

**INFORMED BUDGETEER: While you were gone.....**

<b>@ End of 106<sup>th</sup> Congress Countdown @</b>	
Calendar Days to Sine Die: October 6 (From September 5)	
Total Days	32
Less:	
Scheduled Non-Leg. Periods (0 days)	32
Fridays & Mondays before/after Non-Leg. Periods (0)	32
Remaining Saturdays & Sundays (8)	24
Mondays & Fridays in Leg. Periods (8) ; =	16

**Senate Status of 2001 Appropriation Bills**

- As of the end of August, the Senate has passed four appropriations bills for 2001, has reported one bill from committee, has worked out conference agreements on two bills, and has enacted two bills. The remaining three 2001 bills are still being considered in their subcommittees, limited by their 302(b) allocations.
- While you were gone**, we completed scoring on all those bills in their current status. Action to date, not including supplemental appropriations, totals \$607.5 billion in BA and \$632.8 billion in outlays for 2001. This is an 8.5 percent increase in BA and a 5 percent increase in outlays over 2000 appropriations. Of the 2001 appropriations, \$1.4 billion in BA and \$0.8 billion in outlays is classified as either emergency spending or as other adjustments to the caps, including continuing disability reviews, adoption assistance, and EITC compliance initiatives.

Senate Status less One-time Spending Without Supplemental by Appropriation Subcommittee, \$ in millions				
		2000	2001	% change
Agriculture	BA	14,614	14,850	1.6
2001 Senate Passed	OT	14,755	14,916	1.1
Commerce, Justice, State	BA	33,702	33,970	0.8
2001 senate 302(b)	OT	34,287	35,545	3.7
Defense	BA	268,605	287,590	7.1
2001 Enacted	OT	266,633	276,534	3.7
District of Columbia	BA	430	441	2.6
2001 Senate 302(b)	OT	501	442	-11.8
Energy and Water	BA	21,094	22,470	6.5
2001 Senate Reported	OT	21,207	22,296	5.1
Foreign operations	BA	13,404	13,448	0.3
2001 Senate Passed	OT	12,986	14,224	9.5
Interior	BA	14,769	15,875	7.5
2001 Senate Passed	OT	14,775	15,591	5.5
Labor HHS	BA	86,301	100,530	16.5
2001 Senate Passed	OT	86,766	95,504	10.1
Legislative branch	BA	2,449	2,531	3.3
2001 Conference	OT	2,448	2,528	3.3
Military Construction	BA	8,352	8,834	5.8
2001 Enacted	OT	8,495	8,624	1.5
Transportation	BA	12,493	13,281	6.3
Senate Passed <sup>A</sup>	OT	43,702	47,230	8.1
Treasury Postal	BA	13,761	15,630	13.6
2001 Conference	OT	14,256	15,120	6.1
VA, HUD	BA	69,733	78,058	11.9
2001 Senate 302(b)	OT	82,737	84,215	1.8
Deficiencies	BA	0	0	--
	OT	-768	0	--
<b>Total</b>	<b>BA</b>	<b>559,70</b>	<b>607,50</b>	<b>8.5</b>
	<b>OT</b>	<b>7</b>	<b>8</b>	<b>5.0</b>
Emergencies & other	BA	602,78	632,76	--
adjustments	OT	0	9	--
		0	1,407	
		0	764	

SOURCE: Senate Budget Committee. <sup>A</sup>Senate Passed Without Mass Transit BA.

- Supplemental appropriations totaling \$20.6 billion in BA and \$13.8 billion in outlays for 2000 were either enacted, passed or reported

before the August recess. By including the supplemental in the comparison, the increase in BA between 2000 and 2001 drops to 4 percent in BA and 2.3 percent in outlays. Over \$16.6 billion in BA and \$2.1 billion in outlays from the total 2000 supplemental appropriations were designated emergency.

- Of the \$20.6 billion in supplemental 2000 BA, \$15.1 billion was enacted in the Military Construction appropriation, \$3.5 billion was passed in the Senate Agriculture appropriation bill, \$1.8 billion was enacted in the Defense appropriation bill, and \$0.2 billion was reported out of the Senate Energy and Water appropriations subcommittee. The supplemental in the Military Construction appropriation includes \$4.2 billion in timing shifts for Veterans compensation and pensions and Supplemental Security Income from 2001 into 2000.
- Total BA in 2001, including supplemental appropriations, is \$603.6 billion. After accounting for emergencies and other adjustments to the caps of \$1.4 billion, the status of bills in the Senate to date is almost \$1.9 billion above the \$600.3 billion in BA allowed for in Section 206 of the 2001 Budget Resolution.

