

INFORMED BUDGETEER

House-Passed Compared to Senate-Passed FY 2002 Discretionary Supplemental Appropriations (BA, \$ in millions)			
	House	Senate ^a	Difference
Defense Emergencies	15,794	14,022	-1,772
International Emergencies	2,153	2,002	-151
Homeland Security Emergencies	5,631	8,377	2,746
Department of Transportation	4,362	5,606	1,244
FEMA - Grants to First Responders	152	745	593
U.S. Postal Service	87	87	0
Securities and Exchange Commission	9	9	0
GSA	52	54	3
Justice	369	469	101
Energy	250	330	80
NSF - Cybercorps/Scholarships	0	19	19
Commerce	6	105	100
EPA	0	113	113
Legislative	24	11	-13
Executive Office of the President	0	5	5
Agriculture	12	191	179
Health and Human Services	39	388	349
Judiciary	16	20	3
Army Corps of Engineers	128	22	-106
Interior	49	55	6
Smithsonian Institution	13	2	-11
Treasury	63	76	14
District of Columbia	0	68	68
Assistance to New York Emergencies	5,467	5,467	0
FEMA - disaster relief	2,750	2,660	-90
HHS - Public Health & Social Services	0	90	90
Capitol Investment Grants	1,800	1,800	0
Restoration/Reconstruction of roads	167	167	0
HUD - CDBG for Lower Manhattan	750	750	0
Economic Recovery Emergencies	300	400	100
Disaster Assistance for Unmet Needs	23	80	57
Veterans Medical Care Emergency	0	275	275
Pell Grants Emergency	0	1,000	1,000
Nonemergencies and offsets	719	-107	-825
<i>Nonemergencies</i>	<i>1,983</i>	<i>1,089</i>	<i>-894</i>
Veterans Affairs - medical care	417	142	-275
Army Corps of Engineers - O&M	0	10	10
Agriculture	75	198	123
Assistance for North East Fisherman	0	16	16
NOAA	0	26	26
SEC - Division of Enforcement	20	20	0
Migration and Refugee Assistance	0	50	50
Capital Grants for National Railroad	0	55	55
Federal-Aid Highways	0	120	120
Election Administration Reform	450	450	0
Pell Grants	1,000	0	-1,000
Other	21	2	-19
<i>Offsets</i>	<i>-1,265</i>	<i>-1,196</i>	<i>69</i>
Airline Loan Program Limitation ^b	-393	0	393
Federal-Aid Highways	0	-320	-320
International Assistance Programs	-219	-159	60
Export Import Bank	0	-50	-50
Economic Support Fund	0	-25	-25
State - International Peacekeeping	0	-48	-48
HHS	-30	-30	0
HUD	-600	-350	250
Interior - San Carlos Irrigation	-5	-10	-5
Export Enhancement Prog. limits ^c	0	0	0
Food Stamp Program	0	-33	-33
Energy	0	-27	-27
Justice	0	-43	-43
Treasury - Financial Management Srv.	-14	-14	0
Dep. Mgmt. - HHS, Labor, Education	0	-45	-45
Commerce	-3	-32	-29
Other	-1	-10	-9
TOTAL	30,087	31,516	1,428

Source: Senate Budget Committee Republican Staff compilation based on CBO scoring.

Note: Items in bold add to total.

a/ The Senate passed bill also includes \$1.1 billion in mandatory spending for veterans benefits as requested by the President on May 21, 2002.

b/ The House Budget Committee has directed CBO to provide alternate scoring of this provision consistent with OMB assumptions, showing \$1.254 billion in savings instead of \$393 million as estimated by CBO.

c/ The House Budget Committee directed CBO to score this provision using OMB's \$450 million savings estimate instead of \$0.

HOW DOES THE SUPPLEMENTAL REALLY STACK UP?

