

INFORMED BUDGETEER:**AND THEY'RE OFF...**

- On Thursday, May 4, the Senate Appropriations Committee unanimously approved subcommittee spending allocations for FY 2001. The table below outlines those allocations as well as the percent increase or decrease from last year.

FY 2001 Appropriations- 302(b) Allocations				
(\$ in millions)				
Subcommittees		FY 2000	FY2001	% Change
Agriculture	BA	14,571	14,812	1.7
	OT	14,795	14,902	0.7
<i>Advances</i>	BA	43	38	-11.6
	OT	35	21	-40.0
CJS	BA	33,676	33,970	0.9
	OT	34,529	35,365	2.4
<i>Advances</i>	BA	117	51	-56.4
	OT	104	53	-68.3
Defense	BA	268,605	287,405	7.0
	OT	266,778	263,503	2.5
<i>Advances</i>	BA	1,869	0	NA
	OT	1,805	0	NA
DC	BA	430	441	2.6
	OT	501	442	-11.8
Energy & Water	BA	21,094	22,470	6.5
	OT	21,275	22,062	3.7
Foreign Ops.	BA	13,404	13,385	-0.1
	OT	13,196	13,159	-0.3
Interior	BA	14,769	15,474	4.8
	OT	14,833	15,412	3.9
<i>Advances</i>	BA	10	36	NA
	OT	0	36	NA
Labor, HHS	BA	86,301	97,350	12.8
	OT	87,906	92,590	5.3
<i>Advances</i>	BA	8,844	18,964	144.4
	OT	6,531	12,535	91.9
Legislative	BA	2,449	2,500	2.1
	OT	2,448	2,502	2.2
Mil. Con.	BA	8,352	8,634	3.4
	OT	8,595	8,702	1.2
Transportation	BA	12,493	13,291	6.4
	OT	43,502	47,459	9.1
<i>Advances</i>	BA	0	149	NA
	OT	0	20	NA
Treasury , Postal	BA	13,761	14,300	3.9
	OT	14,231	14,549	2.2
<i>Advances</i>	BA	71	64	-9.9
	OT	71	64	-9.9
VA, HUD	BA	69,633	76,226	9.5
	OT	82,698	82,332	-0.4
<i>Advances</i>	BA	0	4,200	NA
	OT	0	2,500	NA
Deficiencies*	BA	-296	0	
	OT	-296	-1,648	
Total	BA	559,285	600,296	7.3
	OT	605,026	621,352	2.7
<i>Advances</i>	BA	10,954	23,502	114.6
	OT	8,546	15,209	78.0

NOTE: These numbers assume no budget authority or the resulting outlays associated with appropriating additional resources in 2000. These numbers do not include the budget authority or the resulting outlays associated with one-time spending items funded in 2000. *The Deficiencies subcommittee includes the negative effect of the pay shift on health benefits and retirement contributions in 2000.

- While, the aggregate FY 2001 allocations for both BA and outlays were set to act as a total limit on net spending, as in past years, they do not limit gross spending, to the extent that appropriators enact savings in their bills those savings may then be spent.
- Implicit in this allocation, the Appropriations committee assumes

that **new** offsets to spending will total a minimum of \$4.9 billion in BA.

- Therefore, the \$600.3 billion BA allocated by the Committee for 2001, could be considered a net number- gross spending would be at least \$605.2 billion or an 8.2% increase over 2000.
- Included in *italics*, by subcommittee, is BA and outlays for advance appropriations. Shown are advances in BA and the commensurate outlays from the FY 1999 appropriation bills shifted into FY 2000, and advances made last fall in the FY 2000 appropriation bills into FY 2001.
- Advanced appropriations are no different than regular appropriations except that they are mostly used to defer delivering resources for programs that can afford to wait for them while making room under the caps for more immediate “needs” in the budget year.
- In total, the FY 1999 appropriation bills advanced nearly \$11 billion into FY 2000. By far the subcommittee with the largest advances is the Labor-HHS subcommittee representing 80% of all advances made that year. Last fall, the FY 2000 appropriation bills advanced \$23.5 billion into FY 2001 – and once again the Labor,-HHS subcommittee represented nearly 80% of all advances made into FY 2001.
- Budget resolution limits and subcommittee allocations – 302b’s – are made with the full knowledge of the advances already enacted in a specific year. This year’s budget resolution placed a limit on the amount of advances that could be made from FY 2001 into FY 2002. That limit was set at the aggregate level made in last fall’s bills – \$23.5 billion. In other words, while the FY 2001 Budget Resolution assumes a net discretionary BA spending cap of \$600.3 billion, it fully acknowledges that this includes the \$23.5 billion that has already been appropriated for that year.
- However, the FY 2001 Budget Resolution also assumes that the appropriation subcommittees will advance a similar amount as last year into FY 2002. How one thinks about advances affects the measurement of the rate of increase in spending between FY 2000 and FY 2001. In the aggregate, net BA will increase nearly 7.3% between 2000 and 2001. Excluding advances, for purposes of trying to argue what is “new” spending or what “flexibility” the subcommittees have in funding, results obviously in a smaller rate of growth – nearly 5%.

- Of course, advances made into FY 2001 from last fall can be revisited in the current appropriation process – if it moves quickly. They can be modified, reduced, rescinded or depending on the program, probably even put back into the year they might really belong – in FY 2000!

