
OMB SEQUESTRATION UPDATE REPORT
TO THE PRESIDENT AND CONGRESS
FOR FISCAL YEAR 2001



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET



THE DIRECTOR

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

September 8, 2000

The President
The White House
Washington, DC 20500

Dear Mr. President:

Enclosed please find the *OMB Sequestration Update Report to the President and Congress for fiscal year 2001*, as required by the Budget Enforcement Act of 1990 (BEA), as amended.

The report provides current estimates of the status of discretionary spending and the discretionary limits. It also provides the status of the pay-as-you-go legislation based on reports transmitted to date. Comparisons with the estimates provided by the Director of the Congressional Budget Office in his report are also included.

The report estimates that Congressional actions to date would result in significant sequesters of both discretionary and mandatory programs if offsets are not enacted or the caps and pay-as-you-go scorecard are not addressed. Whether sequestration may ultimately be necessary depends, of course, on final legislative action. We have indicated to the Congress that the Administration looks forward to working with the Congress to ensure that an unintended sequester does not occur. A final sequestration report is to be issued after Congress adjourns.

Sincerely,

A handwritten signature in black ink, appearing to read "Jacob J. Lew".

Jacob J. Lew
Director

Enclosure

Similar Letter Sent to The Honorable Albert Gore
and The Honorable J. Dennis Hastert

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GENERAL NOTES

1. All years referred to are fiscal years unless otherwise noted.
2. Details in the tables and text may not add to totals due to rounding.

I. OVERVIEW

The Budget Enforcement Act of 1997 (BEA of 1997) extended and modified the expiring enforcement requirements of the Budget Enforcement Act of 1990 (BEA of 1990). The BEA of 1997 established limits, or “caps,” for discretionary spending through 2002. It also extended the pay-as-you-go (PAYGO) requirement that legislation affecting direct spending or receipts not result in net costs to the Federal Government. The Transportation Equity Act for the 21st Century (TEA-21) further modified the discretionary spending limits and created new limits for highway and mass transit spending. An across-the-board reduction of non-exempt spending, known as “sequestration,” enforces compliance with these constraints.

Beginning in 2001, the Administration has proposed to revise and extend the discretionary caps to reflect the cost of maintaining the operation of the Federal Government at currently enacted levels into the future. The proposed framework provides for raising and extending the discretionary spending caps through 2010 to maintain their viability as a tool for fiscal discipline. The separate highway and transit caps would expire as provided in current law, but there would be a new and separate cap for the Lands Legacy initiative. The proposals would also reinstate the adjustment included in the original BEA of 1990 for changes in inflation estimates, so that the operations of the Federal Government could be maintained in

the event of higher-than-expected inflation in the future. In addition, the Administration has proposed a new cap adjustment for section 8 housing contract renewals, consistent with the existing BEA adjustment to the discretionary baseline.

The Administration also proposed to extend the PAYGO enforcement system to 2010. In order to maintain the positive fiscal policy that produced a non-Social Security surplus in 1999, the Administration proposes to work with the Congress to design appropriate budget rules to strengthen and protect Social Security and Medicare, reduce the debt held by the public, and make additional resources available for other high priority national needs.

The 2001 congressional budget resolution and actions to date on both appropriations and authorizing legislation demonstrate that the Congress understands that the current spending limits do not support the levels necessary to maintain the existing operations of the Federal Government. As shown in table 4 and in table 6, below, based on legislation to be passed and signed this session, significant discretionary and mandatory program sequesters would be required if offsets are not enacted or the caps and PAYGO scorecard are not addressed. The Administration looks forward to working with the Congress to ensure that an unintended sequester does not occur.

II. DISCRETIONARY SEQUESTRATION REPORT

The BEA requires that OMB issue reports after enactment of individual bills and three times a year on the overall status of discretionary legislation. This report provides OMB's updated estimates, reflecting enacted legislation for which OMB has issued reports, specifically the Department of Defense Appropriations Act, 2001, and the Military Construction Appropriations Act, 2001. As the BEA requires, the estimates rely on the same economic and technical assumptions as in the President's 2001 budget, which the Administration transmitted to Congress on February 7, 2000.

Discretionary programs are funded annually through the appropriations process. The scorekeeping guidelines accompanying the Budget Enforcement Act (BEA) identify accounts with discretionary resources. The BEA limits, or caps, budget authority and outlays available for discretionary programs each year

through 2002. For 2000, the BEA divided discretionary spending into two categories: violent crime reduction spending and all other discretionary spending. For 2001 and 2002, the BEA specified a single category for all discretionary spending. The Transportation Equity Act for the 21st Century (TEA-21) established two additional categories for highway and mass transit outlays for 1999 through 2003.

