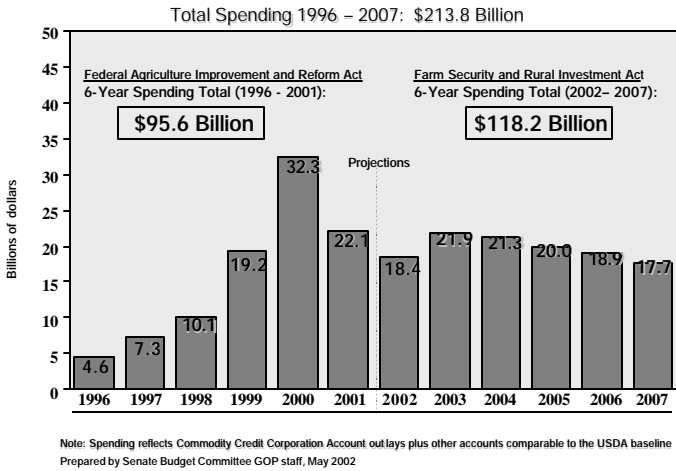


INFORMED BUDGETEER

Agriculture Spending



WHAT'S IN A SUPP?

- Late last week, the House Appropriations Committee began work on its second FY 2002 emergency appropriations bill (the first being attached to the FY 2002 Defense Appropriations bill last fall). The Committee plans to resume its markup tonight. There appear to be seven amendments that need to still be debated, ranging in subject from international family planning funding to the Army's Crusader weapon system to immigration.
- There has been much ado about the supposed "\$3 billion in excess funding" in the House proposed supplemental bill compared to the President's request. Some argue that any supplemental that is enacted by Congress should not exceed the President's March submission of \$27.1 billion for homeland security and the war on terrorism. But the *Bulletin* actually tallies the President's entire supplemental request for FY 2002 at \$28.4 billion. What accounts for the popular misconception about the level of the President's supplemental request?
- The answer is that the \$28.4 billion figure includes a supplemental request of nearly \$1.3 billion for Pell grants that the President submitted with his budget in February (p. 1197 of the 2003 Budget Appendix). The budget submission states that this would be offset by cancelling funding for unrequested earmarks and low-priority programs in the FY 2002 Labor, Health and Humans Services, and Education appropriations bill. The budget claimed that the Administration would provide Congress with a listing of these programs and projects from which Congress could select. However, the Administration has never transmitted appropriations language effecting such a rescission.
- When the markup recessed late last Thursday night, the *Bulletin* put the House bill at \$29.4 billion – only \$1 billion more than the President's \$28.4 billion request. During markup, the House Appropriations Committee reduced its original mark of \$29.8 billion by \$400 million, through a combination of funding reductions and additional offsets.
- The current House proposal would double the President's level of contingent emergency funding, providing \$5.4 billion. These funds would not be available until the President concurs in Congress' designation of these funds as "emergency." Of these amounts, \$1.8 billion would go to the Department of Defense (DoD), largely for military operations and force readiness and deploying the National Guard and Reserves. Still pending is an amendment to de-link this \$1.8 billion for DoD from the rest of the agency's \$14 billion in emergency spending proposed in the bill.
- Other significant contingent emergency additions to the President's request include funds for Grant in Aids to airports (\$200 million); the

Department of Justice for first responder training (\$175 million, which the President proposed for FEMA); the INS and the FBI (\$143 million); Department of Energy programs (\$224 million); the Army Corps of Engineers (\$128 million); the Departments of Treasury (\$63 million) and Interior (\$49 million).

