-2.5	0.3	0.9	1.8
Germany	2.2	1.5	2.8	3.3
United Kingdom	2.2	2.0	3.0	2.0
France	3.4	2.7	3.5	3.1
World Economic Growth	2.5	3.3	4.2	3.9

* Projected; SOURCE: IMF WEO, April 2000

BUDGET QUIZ

SETTLING THE GOVERNMENT'S SETTLEMENTS?

- **QUESTION:** The Federal government has announced a settlement of a 23-year-old gender discrimination suit in the amount of \$508 million. It is the largest ever awarded by the federal government. **How does the federal government pay for such settlements?**
- **ANSWER:** Such settlements are paid through the Claims, Judgment and Relief Acts fund administered by the Federal Management Service, an agency within the Department of Treasury. The Claims, Judgments and Relief Acts fund is considered a mandatory account within Function 800, General Government.
- Appropriations from this account are made for the payment of claims and interest for damages not chargeable to appropriations of individual agencies and for payment of private and public relief acts.
- Public Law 95-26 authorized a permanent indefinite appropriation to pay certain judgments (E.g., the recent \$508 million settlement) from the general funds of the Treasury. According to CBO estimates, under current law this account is funded at \$900 million in 2000 and \$846 million in 2001.
- How this most recent case effects this account depends on how and when the payment is made. It may be months until the settlement is paid since a federal judge still needs to approve it and other legal issues remain.
- Assuming the judge approves the settlement and all other legal issues are cleared, the question of how to pay the plaintiffs is another matter which must be decided. It is possible that the settlement will be paid in one lump sum in either 2000 or 2001 to a third party which would handle the administration of paying the plaintiffs. If there is a lump sum payout, then additional monies may be required for this account.