

## INFORMED BUDGETEER: THE LAST CALL....

### FROM – “WHAT SUPP?”.....

- In a kind of time travel, the *Bulletin* this week explores the morphing prospects for a 2001 supplemental appropriations bill by examining what were and what now are expectations about a “supp” as well as reviewing past experiences.
- For the first few months of the new Administration, whenever budgeteers talked about taking care of some problem in a supplemental spending bill for 2001, the typical retort was – “What supplemental?” – because the Administration had insisted that there would be no need for one.
- But in a ritual as destined to repeat itself as spring, the inevitability of a spring supplemental was recognized in the Congressional Budget Resolution. The FY 2002 Budget Resolution assumed non-emergency appropriations in a 2001 supplemental could amount up to \$6.545 billion (BA).
- This figure represents the difference between the 2001 discretionary BA cap (\$640.803 billion, as estimated by OMB in the sequestration preview report) and OMB’s scoring of all appropriation bills (\$634.258 billion) enacted for 2001 at the end of the last Congress.
- To the extent that the Appropriation Committees seek to exceed this level without creating Budget Act points of order or triggering a sequester by OMB, they could only do so if both the Congress and the President declare such additional spending an emergency. Then, under law, the committee allocations and the caps would be accordingly adjusted for the amounts that have an emergency designation (though the use of the designation for nondefense items would be subject to a 60-vote point of order in the Senate under section 205 of the 2001 budget resolution).
- Besides getting over the 60-vote hurdle for nondefense emergencies, there is another political limit on how much more Congress could spend in 2001. The *Bulletin* estimates that even with the enactment of the 2001 supplemental as proposed, the remaining non-Social Security, non-Medicare HI surplus would be about \$19.6 billion. (See article below about “Another Scorecard.”)

### ....TO – PRESIDENT SUBMITS 1<sup>ST</sup> SUPP. REQUEST OF 21<sup>ST</sup> CENTURY

- On June 1, President Bush sent to the Congress his first request for supplemental appropriations. The President’s supplemental package totals a net \$6.544 billion in BA (see following table). Of this amount, a net \$5.934 billion, or 91%, is for defense activities (gross request of \$6.439 billion offset by \$505 million in rescissions). Three-quarters of the defense request is for military pay and health benefits and operation and maintenance costs to cover training and readiness.
- Another \$0.6 billion is included for a smattering of non-defense activities across 10 agencies, with the largest piece going to the Department of the Treasury, primarily to cover the cost of getting out the tax rebate checks authorized in the tax reduction bill signed by President Bush last Thursday.
- Note that the President has designated none of the items in his supplemental as emergency, and has left only \$1 million on the table for the appropriations committee to spend without having to designate BA beyond the cap as emergency spending. It goes without saying that the appropriations committee is free to alter the programs and levels as requested by the President to make room for congressional priorities within the amount available.
- The House appropriations committee has signaled its intention to mark up the supplemental request on June 14, while early indications for the Senate schedule suggest a June 21 markup date.

### SUPPS AT THE END OF LAST CENTURY

- The Congressional Budget Office recently released an analysis of

“Supplemental Appropriations in the 1990s” which identified 19

<b>President’s 2001 Supplemental Request for Appropriations*</b>		
(\$ in millions)		
	2001 BA	2001 OT
<b>Defense</b>		
Military Personnel	515	101
Operation and Maintenance	2,918	462
Procurement	551	30
Research	441	52
Utilities (Defense Working Capital)	178	28
Defense Health	1,453	256
Military Construction, Family Housing	93	11
DoD Reductions (V-22 and B-52)	<u>-505</u>	<u>0</u>
Total, Defense Dept.	5,643	940
<b>Energy</b>		
Weapons Activities Program	140	19
Environmental Activities	<u>151</u>	<u>21</u>
Total, Energy	291	40
<b>TOTAL DEFENSE</b>	<b>5,934</b>	<b>980</b>
<b>Energy</b>		
Environmental Management	29	5
<b>Agriculture</b>		
Animal and Plant Health Inspection	35	7
Klamath Basin Limited Water Availability	<u>20</u>	<u>0</u>
Total, Agriculture	55	7
<b>Health and Human Services</b>		
LIHEAP	150	45
<b>Housing &amp; Urban Development</b>		
FHA loan guarantees, multifamily	40	10
<b>Interior</b>		
BIA, San Carlos Irrigation Project, AZ	50	0
<b>Transportation</b>		
Coast Guard	92	37
Rescission, I-49 in Arkansas	<u>-93</u>	<u>-7</u>
Total, Transportation	-1	30
<b>Treasury</b>		
Winter Olympics, perimeter security costs	61	3
Implementation of Tax Rebate	<u>116</u>	<u>106</u>
Total, Treasury	176	109
<b>Army Corps of Engineers</b>		
Natural Disasters	50	15
<b>International Assistance Programs</b>		
Rescission, Economic Support Fund	-20	-1
<b>NASA</b>		
Space Shuttle Research	0	3
<b>Legislative Branch</b>		
House of Representative Salaries	62	30
Congressional Printing and Binding	10	4
Government Printing Office	6	2
General Accounting Office	<u>3</u>	<u>0</u>
Total, Legislative Branch	80	36
<b>TOTAL NON DEFENSE</b>	<b>610</b>	<b>259</b>
<b>TOTAL</b>	<b>6,544</b>	<b>1,239</b>