2002 Supplemental Appropriations - President vs. House (BA, \$ in millions)			
	President	House	Dif.
Defense Emergencies	14,022	15,808	1,786
International Emergencies	1,609	2,153	544
State Department	519	529	9
International Assistance	1,083	1,610	527
Broadcasting Board of Governors	7	15	8
Homeland Security Emergencies	5,294	5,634	339
Department of Transportation	4,678	4,362	-316
FEMA - grants to First Responders	327	152	-175
U.S. Postal Service	87	87	0
Securities and Exchange Commission	0	9	9
GSA	54	52	-3
Justice	51	369	318
Energy	26	250	224
NSF - Cybercorps/Scholarships for service	19	0	-19
Commerce	13	6	-8
EPA - anthrax investigation/clean up	13	0	-13
Legislative	8	24	16
Executive office of the President	5	5	0
Agriculture	0	12	12
Health and Human Services	0	37	37
Judiciary	14	16	2
Army Corps of Engineers	0	128	128
Interior	0	49	49
Smithsonian Institution - security	0	13	13
Treasury	0	63	63
Assistance to New York Emergencies	5,467	5,467	0
FEMA - disaster relief	2,750	2,750	0
Transportation	1,967	1,967	0
HUD - CDBG for lower Manhattan	750	750	0
Economic Recovery Emergencies	750	300	-450
Disaster Assistance for unmet needs	0	23	23
Non-emergencies and offsets	1,262	14	-1,249
<i>Non-emergencies</i>	<i>1,516</i>	<i>2,023</i>	<i>507</i>
Veterans Affairs - medical care	142	417	275
Agriculture - WIC	75	75	0
SEC - Division of enforcement	20	20	0
District of Columbia	0	45	45
Election Administration reform	0	450	450
Pell Grants	1,276	1,000	-276
Other	3	16	13
<i>Rescissions and other offsets</i>	<i>-254</i>	<i>-2,010</i>	<i>-1,756</i>
Transportation	0	-643	-643
Airline loan program limitation	0	-393	-393
Air carrier compensation	0	-250	-250
International assistance programs	-157	-219	-62
Health and Human Services	-50	-30	20
Housing and Urban Development	-20	-600	-580
Agriculture	-9	-450	-441
District of Columbia	0	-45	-45
Other	-18	-23	-5
TOTAL	28,405	29,399	994
Memo:			
Emergency subtotal	24,447	24,071	-377
Contingent Emergency subtotal	2,695	5,365	2,670

Source: SBC, Republican Staff

- Offsetting these increases are two reductions from the President's request for contingent emergencies. The Committee funds the Transportation Security Administration (TSA) at \$650 million below the request of \$4.4 billion (partly because the Committee's initial

proposal to increase airline security user fees was replaced with a further \$150 million cut from TSA – \$75 million for retrofitting cockpit doors and \$75 million unspecified). Also, economic recovery assistance for dislocated workers receives \$350 million less than the President’s request of \$750 million. (But the President’s request for recovery aid for New York remains unchanged at \$5.5 billion.)

- The House provides \$2.2 billion for international aid, a net increase of \$544 million above the President’s request, after accounting for some reductions from the request. Of the money in the House proposal, contingent emergency funding of \$200 million is for global AIDS and \$150 million is for international disaster assistance. Contingent emergency funding was also added during the House mark up for economic aid to Israel (\$200 million) and humanitarian assistance to Palestinian refugees (\$50 million).
- The Committee provides more than \$2 billion for non-emergency items (including \$1 billion for Pell grants), which are almost completely offset. Other adds include \$450 million for election reform, which was not requested by the President, and \$275 million (beyond the request of \$142 million) for VA medical care. For offsets, the House appropriators propose to reduce the airline loan program limitation and the air carrier compensation by \$643 million. They also include \$600 million in housing rescissions and a \$450 million offset in the form of a limitation on expenditures in the Export Enhancement Program. In contrast, the Administration’s request for non-emergency items is \$1.5 billion (including the Pell grant request), which is offset by only \$251 million in proposed rescissions.
- Still, the House bill exceeds the President’s request by nearly \$1 billion overall. But because the reductions almost completely offset the non-emergency items in the proposal, the increase is attributable to emergencies for defense, homeland security, international affairs and other natural disasters.

