INFORMED BUDGETEER

@ End of 106th Congress Countdown @
Calendar Days to Sine Die: October 6
(From October 2)

Total Days	5
Less:	
Scheduled Non-Leg. Periods (0 days)	5
Fridays & Mondays before/after Non-Leg. Periods (0)	5
Remaining Saturdays & Sundays (0)	0
Mondays & Fridays in Leg. Periods (2) ; =	3

A LOOK BACK: CR'S AND OMNIBUS BILLS OVER TIME

- Any budgeteer who has been paying attention to this year's end game debate has heard many renditions of the varying levels of success Congress has had passing all 13 Appropriations bills by the start of the fiscal year. The following table is our contribution to that discourse:

Appropriations Acts: FY 1977-2001
(Regular, Continuing and Omnibus)

FY	President	Bills enacted start of FY	Number of CR's	Omnibus or full year CR	Shutdown duration
1977	Ford	13	2	no	- -
1978	Carter	9	3	yes	28 days
1979	Carter	5	1	yes	17 days
1980	Carter	3	2	yes	11 days
1981	Carter	1	3	yes	- -
1982	Reagan	0	4	yes	2 days
1983	Reagan	1	2	yes	4 days
1984	Reagan	4	2	yes	3 days
1985	Reagan	4	5	yes	3 days
1986	Reagan	0	5	yes	- -
1987	Reagan	0	6	yes	a day
1988	Reagan	0	5	yes	1 day
1989	Reagan	13	0	no	- -
1990	Bush	1	3	no	3 days
1991	Bush	0	5	no	- -
1992	Bush	3	4	yes	- -
1993	Bush	1	1	no	- -
1994	Clinton	2	3	no	- -
1995	Clinton	13	0	no	- -
1996	Clinton	0	14	yes	26 days
1997	Clinton	7	0	yes	- -
1998	Clinton	1	6	no	- -
1999	Clinton	1	6	yes	- -
2000	Clinton	4	7	no	- -
2001	Clinton	2	1*	- -	- -

*As of October 6, 2000. SOURCE: Calendars of the US House of Representatives. 82-106th Congresses, Congressional Research Service. Tabulated by SBC. NOTES: Bills that were enacted on or before the first day of the fiscal year (October 1) are considered to have been enacted by the start of the fiscal year. Legislative action on most bills occurred in the session indicated, but in some cases legislative action was not completed until the following session. For FY1977, two continuing resolutions were enacted to provide temporary funding for certain unauthorized programs omitted from the applicable regular appropriations acts. For FY1997, all regular appropriations were enacted by the beginning of the fiscal year but six regular bills were consolidated into an omnibus act.

- Since the enactment of the Budget Act, there have only been 3 years when all 13 appropriations bills were enacted prior to the beginning of the fiscal year - - once under Ford, once under Reagan, and once under Clinton.

- On average over the last 25 years, 3.5 of the 13 appropriations bills have been enacted prior to the beginning of the fiscal year. This year's 2 bills is only slightly below average.

- When we have not enacted all bills before the beginning of the fiscal year, we have enacted on average 4.2 continuing resolutions (CR). So far for FY 2001, we have enacted 1 CR - - if you look at the historical average we can look forward to 3.2 more CR's before 106th sine die!

FY2000 DRAWS TO A CLOSE

- While we don't have final numbers for September yet, it looks like the FY2000 surplus will come in very close to CBO's July estimate of $232 billion. This is the third straight year of budget surpluses and the largest on-budget surplus ($84 billion)on record! Kudos to CBO for their excellent forecast!

- OMB seems to agree with this outlook as well – they bumped up their FY2000 forecast from $211 billion to $230 billion last week. Whatever the final number, it will go to reducing the debt held by the public.

- While revenues look to have come in roughly $20 billion above CBO's July assumptions, outlays look to have overshot by nearly as much. Most of the outlay overage was accounted for by roughly $11 billion in timing changes enacted in CBO's July update, which shifted outlays from 2001 into 2000.

- The big story behind the FY2000 numbers continues to be the revenue side. It looks like revenues grew at roughly an 11% pace last year, the fastest rate in more than a decade. Strength has been broad-based, with individual and corporate tax receipts being particularly robust. September's month-to-date revenue figures indicate that the overall growth pace was maintained into the end of the fiscal year.

THE RISING ECONOMIC TIDE HAS LIFTED ALL BOATS

- On September 26 the Census Bureau announced that U.S. median household income in 1999 grew 3.1% to $40,816, the highest level since this statistic was first recorded back in 1967. Indeed this current economic expansion has spread the benefits of prosperity to all Americans regardless of their race or economic status. Households headed by women and minorities have experienced faster gains in income than households headed by white males.

- In fact this is the second consecutive year that income growth in the lowest quintile has outpaced that of the highest income group. As a result of such broad based prosperity, the formerly increasing trend in income inequality has plateaued.

- However for most Americans the disposable portion of their median income is about 4% lower than the official measure when the effects of taxes and government transfers are considered. Why does this happen? Most Americans see more of their earnings eroded by federal and state income taxes and social security payroll taxes than they receive in benefits.

- Census reported equally good news about the poverty rate. According to the official measure, 32.3 million Americans, or 11.8%, were classified as "poor" in 1999, the lowest rate since 1979. The 1999 poverty rates for different types of families ranged from a low of 3.3% for married-couples, white non-Hispanic families to 39.3% for female householder, no husband present, black families.

