Senate Budget Committee Republican Staff
BUDGET BULLETIN
A WEEKLY BULLETIN PRODUCED WHEN THE SENATE IS IN SESSION.
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# INFORMED BUDGETEER

## FISCAL YEAR 2005 BUDGET RESOLUTION
### House – Senate Comparison

**TOTAL OUTLAYS**
**(trillions of dollars)**

| | House | Senate |
|---|---|---|
| **2005** | 2.406 | 2.367 |
| **2005-2009** | 13.048 | 12.932 |

**TOTAL REVENUES**
**(trillions of dollars)**

| | House | Senate |
|---|---|---|
| **2005** | 2.030 | 2.026 |
| **2005-2009** | 11.691 | 11.698 |

**DEFICITS**

| **House** | |
|---|---|
| Cuts deficit in half… | |
| $477 billion in 2004 | $235 billion in 2008 |

| **Senate** | |
|---|---|
| Cuts deficit in half… | |
| $477 billion in 2004 | $226 billion in 2007 |

**DISCRETIONARY BUDGET AUTHORITY**
**(billions of dollars)**

| FY2005 | House | Senate |
|---|---|---|
| Defense | 420.595 | 420.794 |
| Homeland Security | 28.506 | 28.649 |
| Other Discretionary | 369.635 | 367.335 |
| **SUBTOTAL** | **818.736** | **816.778** |
| Bioshield | 2.528 | 2.528 |
| **SUBTOTAL** | **821.264** | **819.306**/a |
| Iraq reserve | 50.000 | 30.000 |
| **TOTAL** | **871.264** | **849.306** |

/a Senate Discretionary spending cap is $821.161

**MANDATORY OUTLAYS**
**(billions of dollars)**

| | House | Senate |
|---|---|---|
| **2005** | 1,479 | 1,475 |
| **2005-2009** | 8,430 | 8,404 |

**REVENUE ASSUMPTIONS**
**(billions of dollars)**

| | House | Senate |
|---|---|---|
| Family tax relief | 77.142 | 77.142 |
| Other expiring provisions | 42.215 | 22.719 |
| Death tax repeal acceleration | | 3.500 |
| AMT | | 23.115 |
| All other tax relief | 8.219 | 12.160 |
| TAX RELIEF | 127.576 | 138.636 |
| Tax-related outlays | 18.223 | /b |
| **TOTAL** | **145.799** | **138.636** |

/b Senate reconciled $2 billion in tax-related outlays.

**RECONCILIATION SUMMARY**
**(billions of dollars)**

| Revenues | House | Senate |
|---|---|---|
| Family tax relief | 77.142 | 77.142 |
| Other expiring provisions | 42.215 | 22.719 |
| Death tax repeal acceleration | | 3.500 |
| Tax-related outlays | 18.223 | 2.000 |
| **TOTAL** | **137.580** | **82.642** |

| **Debt Limit** | |
|---|---|
| House: | No provision |
| Senate: | $667 billion reconciliation instruction |

| **Savings** | **2005 – 2009** |
|---|---|
| House deficit reduction: | -13.233 |
| Senate deficit reduction: | No provision (Stricken by amendment during floor consideration) |

## ENERGY SAVINGS PERFORMANCE CONTRACTS

- As the Senate's version of the 2005 budget resolution neared a vote on final passage, any sponsor wanting to throw an amendment at the resolution without insisting on a roll call had a good chance of having it stick. One such amendment hitching a ride into conference would create a new scoring rule -- mandating that CBO estimate a cost of zero for any legislation authorizing agencies to enter into energy savings performance contracts (ESPCs).

- Like any homeowner, the federal government operates buildings that periodically need new windows, lights, or appliances (such as heating and cooling systems) and must weigh whether to install more energy-efficient options. Again, like homeowners, the government must decide whether to pay for the improvements by reaching into current revenues or putting it on the credit card (Treasury borrowing) to purchase the improvements. But apparently, OMB or agencies were not willing to request sufficient funds for this purpose or Congress has been reluctant to appropriate them.

