

INFORMED BUDGETEER

WHAT HAPPENS TO HOMELAND SECURITY UNDER A LONG-TERM CR PART II: BIOTERRORISM

- In last week's look at the Transportation Security Administration, the *Bulletin* showed how a continued long-term CR would not only provide less than the President's request for 2003, it would even provide less funding than was available in 2002. This week, the *Bulletin* turns its attention not to an entire agency, but to a single area of homeland security: fighting bioterrorism.
- During FY 2002, funding within HHS to fight bioterrorism totaled about \$3 billion, which was spread across several agencies. This amount included \$344 million in base funding from the regular 2002 Labor-HHS appropriations bill and an additional \$2.6 billion from the 2002 Emergency Response Fund.
- The President's 2003 Budget proposed bioterrorism funding for HHS of \$4.3 billion, a \$1.3 billion increase which was to be allocated among a range of activities, including the following: NIH for basic research, lab construction and upgrades, and anthrax vaccine procurement; the Centers for Disease Control (CDC) for upgrading state and local lab capacity; and the Health Resources and Services Administration (HRSA) for hospital preparedness and infrastructure improvements.
- Under a long-term CR, these agencies would receive new bioterrorism BA of only \$1.5 billion - just half (50 percent) of the 2002 level and just one-third of the President's 2003 request. Once again, budgeteers should struggle with how a "not to exceed current rate" CR can provide less funding for agencies in 2003 than in 2002 when the conventional wisdom has it that such a CR magically provides everyone with at least as much in 2003 as in 2002.

Bioterrorism Funding (\$ in millions)					
Agency	(1) Total FY02 Appropriations	(2) One Time Funding	(3) Unob. balances from Response Fund	(4) Total CR (1)-(2)-(3)	(5) Pres. FY03 Req.
FDA	145	-	61	83	159
CDC	2,298	803	319	1,176	1,637
NIH	274	95	166	13	1,748
Office of Sec.	117	-	44	72	150
HRSA	135	-	9	126	618
SAMHSA	-	-	-	-	10
Total	2,969	898	600	1,471	4,322

Source: SBC Republican Staff analysis, from HHS and OMB data
Note: Totals may not add due to rounding

- The chart above starts with the same budget authority that the agencies received in FY 2002 - \$3 billion. But one-time funds need to be subtracted from this amount, since these funds by definition don't need to be spent twice! According to OMB guidance (October 4, 2002), CDC had \$803 million in one-time funds in FY 2002: \$345 million for the buildup of the national pharmaceutical stockpile, \$412 million for the purchase of smallpox vaccines, and \$46 million for security upgrades. NIH had \$95 million in one-time security upgrades.
- Finally, the unobligated balances from the Emergency Response Fund must be deducted to ensure that the total amounts available for obligation in 2003 do not exceed the 2002 level. (Note: the unobligated balances in the chart above are as of August 31, 2002. When the final CR calculation is made, the amount of unobligated balances will likely be lower because more funds will have been obligated in September, and consequently the total CR BA amount would be higher.)
- When all of these factors are taken into account, the total new BA for bioterrorism that will be available under a long-term CR is \$1.5 billion. This amount is \$2.9 billion less than the \$4.3 billion requested in the President's budget.

- These calculations make it clear that all of the bioterrorism activities envisioned under the President's budget would not be possible under a long-term CR.

PLUCKING APART THE APPROPRIATIONS CANARD

- During the past year's debate over the desirable level for 2003 discretionary appropriations, most have characterized the gulf between the Administration (along with the House leadership) and the Senate as amounting to \$9 billion. Lately, however, varying descriptions of this focal point have surfaced.
- For example, on September 24, Chairman Byrd discussed on the Senate floor his committee's appropriation bills and the stalled process: "The House Republican leadership, in collaboration with the White House, is insisting on the level of \$759.1 billion...These are just a few examples of how the Senate used the modest \$13 billion increase above the House allocation."
- On October 9, *Congress Daily* reported that the "OMB Director...reiterated that the White House still considers the FY03 House-passed budget resolution total of \$759 billion a 'ceiling' that should not be exceeded this year...[and that] the nearly \$13.5 billion the Senate is seeking above the House total is 'unwise and unacceptable'."
- With Congress still lacking both a *sine die* exit plan and a promising alternative to CRs as far as the eye can see, the *Bulletin* illustrates in detail how key institutional players arrived at their current positions.
- Let's start with where the appropriations process begins - the President's budget request for discretionary spending. What is it? It would be understandable if budgeteers, with the drone of repetition drummed into their heads, still think \$759 billion is the President's request. Consider the following table to see how it's not.