- Going into conference this week on the FY 2002 Emergency Supplemental Appropriations bill (H.R. 4775), how do the House- and Senate-passed bills really stack up?
- The table shows the major differences for conference using usual congressional (CBO) scoring. Though nearly all press accounts parrot the conventional wisdom that the two bills are \$2.7 billion apart, the Senate bill is in fact only \$1.4 billion higher. The House claims a larger difference because the House Budget Committee directed CBO to score savings for two provisions in the House bill using OMB assumptions rather than CBO estimates, thereby claiming credit for \$1.3 billion in "savings," which are then used to offset other spending in the House bill.
- One of the two provisions is Section 102 of the House bill, which limits funding under the nearly inactive Export Enhancement Program to no more than \$28 million in FY 2002 (the program has spent only \$7 million over the past two years). While CBO estimated no savings from this provision, under the House's directed scorekeeping, \$450 million in OMB savings become available to be spent in the House bill.
- CBO also was directed by the House Budget Committee to score savings to Section 1104 of the House bill, which rescinds unobligated balances for airline loans under the Air Transportation and Safety Stabilization Act. Using OMB estimates, \$861 million in additional savings were available to offset additional House spending.
- Besides the House's directed scoring, there are two major differences in non-emergency spending items, where the Senate is \$894 million below the House. The Senate designates as an emergency the \$1 billion in Pell grant funding, as well as \$275 million in veterans medical care funding, while the House includes these funds as non-emergencies. Using CBO scoring, the House does not offset its non-emergency spending in the bill. So the House employs the directed scoring to "create" the offset.
- One of the major conference issues will be the Senate's "all or nothing" designation of emergency spending, to which the Administration strongly objects. Section 2002 of the Senate bill provides that emergency funding requested by the President and agreed to by the Congress cannot be obligated unless the President makes an emergency designation for the **nondefense** emergency items added by Congress. (A similar provision applicable to the additional **defense** spending in the House bill was deleted during House Committee mark up due to Administration objections.)
- Because of this provision, and the overall spending levels, the President's senior advisers recommend a veto of the Senate version of the bill. The House bill did not receive a similar threat.

RELIABLE FINANCIAL INFO ELUDES PENTAGON

- In 1990, President George H. W. Bush signed into law the Chief Financial Officers Act, which required cabinet departments to produce annual auditable financial statements by 1997. But the Department of Defense has never produced one. On June 4, 2002, the Principal Deputy of the Under Secretary of Defense (Comptroller) told the House Committee on Government Reform and Oversight that DoD plans to attain the objective of the 1990 law in eight to ten years – in other words, no earlier than 2010.
- Some might regard financial management merely as an esoteric pursuit, particularly for the Pentagon in the midst of a war against terrorism. However, on the same day that Congress was told the Pentagon needs at least 20 years to comply with the law, Senator Domenici received a letter about that same war from DoD Comptroller Zakheim that highlights the hazards of financial noncompliance.

- After CBO prepared an analysis requested by Senator Domenici (see *Budget Bulletin* of April 15, 2002) of the cost of US military operations in and around Afghanistan, the Comptroller publicly disputed CBO's analysis arguing that DoD's estimate of \$12.2 billion is more accurate than CBO's figure of \$10.2 billion.
- His letter explains that the "\$2 billion difference is primarily due to CBO not including [\$2.3 billion in] operating costs for naval forces in the theater." Should budgeteers believe CBO forgot to include the cost of naval operations in the Indian Ocean to support combat in Afghanistan? (These would include naval aircraft strikes and amphibious warfare ships supporting the Marines in Afghanistan.) That would be a major oversight by CBO!
- Let's go to the videotape. Review of CBO's estimate shows that it did include naval costs in its estimate: "Operations support includes the costs associated with operating and maintaining all air, land, and **sea forces** and equipment." The letter then mentions the inclusion of naval costs twice more. CBO also produced a classified description of its analysis that elaborates on its estimates of the naval and other costs for operations in Afghanistan, but the DoD Comptroller declined the offer to review it.
- So, what does explain the \$2 billion difference? Unfortunately, DoD's letter only further clouds the issue. It ventures that CBO also underestimated costs by using an estimating model based on the conflicts in the Balkans and Iraq where lesser distances and less difficult terrain were involved. But DoD's own table shows that, adjusting for the \$2.3 billion in supposedly omitted naval costs, CBO's estimates are \$0.4 billion **higher** than DoD's version. (Though CBO analysts say they did adjust their model for the differences between Afghanistan and the previous conflicts.)
- So according to DoD, CBO's estimates are too low because they forgot naval costs and they used an unadjusted estimating model, though mathematically, both claims cannot hold simultaneously (and neither are true, according to CBO). Casting further doubt on DoD's estimating capabilities, CBO separately enumerated personnel support and other costs, while DoD says it cannot. DoD's letter agrees such costs are involved, but it does not distinguish between homeland security costs and Afghanistan war costs.
- For what it's worth, DoD's table comparing estimates for the costs of US military operations in and around Afghanistan is reproduced below. While the *Bulletin* cannot inform readers which estimate might be more accurate, it appears CBO has defended its figures, but DoD's concern with, criticism of, and revisions to CBO's estimates remain a mystery.