OMB monitors compliance with the discretionary spending limits throughout the year. Appropriations that cause a breach in the budget authority or outlay limits would trigger an across-the-board reduction (sequester) to eliminate that breach. The BEA, however, does not require that Congress appropriate the full amount available under the discretionary limits. Table 1 summarizes historical changes to the caps since 1990.

Table 1. HISTORICAL SUMMARY OF CHANGES TO DISCRETIONARY SPENDING LIMITS

(In billions of dollars)

		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
TOTAL DISCRETIONARY													
Statutory Caps as set in OBRA 1990, OBRA 1993, and OBRA 1997													
Bipartisan Budget Agreement	BA	491.7	503.4	511.5	510.8	517.7	519.1	528.1	530.6	533.0	537.2	542.0	551.1
	OL	514.4	524.9	534.0	534.8	540.8	547.3	547.3	547.9	559.3	564.3	564.4	560.8
Adjustment to 1998 OBRA limits to reach discretionary spending limits included in the 1997 Bipartisan Budget Agreement	BA	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-6.9	N/A	N/A	N/A	N/A
	OL	N/A	N/A	N/A	N/A	N/A	N/A	N/A	6.8	N/A	N/A	N/A	N/A
Adjustments for changes in concepts and definitions	BA	.....	7.7	8.2	8.2	8.8	-0.6	-0.4	3.1	-0.2	2.8	-0.1	0.1
	OL	.....	1.0	2.4	2.3	3.0	-0.5	-2.6	-2.8	-0.3	0.1	-0.4	-0.3
Adjustments for changes in inflation	BA	.....	-0.5	-5.1	-9.5	-11.8	3.0	2.6	0.0	N/A	N/A	N/A	N/A
	OL	.....	-0.3	-2.5	-5.8	-8.8	1.8	2.3	0.9	N/A	N/A	N/A	N/A
Adjustments for credit reestimates, IRS funding, debt forgiveness, Arrearages, EITC, IMF, and CDRs	BA	0.2	0.2	13.0	0.6	0.7	0.1	0.2	1.0	19.4	1.0	.....	.....
	OL	0.3	0.3	0.8	0.8	0.9	0.1	0.3	0.6	1.1	0.7	0.6	0.2
Adjustments for emergency requirements	BA	0.9	8.3	4.6	12.2	7.7	5.1	9.3	5.7	31.9	43.6	0.0	0.0
	OL	1.1	1.8	5.4	9.0	10.1	6.4	8.1	7.0	22.9	35.8	15.8	5.5
Adjustment pursuant to Sec. 2003 of P.L. 104-19 ¹	BA	.....	.....	.....	.....	-15.0	-0.1	-0.1	.....	N/A	N/A	N/A	N/A
	OL	.....	.....	.....	.....	-1.1	-3.5	-2.4	-1.5	N/A	N/A	N/A	N/A
Adjustments for special allowances:													
Discretionary new budget authority	BA	.....	3.5	2.9	2.9	2.9	.....	.....	.....	N/A	N/A	N/A	N/A
	OL	.....	1.4	2.2	2.6	2.7	1.1	0.5	0.1	N/A	N/A	N/A	N/A
Outlay allowance	BA	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
	OL	2.6	1.7	0.5	1.0	.....	.....	.....	1.2	.....	0.8	.....	.....
Subtotal, adjustments excluding Desert Shield/Desert Storm	BA	1.1	19.3	23.6	14.3	-6.7	7.5	11.6	2.9	51.1	47.4	-0.1	0.1
	OL	3.9	5.9	8.8	10.0	6.8	5.4	6.3	12.3	23.7	37.4	16.1	5.3
Adjustments for Operation Desert Shield/Desert Storm	BA	44.2	14.0	0.6	*	*	.....	.....	.....	N/A	N/A	N/A	N/A
	OL	33.3	14.9	7.6	2.8	1.1	.....	.....	.....	N/A	N/A	N/A	N/A
Rounding Adjustment	BA	N/A	N/A	N/A	N/A	N/A	N/A	.....	.....	.....	1.1	.....	.....
	OL	N/A	N/A	N/A	N/A	N/A	N/A	.....	.....	.....	.....	.....	.....
TEA-21 Adjustment (Net) ²	BA	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-0.9	-0.9	-0.9	-0.9
	OL	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.1	2.6	5.2	6.7
Total adjustments	BA	45.3	33.2	24.2	14.3	-6.7	7.5	11.6	2.9	50.2	47.6	-0.9	-0.7
	OL	37.2	20.8	16.4	12.8	7.9	5.4	6.3	12.3	24.9	40.0	21.3	12.0
Update Report spending limits³	BA	537.0	536.6	535.7	525.1	511.0	526.6	539.7	533.5	583.2	584.8	541.1	550.3
	OL	551.6	545.7	550.4	547.6	548.7	552.7	553.6	560.2	584.2	604.3	585.7	572.8

AN/A = Not Applicable

* Less than \$50 million.

