

Don Nickles, Chairman  
 Hazen Marshall - Staff Director  
 202/224-6988 <http://www.senate.gov/~budget/republican>

108<sup>th</sup> Congress, 1<sup>st</sup> Session: No. 8

March 31, 2003

**INFORMED BUDGETEER**

<b>PRESIDENT'S REQUEST FOR FY 2003 SUPPLEMENTAL APPROPRIATIONS</b> (budget authority, in billions of dollars)	
<b>Defense</b>	<b>62.587</b>
Emergency Response Fund	59.863
<i>Military Operations in Iraq and Global War on Terrorism</i>	53.346
<i>To Replenish Munitions</i>	3.700
<i>R &amp; D, Testing, Evaluation &amp; Procurement</i>	1.050
<i>Classified Programs</i>	1.717
<i>Activities of Foreign Nations for Global War on Terrorism</i>	0.050
Drug Interdiction and Counter-Drug Activities	0.034
Defense-wide - logistical and military-related support	1.400
Remediation Fund - repair damage to oil facilities	0.489
Reimburse for training and equipping the Afghan National Army	0.165
Defense Cooperation	0.028
Navy - construction projects in Guantanamo Bay	0.048
Air Force - construction	0.129
Revolving and Management Funds - Increased Cost of Fuel	0.430
<b>International</b>	<b>7.791</b>
Executive Office of the President	
Humanitarian Assistance	0.543
Emergency Food Stocks - Reimbursement	0.200
Reconstruction	1.700
State Department	
Embassy Security - facilities in Iraq	0.020
International Narcotics Control and Law Enforcement - Pakistan	0.025
Andean Counterdrug Initiative	0.034
Diplomatic and Consular Programs	0.101
Emergencies in the Diplomatic and Consular Service - evacuating government employees	0.066
U.S. Emergency Refugee and Migration Assistance Fund	0.050
International Assistance	
Foreign Military Financing Program	2.059
<i>Israel</i>	1.000
<i>Jordan</i>	0.406
<i>Pakistan</i>	0.175
<i>Afghanistan</i>	0.170
<i>Other</i>	0.308
Economic Support Fund	2.442
<i>Turkey</i>	1.000
<i>Jordan</i>	0.700
<i>Egypt</i>	0.300
<i>Afghanistan</i>	0.127
<i>Muslim Outreach and Middle East Partnership Initiative</i>	0.200
<i>West Bank and Gaza</i>	0.050
<i>Reimburse accounts for repositioning of people in Iraq</i>	0.040
<i>Other</i>	0.025
USAID	0.142
<i>Child Survival and Health programs - reimburse for Iraq</i>	0.040
<i>International Disaster Assistance - reimburse for Iraq</i>	0.080
<i>Operating Expenses - evacuate overseas personnel and establish a new mission in Iraq</i>	0.022
Peacekeeping Operations	0.200
United States Emergency Fund for Complex Foreign Crises	0.150
Nonproliferation, Anti-Terrorism, Demining and Related Programs - Afghanistan	0.028
Broadcasting Board of Governors - Middle East Television Network and radio broadcasting in Iraq	0.031
<b>Homeland Security</b>	<b>4.380</b>
DoJ - Counterterrorism Fund (FBI and U.S. Marshals)	0.500
HHS - increase assistance to citizens who return from foreign countries due to war	0.005
DHS Counterterrorism Fund - border, maritime, strategic national stockpile, protection of military outload, detection equipment	1.500
DHS Office for Domestic Preparedness - assistance to state and local governments	2.000
Legislative Branch	0.125
Executive Office of the President - Emergency Response Fund for Terrorism Related Prevention	0.250
<b>TOTAL</b>	<b>74.758</b>