- But vendors of windows, lights, and appliances were willing to offer their wares under an alternate financing scheme that spreads the payments over time, but for a higher price. Thus, ESPCs were born. With ESPC authority, agencies sign contracts that establish a baseline for what the electricity or energy bills would be if no upgrades were made. Then if there are savings from that baseline once the efficiency upgrades are installed, the vendor gets paid over time "from the difference" between the baseline utility costs and the resulting, new lower utility costs. If there are no savings on utility costs, the vendor does not get paid.

- Though the budgetary effect of the ESPC authority was not captured by CBO when it was last enacted (in 1992, just after the lease-purchase scoring rule went into effect), CBO has since realized that this authority is similar to other contracts the government signs for lease-purchases of buildings, Boeing tankers, military family housing, or public-private partnerships, all of which were designed to avoid the burden of arguing for up-front appropriations. Therefore, CBO scores ESPCs consistent with the way it evaluates these similar projects. CBO assumes that there will be increased efficiency from the upgrades, assumes that the government will be obligated to pay the vendors, and CBO scores the legislation that provides the authority to enter into such contracts with the up-front cost of those contracts.

- Because the ESPC authority expired on September 30, 2003, the conference report on the energy bill included a provision to expand and make permanent the authority. CBO estimated that provision would cost $3.1 billion over the next 10 years.

- Some would prefer, however, that CBO not inform the Congress of the true budgetary effects of ESPCs. Hence, the amendment added to the Senate budget resolution to guarantee that Congress be shielded from the truth about ESPCs, justifying the amendment with claims that the "program costs no money . . . Everyone is for it . . . . because no public dollars are involved . . . [and the] Government doesn't get involved at all in the program. So there is no cost." This would certainly come as a surprise to the vendors who sign contracts with federal government agencies to install new windows or lights and whom are paid for their efforts with checks drawn on the U.S. Treasury. If the agencies were not paying the vendors, the money would either be used for something else or the deficit would be lower.

- Fortunately, the two previous chairmen of the Senate Budget Committee took issue with these erroneous claims. Both challenged the claims that there is no problem with the amendment and that no one objects, observing that the amendment is directed scorekeeping (it says ESPCs do not cost money even though they really do). They expressed confidence that the conferees on the budget resolution would do the right thing.

## COMPARISON OF HIGHWAY BILLS

- With the House scheduled this week to debate its version of a surface transportation reauthorization bill (H.R. 3550), a comparison of the relevant proposals is finally possible (and important, with the FY05 Budget Resolution in conference). While many cannot avoid the temptation to boil all these bills down to one number (for example -- 318, 275, 256), a wide audience beyond budgeteers might appreciate that, given the unique jurisdictional complexities of these programs, there are many other ways to make more useful comparisons (using contract authority, budget authority, obligation limitations, outlays, and deficits).