Senate Status less One-time Spending With Supplemental <sup>A</sup> by Appropriation Subcommittee, \$ in millions				
		2000	2001	% change
Agriculture	BA	18,328	14,878	-18.8
2001 Senate Passed	OT	14,919	17,798	19.3
Commerce, Justice, State <sup>B</sup>	BA	34,053	33,970	-0.2
2001 senate 302(b)	OT	34,355	35,743	4.0
Defense	BA	276,989	287,613	3.8
2001 Enacted	OT	272,535	276,720	1.5
District of Columbia	BA	430	441	2.6
2001 Senate 302(b)	OT	501	442	-11.8
Energy and Water <sup>C</sup>	BA	21,681	22,470	3.6
2001 Senate Reported	OT	21,334	22,661	6.2
Foreign operations	BA	14,498	13,448	-7.2
2001 Senate Passed	OT	13,595	14,057	3.4
Interior	BA	15,176	15,875	4.6
2001 Senate Passed	OT	14,971	15,721	5.0
Labor HHS	BA	86,959	100,551	15.6
2001 Senate Passed	OT	88,550	94,010	6.2
Legislative branch	BA	2,481	2,535	2.2
2001 Conference	OT	2,450	2,548	4.0
Military Construction	BA	12,731	4,592	-63.9
2001 Enacted	OT	12,734	4,435	-65.2
Transportation	BA	13,318	13,273	-0.3
Senate Passed <sup>D</sup>	OT	43,953	47,457	8.0
Treasury Postal	BA	13,668	15,630	14.4
2001 Conference	OT	14,243	15,235	7.0
VA, HUD <sup>B</sup>	BA	70,313	78,061	11.0
2001 Senate 302(b)	OT	82,738	84,402	2.0
Deficiencies	BA	-278	273	--
	OT	-273	-495	--
<b>Total</b>	<b>BA</b>	<b>580,347</b>	<b>603,610</b>	<b>4.0</b>
	<b>OT</b>	<b>616,605</b>	<b>630,734</b>	<b>2.3</b>
Total Supplemental Spending	BA	20,640	-3,898	--
	OT	13,825	-2,035	--
Emergencies & other	BA	16,609	1,435	--
adjustment	OT	2,109	10,442	--

SOURCE: Senate Budget Committee. <sup>A</sup>This table assigns each of the 2000 supplemental items from the Agriculture and the Military Construction bills to the subcommittee from which the spending for the item would traditionally occur. <sup>B</sup>These 302(b)'s assume that the total discretionary Spending will equal the level set forth in section 206 of the Concurrent Resolution on the Budget for FY 2001. <sup>C</sup>The figures for the Energy and Water subcommittee do not include the Veterans Compensation and Pension benefit timing shift and the supplemental Security Income benefit timing shift from FY 2000 into FY 2001. <sup>D</sup>Senate Passed without Mass Transit BA.

**DOES ANYONE STILL WORRY ABOUT SEQUESTERS?**

- While some budgeteers were gone**, others cogs in the budget wheel continued to grind away. On August 15 as required by law.

CBO issued its "Sequestration Update Report for 2001." OMB's companion report, due August 20 by law, probably will not be released until later this week.

- CBO's report informs the Congress and OMB on the likelihood and magnitude of a sequester for both pay-as-you-go spending and discretionary spending. CBO's report, however, is purely advisory, as OMB possesses the sole authority under the law to estimate and execute a sequester.
- A sequester is a mechanism to ensure that all legislation enacted before 2003 affecting direct spending or revenues (PAYGO) does not reduce the surplus or that enacted discretionary appropriations do not exceed the statutory caps. For the PAYGO scorecard, which OMB in January reset to zero for all years (as directed by the Consolidated Appropriations Act for 2000), CBO estimates that legislation enacted between February 7 and August 11 decreased the surplus by \$63 million in 2000 and by \$1.01 billion in 2001.
- The primary contributors to these effects were the Agricultural Risk Protection Act of 2000, which increased the costs of crop insurance, and the Trade and Development Act of 2000, which reduced revenues by conferring duty-free status on certain products. Assuming OMB's estimates are in a similar ballpark, a sequester of non-exempt direct spending programs on the order of \$1 billion to \$2 billion will occur after the end this session of Congress, unless legislation is enacted in the next two months that offsets these costs.
- However, budgeteers may have noted a certain lack of concern, even nonchalance, regarding potential sequesters that otherwise would result from the cumulative effects of enacted PAYGO legislation. Perhaps that is because the unspoken assumption appears to be that a sequester will be avoided, not through enacted offsets, but through some enacted direction to OMB that makes sure no sequester occurs.
- For discretionary spending, CBO's report notes that for FY2000, discretionary outlays will exceed their cap by \$7.6 billion, but also notes that no sequester is likely because OMB's estimate's will show that both BA and outlays will be within their caps. For FY 2001 discretionary spending, CBO simply highlights that whether 2001 appropriations simply freeze or inflate levels provided for 2000 (not including enacted 2000 supplementals), 2001 appropriations would at least be \$45 billion to \$70 billion greater than the existing statutory caps for 2001 (which were set in 1997).
- If enacted appropriations move closer to the President's requested levels, the resulting sequester would have to be even greater. But again, there appears to be little concern that sequester will be allowed to occur, with a quiet consensus that some mechanism will be enacted to avoid one.

