INFORMED BUDGETEER:

CONSERVING CAPS

- This week the Congress agreed to a new discretionary spending cap for Land Conservation, Preservation and Infrastructure Improvement in the Interior Appropriations Conference Report. This new cap will guarantee $10.4 billion in BA and $9.7 billion in outlays between 2002 and 2006 for the conservation and improvement of our national treasures.

- To establish the Conservation cap, the Interior appropriations bill amends the existing discretionary cap structure that was first established in 1990 in the Budget Enforcement Act. This cap structure, a series of amendments to the Balanced Budget and Emergency Deficit Control Act, sets limits on discretionary spending in several spending categories and provides for a sequestration (or across-the-board cuts) in the appropriate category if annual appropriations exceed the respective limits.

- Besides, the newly created conservation category, discretionary spending is currently split into an overall discretionary category, a highway category, and a mass transit category. Separate limits apply to budget authority and outlays in the overall discretionary category and the conservation category. The caps for the highway and mass transit categories exist only for outlays.

- The Conservation cap is designed to secure a portion of discretionary funds for programs that include the Land and Water Conservation Fund, Infrastructure Improvement programs, Urban Parks, Payment in Lieu of Taxes, and NOAA salmon recovery programs. The cap allows unused BA and outlays in the conservation category in any given year to be rolled over and used in the next year.

- What is the difference between this new discretionary cap and the Conservation and Reinvestment Act (CARA) that passed the House earlier this year? While most of the programs funded in the Conservation cap are the same as those in CARA, all spending under the Conservation cap is discretionary and subject to annual review. In contrast, CARA would create an entitlement program that would instead be subject to pay-as-you-go enforcement. The provisions in CARA would not require review until the bill's authorization expires in 2016.

WHO WILL PAY?

- Under current law, the federal government will collect more than $13 trillion in individual income taxes over the next ten years. Governor Bush has put forward a plan to reduce taxes across-the-board by $1.3 trillion over ten years.

- The table below shows the share of individual income taxes that various income levels will pay under current law and under the Bush plan.

Individual Income Taxes:
How Much Will Various Income Levels Pay?
($ in Billions, 2001-2010)

	Current Law		Bush	
	Amount	% of total	Amount	% of total
Top 1 percent	$4,321	33%	$3,971	34%
Top 10 percent	$8,234	63%	$7,379	63%
Top 50 percent	$12,470	96%	$11,240	96%
Bottom 50 percent	$555	4%	$492	4%

Source: JCT, CBO, and Senate Budget Committee staff calculations.

- The Bush tax plan is across-the-board relief. Taxpayers will pay about the same share of total individual income taxes under his plan as they will under CBO's baseline projections. The top one percent now pay 33 percent of all federal income taxes; under the Bush plan, the top one percent would pay 34 percent of the total.

- It is interesting to note that the top one percent of taxpayers, even under the Bush plan, will send nearly $4 trillion to Uncle Sam over the next ten years. This is enough to pay for 10-years' worth of national defense (under an inflated baseline), welfare, food stamps, child nutrition and State children's health insurance (SCHIP) combined.

Ten-Year Projection, Individual Income Tax Receipts
($ in billions, 2001-2010)

CBO Summer Baseline	$13,028
Bush Individual Income Tax Relief	-$1,295
Individual Income Tax Collections: Bush Plan	$11,733

Source: JCT, CBO, and Senate Budget Committee staff calculations.

RESPONSE TO THE VICE PRESIDENT

- During the televised presidential candidate debate last Tuesday, Governor Bush cited an SBC Majority Staff analysis of the Vice President's budget proposals. The Vice President responded that our report was just a "a partisan press release".

- The *Bulletin* takes strong exception with this statement. Chairman Domenici requested the study because there was no independent analysis of Gore's budget available, since the Vice President has never submitted any of his proposals for official scoring. The SBC 46 page report was researched and produced in a very thorough manner. SBC staff used the Administration's budget (as scored by CBO) as the starting point for the review, since the Vice President has not publicly disavowed any of these proposals.

- SBC staff then added staff estimates of the Vice President's new campaign promises, taking particular care to avoid any double count between campaign and Administration proposals. In order to calculate the cost of the new proposals, staff extrapolated from existing official cost estimates (CBO) where possible for similar proposals. Every new proposal was sourced to a specific Gore campaign document in the footnotes.

- Although our document was compiled before the release of Gore's "Prosperity for America's Families" budget document, this did not impede our analysis as nearly all the material in his budget was made publicly available earlier in the summer/fall. Indeed, as we review his budget document, our original estimates of his spending proposals appear conservative.

- The majority of outside analysts have agreed with our conclusion that the Gore campaign has understated the costs of its proposals. The *Bulletin* strongly encourage readers to take a look at our report and judge it for themselves. It can be found on our website at: http://www.senate.gov/~budget/republican/

- Also, during the televised debate last Thursday, Senator Lieberman claimed that CBO has scored Gore/Lieberman budget plan. For the record, this is false. CBO has prepared no such analysis.

STATE REVENUES: NO OCTOBER SURPRISE HERE
REVENUES KEEP ROLLING IN

- According to a report entitled "Can We Call It a 'Surprise' the Sixth Time It Happens?" published by the Nelson A. Rockefeller Institute of Government's Center for the Study of the States, state tax revenues continue to remain strong.

- Total state tax revenues between April and June 1999 and the same period this year grew at 11.4% or $14.1 billion-- the fastest rate for any quarter in the last ten years.

- The Far West again leads the rest of the country. Total tax revenues in Alaska, Hawaii, Nevada, Oregon, Washington and California grew by 24.3% or $6.0 billion.

