

**INFORMED BUDGETEER**

**THOSE KILLER (B)'s**

With the arrival of summer (granted, you can't tell by the weather), the House and Senate expect to be fully engaged in moving appropriation bills for 2004. But work has yet to begin because of a continuing stalemate between the House and Senate on how to proceed. One might think that because the budget resolution was adopted unusually early this year (April 11), there has been plenty of time to figure out how to put into action the \$784.7 billion that the budget resolution provides to the appropriations committees through the 302(a) allocations. But some have spent the time instead coming up with "reasons" why this budget resolution has made it a killer process to agree on a common set of 302(b) allocations to the 13 subcommittees, which some have argued is needed for markups to begin. The *Bulletin* considers each reason in turn as a true or false question.

**1. The House and Senate need a common set of 302(b)s before marking up bills. FALSE, but a laudable, if quixotic, goal.**

Rarely, if ever, have the House and Senate started an appropriations cycle allocating (i.e., dividing the 302(a) allocation into 302(b) suballocations) identical amounts to their respective 13 subcommittees. Instead, the House and Senate suballocations typically start out dramatically different, only to be resolved during the endgame when many bills are still in play. Unlike the last session of Congress – when the House had one 302(a) allocation and the Senate only pretended it had one (which was a different amount, larger than the House's by about \$9 billion) – this year's budget resolution provides the same total amount (\$784.7 billion) to each body's appropriations committee. So what's the problem?

Because the appropriators believe they have to fit 100 lbs. of potatoes into a 99 lb. sack (see #3), they appear to be seeking a road map at the outset that will guarantee success. In the past, the dance has typically gone as follows: the House proclaims fealty to a budget resolution allocation that few believe will stand and shorts funds from several subcommittees where members seek projects (or simply doesn't attempt to move those bills for lack of votes), all the while expecting the Senate to add money to those bills so they can become larger in conference (even if it means breaking the budget resolution allocation). This year, some of the actors are not prepared to adhere to their usual roles in that familiar script, seeking instead to reconcile House and Senate positions at the outset instead of the endgame. (To be continued in last item.)

**2. The budget resolution claims its \$784.7 billion 302(a) allocation is essentially the President's request level, but CBO says the President's request is \$786.9 billion. BOTH TRUE.**

The Congress explicitly agreed in the budget resolution that the appropriators should receive an amount sufficient to fund the President's request, less \$2.2 billion (see *Budget Bulletin* of March 31, 2003). (CBO's reestimate of the President's budget has increased by about \$0.3 billion since it was originally released in early March because of an error in the scoring of agriculture proposals and because the President submitted budget amendments for \$34 million in more spending.) This \$2.2 billion represents the additional advance appropriations provided for 2004 in the 2003 omnibus appropriations bill, to which the President specifically objected in his signing statement. During negotiations on the 2003 omnibus bill, the appropriators agreed they would give back this one-time increase during the 2004 cycle. Now it's 2004 – time to pay for this one-time increase in advance appropriations (perhaps by eliminating something that was a one-time need for 2003). The following table summarizes the recent experience with advance appropriations and illustrates the programmatic effect of the budget resolution assumption.

	2002 Actual	2003 Enacted	2004 Pres. Request	2004 Budget Res.	Difference Request-Budget Res.
<b>FISCAL YEAR (as scored)</b>					
Regular appropriation	711.6	742.6	761.2	759.1	2.2
Advance approps shown in FY they become available for obligation	23.2	23.2	25.4	25.4	0.0
Total, by fiscal year	734.7	765.8	786.6	784.5	2.2
<b>PROGRAM YEAR (corrected for advance approps)</b>					
Regular appropriation	711.6	742.6	761.2	759.1	2.2
Advance approps shown in FY they are enacted a/	23.2	25.4	23.1	23.1	0.0
Total, by program year	734.7	768.0	784.4	782.2	2.2
<b>DIFFERENCE BETWEEN PROGRAM YEAR &amp; FY</b>	0.0	2.2	-2.2	-2.2	

a/ The \$23.1 billion shown for 2004 is President's request for advance approps for FY2005 to be enacted in FY2004 bills.

