

INFORMED BUDGETEER

EVOLUTION OF THE JOB CREATION AND WORKER ASSISTANCE ACT OF 2002

- Following 6 months of evolution, the Job Creation and Worker Assistance Act of 2002 finally came together in a flurry of activity. The House passed the bill on March 7, the Senate passed it on March 8, and the President signed it on March 9 (P.L. 107-147). The *Bulletin* reviews the changing shape of this bill from its origins.
- Last October, the House passed an economic stimulus bill that was heavily weighted toward individual and business tax relief. The bill included accelerated individual income tax rate reductions and a reduction in the capital gains tax. About 1/3 of the total cost of the bill in the first year consisted of direct spending, in the form of refundable credits for corporate alternative minimum tax (AMT) payments. Over ten years, the bill cost \$162 billion. Including debt service, the original H.R. 3090 would have reduced the surplus by \$268 billion over ten years (2002-2011).
- The Senate Finance Committee reported a bill in November that was much more heavily weighted toward new spending, which included billions for health insurance and Medicaid, unemployment insurance, agricultural assistance, and a supplemental rebate. Senator Byrd was also pushing to add \$10 to \$15 billion to the bill for additional spending for homeland security. Temporary tax relief for business and to rebuild New York City was also included. Over ten years, the bill cost \$86 billion, 83 percent of which was new spending. Including debt service, the bill would have reduced the surplus by \$138 billion over ten years.
- The President's budget, issued February 4, also included tax cuts and new spending for a re-named economic security package. His plan was weighted about 2/3-1/3 tax cuts vs. new spending. He supported individual rate reductions, a supplemental rebate, business depreciation allowances and expensing, and tax incentives for rebuilding New York City, among other provisions.
- The President also supported an extension of unemployment insurance benefits and health care assistance for displaced workers. Over the ten years 2002-2011, the President's plan cost \$145 billion; with debt service, the plan would have reduced the surplus by \$249 billion over ten years.

- The final version of H.R. 3090 contains no individual tax relief and no provisions regarding health. It does include generous business tax relief, tax incentives for rebuilding New York City, extension of provisions that expired in 2001, and a small amount of new spending for an extension of unemployment insurance.
- Over ten years, the final bill costs \$47 billion. Including debt service, the bill reduces the surplus by \$100 billion over the 2002-2011 period.

VIEWS AND ESTIMATES II

- Under the Congressional Budget Act of 1974, Congressional committees are required, within 6 weeks of the President's budget submission, to review that budget and submit to the Budget Committees their "views & estimates" on appropriate spending or revenue levels for programs within their jurisdiction. The following summarizes additional letters received by Chairman Conrad and Ranking Member Domenici. Please refer to last week's *Bulletin* (March 11) for the letters that have already been summarized.

AGRICULTURE

The House and Senate Agriculture conference committee is currently working to finalize a new multi-year farm bill to replace the expiring one. In the Senate Agriculture Committee, the Chairman and Ranking Member have differing views on both the farm policy and the commodity support budget, but they write jointly to address a few areas where they have substantial agreement. For example, they express concern about the Administration's proposal to charge fees on futures transactions.

On the discretionary front, the Committee notes several important items are funded through the appropriation process. Included in their funding priorities are rural economic development, competitive formula funding for agricultural research, biomass and other renewable energy research, conservation, food aid, nutrition and bioterrorism.

ENERGY AND NATURAL RESOURCES

In a brief letter the Chairman and Ranking Member request that the Budget Committee take into account the comprehensive energy legislation that is currently being debated on the Senate floor when writing this year's budget resolution. In addition, the Committee foresees the need for significant budget resources to address the development of the nuclear waste repository at Yucca Mountain that the President has recommended.

The Committee continues to support full funding of programs in the Conservation spending category, as well as full funding for payment to states in lieu of taxes. The Committee will likely consider legislation to increase the borrowing authority of Bonneville Power Administration.

GOVERNMENTAL AFFAIRS

Writing without Ranking Member Thompson, Chairman Lieberman supports the Administration's proposal to increase funding for homeland defense items (i.e., first responders, bioterrorism) by almost \$20 billion in 2003. The Chairman also supports the Administration's initiative to reduce improper payments by federal agencies (estimated at \$20 billion a year).

Chairman Lieberman endorses pay parity between military and federal civilian employees. The Administration's budget would increase military pay by 4.1 percent and civilian pay by only 2.6 percent. The Chairman finds the Administration's proposal to begin charging agencies for the full retirement and health benefits

Evolution of Economic Security Package (\$ in Billions)								
Major Elements	House Passed ^a		Senate Finance		President's Budget		Final Outcome	
	2002	10yr ^b	2002	10yr ^b	2002	10yr ^b	2002	10yr ^b
Individual Relief	30	86	14	14	27	74	-	-
Business Relief	70	70	20	2	47	53	44	34
New York	-	-	2	5	1	5	1	5
Unemployment Ins.	1	-	14	19	8	-1	9	3
Health	1	3	12	16	9	22	-	-
Misc. & Technical ^c	-	2	15	28	2	3	-2	4
Summary								
Tax Relief	70	128	23	15	62	109	43	35
Spending	<u>32</u>	<u>34</u>	<u>54</u>	<u>71</u>	<u>27</u>	<u>36</u>	<u>8</u>	<u>12</u>
Subtotal	101	162	77	86	89	145	51	47
Debt Service	1	106	1	52	1	104	1	53
Total Effect on Surplus^d	103	268	78	138	90	249	52	100

Source: JCT and SBC estimates

a/ Passed House 10/24/01.

b/ 10 year period is 2002-2011.

c/ Senate Finance bill included \$10 billion in 2002 and \$15 billion over 10 years for homeland security, and \$3 billion in 2002 and \$5 billion over 10 years for agriculture.

d/ President's budget included \$145 billion over the period 2002-2011 for economic stimulus, which is \$11 billion less than the cost of the policies the White House said it supports for stimulus.

of their employees “troubling.” The Chairman fears that showing the true cost of an agency’s workforce could result in a squeeze on agencies’ discretionary accounts, but does not explain the basis for his fear.

