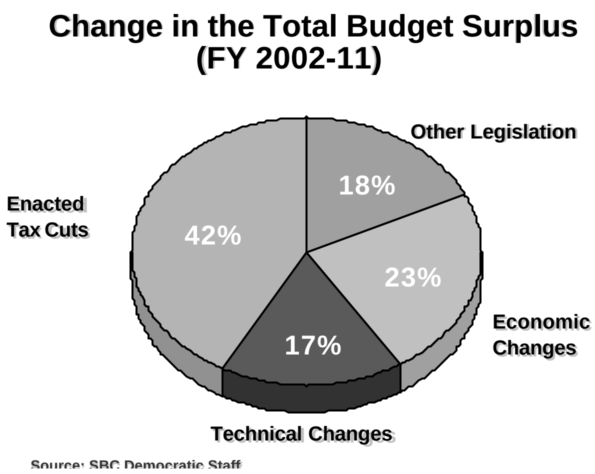
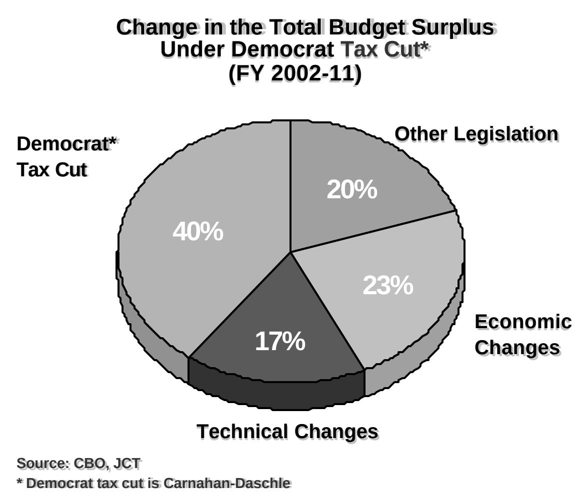
INFORMED BUDGETEER

MIRROR, MIRROR...

- Quick – what's the difference between the following two charts? A glance reveals the answer – slim to none.