Comparison of Discretionary Resources for 2003 (\$ in billions)					
	Pres. budget request	Senate Current Status ^a	House Allocation	Senate less Pres.	House less Pres.
(1) February Request	759	-	759		
(2) Unspecified Defense Reserve	-10	-	-10		
(3) <i>Subtotal, Original Approps</i>	749	758	749	9	0
(4) Budget Amendments	1	-	-		
(5) Current Request/Status	750	758	749		
(6) Emergencies	-	2	-		
(7) <i>Subtotal, 2003 BA</i>	750	760	749	9	-1
(8) New 2004 Advance Approps	-	-	-		
(9) Mass Transit BA	-	-	1		
(10) <i>Subtotal, Effective BA 2003</i>	750	762	751	12	0
(11) Increase in highway budgetary resources vs. current law level	-	9	4		
(12) Total Effective BA Plus Increase in Budgetary Resources	750	771	755	20	4

Source: SBC Republican staff
Totals may not add due to rounding
a/ Senate current status omits \$10 billion for the President's war reserve; the \$10 billion is in the Appropriation Committee's unassigned allocation awaiting later action on the President's defense request.

- First, for all practical purposes, congressional consideration of the portion of the President's original request setting aside a \$10 billion war-on-terrorism reserve is suspended until next year when a defense supplemental may be needed as we approach war with Iraq. The conference agreements for the 2003 Defense and Military Construction appropriation bills are done, and the appropriators have ignored this \$10 billion item because it was not sufficiently specified by the Administration.
- Apparently, the President has acquiesced to this decision and will sign the bills without these funds, in effect deferring this part of his request. So to make an apples-to-apples comparison of House and Senate action to the President's request, most observers of the regular 2003 appropriations process have long since dropped that \$10 billion from the President's request as an item "not considered."