Source: SBC Republican Staff, OMB, CBO

<b>SUMMARY OF 2004 SENATE-PASSED BUDGET RESOLUTION</b> (\$ billions)				
		2003	2004	2004-13
Discretionary:				
Defense	BA	395.1	400.1	4703.0
	Outlays	389.4	400.6	4609.6
	BA % change/avg. annual growth	9.5%	1.2%	2.9%
Nondefense	BA	377.3	391.3	4276.0
	Outlays	420.0	436.6	4707.8
	BA % change/avg. annual growth	0.9%	3.7%	2.0%
Discretionary Subtotal	BA	772.4	791.4	8979.0
	Outlays	809.4	837.2	9317.4
	BA % change/avg. annual growth	5.1%	2.5%	2.5%
Mandatory	Outlays	1183.0	1242.6	16149.2
	% change/avg. annual growth	7.0%	5.0%	5.8%
Net interest	Outlays	155.6	166.1	2415.8
Total outlays		2147.9	2245.9	27882.3
	% change/avg. annual growth	6.8%	4.6%	4.5%
Revenues		1865.5	1958.6	27084.3
	% change/avg. annual growth	0.7%	5.0%	6.7%
Unified deficit		-282.5	-287.3	-798.1
On-budget		-447.5	-460.6	-3396.9
Off-budget		165.1	173.4	2598.8
Unified Deficit as a % of GDP		-2.6%	-2.5%	
Debt Held by the Public		3852.5	4136.7	

Source: SBC Republican Staff

**BUDGET QUIZ - DISCRETIONARY "TOP LINE"**

**Question:** The President's budget set a level of \$782.2 billion in budget authority for its total discretionary request for 2004. When CBO finished analyzing the President's budget, CBO reestimated the discretionary request as \$786.6 billion. The 2004 budget resolution, as reported by the Senate Budget Committee, advertised that it reflected the same 2004 discretionary level as requested by the President, but the number in the report was \$784.5 billion. How can all these numbers appear to represent the same concept, yet differ from each other?

**Answer: OMB vs. CBO.** First, consider the differences between OMB's calculation of the President's request and CBO's recasting of it. When OMB sent up the President's budget on February 3rd, full-year appropriations for 2003 for most discretionary programs had not yet been enacted. When the 2003 omnibus appropriations bill became law on February 20th, it included \$2.227 billion in new advance appropriations (above and beyond the \$23.2 billion that has become customary over the past few years) that the President's budget did not request (though the President has consented to them since he did not veto the omnibus bill). In reestimating the President's request, CBO simply took the rest of the President's request for 2004 and added it to the amounts already enacted for 2004 to get to a total appropriations level (see table on back page).

The other difference stems from CBO's overall lower estimates for programs that constitute negative budget authority (that is, programs that offset gross BA). Examples include credit programs with a negative subsidy - meaning they make a profit (such as FHA mortgage insurance) - or offsetting collections (fees collected by, say, the SEC or PTO). Because CBO's estimate for this set of programs is lower, their effect on the total net budget authority figure is to make it \$2.179 billion higher than estimated by OMB.

Comparison of Discretionary Appropriation Levels for 2004 (Budget authority, in billions of dollars)	
<b>Original President's Request</b>	<b>782.219</b>
New Advance Appropriations Enacted	2.227
CBO's Lower Estimate of Offsets Against BA	<u>2.179</u>
Total, Reestimates	4.406
<b>CBO Reestimate of President's Budget</b>	<b>786.625</b>
Not Repeating New Advance Approps.	-2.227
Other Changes	<u>0.062</u>
Total, Changes	-2.165
<b>Committee-Reported Budget Resolution</b>	<b>784.460</b>
Byrd Amtrak Amendment	0.912
Bond Mass Transit Amendment	0.748
Kennedy Pell Grant Amendment	1.800
Murray Education Amendment	2.000
Levin Tax Havens Amendment	0.275
Cantwell Workforce Investment Act Amendment	0.678
Kyl Estate Tax Amendment	<u>0.508</u>
Total, Amendments	6.921
<b>Senate-Passed Budget Resolution</b>	<b>791.381</b>

Source: SBC Republican Staff, CBO, OMB

**CBO vs. Budget Resolution.** The budget resolution reported by the Senate Budget Committee was designed to match the President's mark for discretionary spending in total (even if it does not match up by budget function). But because the Congress uses CBO estimates to score appropriation bills and enforce the congressional budget, the resolution employs CBO's estimate of the President's appropriations request. Yet notice that the total net budget authority for the Committee-reported resolution does not match CBO's estimate of the President's request, falling \$2.2 billion short – representing the extra advance appropriations enacted for 2004. Why? Because while providing this additional \$2.2 billion for 2004 in the 2003 bills, the Chairman of the Senate Appropriations Committee also agreed to stick to the President's "top line" for appropriations for 2004 and offset the additional advance appropriations for 2004 by commensurate amounts elsewhere in the 2004 bills when they are considered later this year. As a result, the reported resolution assumes that the additional advance appropriations will be absorbed within the President's "top line."