Note: Details may not add to totals because of rounding; data for 2004 reflect Pres. request (before CBO corrections and budget amendments) and 2004 budget resolution before 2003 supplemental. Source: Senate Budget Committee Republican Staff

**3. The spending functions in the budget resolution assume \$7.6 billion in BA beyond the President's request, which is offset by a corresponding unspecified reduction assumed in function 920 (TRUE). Meanwhile, the appropriators must match each item in the President's budget, and then some (FALSE).**

Since when has Congress ever felt obliged to fully fund every item exactly as requested by the President before going on to add their own priorities? Congress has always replaced presidents' requests with its own spending items, while often trying to stay within a total. For example, remember that the President submitted his budget weeks before the 2003 omnibus appropriations were completed. In that budget, he requested \$0.5 billion to implement the first year of election reform in 2004. But then Congress provided \$1.5 billion in 2003 – more than states can absorb this year and next. So the Congress does not need to meet this request for 2004.

On the other hand, it is true that the 2004 budget resolution assumes gross spending of \$792 billion, with offsets in function 920, for a net of \$785 billion. But this is nothing new and should not be a surprise. Budget resolutions have always been thus. As the table below shows, recent budget resolutions have echoed the practice of those that preceded them of making assumptions – sometimes specified and sometimes not – that spending would be reduced by amounts of up to one percent of the gross spending assumed.

	Gross	920 Offset	Net	Offset as % of Gross
2004 Conference	792.3	-7.6	784.7	1.0%
2004 House-Passed	776.5	-1.1	775.4	0.1%
2004 Senate-Passed	803.2	-16.1	787.1	2.0%
2004 Senate-Reported	788.4	-3.9	784.5	0.5%
2003 Senate-Reported	772.3	-4.3	768.1	0.6%
2003 House-Reported	759.6	-0.6	759.1	0.1%
2002 Conference	694.4	-6.0	688.4	0.9%
2002 Senate-Passed	693.8	-5.4	688.4	0.8%
2001 Conference	605.7	-5.5	600.2	0.9%
2001 House-Passed	601.2	-4.7	596.5	0.8%

Source: Senate Budget Committee Republican Staff

**4. The President's budget is not \$786.9 billion; it's really \$788.5 billion because it includes \$1.5 billion in fees and offsets that Congress will never consider. FALSE.**

The President gets to decide what his budget request is, and CBO adds it up for Congress. But Congress doesn't get to redefine what the President's budget is. If Congress doesn't want to enact the President's proposed fees, but still wants to say it's sticking to the President's request, then Congress can raise fees the President didn't propose or reduce something else.

**5. The appropriators can provide \$792 billion of funding even though the budget resolution calls for only \$785 billion, without triggering a point of order. TRUE.**

Most of the delay in starting the appropriations process is attributable to the quest for a solution that will solve the "sack of potatoes problem." Two scenarios possibly being contemplated are based on a common assumption – that the recently enacted 2003 supplemental likely provided too much money for the Defense Department, meaning there could be, say, \$7 billion left over that was not needed for the war in Iraq. (Such an assumption may be heroic, however. About \$45 billion of the \$65 billion provided for defense in the 2003 supplemental is one-year money and would not be eligible for rescission in 2004. Of the other \$20 billion in multi-year funds, about \$16 billion was for the Iraqi Freedom Fund. The availability of some portion of those amounts remains to be seen.) To the extent such unobligated amounts carry over into 2004, rescinding those balances after October 1<sup>st</sup> would result in a "credit" of \$7 billion in BA, thereby providing an offset for a \$7 billion increase in nondefense BA in 2004. (Since there are no firewalls between defense and nondefense spending, money is fungible.) And the President's request of \$400 billion for defense in 2004 could still be provided (see Rescind Scenario in table below).

Alternatively, the Congress could appropriate only \$393 billion for defense in 2004, allowing the extra \$7 billion from the 2003 supplemental to be used towards the total \$400 billion the President says is needed for defense. Then Congress could shift \$7 billion from the amount assumed in the budget resolution for defense over to nondefense, allowing the appropriators to write bills that will get enough votes to pass. Either way, Congress would be providing agencies with \$792 billion in resources for 2004 needs, but would be scored for only \$785 billion.

