

## INFORMED BUDGETEER

## WRAPPING UP APPROPRIATIONS WITH A BOW

- With Senate action on the regular FY 2002 Defense Appropriations bill, the final outlines of the FY2002 appropriations are becoming clearer. The table below summarizes the current status of 2002 appropriations (a \$20 billion supplemental to fulfill the \$40 billion in promised funds to respond to terrorism is discussed in the following section).

Final 2001 Appropriations v. 2002 Senate Current Status (\$ in Millions)						
Subcommittee	Enacted 2001 <sup>a</sup>		Senate 2002		% Chg	
	BA	OT	BA	OT	BA	OT
Ag	15,761	15,263	16,018	16,282	1.6	6.7
CJS						
general	38,575	37,377	38,218	38,484	-0.9	3.0
conservation	0	0	438	363	-	-
Defense <sup>b</sup>	287,358	281,534	317,219	309,412	10.4	9.9
DC	445	430	408	418	-8.3	-2.8
Energy-Wtr	23,577	22,842	24,596	24,770	4.3	8.4
Foreign Ops	14,885	15,469	15,524	15,138	4.3	-2.1
Interior						
general	18,913	16,269	17,800	16,988	-5.9	4.4
conservation	0	0	1,320	1,029	-	-
<i>emergency<sup>c</sup></i>	0	0	400	289	-	-
Labor-HHS						
general	109,385	96,569	123,370	107,749	12.8	11.6
<i>emergency<sup>c</sup></i>	0	0	300	75	-	-
Leg. Branch	2,650	2,550	2,974	2,941	12.2	15.3
Mil-Con	8,959	8,536	10,500	9,190	17.2	7.7
Transport.						
general	17,059	16,144	15,300	18,980	-10.3	17.6
highway	0	27,711	0	28,489	-	2.8
mass transit <sup>d</sup>	0	5,016	0	5,275	-	5.2
Treasury P.	15,809	15,381	17,069	16,256	8.0	5.7
VA-HUD						
general	80,577	84,860	85,434	88,463	6.0	4.2
<i>emergency<sup>c</sup></i>	0	0	1,500	0	-	-
<b>Total</b>	<b>633,953</b>	<b>645,951</b>	<b>686,188</b>	<b>700,227</b>	<b>8.2</b>	<b>8.4</b>
general	633,953	613,224	684,430	665,071	8.0	8.5
highway	0	27,711	0	28,489	-	2.8
mass transit	0	5,016	0	5,275	-	5.2
conservation	0	0	1,758	1,392	-	-
<i>emergency<sup>c</sup></i>	0	0	2,200	364	-	-

Source: SBC Republican staff based on CBO estimates

a/ The 2001 levels are CBO's August baseline, and do not include the funding in the 2001 supplemental (HR. 2216/PL 107-20)

b/ Does not include the effects of the 2002 emergency supplemental appropriations contained in Division B of the bill

c/ Emergency items in italics do not add to totals

d/ This figure does not include \$1.255 billion in mass transit BA for 2001 or \$1.348 billion in mass transit BA for 2002

- The Senate-passed Defense Appropriations bill includes language to adjust the FY 2002 statutory spending caps. The cap for regular appropriations would be set at \$686 billion for BA (with a "budget authority allowance" of 0.2%) and \$707 billion for outlays.
- The current status of Senate-reported or enacted appropriations shows spending authority – \$686.2 billion – slightly above the negotiated new cap, but still within the "floating cap" when using the "surprise" budget authority allowance. Current status outlays are estimated at \$700.2 billion.
- Beginning just over nine months ago, the President's FY 2002 budget proposed a 4 % increase in discretionary spending -- from about \$634 billion in FY 2001 to \$661 billion this fiscal year. Current status of FY 2002 appropriation bills anticipate at a minimum – not counting the emergency supplemental spending package – an 8.2 % increase in spending for FY 2002.

SENATE PASSES 2<sup>ND</sup> \$20 BILLION FOR  
EMERGENCY RESPONSE FUND

- Setting up a difficult negotiation with the White House on one of the last appropriations bills, late Friday night (December 7), the Senate adopted by voice vote a "bipartisan" rewrite of the President's proposed \$20 billion emergency supplemental package requiring congressional appropriations action pursuant to P.L. 107-38.
- This action scaled a \$35 billion package reported by the Senate Appropriations Committee down to the \$20 billion level requested by the President to respond to the September 11th terrorist attacks and homeland security requirements.
- The final Byrd-Inouye-Stevens emergency package reduced the President's request for the Department of Defense by 70 percent (from \$7.35 billion to \$2.0 billion) in order to add funding for New York, Virginia and other jurisdictions affected by the terrorist attacks and to add bioterrorism funding to the bill.

