

INFORMED BUDGETEER: APPROPRIATIONS- THE TWO BIG ONES**LHHS APPROPRIATIONS: "A WORK OF ART"**

- Informed budgeteers, and those who read last week's *Bulletin*, know that the Labor, Health and Human Services (LHHS) appropriations bill has increased precipitously in recent years. From 1995 to 2001, discretionary appropriations in the LHHS bill will have increased 38.7%, more than any other appropriations bill. The following table shows the 2001 LHHS appropriations, as reported by the full Senate Appropriations Committee on May 11:

LHHS Bill, 2001 Discretionary Appropriations		
(\$ in Billions)		
2001		
LHHS Total Gross Spending	BA	104.229
	OT	96.776
Less:		
Emergency Spending-LIHEAP	BA	(0.300)
	OT	(0.075)
Mandatory Offsets	BA	(6.109)
	OT	(3.627)
Other Adjustments	BA	(0.470)
	OT	(0.408)
Equals:		
LHHS 302(b) Allocation*	BA	97.350
	OT	92.666

Note: Appropriations for the LHHS bill (both mandatory and discretionary) total \$335.2 billion in BA and \$330.7 billion in outlays for 2001. *LHHS net spending equals LHHS allocation.

- The LHHS bill departs from the assumptions made in the FY 2001 Budget Resolution- - as is its right. The Resolution assumed total gross discretionary spending of \$99.7 billion, less \$365 million in mandatory offsets. The reported LHHS bill includes \$104.2 billion in total discretionary spending.
- To comply with the 302(b) allocation, the committee included mandatory savings of \$6.1 billion. In addition, the Committee will receive an increase in its 302(a) allocation, as directed by the Balanced Budget Act, for Continuing Disability Reviews (\$450 million), Adoption Assistance (\$20 million), and for the Low Income Home Energy Assistance Program (LIHEAP) which was declared a contingent emergency (\$300 million).
- **Mandatory Offsets:** To fund more discretionary programs in this bill, the bill cut the Social Services Block Grant by \$1.1 billion in 2001. The bill also saves \$1.9 billion by rescinding State Children's Health Insurance Program (SCHIP) funds from states that will not use their full 1998 allotments. The bill then reappropriates these funds for the same states to use in 2003.
- In addition, the bill repeals \$50 million in Welfare to Work Performance Bonuses in 2001, and cuts Temporary Assistance to Needy Families (TANF) Supplemental Population Grants by \$240 million in 2001. Finally, the bill repeals the delay of the October 2000 SSI benefit payment included in the 1997 Balanced Budget Act. This provision saves \$2.4 billion in BA and outlays for 2001, but increases 2000 levels by the same amount.
- **Emergency Appropriations:** The bill provides \$300 million in contingent emergency funding for LIHEAP. Since 1992, the LHHS Appropriation Acts have contained emergency contingency funds for LIHEAP to be made available only if requested by the President. The funds are made available to states who are adversely affected by extreme heat or cold, or by other causes of energy-related emergencies.
- But note in the following discussion how cleverly the drafters handled not funding the related historic advance appropriation for LIHEAP.
- **Advance Appropriations:** The LHHS bill includes \$20.9 billion in

advance appropriations. Of the \$20.9 billion in advance appropriations, \$18.6 billion are for 2002, and \$2.3 billion are for 2003 for SCHIP and the Corporation for Public Broadcasting (CPB).

LHHS Advance Appropriations		
(\$ in Billions)		
	Enacted in 2000 Bill for 2001	Proposed in 2001 Bill for 2002-2003
Department of Labor	2.463	2.463
LIHEAP	1.100	--
Child Care	1.183	--
Head Start	1.400	1.400
HHS Salaries & Expenses	0.020	--
Department of Education	12.448	14.748
Corp. for Public Broadcast.*	0.350	0.365
SCHIP*	--	1.900
Total	18.964	20.876

*The Senate LHHS Bill provides 2003 advances for SCHIP and CPB. CPB is historically funded two years in advance.