SOURCE: Senate Budget Committee, CBO scoring of outlays; \*This supplemental also includes \$590 million in mandatory funding for veterans disability and compensation payments and \$347 million in mandatory funding for the Montgomery GI Bill and related benefits.

supplemental appropriations bills and 10 regular appropriations bills providing \$138 billion in supplemental spending over the 1990-1999 period.

- About 91% of supplemental spending during this decade was for discretionary programs, and 9% was for mandatory programs. Supplemental spending ranged from a high of \$48.6 billion in 1991 (mostly for the Persian Gulf War) to a low of \$4.5 billion in 1996.
- The Budget Enforcement Act (BEA) of 1990, which created discretionary spending caps, provided that emergency spending, when so designated by both the Congress and the President, would in effect “not count” against the caps because it would automatically augment the caps. CBO found that 92% of the discretionary supplemental spending of \$129.3 billion during the 1990s received

the emergency designation.

- Spending not designated as emergency does not increase the caps and so must fit within the caps. Therefore non-emergency supplemental spending in the 1990s was often offset by the rescission (or cancellation) of previously provided appropriations. CBO identified \$52 billion in rescissions enacted over the 1990-1999 period, of which 98% came from discretionary programs. Net supplemental spending over the 1990-1999 period thus totaled \$86 billion.
- The Department of Defense received 60% of discretionary supplemental spending in the 1990s followed by the Federal Emergency Management Agency (FEMA) with 17% of the total of \$129.3 billion.
- Based on CBO’s appendix to the report, it appears that Congress may continue the trend of increased emergency supplemental spending in the next decade. In FY 2000, a net \$17 billion in supplemental spending was approved, of which \$12.9 billion received the emergency designation.
- Will Congress continue this trend with the upcoming FY 2001 supplemental appropriations bill?

**CAN’T KEEP SCORE WITHOUT ANOTHER SCORECARD**

- As large federal surpluses have outgrown the enforcement tools of the 1990 Budget Enforcement Act (designed for controlling deficits), Congress has developed ad-hoc, non-statutory ways of asserting fiscal discipline. For example in 1999, Congress pledged not to spend the Social Security surplus. In 2000, Congress asserted a 90/10 plan: save 90% of the FY2001 surplus and spend only 10%. For 2001, Congress has layered on an additional constraint, beyond not touching the Social Security surplus. The FY2002 Budget Resolution conditions certain tax and spending policies to make sure that none of the Medicare HI surplus is spent.
- The 2002 Budget Resolution reconciliation instruction is an example of this. Sections 103 & 104 contain language which states that the reconciliation legislation, when taken together with all previously enacted legislation (except legislation for Medicare reform and prescription drugs), could not have reduced the on-budget surplus below the level of the Medicare HI trust fund surplus for any fiscal year covered by the resolution (2001 through 2011).
- In addition, all reserve funds (except legislation for Medicare reform and prescription drugs), which condition the availability of monies for specified policies, further include the same condition as the reconciliation instruction: the reserve fund cannot be released if the effect of the legislation being considered, together with previously enacted legislation, uses any of the Medicare HI trust fund surplus.
- The *Bulletin* notes that there is no point of order against legislation contemplated by these reserve funds based solely on the invasion of the HI Trust Fund surpluses. Steering clear of the HI trust fund surplus is another “gentlemen’s agreement” step in the fiscal discipline ladder. However if the Chairman of the Budget Committee determines not to release the “reserved funds” because the legislation would use some of the HI surplus, then it is entirely likely that such legislation will breach a committee’s 302(a) allocation and be subject to a 60-vote Point of Order.
- It is important, therefore, for the Budget Committees to maintain a “Medicare HI Surplus Scorecard”. Based on the language in the budget resolution, the *Bulletin’s* version of such a scorecard begins with the budget resolution baseline surplus levels, adds or subtracts the effects of enacted legislation plus the interest impact relative to the baseline, and compares the resulting surplus to the HI surplus.