**SURFACE TRANSPORTATION REAUTHORIZATION**
**Totals for 2004-2009 ($ billions)**

| | Senate-Passed SAFETEA | House-Reported TEA-LU /a | President's 2005 Budget (CBO Reest.) |
|---|---|---|---|
| **Highways** | | | |
| Contract Authority | 259 | 224 | 206 |
| Obligation Limitation /b | 238 | 222 | 206 |
| **Highway Safety** | | | |
| CA=Obligation Limitation | 7 | 6 | 6 |
| Subtotal-HTF Highway Account | | | |
| Contract Authority | 266 | 230 | 213 |
| Obligation Limitation b/ | 245 | 228 | 212 |
| Outlays | 222 | 211 | 198 |
| **Transit** | | | |
| CA=Obligation Limitation | 47 | 41 | 36 |
| Discretionary BA | 10 | 10 | 8 |
| Subtotal-Transit Resources | 57 | 52 | 44 |
| Outlays from CA | 54 | 51 | 48 |
| Outlays New from Disc. BA | 5 | 5 | 4 |
| Total Transit Outlays | 58 | 56 | 52 |
| **TOTAL** | | | |
| Contract Authority Only | 313 | 271 | 248 |
| Total BA (CA + Disc. BA) | 322 | 281 | 256 |
| Obligation Limitations | 292 | 269 | 248 |
| Total Available Resources (Oblims + Disc. BA) | 302 | 280 | 256 |
| **OUTLAYS FROM OBLIMS** | **276** | **262** | **246** |
| **REVENUES** | | | |
| CBO Baseline HTF Revenues | 228 | 228 | 228 |
| Outlays > Baseline Revenues by: | 48 | 34 | 18 |
| Finance/Ways & Means Comm. | | | |
| Excise Reform & Simplification | -2 | 0 | 0 |
| Fuel Fraud | 4 | 4 | 0 |
| Mobile Machinery | 0 | 0 | 1 |
| Replenish G.F. and Other | 15 | 0 | 0 |
| Net Revenue Increase | 18 | 4 | 1 |
| **TOTAL REVENUES UNDER BILL** | **246** | **232** | **229** |
| **INCREASED SPENDING NOT PAID FOR – INCREASE IN FEDERAL DEFICIT** | **-30** | **-30** | **-17** |

NOTE: CBO/JCT estimates
/a. Includes Ways and Means components of highway bill.
/b Includes spending authority of $0.739 billion per year of BA exempt from ob. limitations

- The most popular figure to discuss is the all-inclusive contract authority plus discretionary budget authority for transit programs. For this indicator, the relevant figures are $322 billion for the Senate-passed bill, $281 billion for House-reported, and $256 billion for the President's request. But contract authority simply represents an ultimate program-level goal that states use for long-term planning purposes; it does not represent binding commitments on the part of the federal government.

- Instead, such binding commitments are entered into by the Department of Transportation on the strength of obligation limitations (outlined in the highway bill) that are enacted annually in the transportation appropriations bill. Those levels for the three relevant transportation proposals are $292 billion (Senate), $269 billion (House), and $248 billion (President), (adjusted for $4.3 billion in exempt BA).

- Once federal commitments, or obligations, are entered in to, they must be "made good" (liquidated) by checks drawn on the U.S. Treasury. Such checks are outlays, which, combined with federal revenues, result in federal surpluses or deficits. As by design under TEA-21, highway trust fund outlays nearly matched real receipts collected through gasoline and related taxes, at just under $200 billion over the 1998-2003 period.

- Under the three proposals for 2004-2009, outlays will exceed baseline receipts to the trust fund by $48 billion (Senate), $34 billion (House), and $18 billion (President). The Senate bill would do the most to offset its increase in the deficit (but it has the most to offset) by generating $18 billion in net new receipts, some to the trust fund but mostly to the general fund ($13 billion, $15 billion in new revenues offset by $2 billion in tax cuts).

- After adjusting for the new receipts proposals in each plan, the net deficit impact of each is as follows: $30 billion for both the Senate and the House, and $17 billion for the President's request. Note that if the revenue proposal in the Senate bill were combined with the President's spending levels, the deficit impact would be around zero.

## CONFERENCE COMMENCES TODAY

The House-Senate Conference Committee on the FY05 Budget Resolution holds its opening meeting today.

Senate conferees are:

Chairman Don Nickles (OK)
Ranking Member Kent Conrad (ND)
Sen. Pete Domenici (NM)
Sen. Chuck Grassley (IA)
Sen. Judd Gregg (NH)
Sen. Fritz Hollings (SC)
Sen. Paul Sarbanes (MD)

House conferees are:

Chairman Jim Nussle (IA)
Ranking Member John Spratt (SC)
Rep. Rob Portman (OH).