



BUDGET BULLETIN



COMMITTEE ON THE BUDGET
Republican Staff

Judd Gregg, Ranking Member
202/224-0642 <http://budget.senate.gov/republican>

110th Congress, 1st Session: No. 7

November 15, 2007

INFORMED BUDGETEER

JEOPARDY-STYLE BUDGET QUIZ: 2008 APPROPRIATIONS

Answer: 23 (not 21, or 22, or 24)

Question: How many billions of dollars in additional budget authority do the 2008 appropriation bills in the House and Senate provide compared to the President's request?

Explanation: The answer – \$23 billion – is the straightforward result of a very simple calculation:

DISCRETIONARY BUDGET AUTHORITY FOR 2008 (\$ billions)			
	President's Request	Congressional Budget	Congress Exceeds Request by:
Regular	932.8	954.1	21.2
Advance Appropriations	23.2	25.2	2.0
Total			23.2

Source: CBO's Analysis of the President's Budget; 2008 Budget Resolution Conference Report (S. Con. Res. 21), NOTE: Details may not add to totals due to rounding.

The President's budget requested a net total of \$933 billion for all discretionary appropriations for 2008. The Congressional budget for 2008 instead provided for a net total of \$954 billion, and allowed for another \$2 billion in advance appropriations in 2009, thereby creating room for another \$2 billion in new appropriations in 2008. The total difference is about \$23 billion.

So why do some people insist on using a number such as \$22 billion (the most common variant)? Perhaps because the Statement of Administration Policy (SAP) that the White House has issued regarding the Labor-HHS appropriations bill stated the following:

...the Administration supports a responsible discretionary spending total of not more than \$933 billion in FY 2008, which is a \$60 billion increase over the FY 2007 enacted level. The Democratic Budget Resolution and subsequent spending allocations [*sic*] adopted by the Senate Appropriations Committee exceed the President's discretionary spending topline by \$22 billion, causing a 9 percent increase in FY 2008 discretionary spending. In addition, the Administration opposes the Senate Appropriations Committee's plan to shift \$3.5 billion from the Defense appropriations bill to non-defense spending, which is inconsistent with the Democrats' Budget Resolution and risks diminishing America's war fighting capacity. Finally, the bill circumvents spending limits by increasing advance appropriations by \$2 billion, which would bring the total discretionary spending increase to \$24 billion above the President's request.

<http://www.whitehouse.gov/omb/legislative/sap/110-1/s1710sap-s.pdf>

The SAP is arguing that the top line in Congressional appropriations is \$22 billion too high. Why? Because it takes the \$21 billion difference between Congress' \$954 billion and the President's \$933 billion (not including the \$2 billion in additional advance appropriations), and adds to it \$0.6 billion (rounds to \$1 billion) in emergency appropriations for 2008 that Congress enacted and *the President agreed to by signing into law* the 2007 supplemental appropriations bill in May 2007. Contrary to the claim in the SAP, this \$0.6 billion in emergency appropriations was not reflected in the Congressional budget resolution's 302(a) allocation to the Appropriations Committees or in the "subsequent [302(b)] spending allocations adopted by the Senate Appropriations Committee."

Bonus Question: On a percentage basis, how much more is Congress planning to spend compared to the President?

Wrong and/or Incomplete Answers or Answering a Different Question: Some in Congress have scoffed at the fuss over the difference of \$23 billion because it is less than one percent of the total amount the federal government will spend in 2008. Of course this is silly. Should Congress make public policy decisions by fashioning small percentages that trivialize important decisions about how much to spend on individual programs? Note that spending an additional \$23 billion in 2008 would increase the deficit by 15%, thereby increasing the amount the Treasury has to borrow.

On the other hand, the SAP says the Congressional amount for 2008 "caus[es] a 9 percent increase," but it does not say compared to what. It could be that the SAP's claim of a 9 percent increase compares the Congressional level proposed for 2008 to the total non-emergency appropriations enacted for 2007; if so, it is worth noting that the President's request by itself would "cause" a nominal 6.9 percent increase over 2007.

Another approach to mask the difference (between the President's request and the Congressional level) has been to shift the focus from comparing the two levels to each other to instead comparing them to the 2007 level of appropriations, adjusted for inflation (to reflect constant purchasing power). Some have argued that the additional \$23 billion proposed by Congress represents a real increase in non-defense or "domestic" appropriations of only 3.4 percent, 1.9 percent, or 1.4 percent. But these figures leave out crucial components of an apples-to-apples comparison.

