

**INFORMED BUDGETEER: HAPPY FISCAL NEW YEAR!****CR = CONFUSION REDUX**

<b>CBO Estimates of Current Rate Compared to the President's Budget Request and Senate Current Status for FY 2003</b> (BA, \$ in Billions)				
Subcommittee	President's Request <sup>a</sup>	Current Status <sup>b</sup>	Current Rate w/ Supps <sup>c</sup>	Current Rate less one-time items <sup>d</sup>
Ag	17.1	18.0	17.2	17.1
CJS	40.8	43.5	43.6	43.2
Defense	0.6	0.6	0.6	0.6
Nondefense	40.3	42.9	43.0	42.7
Defense	366.5	355.1	334.2	332.9
DC	0.4	0.5	0.6	0.4
Energy-Water	25.5	26.3	25.3	25.3
Defense	15.9	15.9	15.2	15.2
Nondefense	9.7	10.4	10.2	10.2
Foreign Ops	16.5	16.4	16.6	16.6
Interior	19.0	19.3	19.2	19.2
Labor-HHS	131.0	134.4	128.4	127.1
Leg. Branch	3.4	3.4	3.3	3.2
Mil-Con	9.7	10.6	10.7	10.7
Transportation <sup>e</sup>	20.4	21.3	23.1	20.7
Defense	0.3	0.3	0.4	0.4
Nondefense	20.1	21.0	22.6	20.3
Treasury-Postal	18.0	18.5	18.5	17.8
VA-HUD	92.4	92.9	96.7	86.9
Defense	0.1	0.1	0.2	0.2
Nondefense	92.3	92.8	96.6	86.8
Advance Approps.	—	2.2	—	—
<b>TOTAL</b>	<b>760.5</b>	<b>762.5</b>	<b>737.3</b>	<b>721.0</b>
Defense	393.1	382.8	361.2	359.8
Nondefense	367.4	379.8	376.1	361.2

Source: CBO, SBC Republican Staff

<sup>a</sup> The President's FY 2003 Budget Request includes all budget amendments transmitted through September 13.<sup>b</sup> The Defense, Legislative and Military Construction Appropriations bills for FY 2003 have been passed by the Senate. The remaining ten FY 2003 bills have been reported by the Senate Appropriations Committee.<sup>c</sup> The supplementals include funding in Division B of the 2002 Department of Defense and Emergency Supplemental Appropriations Act (P.L. 107-117) and the 2002 Supplemental Appropriations Act for Further Recovery From and Response to Terrorist Attacks (P.L. 107-206).<sup>d</sup> One time spending items include New York response and recovery, Pentagon reconstruction, nonrecurring expenses for the smallpox vaccine purchase and the national pharmaceutical stockpile, HHS facilities security, embassy construction in Kabul and Dushanbe, emergency planning and security costs for DC, and emergency funding for security enhancements at the Capitol complex.<sup>e</sup> Includes mass transit budget authority of \$1.445 billion.

- The new fiscal year 2003 begins at midnight tonight, and once again – two years straight – none of the regular appropriation bills has been enacted. The failure to complete any bills last year before FY 2002 began was understandable given the events of last September, but the failure this year must lie at the foot of the Congress for not adopting a budget resolution. **There is a reason why we have a budget process!**
- Absent any regular appropriation bills, the first continuing resolution (CR) running for the first 4 days of the new year has been sent to the President. If this CR were extended for the entire FY 2003 period, how would spending under it compare to the President's request or the current status of the FY 2003 appropriation bills in the Senate?
- The table above updates slightly the one in last week's *Bulletin* that showed the current CR on an annualized basis. As anticipated, the CR sets 2003 spending at a "rate for operations not exceeding the current rate," which means 2003 funding remains at the 2002 level including all supplementals. Using this formula, CBO estimates an aggregate level of \$737.3 billion. (The actual scoring of the CR includes various technical provisions that have the effect of increasing the cost of this CR to \$746 billion. However, the largest of these technical amendments – related to military health care – would be subsumed in the FY 2003 Defense appropriation bill if and when that is completed.)
- If the only regular appropriation bills sent to the President in the next 10 days are the defense and military construction appropriation bills, and if these bills were funded at the President's request and then added to an extension of the CR, total annualized spending would reach \$768.6 billion. However, it is not expected that the President's request for \$10 billion in unspecified defense appropriations will be

granted. Therefore, funding under this scenario would put total annualized appropriations at \$758.6 billion – voila, in the aggregate about the same as the President's original total request, but with \$10 billion less for defense and \$10 billion more for non-defense programs.