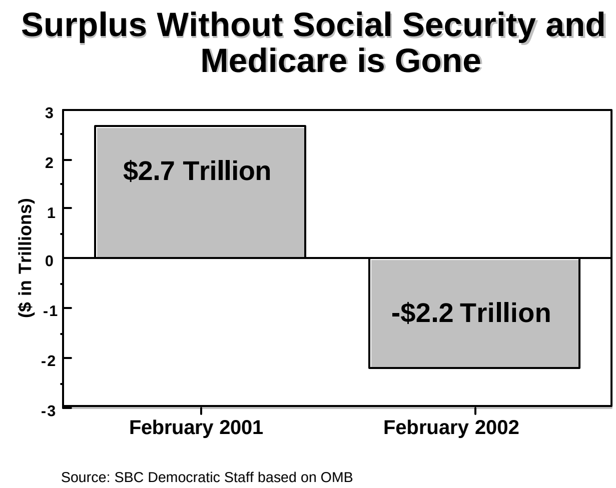


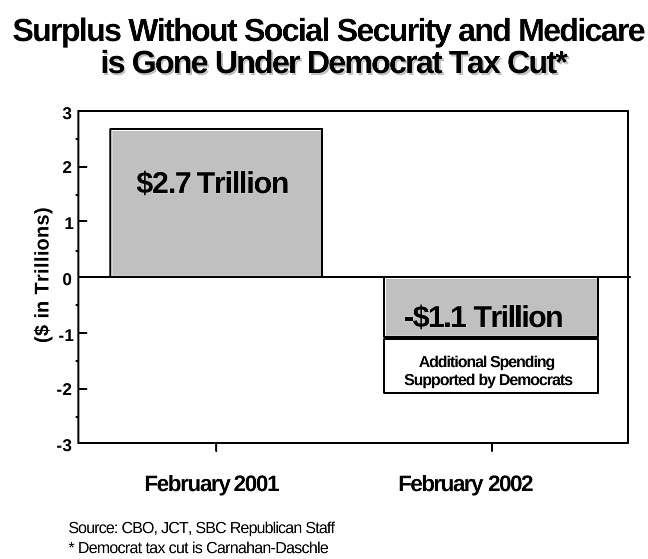


- The top chart, repeatedly used by Senate Budget Committee Chairman Conrad to lay blame for "losing the surplus"on President Bush and the Republican and Democratic members of Congress who voted for the enacted tax relief bill, shows that just over 40 percent of the 10-year change in surplus estimates resulted from that Act (which cost $1.7 trillion, including interest). However, the comparable chart, which simply substitutes the only real Democratic tax alternative -- the Carnahan-Daschle tax cut bill (which cost $1.6 trillion, including interest) – for the enacted tax bill, shows that the amount of the reduced surplus and its component "causes" are essentially the same.

- Chairman Conrad's tirelessly expounds on the "illegal use" of Social Security and Medicare surpluses. His chart (first one below) tries to lead one to believe that it is all the President's doing that the surpluses for the next 10 years have dropped.

- But budgeteers cannot be so easily misled. The companion chart looks nearly the same: on the left side it still shows all the surpluses projected a year ago, not including Social Security and Medicare. But the right side shows the current estimate of deficits for the budget over the next 10 years (excluding SS and Medicare) – deficits that result from all the policies that Chairman Conrad and nearly all the Democrats in the Senate voted for.





- The only reason that the $1.1 trillion deficit under the Democrats' tax plan from last year is less than the $2.2 trillion deficit the Chairman shows for the President's 2003 budget – is that the Democrats have not yet proposed a budget. If the Chairman is going to prevent the $1.1 trillion in deficits -- that he has already voted for – from growing even larger, he'll have to refrain from supporting any new spending.

- That means no new spending for securing our national defense. No spending for fighting the war against terrorism. No spending for assuring the security of our homeland. No prescription drug benefits. No spending even for the farm bill or highways. If the Chairman is against deficits, then he inescapably must be against the spending necessary to protect our country and its citizens. If that is untrue, then he must support devoting the necessary resources to these necessary tasks, even if it means an increase in deficits temporarily.

- But he has said it is "unwise" to increase the deficit further, even though the reason is having to spend resources on some fundamental responsibilities of the federal government. The only way to devote the resources without increasing the deficit would be to raise taxes, yet he has stated he won't propose doing that either.

SPEAKING OF ADDITIONAL SPENDING PROPOSALS....

- Last week's *Bulletin* noted the alternate ways that have been used to compare the President's 2003 budget request for discretionary spending to enacted appropriations for 2002, in light of the complicating factor of the unusually large appropriations provided for the Emergency Response Fund.

- This week we pull back a few more layers to see how the President initiates this year's debate on the appropriate level of discretionary spending for 2003. Budget Committee Chairman Conrad stated at a hearing last week that the President's budget cuts discretionary spending by 6 percent. How does he get there?

- The table below starts with a comparison of the baseline for 2003 (the 2002 enacted level adjusted for inflation) with the President's request for total budget authority, which is 4 percent higher (in real terms).

Changes in Real Discretionary Resources in The President's FY 2003 Budget
(BA, in $ millions)

	Baseline 2002*	Policy 2003	Dif.	% chg
Total BA	740	767	27	4%
Less Defense	361	396	36	10%
Less International Affairs	25	25	0	2%
Less Homeland Security	20	25	5	24%
TOTAL, other domestic discretionary	**334**	**320**	**-14**	**-4%**
Plus transportation obligation limits	42	32	-9	-22%
TOTAL other domestic budget resources	**376**	**353**	**-23**	**-6%**

Source: SBC Republican Staff, OMB NOTE: Numbers may not add due to rounding.
* This OMB baseline includes the effects of inflating the $20 billion emergency response fund provided in FY 2002, as well as an adjustment for retirement accruals that is contingent upon adoption of a proposed policy.