¹P.L. 104-19, Emergency Supplemental Appropriations for Additional Disaster Assistance, for Anti-Terrorism Initiatives, for Assistance in the Recovery from the Tragedy that Occurred at Oklahoma City, and Rescissions Act, 1995, was signed into law on July 27, 1995. Section 2003 of that bill directed the Director of OMB to make a downward adjustment in the discretionary spending limits for 1995-1998 equal to the aggregate amount of reductions in new budget authority and outlays for discretionary programs resulting from the provisions of the bill, other than emergency appropriations.

²Sec. 8101(a) of P.L. 105-178, the Transportation Equity Act for the 21st Century (TEA-21), which was signed by the President on June 6, 1998, established two new discretionary spending categories: Highway and Mass Transit. Sec. 8101(b) of TEA-21 provided for an offsetting adjustment in the existing discretionary spending limits.

³Reflects combined Defense Discretionary, Non-Defense Discretionary, Violent Crime Reduction, Highway Category, and Mass Transit Category spending limits.

Table 2. DISCRETIONARY SPENDING LIMITS

(In millions of dollars)

		2000	2001	2002
VIOLENT CRIME REDUCTION SPENDING				
Preview Report Violent Crime Reduction Spending Limits	BA	4,500	N/A	N/A
	OL	6,344	N/A	N/A
Adjustments for the Update Report:				
No Adjustments	BA	.....	N/A	N/A
	OL	.....	N/A	N/A
Update Report Violent Crime Reduction Spending Limits	BA	4,500	.....	.....
	OL	6,344	.....	.....
Anticipated Adjustments for the Final Sequestration Report:				
No Adjustments	BA	.....	N/A	N/A
	OL	.....	N/A	N/A
Anticipated Final Sequestration Report Limits	BA	4,500	.....	.....
	OL	6,344	.....	.....
HIGHWAY CATEGORY				
Preview Report Highway Category Spending Limits	BA	.....	.....	.....
	OL	24,574	26,920	27,925
Adjustments for the Update Report:				
No Adjustments	BA	.....	N/A	N/A
	OL	.....	N/A	N/A
Update Report Highway Category Spending Limits	BA	.....	.....	.....
	OL	24,574	26,920	27,925
Anticipated Adjustments for the Final Sequestration Report:				
No Adjustments	BA	.....	N/A	N/A
	OL	.....	N/A	N/A
Anticipated Final Sequestration Report Limits	BA	.....	.....	.....
	OL	24,574	26,920	27,925
MASS TRANSIT CATEGORY				
Preview Report Mass Transit Category Spending Limits	BA	.....	.....	.....
	OL	4,117	4,639	5,419
Adjustments for the Update Report:				
No Adjustments	BA	.....	N/A	N/A
	OL	.....	N/A	N/A
Update Report Mass Transit Category Spending Limits	BA	.....	.....	.....
	OL	4,117	4,639	5,419
Anticipated Adjustments for the Final Sequestration Report:				
No Adjustments	BA	.....	N/A	N/A
	OL	.....	N/A	N/A
Anticipated Final Sequestration Report Limits	BA	.....	.....	.....
	OL	4,117	4,639	5,419
OTHER DISCRETIONARY SPENDING				
Preview Report Other Discretionary Spending Limits	BA	566,472	541,095	550,333
	OL	564,913	547,279	537,231
Adjustments for the Update Report:				
Emergency Appropriations Enacted in PL 106-246, the FY 2000 Emergency Supplemental Appropriations Bill	BA	11,195	.....	.....
	OL	3,057	4,760	1,629
Contingent Emergency Appropriations Released	BA	2,622	.....	.....
	OL	1,254	2,094	597
Subtotal, Adjustments for the Update Report	BA	13,817	.....	.....
	OL	4,311	6,854	2,226

Table 2. DISCRETIONARY SPENDING LIMITS—Continued

(In millions of dollars)