HR. 3338 Defense Appropriations Bill Division B - Emergency Response Fund Supplemental (BA \$ in Millions)					
Agency	Pres 2002 Proposal	House 2002	Senate 2002	Senate less Pres.	Sen. less House
Dept. of Defense	7,349	7,348	2,000	-5,349	-5,348
FEMA	5,500	4,410	6,134	634	1,724
Dept. of Labor	2,013	220	220	-1,793	0
Dept. of HHS	1,595	2,118	2,865	1,270	747
Dept. of Justice	1,112	1,529	2,103	991	575
Dept. of Trans.	734	734	1,290	557	557
Dept. of Treas.	315	485	500	185	15
GSA	201	87	127	-74	39
SBA	150	140	150	0	10
Corps of Engineer	139	139	139	0	0
Dept. of Energy	118	118	369	251	251
Nuke Reg. Com.	0	0	36	36	36
NASA	93	121	93	0	-27
Dept. of Interior	86	90	90	4	0
EPA	76	161	126	50	-35
Office of Pres.	50	0	50	0	50
Dept. of Ag	45	45	437	392	392
Dept. Com.	27	20	31	4	10
Dept. of Edu.	10	10	10	0	0
HUD	0	1,825	2,000	2,000	175
Postal Service	0	0	600	600	600
Other	101	114	280	179	166
Legislative Br.	256	256	256	0	0
Judicial Br.	32	32	95	64	64
<b>TOTAL</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>	<b>0</b>	<b>0</b>
Defense	7,467	7,466	2,369	-5,098	-5,097
Nondefense	12,533	12,534	17,631	5,098	5,097
Money for NY	5,620	6,951	9,519	3,899	2,568

Source: Senate Budget Committee, Republican Staff

- In addition to the \$2 billion for DOD, \$369 million is provided for Department of Energy defense-related lab and facility security and nuclear nonproliferation programs, an increase of \$251 million above the request – for a total defense allocation of \$2.369 billion.
- The Senate bill allocates an estimated \$9.5 billion for assistance to New York, Virginia, the District of Columbia (DC), New Jersey, and Maryland.
- Most of the \$9.5 billion funding is for NY, including FEMA disaster relief at \$5.8 billion. Another \$2 billion in Community Development Block Grant funding and \$150 million in new small business disaster loans to help New York.
- Approximately \$385 million is approved for transportation security, highway repairs, and expanded ferry service for New York and New Jersey. Additional funding goes to job training and worker compensation (\$233 million), reimbursing hospitals for care following the attacks (\$140 million), operating federal agencies

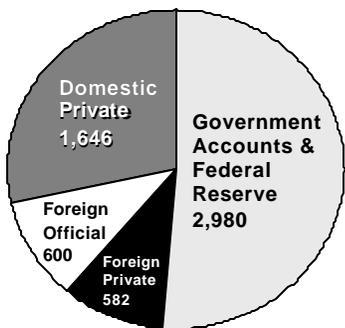
displaced by the attacks (\$200 million), reimbursing local law enforcement agencies responding to the attacks (\$220 million), and national monuments security (\$86 million).

- For DC, \$200 million is provided for improved security, including the Washington Metro system.
- The Senate-passed bill now allocates another \$8.5 billion for homeland defense purposes (i.e. \$20b - \$9.5b(NY) - \$2.0b(DoD) = \$8.5b). The Senate bill is \$1.1 billion above the President for the Department of Health and Human Services, providing \$2.6 billion for bioterrorism initiatives. The largest amount goes to upgrading state and local public health and hospital infrastructure to respond to bioterrorist attacks (\$1.1 billion).
- Another \$525 million is provided to Department of Agriculture agencies and the Food and Drug Administration for food safety and bioterrorism.
- Law enforcement agencies receive \$1.7 billion, with \$400 million not requested by the President for counterterrorism assistance to state and local governments. Additional aviation security funding is provided at \$530 million. Border and port security funding totals \$759 million.
- As did the House, the Senate does not provide the full \$2 billion requested by the President for national emergency grants to provide continuing health care coverage.
- The Senate bill also provides \$600 million to assist the U.S. Postal Service in acquiring equipment to screen mail for biological and chemical threats, such as anthrax. These funds are not in the President's request or in the House-passed bill.