Right Answers: Congress is not only adding \$23 billion on top of the President's request entirely for non-defense activities; it is also taking away \$3.5 billion that the President requested for defense purposes and is shifting that amount to non-defense activities (see table below). So in fact, Congressional appropriations for non-defense, non-homeland security activities in 2008 are at least 6.8 percent more than the President's request. If the \$3 billion in additional border security appropriations (which the Senate designated and passed as an emergency in the Homeland Security bill) are enacted, the Congressional increase relative to the president would amount to 7.5 percent.

CONGRESSIONAL INCREASE OVER PRESIDENT'S REQUEST FOR NON-DEFENSE SPENDING IN 2008		
	BA (\$ billions)	% Increase
President's Request ^a	395.9	
Congressional Increase	+23.2	
Congressional Underfunding of President's Defense Request & Shift to Non-Defense Funding	+3.5	
Subtotal - Increase in House and Senate	26.7	6.8%
Emergency Border \$\$ -- Senate Only	+3.0	
Subtotal - Increase in Senate Only	+29.7	7.5%

Source: SBC Minority Staff

a. CBO's Analysis of the President's Budget for 2008; reflects total BA request for 10 of 12 appropriation subcommittees (not including Defense and Homeland Security subcommittees), excluding the defense (function 050) component of the request.

What about the idea of comparing the Congressional level to the amounts enacted for 2007, adjusted for inflation? For the 11 subcommittees that appropriate funds that mostly go to non-defense activities, the President has requested \$470 billion.

But some point out, reasonably, that the only programs where the President has requested any significant real increases have been in homeland security and defense spending, so it is not fair to "charge" Congress for agreeing to fund these presidential priorities. So taking homeland security funding (i. e. all funding provided by the Homeland Security Appropriations bill) and other defense spending (all function 050) out of the President's request

for these 11 subcommittees leaves \$396 billion. To this amount, Congress has added \$26.8 billion, resulting in a total Congressional spending level of \$423 billion for these purposes (see table below).

PRESIDENT'S REQUEST & CONGRESSIONAL APPROPRIATIONS COMPARED TO CBO BASELINE (BA, \$ billions)				
	Defense Subcommittee	Homeland Security Subcommittee	All Other Subcommittees	Total
President's Request w/o Other Defense (050) ^a	463	34	436	933
			396	
Congressional Increase for Non-Defense Spending			23 ^b	23
Congressional Shift from Defense to Non-Defense	-4		4	--
Congressional Appropriations w/o Other Defense (050) ^c	459	34	463	956 ^b
			423	
CBO Baseline w/o Other Defense (050)	431	33	433	896
			401	
Real Decrease Proposed in President's Budget Compared to CBO Baseline			-1.2%	
Real Increase Proposed in Congressional Approps. Compared to CBO Baseline			5.5%	

Source: SBC Minority Staff based on CBO's Analysis of the President's Budget
NOTE: Details may not add to totals due to rounding.

- Besides the request of \$463 billion for Defense Appropriation bill, the President also requested another \$40 billion for other defense activities (function 050) spread across 5 of these 10 mostly non-defense bills. This line shows the request for those 10 bills without the defense amounts.
- Reflects \$2 billion in advance appropriations Congress is providing above President's request.
- Reflects House and Senate 302(b) allocations, except for Homeland Security. Congress may increase homeland security funding above the President's request, but any such increase will be funded out of the total \$27 billion Congressional increase for non-defense.

The CBO baseline takes the 2007 enacted level of appropriations and adjusts it for inflation to show what it would take in 2008 dollars to preserve the purchasing power of those programs as funded in 2007. For non-defense, non-homeland security spending, the CBO baseline is \$401 billion (this figure reflects an adjustment for about \$6.6 billion in changes, or reductions, in mandatory programs that appropriators are using in the 2008 bills to make room for more discretionary spending under their allocation. This adjustment must apply to both sides of the comparison – the baseline side and the 2008-appropriation-bill side – to get the correct measure of the amount of real increase in resources that the 2008 Congressional appropriations seek to provide over baseline levels).