		2000	2001	2002
Update Report Other Discretionary Spending Limits	BA	580,289	541,095	550,333
	OL	569,224	554,133	539,457
Anticipated Adjustments for the Final Sequestration Report:				
EITC Tax Compliance Initiative	BA	N/A	145	146
	OL	N/A	145	146
Continuing Disability Reviews (CDRs)	BA	N/A	450	450
	OL	N/A	405	450
Adoption Incentive Payments	BA	N/A	20	20
	OL	N/A	2	13
Subtotal, Anticipated Adjustments for the Final Sequestration Report ..	BA		615	616
	OL		552	609
Anticipated Final Sequestration Report Limits	BA	580,289	541,710	550,949
	OL	569,224	554,685	540,066
TOTAL DISCRETIONARY SPENDING				
Preview Report Total Discretionary Spending Limits	BA	570,972	541,095	550,333
	OL	599,948	578,838	570,575
Update Report Total Discretionary Spending Limits	BA	584,789	541,095	550,333
	OL	604,259	585,692	572,801
Anticipated Final Sequestration Report Total Discretionary Spending Limits	BA	584,789	541,710	550,949
	OL	604,259	586,244	573,410

AN/A=Not Applicable.

Adjustments to discretionary limits.—Table 2 shows how adjustments pursuant to section 251(b) of the BEA affect the discretionary limits.

Section 251(b)(2) of the BEA authorizes certain adjustments after the enactment of appropriations. Table 2 includes those adjustments that can be made now due to legislation enacted to date. Table 2 also includes anticipated adjustments that would be made assuming enactment of 2001 appropriations bills. The Administration cannot determine the actual adjustments to be included in the final sequestration report at the end of this year's session of Congress until all appropriations are enacted. The section 251(b)(2) adjustments include:

Emergency Appropriations.—Funding for amounts that the President designates as “emergency requirements” and that Congress so designates in law. Since the President submitted the 2001 budget in February, Congress has enacted emergency supplemental appropriations requested for international drug-

interdiction activities in Colombia, for continued military operations in Kosovo, for the victims of natural disasters, including Hurricane Floyd, and for agricultural disasters within the United States.

Further, the President has authorized the release of additional emergency appropriations that were previously enacted to help low-income families cope with the increase in energy costs, to support the Administration's efforts in fighting the extraordinary number of wildland fires, and to address the needs of displaced victims of Hurricane Floyd who were subject to severe flooding.

Additional Adjustments that Would Be Made Contingent Upon Final Congressional Action.—Table 2 also shows how adjustments permitted under section 251(b) of the BEA would affect the discretionary limits if the following were included in 2001 appropriations bills.

Earned Income Tax Credit (EITC) Compliance Initiative.—The budget contains

funding for EITC compliance initiatives, including the detection and enforcement of EITC eligibility rules, in order to reduce the number of erroneous EITC claims. Both the House and the Senate versions of the 2001 Treasury and General Government appropriations bill provide \$145 million for this initiative.

Continuing Disability Reviews (CDRs).—The budget includes funding for additional continuing disability reviews under the heading “Limitation on Administrative Expenses” for the Social Security Administration. The BEA limits adjustments to the budget authority and outlay estimates authorized in the Balanced Budget Act of 1997. CDRs are conducted to verify that recipients of Social Security disability insurance benefits and Supplemental Security Income benefits for persons with disabilities are still disabled. Both the House- and Senate-passed version of the 2001 Labor, Health and Human Services, and Education appropriations bill include \$450 million in budget authority for CDRs.

Adoption Incentive Payments.—The Adoption and Safe Families Act of 1997 authorizes bonus payments to States that increase the number of adoptions from the foster care sys-

tem. It provides for a discretionary cap adjustment for appropriations up to \$20 million annually in each of the years 1999 through 2003. It is assumed that the cost of adoption bonuses will be offset by reductions in mandatory foster care costs. Both the House- and Senate-passed versions of the 2001 Labor, Health and Human Services, and Education appropriations bill include \$20 million in budget authority for adoption incentive payments.

Summary of 2000 discretionary appropriations.—Table 3 summarizes the status of enacted 2000 discretionary appropriations, relative to the discretionary caps. Enacted budget authority and outlays for Violent Crime Reduction, Highways, and Mass Transit for 2000 are within the caps for these categories. Enacted budget authority and outlays for Other Discretionary spending would be \$2.4 billion and \$6.8 billion over the caps, respectively, for 2000. However, pursuant to section 5107 of P.L. 106–246 (the Emergency Supplemental Act, 2000) any sequestration resulting from spending included in P.L. 106–246 is barred, and no reductions are allowed in the discretionary spending limits for fiscal year 2001 as a result of the second-year effect of spending included in P.L. 106–246.