- The Budget Resolution includes a point of order against any bill that would cause total advance appropriations for 2002 to exceed \$23.5 billion. The \$18.6 billion included in this bill for 2002 (\$20.876 total less \$2.3 billion for 2003 and beyond) by itself would not trigger this point of order, since no other appropriation bills containing advances have yet cleared for the President.
- However, not providing an advance this year into next for LIHEAP (\$1.1 billion) and Child Care (\$1.2 billion), contrasting with usual past practices, allows the Committee a clever way to increase advances for the Department of Education programs by another \$2.3 billion this year. The Committee knows full well the political pressure will be there to fund LIHEAP and Child Care at some point in 2002, perhaps using an emergency designation.
- Of course, a real disciplined budget alternative, rarely taken in this bill, would be to offset spending for increased LIHEAP and Child Care when it is inevitably enacted with reduced funding for lesser priority programs in this bill.
- The Budget Resolution also includes a point of order against a bill that includes an advance appropriation for any "fiscal year subsequent to the budget year." Thus, the \$1.9 billion advance appropriation for the SCHIP program for FY 2003 subjects the bill to a 60-vote point of order under Section 204(b)(1)(B) of the budget resolution. If raised and not waived, the 2003 advances would be struck from the bill.
- **Program Highlights:** From 1995 to 2000, appropriations in the LHHS bill increased by \$16.9 billion. This year's bill also provides some generous increases including:
 - < a \$2.7 billion increase over the 2000 level for NIH, \$1.7 billion more than the President's request.
 - < a \$4.7 billion increase for the Department of Education, \$100 million more than the President's request.
 - < a \$817 million increase for the Child Care and Development Block Grant in 2001 (although the bill fails to provide an advance for this program in 2002, as is customary and discussed above).
- Senator Stevens called this bill a "work of art." The *Budget Bulletin* would like to add that it is a *very expensive* piece of art.

DEFENSE APPROPRIATIONS

- S.2593, the 2001 Defense Appropriations subcommittee bill, as reported by the full committee on May 18 and as scored by CBO,

provides a total of \$287.6 billion in BA and \$188.1 billion in new outlays for FY2001. When prior-year outlays are included, outlays total \$277.2 billion.

- Mandatory spending totals \$216 million in both BA and outlays in the bill. As reported, the bill is exactly at its 302(b) subcommittee allocation for discretionary BA, and it is \$2.6 billion below its allocation for outlays.
- The table below compares this bill to the President's request and other reference points. Even with a large (\$4.5 billion) 2000 supplemental, there is significant growth from 2000 to 2001: after adding the Senate passed supplemental, nominal growth is 5.2% and real growth (assuming a 1.7% GDP price index in 2001) is 3.5%.

Defense Appropriations Bill: S. 2593		
(\$ in Billions)		
	BA	OT
Total: S.2593	287.4	277.0
President's Request	284.3	275.9
Senate Approps. Committee Allocation	287.4	279.6
Budget Resolution Advisory Allocation	288.3	274.8*
2000, as enacted	268.6	259.3
2000, w/ Senate passed Supplementals**	273.1**	265.1**
S.2593 compared to request	+3.1	+1.1
S.2593 compared to SAC allocation	0.0	-2.6
S.2593 compared to BRA allocation	-0.9	+2.2*
S.2593 compared to 2000	+18.8	+17.7
S.2593 compared to 2000 w/ supplemental	+14.3	+11.9

*Does not include \$4.8 billion in reversals of 2001 outlays back to 2000, which SAC allocations distributed to the MilCon (\$3.55) and the Ag (\$1.24) subcommittees. **Excludes \$1 billion in BA and \$0.2 billion in outlays scored to the MilCon and Transportation subcommittees.