**CBO UPDATES ITS UPDATE;
SENATE TO UPDATE PAYGO?... BUT DOES IT MATTER?**

- Then there is the fact of the \$1.4 billion in budget amendments (as scored by CBO) that the president has submitted since February (but has decided not to offset), bringing his cumulative request to \$750.5 billion (or \$760.5 billion with the war reserve; see detailed September 30 *Bulletin* discussion). One then wonders why the Administration still insists on describing its request as \$759 billion (which drops to \$749 billion without the war reserve)? In fact, a careful examination of the comments attributed to the OMB Director reveals that the Administration appears to prefer discussing the House Budget Resolution and accompanying appropriations allocation as a replacement for its own request.
- Next, consider whether the House's budget resolution and the appropriations allocation that flows from it exactly mirrors the President's budget as it originally claimed and as the Administration still leads people to believe. It doesn't.
- First, the House never adjusted its budget to keep pace with the President's request as it grew over the summer. But the House has decided not to count \$1.445 billion in BA for mass transit under TEA-21 against its allocation (both OMB and the Senate would), in effect increasing its allocation by that amount (see lines 7, 9, and 10). The President demands that the Congress fund his whole \$750.5 billion request out of the House "allocation" of \$749 billion, but the House budget coincidentally has \$750.5 billion to spend (line 10).
- More important, the larger debate is really over highway funding. Though ignored in the context of whether \$759 billion is a desirable "top line" (except by the staff of House Budget Committee Ranking Minority Member Spratt), a side debate is raging about whether the President's request implementing the TEA-21 level for highways in 2003 should stand, or whether it should increase. The House's budget resolution and Transportation appropriations bill would raise such spending by \$4.4 billion over the President's request in 2003.
- Are the two debates intrinsically separate? Certainly not. Although not defined as BA, the spending authority provided by highway obligation limits are just as much budgetary resources as any of the BA available under a \$759 billion or competing figure. Money is money and spends the same. Since the whole debate is really about fiscal policy, not just BA, the House clearly exceeds the President's request by more than \$4 billion. The two are not in the same place after all.
- Finally, consider how much higher that Senate appropriation bills are compared to the President's budget. Chairman Byrd has clarified that the aggregate of those bills combined with the unrequested emergency items and additional advance appropriations for 2004 do in fact allow the Senate to provide \$12 billion more in 2003 than the President has asked for (the OMB director is able to claim \$13.5 billion instead by inexplicably omitting the budget amendments that he signed). But that's not all. While the House would add \$4.4 billion to the President's highway request, the Senate would add \$8.6 billion instead, bringing the total gap between the Senate and the Administration to \$20 billion.
- To sum up the real terms of debate – the President's budget is not \$759 billion (line 5). The House is not the same as the President; it's \$4 billion higher. And the Senate is \$20 billion higher than the President (line 12).
- On October 8th, CBO sent a letter to House Budget Committee Ranking Minority Member Spratt responding to his request for a list of mandatory programs and the amounts slated for a pay-as-you-go sequestration of mandatory spending 15 days after this Congress adjourns *sine die*.
- Less than two months ago (August 15th), CBO submitted its statutorily required *Sequestration Update Report*, which concluded that, under CBO's advisory estimates, "the total amount of the new outlays for mandatory programs that could be sequestered in 2003 is less than \$60 billion." But the report did not include an account-by-account listing of the reductions that would occur. Soon thereafter, the *Bulletin* obtained such a listing from CBO and compared CBO's specific sequester estimate of \$57 billion to OMB's \$31 billion (see Sept. 9th edition of *Bulletin*). OMB's calculation is the only one that counts in the event that OMB must order a sequestration.
- Now in its recent letter to Rep. Spratt, CBO has increased its estimate of a 2003 sequester to \$64 billion and claims that "OMB's estimate of sequesterable resources is about \$25 billion lower [= \$39 billion] than CBO's." In reality, OMB's last published estimate (Aug. 19) of the 2003 sequester was \$31 billion – an estimate that inexplicably has not been updated since the release of the President's budget in February (even though paygo legislation has been enacted since then, e.g. the farm bill).
- This conflict in estimates probably amounts to sound and fury signifying nothing for a paygo sequestration process that has not ever been triggered since its enactment in 1990. Since then, Congresses and presidents have always agreed to make any mandatory sequester go away, and presumably will do so again this year, although no legislation has been moved yet. (Reminder: the statutory paygo rule expired on Sept. 30; any new legislation enacted since then does not go on the paygo scorecard, though the scorecard remains in place through 2006, and the current balances on the scorecard represent sequesters that theoretically could still occur).
- It is curious then to note the effort some in the Senate are devoting to extending the Senate paygo rule. While no effort is underway to extend the statutory paygo process, the Senate this week will likely consider an amendment to a Senate-only resolution that would revive for just one year the expired Senate paygo point of order.
- With origins in the 1994 budget resolution, the expired rule requires direct spending and revenue legislation in the Senate to be budget neutral over 10 years – any increases in direct spending or reductions in revenue must be offset or else a point of order applies that requires 60 votes to waive. But as CRS points out in a recent report (Sept. 23), this point of order has been raised only six times between 1993 and 1998, and not once since then. Surplus balances placed on the Senate paygo scorecard by budget resolutions since 2000 have made it virtually impossible to violate the rule.
- If current efforts to revive the rule are also successful at wiping the scorecard balances clean, then some legislation would still face a 60-vote point of order even if the authorizing committee has a sufficient allocation under the 2002 budget resolution. And if these efforts are successful, some cannot wait to say the Senate will have adopted a 2003 budget resolution. Quite a stretch to call a point of order a budget resolution.