**Committee-Reported vs. Senate-Passed Resolution.** So much for the technical differences! While the budget resolution was on the Senate floor, seven amendments were adopted that increased discretionary BA in 2004 by \$6.9 billion to a new total of \$791.4 billion (compare this to the \$775.4 billion level in the House-passed budget resolution)...not to mention all the other adopted amendments that pretended to increase discretionary levels in various budget functions, but which also offset such increases with a matching reductions in function 920. See next budget quiz.

### BUDGET QUIZ – FUNCTION 920

**Question:** Don't you wish you had a nickel for every time you heard of an amendment to the Senate budget resolution that increased spending for something by offsetting it in "920"? But what is Function 920 anyway?

**Answer:** The President's budget and the congressional budget resolution use budget functions to group federal spending programs in broad areas of purpose such as Defense, Justice, Transportation, or

Medicare. Function 920, called "Allowances", does not include actual programs, but rather is a "catch all" category sometimes used to reflect proposals (but never historical data) that affect multiple budget functions, that cannot be easily distributed across functions, or that are not really proposals at all. But that is only a definitional answer. A more useful answer demands we delve deeper.

Remember that budgeting is supposed to be about making choices on how to allocate limited resources across programs of varying priority. The congressional budget process was created, in part, to bring some order and forethought (in a big-picture way) to the Congress' allocation of federal resources. It was expected that if a member wanted to increase resources (without increasing the deficit) for, say, the Health function, then one would have to commit to reducing resources provided to another budget function (say, Energy). But such budget resolution amendments tended to generate opposition from advocates of the programs in the reduced function, as well as to expose the sponsor to criticism. So the sponsors adapted.

How to avoid the opposition and criticism? By appearing to reduce things that have no defenders. That is why during the deficits of the 1980s there were frequent amendments that offset proposed increases with assumed reductions in spending on specific purchases such as federal agencies' furniture, printing, travel, or the elusive, but popular target "overhead." Because such items appear in most accounts – spanning all budget functions – such amendments were often drafted with a single, aggregate reduction in Function 920, rather than reflecting the correct amount of reduction proportionally in all the other real budget functions.

But identifying a sufficient universe of spending with a name suitable for cutting proved to be a lot of work. Thus it became easier to champion increased spending for a particular cause using a Sense of the Senate (SoS) amendment. Consider the following usual, if awkward, construction: "It is the Sense of the Senate that the functional totals in this resolution assume"...motherhood, apple pie, or fill in your favorite thing.

Because they're so easy to pose for budget "holy pictures," SoS amendments proliferated, spawning the relatively recent phenomenon of the vote-a-rama at the end of the 50 hours of debate on a budget resolution. In response, the Senate created a point of order (section 204(g) of the 2001 budget resolution; 60 votes to waive) making SoS amendments *per se* not germane on the floor of the Senate, which somewhat stanching the flood of such amendments. With the SoS outlet thus limited, the dilemma returned: how to relieve the pressure that builds up in every budget resolution for showing gratuitous support for favored programs?

Back to Function 920. In the era of caps on discretionary spending, one has had to be creative to get credit for increasing spending for something in a budget resolution when it has been difficult procedurally to change the cap in that resolution. What has evolved? An increase in spending in a favored function is now offset by a corresponding, unspecified reduction (in the same amount, but with a minus sign) in Function 920. Such amendments no longer even bother with suggesting how such reductions could be achieved (e.g., travel or overhead). And it doesn't require the change in the resolution's figures for BA and outlay aggregates, deficits, debt, or interest that are involved with amendments that are pure adds. In part, these amendments reflect a reluctance to make choices. But they also recognize the reality that the budget resolution only controls the top line numbers, and that ultimately the authorizing and appropriations committees make policy decisions.