- Fore example, the accompanying table shows the baseline on-budget surplus at \$124.9 billion for 2001. Relative to that baseline, legislation enacted to date has reduced the 2001 on-budget surplus by \$75.5 billion, leaving an on-budget surplus of \$49.5 billion. This resulting on-budget surplus is still \$20.8 billion higher than the baseline HI trust fund surplus. For FY 2002, the scorecard shows a whopping \$63.7 billion surplus over the HI trust fund balance.
- Since no appropriations bills have been enacted yet, the following table reflects no changes from baseline discretionary spending that add to or subtract from the baseline surplus. As bills are enacted, they will be compared to the baseline assumptions. If they result in spending below the baseline assumptions, a negative delta will be entered; if they result in spending above the baseline assumptions, a positive delta will be entered.
- Because of space constraints, the accompanying table does not show all eleven years separately. However, the *Bulletin* assures its readers that this scorecard to date reflects on-budget surpluses that exceed the HI surplus by substantial amounts in all intervening years.

<b>Medicare HI Surplus Scorecard</b>				
(\$ in Billions)				
	2001	2002	2002-2006	2002-2011
<b>SBC March Baseline:</b>				
Unified Surplus	28.1	312.9	2006.8	5609.7
On-budget	124.9	142.1	987.5	3122.0
Off-budget	156.2	170.8	1019.4	2487.7
Discretionary	0.0	0.0	0.0	0.0
Mandatory <sup>A</sup>	3.6	6.4	36.7	88.6
Net Interest				
On-budget	1.7	4.9	76.8	385.0
Off-budget	0.0	0.0	0.2	0.9
Tax Cuts <sup>B</sup>				
On-budget	-70.2	-31.2	-440.6	-1183.3
Off-budget	0.0	-0.2	-1.4	-2.9
Total Change	75.5	42.7	55.7	1660.7
<b>Total including legislation:</b>				
Unified Surplus	205.7	270.3	1451.2	3949.0
On-budget	49.5	99.6	433.3	1465.1
Off-budget	156.2	170.6	1017.8	2483.9
HI Surplus	28.7	35.9	199.5	392.6
On-budget less HI surplus	20.8	63.7	233.8	1072.5

<sup>A</sup>Includes effects of H.R. 581 & H.R.1836. <sup>B</sup>Includes effects of H.R. 1836 & H.R. 1727.

**CALENDAR**

- The Republican Senate Budget Committee staff have scheduled a series of budget and economic policy and oversight briefs. These briefings are open to all interested Senate Staff - - Republican, Democrat and Independent.

June 11 -- SBC Staff Briefing: Upcoming world trade agreements, focusing on Agriculture. Presentations by USTR and USDA. 3:00pm; Dirksen 608.

June 13 -- SBC Staff Briefing: HIV/AIDS in Africa, Karen Stanecki, Chief of Health Studies Branch, Population Division, International Programs Center. 2:00 p.m; Dirksen 608.

June 14 -- SBC Staff Briefing: The effects of pending farm and current WTO negotiations on agricultural trade opportunities, Dr. David Orden, Virginia Tech. 2:00 pm in Dirksen 608.

**O Editor's Note:** As this week's header indicates, after 6 years and 179 *Bulletins*, this will be my last edition. I would like to express my gratitude to all the SBC staff, past and present, who have contributed to the *Bulletin* over the years. You truly are "Informed Budgeteers", and it has been my honor and pleasure to work with you. The *Bulletin* will continue to be published weekly when the Senate is in session!