- To measure the poverty rate, Census uses a set of money income thresholds that define the "poverty line" and which vary by family size and which are updated annually for changes in the CPI, compared to a measure of a family's resources. If a family's total resources are less than that family's threshold, then that family, and every individual in it, is considered poor. For a four person family in 1999 their poverty threshold income level was $17,029.

- A family's total resources, under the official poverty definition, consists of pre-tax money income, including cash government benefits but excluding capital gains and noncash government benefits (such as public housing, Medicaid, and food stamps).

- Census also provides alternative definitions of a family's total resources. For example, if the Earned Income Credit is excluded from the official definition of money income, the poverty rate would have been 12.8% instead of 11.8%. If all government transfers are excluded, the poverty rate would have been 19.2% in 1999.

- Alternatively, if a family's resources are measured on an after-tax basis including all government noncash benefits (as well as cash benefits), the poverty rate would have been 8.8% instead of 11.8% in 1999.

- The Vice President's goal to reduce the poverty rate to below 10%, as put forward in his campaign document: "Prosperity for America's Families", could be accomplished overnight by a simple executive order counting cash and noncash benefits available to all families.

FEDERAL EMPLOYEES - - UP, UP AND AWAY

- Speaking of the Vice President's budget proposals, the SBC's staff analysis of his plan, released earlier this month, showed that a Gore administration would spend between $2.6 and $3.4 trillion of the non Social Security surplus over the next ten years. When combined with the Vice President's taxrelief proposals and interest costs, the Gore plan would consume the entire non-Social Security surplus and siphon $27 billion to $906 billion from the SS trust fund. The Vice President's *Prosperity for America's Families*, released the same day as the SBC analysis, does not affect the SBC conclusion that the surplus has clearly been oversubscribed under this plan.

- The *Budget Bulletin* now asks: how many new bureaucrats would be needed to carry out the Vice President's expansive, extensive, and expensive proposals?

- The total number of federal civilian employees currently stands at about 1.8 million. While it is true that federal employment has been in decline, and is now at its lowest point since the Kennedy administration, the total number obscures the relative shift between civilian defense and non-defense employment. While defense employment has declined considerably since the end of the Cold War, non-defense employment has been relatively stable (at about 1.2 million) for at least the past twenty years.

- Due to technological advances and continuing reinvention efforts, it is difficult to estimate how many new employees would be needed over the next decade. However, we may approach the question by rephrasing it as follows: how many new civilian federal employees would be needed if the Vice President's proposals were fully in place <u>today</u>?

- By looking at the relationship between factors such as outlays, employees, and administrative costs for the agencies today that would also be involved in the Vice President's proposals and applying these ratios to the new programs that have been proposed, the *Bulletin* estimates that if these proposals were fully in place today, they would require 20,000-30,000 new employees to carry them out. This range is comparable to two to three armored divisions of military troops.

- The *Bulletin* wonders: has a war of attrition been declared on the surplus?

TAXES ON OIL

- On September 21, candidate Gore publicly urged President Clinton to release some of the oil in the nation's Strategic Petroleum Reserve to increase the oil supply and stabilize oil prices. Gore also proposed a temporary tax credit for home heating oil companies so they can afford to build their inventories. This temporary credit, costing $600 million this year, would be 5 cents per barrel in October, 4 cents in November, and 3 cents in December.

- What other tax changes involving barrels of oil has candidate Gore proposed, and what is the net effect over ten years?

- The Gore-Lieberman economic plan contains multiple tax increases, which by footnote refer the reader to tables 14 and 16 of the Mid-Session Review (p. 181 and 184 of "Prosperity for America's Families, respectively).

- One tax increase endorsed by Gore is <u>reinstatement of the Oil Spill Liability Trust Fund excise tax</u>. This 5 cents per barrel of crude oil excise tax expired on December 31, 1994, and Gore would reinstate it immediately, increasing taxes by $2.5 billion over ten years.

- Revenues from the tax, as under past law, would be used to fund an insurance pool against potential environmental risks that arise from the transport of petroleum. Under past law, however, the tax did not apply when the unobligated balance in the trust fund exceeded $1 billion. Gore would change that threshold to $5 billion. The unobligated balance as of August 31, 2000 was $1.163 billion.

- There is no need, other than to increase the government's revenue, to reinstate this tax. Congressional authorizing committees have not notified the tax-writing committees of either a shortfall in the amounts required for currently authorized expenditures or of plans to expand or extend those authorizations.

- Another tax increase endorsed by Gore is <u>reinstatement of Hazardous Substance Superfund Trust Fund excise tax</u>. This 9.7 cents per barrel of crude oil excise tax expired on December 31, 1995, and Gore would reinstate it immediately, increasing taxes by $8.2 billion over ten years.

- The Superfund provides for certain environmental remediation expenses. The unappropriated balance (as of September 30, 1999) in the Superfund is $800 million.

- Most observers acknowledge that reimposition of Superfund taxes is a necessary complement to reauthorization and reform of the Superfund program. However, Gore would simply reinstate the tax, without any suggestion of reform.

- To wrap up: Gore would cut taxes on oil by $600 million, but he would raise them by $10.7 billion, for a net tax increase on oil of $10.1 billion. Better just lower the thermostat and put on a down jacket.

Gore Taxes on Oil

	Tax Change (cents/barrel)	10-yr Revenue Impact ($ in Billions)
Gore 3 month tax cut:	-4.0(avg.)	-0.6
Gore tax increase:		
Oil spill	+5.0	+2.5
Superfund	+9.7	+8.2
Gore net tax increase	cents/gal +10.7	+10.1

SOURCE: OMB Midsession Review, June 26, 2000. "Prosperity for America's Families", September 2000.