Table 3. SUMMARY OF 2000 DISCRETIONARY APPROPRIATIONS

(In millions of dollars)

	BA	Outlays
Violent Crime Reduction Spending		
Adjusted discretionary spending limits	4,500	6,344
Total enacted	4,500	6,344
Spending over/under (–) limits		
Highway Category		
Adjusted discretionary spending limits		24,574
Total enacted		24,574
Spending over/under (–) limits		
Mass Transit Category		
Adjusted discretionary spending limits		4,117
Total enacted		4,117
Spending over/under (–) limits		

Table 3. SUMMARY OF 2000 DISCRETIONARY APPROPRIATIONS—Continued

(In millions of dollars)

	BA	Outlays
Other Discretionary Spending		
Adjusted discretionary spending limits	580,289	569,224
Total enacted	582,648	575,987
Spending over/under (-) limits ¹	2,359	6,763
Total Discretionary Spending—All Categories		
Adjusted discretionary spending limits	584,789	604,259
Total enacted	587,148	611,022
Spending over/under (-) limits ¹	2,359	6,763

¹Any sequestration resulting from spending included in P.L. 106-246 (the Emergency Supplemental Act, 2000) is barred.

Status of 2001 discretionary appropriations.—Table 4 shows preliminary OMB scoring of the latest House and Senate action for the 13 annual appropriations bills. If offsets to discretionary spending are not enacted or the caps are not addressed, OMB estimates of congressional action to date would exceed both the budget authority and outlay limits in the Other Discretionary category. Current OMB estimates of House action indicate that aggregate discretionary appropriations legislation would exceed statutory spending limits by \$58.7 billion in budget authority and \$44.1 billion in outlays. In order to offset the outlays, a sequestration of approximately \$74.4 billion in budget authority would be required. Current estimates of Senate action indicate that aggregate discretionary appropriations legislation would exceed statutory spending limits by at least \$64.2 billion in budget authority and \$47.9 billion in outlays, leading to a sequestration of approximately \$80.8 billion in budget authority and \$47.9 billion in outlays.

OMB estimates of a sequester under House and Senate action to date are based on the following assumptions:

- Bills that have not been acted on are assumed to be funded at the 302(b) allocation.
- The spending limits shown for the House and Senate have been adjusted upward for the continuing disability review, adoption incentive payments, and earned income tax compliance initiative included in the Treasury and General Government appropriations bill.
- The estimates shown for the House and Senate have been adjusted downward by the amount of contingent emergency funding included in the 2001 appropriations bills (\$415 million in the House and \$1,104 million in the Senate).
- The funding level shown for the Senate Veterans Administration/Housing and Urban Development FY 2001 appropriations bill reflects the original Senate 302(b) allocation, consistent with the FY 2001 congressional budget resolution.
- The funding level shown for the Treasury, Postal Service, and General Government FY 2001 appropriations bill reflects the preliminary conference report offered in the House on July 27, 2000.

Table 4. STATUS OF 2001 APPROPRIATIONS ACTION

(In millions of dollars)