**WIRELESS WEB GAINS SPECTRUM IN EUROPE,  
BUT US PROSPECTS REMAIN SLIPPERY**

- Wireless budgeteers may well wonder how the worldwide web is going to appear on their phones. (One may also wonder whether it's a good thing to be able to access the web on a wireless phone screen.) The Wireless Web will require significant new spectrum (a certain frequency used for a certain application) for service providers to deliver the "third generation" (3G) product they advertise so ubiquitously.

- The opportunity to acquire additional spectrum licenses for such purposes is why interest has been so keen in two spectrum auctions the Federal Communications Commission (FCC) had scheduled for this fall.
- However, **while you were gone**, the FCC announced that one of the auctions slated to begin on September 6, 2000 would once again be postponed, until March 6, 2001. According to FCC Chairman William E. Kennard, the postponement stems from the uncertainty surrounding the auction. In particular, questions regarding the recently changed bidding procedure and the pending clearance of the spectrum created a risky environment in which to hold an auction.
- At the beginning of July the FCC changed the auction procedure to combinatorial bidding, which drastically altered how bidders would approach the auction. Compared to the previous approach of auctioning groups of licenses with separate bids for each license in the group, under this new approach, only one bid is required for the entire set.
- When the auction does occur, a total of 30MHz will be available in each of the 6 regions. Each region will have one license for 20MHz and one for 10MHz making a total of 12 licenses available. Because this type of auction is untested in the US, the companies interested in obtaining a license requested that the auction be moved back so that they might have more time to understand the process and fine tune their strategies and business plans.
- The clearing of the spectrum is also of vast importance to the potential bidders. Currently, the licenses for spectrum in the 700MHz band are held by UHF television broadcasters (channels 60-69), and by law they are not required to relinquish their hold on the licenses until 2006 at the earliest. Had the auction taken place in September, bids likely would have been heavily discounted because of the uncertainty regarding the transition of ownership of the licenses. The delay will allow the bidders to factor in the added expense of the negotiation that they will attempt with the broadcasters.
- Since the timing for both this 700 MHz auction as well as the re-auction of certain C and F Block licenses (to be retrieved from bankrupt bidders--currently scheduled for November) continues to have the air of uncertainty.
- Budgeteers curious about the auction's potential impact on the US Treasury should note the experience of similar "3G" auctions in Europe. While CBO's last estimate of receipts for the 700MHz auction, published in January 2000, was \$3 billion, the results of several European auctions have been mixed.
- The UK held an auction in the spring of this year that amassed over \$35 billion (US) for 140MHz broken into 5 licenses. The Netherlands held an auction this summer that raised just \$2.5 billion (US) for 145MHz broken into 5 licenses, and Germany just completed an auction of 120MHz divided into 6 licenses with high bids totaling almost \$46 billion (US).

Spectrum Auction Results from Europe		
U.K.	Netherlands	Germany

\$ - billions	35.52	2.50	45.85
Population- millions	59.11	15.73	82.08
Spectrum- MHz	140	145	120
\$/population	120.18	31.78	99.19
\$/population/MHz	4.29	1.10	4.96

- In addition to those auctions already completed, many European countries are lining up to reap the benefits of 3G licenses. Poland, Austria, and Sweden are all set to begin auctions around the end of this year, awarding an average of 5 licenses per country. France, Italy, and Ireland have all opted for a beauty contest (government chooses license recipients instead of auctioning the licenses) in order to distribute their spectrum licenses.