TRADE ADJUSTMENT ASSISTANCE

- This week, the Senate is considering a number of trade bills including the Trade Promotion Act and the Andean Trade Preference Act along with legislation to reauthorize Trade Adjustment Assistance (TAA). The debate over TAA has focused so far on whether taxpayers should subsidize health insurance for only certain displaced workers, but thorough budgeteers should look at the entire package.
- First a primer. The Department of Labor certifies workers dislocated by import competition as eligible for TAA. Once certified, workers can receive training and 52 weeks of federally-funded unemployment insurance-- in addition to the 26 weeks of state-funded unemployment benefits available to most unemployed workers. The program, established in 1962 and expanded in the Trade Act of 1974, cost \$342 million in FY 2001. The North American Free Trade Agreement (NAFTA) established a separate program, which cost \$63 million in FY 2001, that provides traditional TAA benefits in response to import competition, as well as similar benefits to workers who become unemployed when their jobs are relocated to Canada or Mexico.
- As shown in the table below, an amendment (#3401) offered by Senators Baucus and Grassley to the Andean Trade Preference Act would more than double the amount of money spent on TAA

(including NAFTA-TAA).

- Amendment 3401 would increase the cost of TAA from \$4.6 billion to \$11.1 billion over the next 10 years. Of the \$6.4 billion in new expenditures, the health care subsidies (a brand-new benefit under TAA) would cost \$2.4 billion over 10 years.

CBO Preliminary Estimate of Baucus/Grassley Amendment				
(\$ in millions)				
	2002	2003	02-06	02-11
Spending under CBO’s Baseline for TAA	425	430	2,191	4,626
TAA as proposed in Amendment 3401	0	58	1,165	3,120
TAA for workers	0	155	425	875
TAA for farmers	0	2	26	60
TAA for fishermen	0	83	319	801
Health Insurance Tax Credit - outlays	0	192	652	1,586
Health Insurance Tax Credit - revenue loss	0	490	2,587	6,442
Total Cost of TAA provisions	425	920	4,778	11,068
Total proposed spending for TAA				

Note: The table shows just the direct spending and revenue loss of the portion of the amendment reauthorizing TAA. CBO preliminarily estimates that the entire amendment including Trade Promotion Authority, Andean Trade Preference Act, some miscellaneous provisions, as well as the extension of customs user fees would still increase the surplus by \$1.6 billion over 2002-2011.

- The health care benefit would come in the form of a refundable tax credit worth 70 percent of health insurance premiums. A dislocated worker could use the tax credit to purchase health insurance in one of two major ways: (1) through COBRA, the 1985 law under which an employee can continue to be insured under a former employer’s group health insurance policy by paying the full cost of the premium plus administrative expenses, or (2) a state-sponsored health insurance arrangement, such as a qualified state high risk purchasing pool, state employees health plan, or state arrangement with a private sector purchasing pool. The tax credit would be available to workers for up to two years, as long as they continue to be eligible for other TAA benefits.
- The remaining \$4.1 billion in new expenditures results primarily from extending TAA to new groups of workers and increasing unemployment benefits. The legislation would extend TAA to farmers, fisherman, some secondary workers, and workers who lose their jobs when companies relocate abroad. The legislation also would allow TAA-certified workers to collect unemployment benefits for 2 years, which is 6 months longer than under current law. A small portion of the \$4.1 billion, about \$0.1 billion over 10 years, would be used to subsidize the wages of certain TAA-certified workers over age 50 who can find a new job but at a lower salary than their previous job.
- This amendment raises a number of issues. First, although this amendment is mostly offset by extending customs user fees (through 2011 only), it is still an expensive expansion of an entitlement program. Second this amendment would greatly expand benefits to a very small group of workers – it would allow about 70,000 more workers to receive TAA benefits in addition to the 125,000 already receiving benefit under current law. In comparison, the Unemployment Insurance (UI) program provides benefits to 12.6

million displaced workers a year. Could this money be better spent on reforming UI, a program that serves 63 times as many workers as TAA? Last, this amendment sets of number of precedents – it would provide not only health benefits for the unemployed but also wage subsidies. What disincentives would Congress create for these workers by establishing such generous benefits?

- The *Bulletin* notes that a 302(f) and a 311 Budget Act point of order lie against this amendment because not all of the spending increase and revenue loss are offset. It will require 60 votes to waive these points of order if they are raised. The *Bulletin* looks forward to a spirited debate on this amendment.