	House			Senate		
	BA	Outlays		BA	Outlays	
DEFENSE DISCRETIONARY						
Commerce, Justice, State and the Judiciary	406	415	F	520	463	F
Defense	287,578	276,393	E	287,578	276,393	E
Energy and Water Development	12,893	12,545	F	13,484	12,901	C
Military Construction	8,935	8,550	E	8,935	8,550	E
Transportation	341	333	F	641	573	F
Veterans Affairs, HUD, Independent Agencies	134	131	F	135	132	A
Total, Defense Discretionary	310,287	298,367		311,293	299,012	
NON-DEFENSE DISCRETIONARY						
Agriculture and Rural Development	14,657	14,928	F	15,045	15,285	F
Commerce, Justice, State and the Judiciary	34,968	37,102	F	34,209	36,810	C
Defense	15	5	E	15	5	E
District of Columbia	419	415	F	441	442	A
Energy and Water Development	8,861	9,451	F	8,936	9,490	C
Foreign Operations	13,141	14,738	F	13,423	14,675	F
Interior and Related Agencies	14,713	14,962	F	15,861	15,320	F
Labor, HHS, and Education	97,370	93,377	F ¹	100,567	95,534	F ¹
Legislative	2,538	2,650	CN	2,538	2,650	CN
Transportation and Related Agencies	13,400	15,428	F	12,637	14,882	F
Treasury, Postal Service, and General Government	16,054	15,440	CN ²	16,054	15,440	CN ²
Veterans Affairs, HUD, Independent Agencies	78,338	86,654	F	76,091	83,177	A ³
Deficiencies	42	985	A	3,926	5,583	A
Total, Non-Defense Discretionary	294,516	306,135		299,743	309,293	
TOTAL OTHER DISCRETIONARY						
Subtotal, Other Discretionary, excluding P.L. 106-246 ...	604,803	604,502		611,036	608,305	
Total, 2001 effects of the 2000 emergency supplemental appropriations (P.L. 106-246)	-3,984	-5,730		-3,984	-5,730	
Remove prospective appropriations of 2001 contingent emergency funding included above	-415			-1,104		
Total, Other Discretionary Spending	600,404	598,772		605,948	602,575	
Estimated Final Sequestration Report Other Discretionary Category Limits	541,710	554,685		541,710	554,685	
CONGRESSIONAL ACTION						
OVER/UNDER(-) LIMITS ⁶	58,694	44,087		64,238	47,890	
HIGHWAY CATEGORY						
Transportation and Related Agencies		26,921	F		26,921	F
Total, Highway Category		26,921			26,921	
Estimated Final Sequestration Report Highway Category Limits		26,920			26,920	
CONGRESSIONAL ACTION OVER/UNDER(-) LIMITS		1			1	

Table 4. STATUS OF 2001 APPROPRIATIONS ACTION—Continued

(In millions of dollars)

	House		Senate			
	BA	Outlays	BA	Outlays		
MASS TRANSIT CATEGORY						
Transportation and Related Agencies		4,642	F	4,642	F	
Total, Mass Transit Category		4,642		4,642		
Estimated Final Sequestration Report Mass Transit Category Limits		4,639		4,639		
CONGRESSIONAL ACTION OVER/UNDER(–) LIMITS		3		3		
TOTAL, DISCRETIONARY SPENDING						
Total, Discretionary Spending	600,404	630,335	⁴	605,948	634,138	⁴
Estimated Final Sequestration Report Discretionary Spending Limits	541,710	586,244	⁵	541,710	586,244	⁵
CONGRESSIONAL ACTION OVER/UNDER(–) LIMITS ⁶	58,694	44,091		64,238	47,894	

Key: S=Marked Up by the Subcommittee; C=Bill Reported Out by Committee; F=Bill Passed by House or by Senate; CN=Conference Action has Occurred; E=Enacted bill; A=current 302(b) allocation.

NOTE: OMB scoring of latest House and Senate action is preliminary.

¹ Estimates include numbers for House and Senate Continuing Disability Reviews and Adoption Incentive Payments.

² Reflects preliminary conference report offered in the House on 7/27. Estimates include \$145 million in BA and outlays for the Earned Income Tax Credit Initiative (EITC).

³ The Senate VA/HUD estimate reflects a 302(b) allocation consistent with the higher level of discretionary spending assumed in the budget resolution. The allocation would be reduced to \$17 billion to comply with the current limits.

⁴ Estimates include advance appropriations provided in previous years that become available in 2001 and emergency appropriations enacted and released subsequent to transmittal of the 2001 Budget.

⁵ Estimated end-of-session limits are based on actual congressional action to date. The actual adjustments to the discretionary spending caps to be included in subsequent sequester reports cannot be determined until all appropriations have been enacted.

⁶ The FY 2001 budget resolution set a level of discretionary spending exceeding the current BEA discretionary spending limits on discretionary spending. However, a provision of the budget resolution requires that the resolution comply with current law if the limits are not increased to the levels specified in the resolution.

Comparison of OMB and CBO discretionary limits.—Section 254(d)(5) of the BEA requires that this report explain the differences between the OMB and CBO estimates for the discretionary spending limits. Table 5 compares OMB and CBO limits for 2000 through 2002. CBO uses the discretionary limits from OMB's preview report as a starting point for adjustments in its sequestration update report.

Differences in estimates of FY 2000 spending limits total \$719 million in budget authority, and \$1,954 million in outlays. The current difference in budget authority will not exist when OMB and CBO issue their final sequestration report after the completion of the current legislative session. In the FY 2001 preview report OMB adopted the CBO practice of scoring contingent emergency budget authority when the appropriation is enacted,

instead of when the funds are released by the President. As a result of this switch, CBO's update report inadvertently included some funds that were reported in OMB's preview report but released after CBO's report was finalized. In addition, the CBO update report does not include contingent emergency funds for the Department of Agriculture wildland fire management activities and State Department nonproliferation, anti-terrorism, demining and related programs (NADR) that were released after CBO completed its update report. The outlay difference is due to these budget authority differences and differing technical assumptions for emergency funding provided in P.L.106–246.