- But adding to the confusion, language in the current CR will likely be supplemented in the long-term CR to permit the Administration to withhold monies from the mechanistic "current rate" formula from programs that were "one-time" spending in 2002, such as recovery funds for New York. According to an "illustrative" list of such items the Administration has circulated, an expected \$16.2 billion in CR appropriations would not be apportioned and not be available for spending in FY 2003. The last column in the table has been updated to show how removing those one-time spending items would affect the various subcommittees' funding for FY 2003.
- Finally, closing the loop, if FY 2003 defense and military construction appropriation bills make it to the President without the President's \$10 billion request, and the, now, \$14.9 billion in one-time spending items are removed (the one-time funding for Pentagon reconstruction no longer needs to be withheld), then annualized appropriations for FY 2003 will total \$743.6 billion – well below the President's request of \$760.5.

**BUDGET QUIZ: PRESIDENT'S BUDGET STILL AT \$759b?**

**Question:** The President submitted a budget at the beginning of February that included \$759.1 billion in discretionary budget authority (BA) for FY2003. TRUE OR FALSE – The President's budget request still stands at \$759.1 billion in discretionary BA.

**Answer:** False. The President's request now stands at \$760.5 billion.

**Explanation:**

- As OMB acknowledges on its web site, "occasionally there is a need to modify the President's budget to recognize special circumstances that could not be foreseen when the President's budget was transmitted to Congress." Such changes, as requested by the President for the budget year (for this year that is 2003), are called budget amendments.
- There have, in fact, been four budget amendments that have increased the President's request for discretionary BA for 2003 by \$1.4 billion, bringing the total request to \$760.5 billion.
- A March 14<sup>th</sup> amendment, as well as a July 12<sup>th</sup> amendment, add \$37 million and \$17 million, respectively, for the Legislative Branch. (As a matter of comity, appropriations requests for the Legislative Branch from Congress are transmitted by the President without change.)
- On August 2<sup>nd</sup>, the President requested \$366 million for reform of remediation projects at contaminated Department of Energy sites and for readying the Yucca Mountain site as a viable nuclear waste repository by 2010.

<b>Increases to the President's FY 2003 Budget Request</b> ( \$ in Billions)	
President's Discretionary BA for FY 2003 in Budget request	759.1
Budget amendments:	
March 14 <sup>th</sup> - Legislative branch	0.037
July 12 <sup>th</sup> - Legislative branch	0.017
August 2 <sup>nd</sup> - Department of Energy	0.366
September 3 <sup>rd</sup> - TSA, Israel, Gaza, West Bank, HIV/AIDS	0.996
Total, budget amendments:	1.416
<b>President's Discretionary BA for FY 2003 Revised</b>	<b>760.5</b>

Source: CBO

- Finally, the President transmitted a budget amendment on September 3<sup>rd</sup> to request \$996 million to provide the necessary resources to enhance transportation security, to assist Israel and the people of the West Bank and Gaza, and to fight HIV/AIDS in developing

countries. This request revisits part of the \$5.1 billion in contingent emergency money for 2002 that was enacted in the 2002 Supplemental Appropriations Act for Further Recovery From and Response to Terrorist Attacks on the U.S. (P.L. 107-206), but that the President chose not to release.

### **BUDGET QUIZ: 2003 COLAS AND PAY RAISES**

Question: What increase will Social Security recipients, federal employees, and Members of Congress receive on January 1, 2003?

Answer:

- Social Security recipients will receive a cost-of-living adjustment (COLA) based on the increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers from the third quarter of 2001 to the third quarter of 2002 (which ends on September 30). The *Bulletin* estimates that the COLA will be 1.6% and that the average Social Security monthly benefit for a retiree will increase from \$874 to \$888. The same COLA also applies to Supplemental Security Income benefits, veterans' pensions, railroad retirement benefits, federal retirement benefits under the Civil Service Retirement System, and military retirement benefits.
- Unless Congress intervenes, federal employees will receive an across-the-board 3.1% pay increase in January under the terms of the Federal Employees Pay Comparability Act (FEPCA). This pay raise reflects the increase in the Employment Cost Index from the third quarter of 2000 to the third quarter of 2001 minus 0.5%. Astute budgeteers will notice that Social Security COLA's are indexed to inflation while federal pay raises are indexed to increases in private sector wages.
- Although FEPCA was enacted in 1990, the Administration and Congress can't seem to resist tinkering with federal employees' pay. This year, the Administration proposed in its budget for FY 2003 that Congress adopt a 2.6% pay raise for federal employees. The Treasury Appropriations bill as passed by the House and reported by the Senate (but unlikely to make it free-standing to the President) provide for a 4.1% pay raise for civilian employees, equal to the amount proposed by the President for military employees. However, if Congress takes no further action on pay, the FEPCA increase of 3.1% will automatically take effect on January 1, 2003.
- Besides the across-the-board pay raise for federal employees, FEPCA provides for a locality-based comparability payment to close the pay gap between federal and private sector employees. Under FEPCA, the Administration could change the comparability payment (which would bring the average combined pay increase to 18.56%) by transmitting to Congress by November 30 a report describing an alternative payment. The locality-based comparability payments have always fallen far short of being implemented in full.
- In January, Members of Congress are scheduled to receive a 3.1% pay raise to \$154,700 from \$150,000. This year the raise for Members, based on the increase in the ECI from the fourth quarter of 2000 to the fourth quarter of 2001 minus 0.5%, was calculated to be 3.3% but the law prevents Members from receiving a raise greater than the increase for federal employees. Under the Ethics Reform Act of 1989, Members pay increases automatically unless Congress passes and the President signs a law that explicitly prohibits or changes the pay raise.

### **BUDGET QUIZ: ONE MORE DUCK**

Question: Following last week's *Bulletin* primer on Continuing Resolutions (CR), one might ask how Congress can pass 13 regular

appropriations bills on or before the start of the fiscal year, and still have two Continuing Resolutions in that same year?

Answer: The year in question – FY 1977 – is the odd duck out, but a search of the legislation reveals that there were indeed two Continuing Resolutions for FY 1977 even though all 13 regular appropriation bills were enacted on or before October 1, 1976.

Explanation:

- The regular FY 1977 Labor-HEW bill cleared the Congress on September 17, 1976, without funding for programs needing reauthorization under the Public Health Service Act; the Comprehensive Alcohol Abuse and Alcoholism Prevention Treatment and Rehabilitation Act; the D.C. Medical and Dental Manpower Act; Home Health Services; the Higher Education Act; the Vocational Education Act; the National Defense Education Act; the General Education Provisions Act; and Title IV of the Comprehensive Employment and Training Act.
- It was standard procedure for then House Labor-HEW Appropriations Subcommittee Chairman William Natcher to defer funding action on programs not specifically authorized in law. So a CR provided continuing funding authority for programs whose funding was deferred in the Departments of Labor and Health, Education and Welfare regular Appropriations bill due to lack of authorization.
- This CR was at the current rate for these programs at the same level at which they were conducted in FY 1976 or the period ending September 30, 1976 (the transition quarter to the new federal fiscal year beginning on October 1 was July 1, 1976, through September 30, 1976). The CR provided funding through March 31, 1977, under the theory that supplemental appropriations would then be provided to operate these programs for the remainder of FY 1977.
- The CR also included language to extend funding authority for the President's Commission on Olympic Sports and the Commission on Federal Paperwork. The CR continued funding for programs of the Energy Research and Development Administration provided in appropriations bills already signed into law by delaying until March 31, 1977, or the enactment of authorizing language, whichever first occurred, provisions of law making funding dependent upon the enactment of authorizing legislation.
- This CR also included supplemental appropriations providing \$12 million to the USDA Soil Conservation Service for emergency repair to watersheds damaged by fire or storms; authorized another \$30 million for the Federal Crop Insurance Corporation to issue capital stock to cover crop losses in the Midwest due to drought conditions; and appropriated \$5.15 million to cover miscellaneous claims over \$100,000 against the federal government.
- Because Congress had not completed action on a supplemental appropriations bill by the end of March, the second FY 1977 CR (H. J. Res. 351/P.L. 95-16) continued funding authority for the unauthorized Labor-HEW programs, etc. for one additional month – through April 30, 1977. This second CR included a provision providing such amount as may be necessary to enable the Secretary of the Treasury to make quarterly payments under the general revenue sharing program. By statute, approximately 39,000 State and local government entities were to receive general revenue sharing payments on April 5, but Congress had not completed action on a separate bill providing funding for this purpose.