INDIAN AFFAIRS

The Chairman and Ranking member together express concern about the unmet needs of Native American communities. The Committee is pleased to support many initiatives in the President’s request such as law enforcement activities, agricultural needs, energy concerns, and Indian school construction. The Committee, however, does express its concerns regarding Indian Trust management, funding for the Indian Health Service, and several educational programs. The Committee also cites the need for additional funding for Native American housing, economic development, transportation project backlogs and environmental protection.

JUDICIARY

Writing without Ranking member Hatch, Chairman Leahy seeks full funding for many of the COPS programs including the Universal Hiring program, the COPS in schools program, and the COPS technology program. He also seeks full funding for State and Local Law Enforcement Block Grants. The Chairman also supports an increase for the Bulletproof Vest Partnership Grant Program. The letter expresses support for renewed funds to further litigate the United States’ case against the tobacco industry as well as increased spending on border security. It also supports funding for a new computer cybercrime enforcement grant and to eliminate the state DNA backlog.

Finally, the Chairman advocates large increases for the Civil Rights Division of the Department of Justice. This funding would add positions to prosecute hate crimes, the victimization of migrant workers, eliminate discrimination against disabled persons, and protect voting rights.

VETERANS’ AFFAIRS

Writing jointly, the Chairman and Ranking Member state that medical care should be increased by \$2.1 billion over the level provided for 2002. The Committee also expects the Department of Veterans Affairs (VA) to improve the insurance collections by another \$400 million. They suggest the VA could reach this goal by consolidating collections or private sector contracting. The Committee is opposed to the VA’s proposed \$1500 deductible on higher income veterans and priority 7 enrollees with injuries that are not connected to service.

The Committee supports the VA’s requests for cemetery construction as well as the major and minor construction accounts. They support the President’s proposed \$1.4 billion increase for the general operating expenses account of the Veterans Benefit Administration. The Committee further recommends \$118 million to address the needs of the VA’s fourth mission -- serving as a back up to the Defense Department in times of war and supporting communities in times of major disasters.

For mandatory programs, the Committee supports the current budget request of \$29.6 billion and the extension of an expiring provision that allows the VA to verify income levels on means-tested benefits with the IRS. In addition to the President’s request, the Committee asks for an increase of \$250 million in 2003 to increase the monthly benefits of the Survivors’ and Dependents Education Assistance to bring them closer to the Montgomery GI Bill monthly education benefits.

BUDGET QUIZ

Question: There have been many hints dropped over the past two weeks that the Chairman’s mark of a FY2003 budget resolution (to be marked up in the Senate Budget Committee on March 20-21) would include a “trigger.” Budgeteers have wondered – what’s a budget resolution “trigger”?

Answer: Now we may have some idea. During the budget resolution markup by the House Budget Committee last week, Rep. Moran and others offered an amendment with a heading of “Trigger to Protect the Social Security Trust Fund Surplus” that contradicts its section title – “Circuit Breaker for Deficit Reduction.” Its text reads as follows:

(a) Effective January 1,2003, if the Congressional Budget Office's January Budget and Economic Outlook for any fiscal year projects an on-budget deficit (excluding Social Security) for the budget year or any subsequent fiscal year covered by those projections, then the concurrent resolution on the budget for the budget year shall reduce on-budget deficits relative to CBO's projections and put the budget on a path to achieve balance within five years, and shall include such provisions as are necessary to facilitate deficit reduction.

(b) Point of Order. -In any fiscal year in which the Congressional Budget Office's January Budget and Economic Outlook for any fiscal year projects an on-budget deficit for the budget year or any subsequent fiscal year covered by those projections, it shall not be in order in the Senate to consider a concurrent resolution on the budget for the budget year or any conference report thereon that fails to reduce on-budget deficits relative to CBO's projections and put the budget on a path to achieve balance within five years.

(c) In any fiscal year in which the Congressional Budget Office's January Budget and Economic Outlook for any fiscal year projects an on-budget deficit for the budget year or any subsequent fiscal year covered by those projections, it shall not be in order in the Senate to consider an amendment to a concurrent resolution on the budget that would increase on-budget deficits relative to the concurrent resolution on the budget in any fiscal year or cause the budget to fail to achieve balance within five years.

(d) Suspension of Requirement During War or Low Economic Growth. -

(1) If the most recent of the Department of Commerce's advance, preliminary, or final reports of actual real economic growth indicate that the rate of real economic growth (as measured by real GDP) for each of the most recently reported quarter and the immediately preceding quarter is less than 1 percent, this section is suspended.

(2) If a declaration of war is in effect, this section is suspended.

In essence, the sponsors of the amendment are acknowledging that they can’t be bothered to put together and offer a budget plan that achieves a balanced budget (not including social security) within the next five years, but they have no problem passing off a fiscal situation, which they are claiming vociferously is a problem, now to the next Congress one year hence.

This week will tell whether a trigger in the Senate will be different

than the proposed trigger (which failed in committee) in the House.

CALENDAR

March 20: Mark-up of the FY 2003 Senate Budget Resolution.
10:00 AM, SD-608.