- The Advisory 302(b) allocation for this bill recommended by Budget Committee Chairman Domenici (and Energy-Water Appropriations subcommittee Chairman) from the Budget Resolution was \$0.9 billion **higher** than the allocation provided by the Appropriations Committee.
- It is not correct, as stated by some, that the Appropriations Committee reduced the Defense subcommittee allocation by almost \$1 billion to assist the Energy-Water subcommittee. The Energy-Water subcommittee received an allocation that was only \$200 million higher than the advisory allocation from the Budget Resolution. The MilCon subcommittee received an allocation \$600 million higher than that contemplated by the Resolution.
- While all 050 BA allocated to the Defense subcommittee has been used, the subcommittee left "on the table" \$2.6 billion in outlays. Moreover, because there will be a "firewall" in 2001 between defense and non-defense if new statutory caps are enacted, these "excess" outlays cannot be shifted to non-defense.
- The Defense subcommittee chose to spend most of its share of the increase over the President's request provided by the Budget Resolution on slow outlay spending accounts (such as Procurement, R&D, and MilCon), rather than on fast spend-out ones (such as Military Personnel [MilPers] and Operations and Maintenance [O&M]) as has been assumed by the Budget Resolution.
- Having decided to spend most additional money on major

equipment items (Procurement and R&D) and not on readiness (O&M and MilPers), the Defense Subcommittee not only left outlays "on the table", but it also disregarded (as is its right) the assumptions of the Budget Resolution. Specifically, the Committee Report to S. Con. Res. 101 (the Senate version of the budget resolution) noted the serious declines in readiness experienced in each of the military services since 1995.

- During the Senate consideration of S. Con. Res. 101, the Senate also adopted a McCain amendment to provide money to enlisted military personnel to raise their compensation above the level where they qualify for food stamps. The Conference Report to the Budget Resolution specifically endorsed the assumptions of this McCain amendment. However, S. 2593, as reported, contains no funding or bill or report language to effect this goal.
- The question must be asked: Does this Senate-reported DoD Appropriations bill take full advantage of the opportunity afforded by the Budget Resolution to more fully address the serious readiness deficiencies created by the current Administration and the senior leadership of the Department of Defense? Moreover, does the bill specifically reject the Senate's 99-0 vote and implicit advice to address the issue of military food stamps?
- As for the President's request, the OMB and DOD defense budget officers have once again underestimated outlays flowing from the President's BA request of \$306.3 billion for all of function 050.
- The OMB and DOD estimates of outlays from this BA request was \$292.1 billion. CBO, which has clearly been more accurate over the years, estimated \$294.6 billion. This \$2.5 billion difference, while apparently large, is nonetheless smaller than the OMB/DOD persistently biased underestimates of recent years.

- The reason for the smaller mismatch this year is quite simple: in briefing congressional staff on the 2001 budget request earlier this year, DoD Comptroller William Lynn stated that because the discretionary spending cap was not a major issue in preparing the President's budget, he (Mr. Lynn) "did not have to nip and tuck on outlays as much as last year." In this context, "nip and tuck" can be considered a euphemism for "undercounting."

CLINTON-GORE PLAN: GOVERNMENT SHOULD INVEST \$2.5 TRILLION IN THE STOCK MARKET

- The presidential candidates' debate over Social Security (SS) reform has confused many in the public and even some good budgeteers. They have heard the Vice President criticize plans that allow a small portion of SS funds to be invested in stocks.
- This criticism is surprising since the Administration's own FY2001 budget calls for the government to invest SS funds directly in equities as a way to enhance the long-term sustainability of the program:

"The President also proposes to invest half of the transferred amounts in corporate equities. The share of trust funds invested in equities will be limited to 15 percent... investment in equities would extend solvency (of the SS Trust Fund)".
Budget of the US Government, Fiscal Year 2001, p. 37
- Under the Clinton/Gore budget plan, SS would eventually hold \$2.5 TRILLION in equities. This would be roughly 3 percent of

total equity market capitalization.

- Recently, Vice President Gore has said this isn't really their proposal. If the FY2001 Budget does not really reflect the priorities of the President and Vice President, it would be helpful for Congress to know. Does this also apply to their discretionary spending requests for 2001?