FY 2001 estimates differ by \$36 million in budget authority, and FY 2002 estimates differ by \$8 million in budget authority. Eight million of the difference in FY 2001,

and all of the difference in FY 2002 relates to funds included in OMB’s preview report but released after CBO issued its preview report. This difference will disappear when OMB and CBO issue their final sequestration

report. The remaining difference in FY 2001 is a result of differing technical assumptions of emergency crop loss assistance provided in P.L. 106–246.

Table 5. COMPARISON OF OMB AND CBO DISCRETIONARY SPENDING LIMITS

(In millions of dollars)

	2000	2001	2002
Violent Crime Reduction			
CBO Update Report limits:			
BA	4,500	N/A	N/A
OL	6,344	N/A	N/A
OMB Update Report limits:			
BA	4,500	N/A	N/A
OL	6,344	N/A	N/A
Difference:			
BA			
OL			
Highway Category			
CBO Update Report limits:			
BA			
OL	24,574	26,920	27,925
OMB Update Report limits:			
BA			
OL	24,574	26,920	27,925
Difference:			
BA			
OL			
Mass Transit Category			
CBO Update Report limits:			
BA			
OL	4,117	4,639	5,419
OMB Update Report limits:			
BA			
OL	4,117	4,639	5,419
Difference:			
BA			
OL			
Other Discretionary			
CBO Update Report limits:			
BA	581,008	541,131	550,341
OL	567,270	554,386	540,379
OMB Update Report limits:			
BA	580,289	541,095	550,333
OL	569,224	554,133	539,457
Difference:			
BA	-719	-36	-8
OL	1,954	-253	-922
Total Discretionary Spending Limits			
CBO Update Report limits:			
BA	585,508	541,131	550,341
OL	602,305	585,945	573,723
OMB Update Report limits:			
BA	584,789	541,095	550,333
OL	604,259	585,692	572,801
Difference:			
BA	-719	-36	-8
OL	1,954	-253	-922

III. PAY-AS-YOU-GO SEQUESTRATION REPORT

The BEA requires that OMB issue reports after enactment of individual bills and three times a year on the overall status of Pay-as-you-go (PAYGO) legislation. This report provides OMB's updated estimates, reflecting legislation for which OMB issued PAYGO reports as of August 31, 2000. As the BEA requires, the estimates rely on the same economic and technical assumptions as in the President's 2001 budget, which the Administration transmitted to Congress on February 7, 2000.

PAYGO enforcement covers all direct spending and receipts legislation. The BEA defines direct spending as entitlement authority, the food stamp program, and budget authority provided by law other than in appropriations acts.

The BEA requires that, in total, receipts and direct spending legislation not result in a net cost in any year. If such legislation yields a net cost, and if the President and Congress do not fully offset it by other legislative savings, the law requires that a sequester of non-exempt direct spending programs offset the net cost.

The BEA requires that OMB submit a report to Congress that estimates the change in outlays or receipts for the current year, the budget year, and the following four fiscal years resulting from enactment of PAYGO legislation. The estimates, which must rely on the economic and technical assumptions underlying the most recent President's budget, determine whether the PAYGO requirement is met. The PAYGO process requires that OMB maintain a "scorecard"

that shows the cumulative net cost of such legislation. On January 3, 2000, the PAYGO scorecard for all years was reset to zero, as required by the Consolidated Appropriations Act of 2000 (P.L. 106-113).

Table 6 presents OMB estimates of PAYGO legislation included in the individual bill reports issued through August 31, 2000. In total, these bills have resulted in a net cost of \$42 million for 2000 and a net cost of \$1.2 billion for 2001. As required by the BEA, the 2000 total reflects only Acts added to the scorecard after the OMB Final Sequestration Report for Fiscal Year 2000 was issued. At the end of this session of Congress, OMB will determine the need for sequestration by combining the 2000 and 2001 totals. For reports issued through August 31, 2000, this calculation yields a cost of \$1.2 billion, indicating that a sequester would be required for 2001. A sequester would eliminate the automatic spending increase for vocational rehabilitation, increase fees charged for guaranteed and direct student loans, and reduce spending for foster care and adoption assistance, following the special rules in the BEA. All remaining non-exempt direct spending accounts would be reduced, in accordance with special limits in the BEA, by the sequestration percentage necessary to eliminate the cost. Since the uniform across-the-board sequestration percentage necessary for 2001 would be 0.5 percent, all remaining non-exempt direct spending accounts, including Medicare, would be reduced by this amount. The table also shows net costs on the scorecard for 2002 through 2005.