#### DEBT LIMIT - IT'S BAAACK

- Nearly four-and-a-half years ago, in August 1997, Congress increased the statutory debt limit from \$5.5 trillion to \$5.95 trillion. The debt limit increase was included in a budget reconciliation bill, as instructed by the FY 1998 Budget Resolution Conference Agreement.
- As of the end of Fiscal Year 2001, total public debt outstanding was \$5.8 trillion (about \$75 billion of which was not subject to the debt limit). Of the \$5.8 trillion, almost \$3 trillion (51%) was held in intragovernmental accounts – such as the social security trust fund

**Ownership of Public Debt**  
(\$ in Billions)



– or by the Federal Reserve. The remaining \$2.8 trillion is the privately-held debt. Of that, about \$1.2 trillion (42%) is owned by foreign governments, foreign companies, and foreign individuals. That leaves \$1.6 trillion owned by US private individuals and companies.

- Based on budget projections made in 1997, the \$5.95 trillion debt limit was expected to be sufficient to fund the government through mid-year 2000. Here we are at the brink of calendar 2002, still about \$150 billion under the ceiling set in 1997.
- CBO's latest projections (August 2001) show us hitting the debt limit in 2003. However, the August debt projections were based on forecasts of a unified surplus of \$153 billion in 2001 and \$176 billion in 2002. The actual 2001 surplus was \$127 billion, \$26 billion less than projected in August.
- The 2002 unified budget will likely be near balance if we don't enact a stimulus package. If Railroad Retirement is enacted, it won't affect the deficit or surplus (because of directed scorekeeping), but it will increase the debt by \$15.6 billion in 2002. And, if we do enact a stimulus package, there will likely be a double-digit deficit in 2002.
- All told, we won't be hitting the debt limit in 2003. We will be hitting it much sooner; it's just around the corner. In fact, Secretary of Treasury O'Neill sent a letter to Congress on December 11 requesting an increase in the debt ceiling to \$6.7 trillion.

#### BUDGET QUIZ

**Question:** What is the Feed and Forage Act and why was it discussed on the floor of the Senate last week?

**Answer:** Educated-guessing budgeteers – if they are like most of us here at the *Bulletin*, not knowing much at all about the Feed and Forage Act – could be forgiven for surmising that this law came up in context of the discussion of the Farm Bill last week. Alas, that would not be quite right. Rather, Senator Stevens explained the Act during debate on December 6 regarding Senator Byrd's \$35 billion supplemental proposal for homeland security attached to the Defense Appropriations bill for 2002, as follows:

There is an old act that allows the President of the United States to spend money to pursue conduct of a war or when there are troops deployed... This President has not used the Feed and Forage Act yet, but he could use any of the money in this Act to achieve the goals Senator Byrd would achieve with \$15 billion and come to us later and say, we want the money.

Senator Stevens is correct that it is an old act, dating back to 1861. In short, the law allows the Department of Defense, for certain purposes usually related to conflict situations, to obligate funds without an appropriation (i.e., without regard to the Anti-Deficiency Act). The law (41 USC 11) currently states that:

a) No contract or purchase on behalf of the United States shall be made, unless the same is authorized by law or is under an appropriation adequate to its fulfillment, except in the Department of Defense and in the Department of Transportation with respect to the Coast Guard when it is not operating as a service in the Navy, for clothing, subsistence, forage, fuel, quarters, transportation, or medical and hospital supplies, which, however, shall not exceed the necessities of the current year.

(b) The Secretary of Defense and the Secretary of Transportation with respect to the Coast Guard when it is not operating as a service in the Navy shall immediately advise the Congress of the exercise of the authority granted in subsection (a) of this section, and shall report quarterly on the estimated obligations incurred pursuant to the authority granted in subsection (a) of this section.

On September 21, 2001, Secretary of Defense Rumsfeld invoked these provisions to allow the possibility for DoD to obligate funds if needed in absence of sufficient appropriations to respond to the terrorist threats. To date, however, no commitments have been made using this authority. The last time this authority was invoked (but it was not used) was in 1996 to protect forces in Saudi Arabia after the attack on Khobar Towers. Presumably, Senators Byrd and Stevens are keeping the existence of this authority in mind as they have reduced the President's supplemental request for DoD (out of the 2<sup>nd</sup> \$20 billion) from \$7.4 billion to \$2 billion, in order to redirect funds to other activities that are not eligible for spending under the authority of the Feed and Forage Act.