• Revenue collected from personal taxes led the way, growing at 18.8%, almost $10 billion. Every state in the Union which has a personal income tax, with the exception of Indiana, Oregon, Delaware and Oklahoma, experienced an increase. It is important to note that the April-June time period is a valuable indicator of future revenue growth for states that depend heavily on the personal income tax, since April (or May in some states) is the month when taxpayers file their final returns.

• Sales tax collections grew 7.3% or $2.9 billion between April-June 1999 and April-June 2000. Again, almost every state (the lone stand out was North Dakota) which has a sales tax enjoyed a boost. In addition, sales taxes in the April-June 2000 quarter grew at 7.8% - the second highest growth since mid-1994.

• Corporate income tax collections made a respectable showing as well. They grew by from $10.8 billion to $11.2 billion. This represents a 4.2% increase.

• For the seventh consecutive year states will have enacted net tax cuts. States have cut an array of taxes, including the personal income tax, business and sales tax as well as property taxes. It is expected that the Rockefeller Center will cover all the significant tax changes enacted this year in a future report.

• Voters in several states will have the opportunity to vote on initiatives which could make additional significant tax changes. For example, residents of Montana and South Dakota will vote on a referendum which would eliminate the inheritance tax. Residents in Louisiana will vote on eliminating the sales tax on food and utilities, and voters in Oregon will get to consider an initiative which would allow the full deduction of federal income taxes from the state's income taxes.

THE CPI REVISION

• On September 28, Commissioner Catherine Abraham announced that Bureau of Labor Statistics (BLS) would revise the US City Average All Items Consumer Price Index (CPI-U) for the first eight months of this year upward from 2.6% to 2.7%. Although some of the months in 1999 were also affected by the error, the difference between the original and revised values are lower than the threshold required by BLS guidelines for republication.

• Over the last 10 years, seven small revisions have been made to sub-components of the index. However this is the first time since 1974 that BLS has had to release a revision for the CPI-U.

• The error stemmed from BLS's process of quality adjusting the price of a good - so-called hedonic adjustments. In this case, the problem arose with central air-conditioning in homes and rental units. BLS correctly made quality adjustments when dwellings acquired air conditioning, but incorrectly made an adjustment when A/C was removed as well. This software glitch resulted in an understatement of inflation in the housing sector.

• In addition to the software problem it now appears that an underlying reporting problem also exists. Many respondents who reported a change in the status of their central AC in a given month subsequently reversed their answer in future periods. Until this problem is resolved, BLS will not make any adjustment to rental prices for air conditioning.

• So what is affected by the CPI revision? A small change will also have to be made to the Personal Consumption Expenditure (PCE) price index since BLS data is incorporated in its calculation. The correction should be relatively small in comparison since housing accounts for only 10% of the entire index as opposed to 30% for CPI. The 2001 individual income tax parameters will also need to be adjusted. (See next *Bulletin* item) In addition, the Social Security COLA that will take effect on January 2001 will reflect the revision with an increase of 0.1%.

TAX BRACKETS FOR 2001

• The Consumer Price Index revision has resulted in slight revisions to the 2001 income tax parameters reported in the 9/25 *Bulletin*.
• The personal exemption amount will increase $100, from $2,800 in 2000 to $2,900 in 2001. The standard deduction for individuals will increase $150 to $4,550 and the standard deduction for couples will jump $250 to $7,600 in 2001. A taxable income of $297,300 will place you in the top marginal tax bracket of 39.6% in 2001.

2001 TAX PARAMETERS			
Personal Exemption $2,900			
SINGLE: Rate Brackets			
Taxable Income	Rate %	Standard Deduction	
$0-$27,050	15.0	Regular	$4,550
$27,050-$65,500	28.0	Elderly/Blind	$1,100
$65,500-$136,750	31.0		
$136,750-$297,300	36.0	Exemption Phase-out	$132,950
$297,300 & Over	39.6	Itemized Phase-out	$132,950
JOINT: Rate Brackets			
Taxable Income	Rate%	Standard Deduction	
$0-$45,200	15.0	Regular	$7,600
$45,200-$109,250	28.0	Elderly/Blind (Each)	$900
$109,250-$166,450	31.0		
$166,450-$297,300	36.0	Exemption Phase-out	$199,450
$297,300 & over	39.6	Itemized Phase-out	$132,950

• The maximum Earned Income Credit (EIC) for families with one child will be $2,424 in 2001 -- $71 more than in 2000. The maximum credit for two or more children will rise by $120 in 2001, from $3,888 to $4,008.

• With one child, the EIC is completely phased out at $28,260 in 2001(compared to $27,413 in 2000). With two or more children the EIC is completely phased out at $32,121 in 2001 (compared to $31,152 in 2000).

EARNED INCOME CREDIT			
Type of Return	Maximum Eligible Earning	Maximum Credit	Phase-out point
Childless	$4,760	$364	$10,710
One Child	$7,130	$2,424	$28,260
Two or more	$10,020	$4,008	$32,121

BUDGET QUIZ

Question: This question is asked on behalf of the National Governor's Association staff. No 2001 appropriations bills were enacted in September 2000. How many times have there been no -- zero -- appropriation bills enacted in the month of September, the month before the beginning of the new fiscal year?

Answer: For the last 23 years, 6 times:
101st Congress Second Session (1990)
100th Congress First Session (1987)
99th Congress Second Session (1986)
99th Congress First Session (1985)
98th Congress Second Session (1984)
97th Congress First Session (1981)

STAFF NEWS

The *Bulletin* would like to extend its best wishes to Gary and Anne Katherine Ziehe as they head west. Anne Kathryn will work for Senator Domenici in the Las Cruces office while Gary will be starting a new position with the New Mexico Department of Agriculture. Congratulations, SBC will miss you !

Also, a belated birth announcement: Congratulations to Rachel and Paul Forward on the birth of their second son, Adam.