HEALTHY BUDGETS FOR NIH-AND THEIR GRANTEEES

- Since 1995, the Republican Congress has dramatically increased funding for the National Institutes of Health, the bulwark of biomedical research in the United States. Between 1995 and 2000, the NIH budget increased by 58%—greatly outpacing growth in the overall discretionary budget.
- Congressional appropriations have repeatedly exceeded President Clinton’s request for the past four fiscal years. The 2000 budget provided \$17.8 billion, nearly \$2 billion or 12 % more than the President requested.
- The 2001 budget resolution assumed a \$1.5 billion dollar increase for NIH, which would be 8% above last year’s level of \$17.8 billion, and would bring the increase since 1998 to 72%.
- Each one of NIH’s twenty-five separate institutes and centers has benefitted from this growth, with most receiving increases in the

50-75% range between 1995 and 2000. Funding for cancer research has increased by 72%, mental health research by 79%. The budgets for human genome and drug abuse research have more than doubled.

- Nearly 500 institutions of higher education across the country received NIH grants in FY 1999. The sum total of these awards was \$8.529 billion. The table below shows the top ten recipients of NIH awards, including direct and indirect costs. Nearly 30% (\$2.50 billion) of this money was attributed to "indirect costs" or overhead.
- According to OMB, direct costs are those that can be attributed to a specific project, in this case the biomedical research to be conducted. Indirect costs (also referred to as Facilities & Administrative or F&A costs) are those shared by the specific project and other activities carried on at the same institution—i.e., overhead. These costs are calculated as directed by OMB.

Top Ten NIH Awards Recipients by Institution, FY 1999 (\$ in millions)			
Institution	Total cost	Direct cost	Indirect cost
Johns Hopkins University (Baltimore, MD)	307.8	210.1	97.6
University of Penn.	268.3	181.0	87.3
University of Wash.	239.3	176.4	62.8
University of California San Francisco	235.3	176.1	59.2
Washington University (St. Louis, MO)	222.2	153.7	68.5
Yale University (New Haven, CT)	210.8	143.8	67.1
University of Michigan	208.9	145.7	63.1
Harvard University (Cambridge, MA)	193.6	131.3	62.3
University of Pittsburgh	186.8	132.5	54.3
University of California Los Angeles	182.3	130.9	51.4

Source: National Institutes of Health

- The big winner in 1999 was Johns Hopkins University in Baltimore, Maryland, with total awards of \$307.8 million. The top ten recipients accounted for \$2.255 billion, or a quarter of total awards.
- The next table shows the top ten recipients of NIH funds by state. California took the biggest injection in 2000, with total awards of \$1.155 billion spread out among its many universities. The top ten states took \$5.353 billion in awards, about 65% of the total.

Top Ten NIH Awards Recipients by State, FY 1999 (\$ in millions)			
State	Total costs	Direct costs	Indirect costs
California	1,154.5	831.2	323.3
New York	856.2	571.5	284.7
Pennsylvania	645.6	445.9	199.6
Texas	551.7	395.1	156.6
Massachusetts	476.9	320.8	156.1
Maryland	400.5	276.9	123.6

North Carolina	383.7	277.6	106.1
Illinois	311.9	220.6	91.3
Michigan	301.3	211.9	89.4
Missouri	270.4	188.5	81.8

Source: National Institutes of Health

CBO COST STUDY OF NATIONAL MISSILE DEFENSE

- CBO recently released a study, "Budgetary and Technical Implications of the Administration's Plan for National Missile Defense." It estimates the 1996-2015 costs to build and operate a limited National Missile Defense. It's at their website at www.cbo.gov.
- For a limited "Expanded Capability 1" defense (100 intercept missiles) CBO estimates \$29.5 billion. DoD estimates \$25.6 billion for this system. The \$3.9 billion, or a cumulative 15%, difference in CBO's study reflects the same level of cost growth in development as occurred in other strategic and tactical missile systems, additional missiles for tests and spares, and additional military construction costs.
- For additional "Capability 2" to overcome elementary, "Rogue nation" countermeasures, CBO estimates \$35.6 billion. DoD has no estimate.
- To add "Capability 3" to "Capabilities 1 and 2" to overcome still more countermeasures, CBO estimates a total of \$48.8 billion. DoD, again, has no estimate.
- Most press articles have characterized the CBO study as re-estimating the cost of DoD's planned National Missile Defense by up to \$60 billion. That oversimplification takes the cost of the "Capability 3" option (for which DoD has no cost estimate) and adds the cost (not included by CBO but identified in its report) of a support sensor system, called "SBIRS-Low," which CBO estimates at \$10.6 billion.
- DoD's official spokesman characterized the report as unfairly comparing "apples to golden apples," that is, comparing the costs of DoD's modest system to a more effective system. Not so; the CBO report specifically assesses DoD's "Capability 1" system. As stated above, DoD says it will cost \$25.6 billion; CBO says \$29.5 billion. It usually helps to read a report before one attacks it.
- The Administration has criticized CBO for making the costs of a National Missile Defense seem excessive. However, CBO did not include in its estimates the pre-1996 DoD investments in National Missile Defense R&D (estimated by DoD's Ballistic Missile Defense Office to be \$13.6 billion).
- As usual, CBO is being criticized by an executive branch agency. The *Bulletin's* only comment is that carefully reading the report can do wonders for those who sometimes "ready, fire, aim."

CALENDAR

May 8: SBC Staff Briefing: Colombia Drug Interdiction Supplemental request with OMB and State Department representatives. Dirksen 608, 3:30 pm.

June 6: SBC/CBO Seminar New Economy vs. Old Economy. Dirksen