- But because of the terrorist attacks and the subsequent U.S. response in military action, international assistance, and homeland security, much of the budget request focuses on the increasing requirements in these politically untouchable areas, with real increases of 10, 2, and 24 percent, respectively.

- That means that the rest of the discretionary budget under the President's request would experience a 4 percent real decrease. The Administration also exactly implements the intent of current transportation program law (TEA-21) that guarantees that these programs receive no more nor less in funding than the revenues that are paid in. But because, as explained in last week's *Bulletin*, these programs received too much funding in 2001, their funding must now by law compensate with a decrease. By accounting for the resources that are appropriated for transportation programs (but which are by a quirk not called BA even though they result in outlays), the subset of discretionary programs that are not defense, international affairs, or homeland security, would be reduced 6 percent under the President's proposal.

- Given that there is a big difference between a "4 percent increase" in overall discretionary spending advertised in the President's budget and a real 6 percent decrease in the not–as-politically-protected subset of discretionary spending, it is fitting to remember the obvious point: the President's budget is just the start of the year-long debate over the "right" number. Rarely in recent years has this subset of the discretionary budget experienced a decrease below the baseline. It is a safe bet that when enacted appropriations for 2003 are tallied up before (we hope!) election day, the total for this part of the budget will be more than $353 billion.

BUDGET QUIZ (AND COMMENT)

Question: The current cap structure on general purpose discretionary spending expires on September 30, 2002. The President's budget includes requested levels for discretionary spending for 2003, but it does not propose new statutory discretionary spending limits (caps) for 2003 or any subsequent year. What does this mean for the consideration of the 2003 appropriation bills in the Senate?

Answer: The 2003 budget resolution could include a "congressional cap" and a section 302(a) allocation to the Appropriations Committee. This allocation would then be enforced with the section 302(f) point of order. Adoption of a budget resolution could occur prior to the enactment of a statutory cap or even in lieu thereof.

The next logical question is: what does the absence of a 2003 statutory cap mean if Congress is unable to adopt a 2003 budget resolution? Here history is only a partial guide. Some may recall the summer of 1998 when Congress was unable to conclude the conference on the 1999 budget resolution. That year, the Senate, in an almost prescient action, adopted S. Res. 209 on April 2, "deeming" a section 302(a) allocation to the Appropriations Committee to permit the appropriations process to begin. Later that year on October 21, when it became apparent that the budget resolution conference would not be successful and the mid-term elections were looming, the Senate adopted S. Res. 312 which set forth spending and revenue aggregates and committee allocations for enforcement purposes in the Senate.

There were two circumstances motivating the Senate to adopt these Senate-only resolutions in 1998 that are not present this year. First, Congress had just struck a 5-year balanced budget deal with the Clinton Administration the previous summer. Second, there was a statutory cap in place for 1999, which, if breeched, could have produced a 60-vote point of order in the Senate (section 312(b)) against the final appropriations bill and could have resulted in a sequester being ordered in an election year.

Neither is the case this year. Budgeteers are therefore mulling how appropriation bills might be considered in the Senate without a budget resolution. The *Bulletin* believes that the only hurdle in the Senate would be a simple-majority point of order under section 303(c) which prohibits the consideration of appropriation bills prior to the adoption of a concurrent resolution on the budget. (In the House this point of order no longer applies after May 15th.) There would be no 60-vote points of order against the appropriation bills or any floor amendments.

The *Bulletin* nonetheless hopes that regular order applies this year and that after a robust conference with the House of Representatives a responsible congressional fiscal blueprint can be set before the American people. At a very minimum the Senate ought to be able to adopt a Senate Resolution in order to establish some orderly process for the consideration of legislation within its own chamber.

CALENDAR

February 26 - HEARING: Defense Budget Panel. Witnesses to be determined. 10:00 AM. SD-608.

February 27 - HEARING: Long Term Budget Projections. Comptroller General, GAO, David Walker. 10:00 AM. SD-608

February 28 - HEARING: Education and Highway Panel. Witnesses to be determined. 10:00AM. SD-608.