Discretionary Appropriations Scenarios for 2004 (BA, in billions of dollars)		
	Rescind Scenario	Shift Scenario
<b>DEFENSE APPROPRIATIONS</b>		
Amount to be Appropriated for Defense	400	393
Use Unobligated Defense Balances from 2003 Supp. For 2004 Defense	=	7
NET Amount Appropriated for Defense in 2004	400	393
GROSS Amount Available for Defense in 2004	400	400
<b>NONDEFENSE APPROPRIATIONS</b>		
Amount to be Appropriated for Nondefense	385	385
Rescind (in 2004) Unobligated Defense Balances from 2003 Supp. For Offset of Nondefense Increases	-7	
Increase in Nondefense Appropriations	7	7
NET Amount Appropriated for Nondefense in 2004	385	392
GROSS Amount Available for Nondefense in 2004	392	392
<b>TOTAL APPROPRIATIONS</b>		
NET Amount Appropriated in 2004	785	785
GROSS Amount Available for Obligation in 2004	792	792

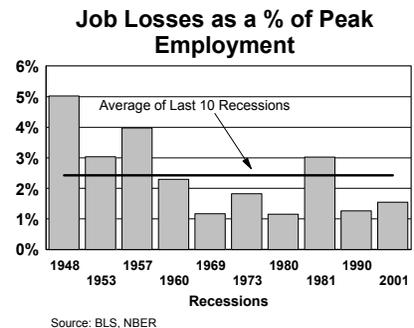
Source: Senate Budget Committee Republican Staff

**6. Some recent press suggest that if it is too difficult to determine the set of 302(b)s, then the appropriations committees can move bills without any. FALSE.**

Here's what the law says. Section 302(b) of the Budget Act states that after the Congress adopts a budget resolution, the two appropriations committees "shall suballocate each amount allocated to it...among its subcommittees...[and e]ach Committee...shall promptly report to its House [the] suballocations made or revised under this subsection" [emphasis added]. Section 302(c) states that after the committees receive a 302(a) allocation, "it shall not be in order...to consider" any appropriations measure until the Committee makes the suballocations required by subsection (b). In the Senate, the point of order takes 60 votes to waive.

**THE TRUTH ABOUT JOB LOSSES**

- Since the start of the recession in March 2001, 2.1 million people have lost their jobs. Given this experience, some claim these recent job losses are the largest ever registered. However, any meaningful comparison across business cycles should be viewed in context, with reference to the size of the work force.
- Obviously job losses increase during recessions. The National Bureau of Economic Research's (NBER) recession-dating committee establishes the peak and trough of each business cycle utilizing information about employment, personal income, sales and industrial production. In November 2001, the committee established March 2001 as the peak of the previous expansion of the business cycle. Using data about the peak level of unemployment associated with the end of each expansion, the graph below illustrates the job losses that occurred after each peak as a fraction of the total employed at the peak.



- During the previous recession, the economy shed 1.4 million jobs in eight months, after total employment had peaked at 109.7 million. Between July 1990 and March 2001, the level of peak employment increased by 26.8 million, to 136.5 million. Recent job losses as a share of peak employment amount to just 1.5%, roughly the same as the last recession (1.3%) and almost one percentage point below the average of the last ten recessions (2.4%). Past job losses as a share of their respective peaks were greater in six of the last ten recessions.
- Hindsight suggests that the current recession and its associated job losses could actually be smaller than current estimates. The NBER's recession-dating committee did not determine the trough of the last business cycle until 21 months after it had ended. When the committee finally determines the trough of the most recent recession, it could be less than the current 26 months, thereby reducing the number of job losses associated with the defined recession period.
- Nonetheless, even if the number of job losses associated with this recession remains at 2.1 million, the claim that such job losses are unprecedented would be factually incorrect. In absolute terms, total job losses in the 1948, 1957 and 1981 recessions were at least as large as the latest recession. During those recessions the economy shed 2.3, 2.1 and 2.8 million jobs, respectively.