For these non-defense, non-homeland security accounts, Congress proposes to appropriate \$423 billion, compared to the CBO baseline level of \$401 billion. This translates to a real increase of 5.5 percent. This part of government would grow by more than 5 percent just in one year – 2008. And because the Congressional majority cannot seem to contemplate ever reducing any spending once it is initiated (since they are currently arguing that the 2008 level cannot be less than the 2007 level), it certainly appears to be their intention to sustain this proposed 2008 increase into subsequent years, ultimately costing more than \$300 billion (including interest) over the next 10 years (the usual time period by which Congress evaluates budgetary effects) – not a trivial budgetary effect.

DEFICIT FALLS IN 2007

- Last month, the Treasury Department released the final Monthly Treasury Statement for fiscal year 2007. As shown in the table below (by budget function), total outlays were \$2.7 trillion while receipts totaled \$2.6 trillion, resulting in a deficit of \$162 billion.

- Receipts grew \$161 billion (7%) from 2006, with a \$120 billion (11%) increase in personal income tax and a \$16 billion (5%) increase in corporate income taxes.
- Spending increased \$76 billion (3%) over 2006 levels. National defense outlays grew by \$38 billion, a 7% increase.
- As the “baby boom” generation prepares for retirement, Social Security outlays totaled \$586 billion, up 7%, while Social Security receipts totaled \$824 billion, for only a 4% increase over receipts in 2006.
- Health care spending experienced notable growth. Medicare outlays were \$375 billion, a 14% increase over 2006 outlays. Other health spending grew 5%, up \$14 billion.

COMPARISON OF 2006 AND 2007 ACTUALS (\$ in billions)				
	2006	2007	\$ Change	% Change
Receipts:				
Individual income taxes	1,043.9	1,163.5	119.6	11%
Corporation income tax	353.9	370.2	16.3	5%
Social insurance and general retirement				
Employment and general retirement	790.0	824.3	34.3	4%
Unemployment insurance	43.4	41.1	-2.3	-5%
Other retirement	4.4	4.3	-0.1	-1%
Excise Taxes	74.0	65.1	-8.9	-12%
Estate and gift taxes	27.9	26.0	-1.9	-7%
Customs duties	24.8	26.0	1.2	5%
Miscellaneous receipts	44.4	47.2	2.8	6%
Total receipts	2,406.7	2,567.7	161.0	7%
Outlays by budget function				
National defense	521.8	560.0	38.2	7%
International affairs	29.5	28.6	-0.9	-3%
General Science, Space, And Technology	23.6	21.0	-2.6	-11%
Energy	0.8	-0.9	-1.7	-220%
Natural Resources and environment	33.1	31.7	-1.4	-4%
Agriculture	26.0	19.6	-6.4	-25%
Commerce and Housing Credit	6.0	0.4	-5.6	-93%
Transportation	70.2	73.0	2.8	4%
Community and regional development	54.5	28.6	-25.9	-48%
Education, training, employment & social services	118.3	89.7	-28.6	-24%
Health	252.7	266.3	13.6	5%
Medicare	329.9	375.4	45.5	14%
Income security	352.5	367.4	14.9	4%
Social Security	548.5	586.2	37.7	7%
Veterans Benefits and services	69.8	72.8	3.0	4%
Administration of justice	41.0	37.3	-3.7	-9%
General government	18.2	17.8	-0.4	-2%
Net interest	226.6	237.9	11.3	5%
Undistributed offsetting receipts	-68.3	-82.2	-14.0	20%
Total outlays	2,654.9	2,730.5	75.6	3%
Deficit	-248.2	-162.8	85.4	-34%

Source: U.S. Treasury, Monthly Treasury Statement, September 2007
<http://www.fms.treas.gov/mts/mis0907.pdf>

NOTE: Details may not add to totals due to rounding.

TAX GAP UPDATE-3 STEPS BACK

H.R. 3996 (Temporary Tax Relief Act of 2007) was passed by the House on November 9. This bill, which carries the one-year AMT patch for tax year 2007, includes three provisions that will make it harder to reduce the tax gap. Two provisions had already been passed by the House and were discussed in the October 29, 2007 *Budget Bulletin*: the repeal of IRS' ability to hire private debt collectors and a one-year delay in the implementation of government withholding. A third, new provision would limit to three years the time that IRS has to audit individuals living part of the year in the U.S. Virgin Islands. If the provision is enacted, pending audits involving returns filed before October 22, 2004 will be terminated. JCT estimates the provision would result in a \$38 million revenue loss (over ten years).