Comparison of CBO vs. DoD Cost Estimates Costs of Military Operations in Afghanistan (\$ in billions)		
	CBO	DoD
Deployment and Sustainment	5.9	7.9
Increased Navy OPTEMPO ^a	—	2.3
Guantanamo Bay Detainee Operations ^a	—	0.1
Special Airlift Transportation	1.2	0.2
Personnel Support	1.1	—
Other ^{a*}	—	0.1
Operations subtotal	8.2	10.6
Equipment and Munitions	2.0	1.6
TOTAL	10.2	12.2

* Other includes: increased fuel contract costs (\$75 million), initial issue and logistical contract support (\$37 million), and National Imagery Mapping Agency and info ops (\$21 million)

Source: DoD, letter from DoD Comptroller to Senator Pete Domenici; May 30, 2002

^a These lines, added by DoD, do not appear in CBO's April 10 letter, as CBO reflected the cost of these items in other categories

TRYING TO UNMAKE A MOUNTAIN WITH MOLEHILLS

- On June 5th, the Senate Energy and Natural Resources Committee marked up S.J. Res. 34; the resolution would reject the veto by the Governor of Nevada by approving the site at Yucca Mountain for the development of a repository for the disposal of high level radioactive waste and spent nuclear fuel. (The House passed an identical companion measure on May 8.)
- The Nuclear Waste Policy Act of 1982 provides for expedited procedures to consider the resolution. Once it is placed on the Senate Calendar, any Senator may make the motion to proceed. The motion to proceed is privileged with no debate and no amendment. The resolution is subject to 10 hours of debate, is not amendable, and requires only a simple majority to pass. The Congress and the President have until July 25, 2002, to enact the resolution, or else the Nevada Governor's veto of the President's site recommendation will stand and the Secretary of Energy will be barred from building the repository at Yucca Mountain.
- On June 7th, Senators Conrad and Reid sent a letter to Energy Committee Chairman Bingaman requesting that he delay filing the report for SJ Res 34 while awaiting a "possible revised" cost estimate. CBO had already completed and sent to the Energy Committee on June 5th a 10-year cost estimate required for the Committee to meet rule XXVI of the Standing Rules of the Senate. (The Senators argued that the CBO estimate is too low, in that it relies on information from the Department of Energy.)
- CBO expects that the Department of Energy would apply for a license to construct a storage facility at Yucca Mountain during 2004 and that the site would be ready to accept waste starting in 2010. CBO estimates that implementing the resolution would cost \$6 billion over the 2003-2007 period and about \$12 billion over the 2003-2012 period if the amounts authorized are appropriated by Congress. These figures include the costs of program management, licensing, construction, and transportation of waste to the site at Yucca Mountain. (The Department of Energy stated in a May 2001 report that the estimated cost to conduct the nuclear waste program would be about \$50 billion in 2000 dollars, from 2001 through closure and decommissioning in 2119.) The resolution would not affect direct spending or receipts, so there would be no budget act point of order against the resolution.
- On June 10, the same day that he filed his committee report including the CBO estimate, Senator Bingaman responded to Senators Conrad and Reid that he believes the CBO estimate to be reliable for the period required under Senate rules. Chairman Bingaman also points out that while there may be some debate over what the total cost for Yucca Mountain will be over its entire life, we must not forget that there are also costs associated with not acting on the Yucca resolution: "During our hearings, the Committee was advised that [the cost of not acting] may be as high as \$80 billion."
- The *Bulletin* applauds Chairman Bingaman for resisting extraordinary entreaties to deviate from regular order in the filing of committee reports and CBO estimates. While in the past committees have omitted CBO estimates from their reports (usually because they thought the estimated costs were too high) and committees have used directed scoring when a CBO estimate proved to be disadvantageous, it is very unusual that a Budget Committee Chairman would caution that a CBO estimate not be used with the hope that CBO will be persuaded to issue a revised, higher cost estimate.