Table 6. NET COST OF PAY-AS-YOU-GO LEGISLATION REPORTED ON BY OMB AS OF AUGUST 31, 2000¹
(In millions of dollars)

Report Number	Act Number	Act Title	2000	2001	2002	2003	2004	2005	2000-2005
Pay-as-you-go balances in the 2001 Preview Report:²									
		OMB estimate	0	0	0	0	0	0	0
		CBO estimate	0	0	0	0	0	0	0
Legislation enacted in the 2nd session of the 106th Congress:									
502	P.L. 106-171	Electronic Benefit Transfer Interoperability and Portability Act							
	S. 1733	OMB estimate	0	1	1	1	1	1	5
		CBO estimate	0	1	1	1	1	1	5
503	P.L. 106-176	Omnibus Parks Technical Corrections Act							
	H.R. 149	OMB estimate	2	3	1	0	0	0	6
		CBO estimate	3	6	4	2	0	0	15
504	P.L. 106-181	Wendell H. Ford Aviation Investment and Reform Act							
	H.R. 1000	OMB estimate	*	*	*	*	*	*	*
		CBO estimate	0	2	5	7	9	11	34
505	P.L. 106-180	Open-market Reorganization for the Betterment of International Telecommunications Act							
	S. 376	OMB estimate	0	0	0	0	0	0	0
		CBO estimate	0	0	0	5	5	5	15
506	P.L. 106-185	Civil Asset Forfeiture Reform Act							
	H.R. 1658	OMB estimate	0	40	8	1	1	1	51
		CBO estimate	0	40	8	1	1	1	51
507	P.L. 106-200	Trade and Development Act of 2000							
	H.R. 434	OMB estimate	40	477	588	636	671	657	3,069
		CBO estimate	60	395	512	546	578	561	2,652
508	P.L. 106-221	Wellton-Mohawk Transfer Act							
	S. 356	OMB estimate	0	0	-2	0	0	0	-2
		CBO estimate	0	0	-2	0	0	0	-2
509	P.L. 106-224	Agricultural Risk Protection Act of 2000.							
	H.R. 2559	OMB estimate	0	739	1,408	1,480	1,565	1,633	6,825
		CBO estimate	0	672	1,489	1,606	1,682	1,770	7,219
510	P.L. 106-248	Valles Caldera Preservation Act							
	S. 1892	OMB estimate	*	*	*	*	*	*	*
		CBO estimate	0	-1	-2	1	0	1	-1
511	P.L. 106-249	Griffith Project Prepayment and Conveyance Act							
	S. 986	OMB estimate	0	-103	9	9	9	9	-67
		CBO estimate	0	-103	9	9	9	9	-67
512	P.L. 106-253	Semipostal Authorization Act							
	H.R. 4437	OMB estimate	0	-2	-2	1	2	1	0
		CBO estimate	0	-2	-2	1	2	1	0

Table 6. NET COST OF PAY-AS-YOU-GO LEGISLATION REPORTED ON BY OMB AS OF AUGUST 31, 2000¹—Continued
(In millions of dollars)

Report Number	Act Number	Act Title	2000	2001	2002	2003	2004	2005	2000–2005
Subtotal, legislation enacted in the 2nd session of the 106th Congress:									
		OMB estimate	42	1,155	2,011	2,128	2,249	2,302	9,887
		CBO estimate	63	1,010	2,022	2,179	2,287	2,360	9,921
Total, Current balances:									
		OMB estimate	42	1,155	2,011	2,128	2,249	2,302	9,887
		CBO estimate	63	1,010	2,022	2,179	2,287	2,360	9,921
		OMB Balance for sequester		1,197					

* Net costs or savings of \$500,000 or less.

¹ Excludes bills with impact of \$500,000 or less in each fiscal year 2000 through 2005 under both OMB and CBO scoring.

² The Consolidated Appropriations Act of 2000 (P.L. 106–113) set the scorecard to zero for all years as of January 3, 2000.

Table 7. PAY-AS-YOU-GO LEGISLATION WITH IMPACT OF \$500,000 OR LESS ENACTED AS OF AUGUST 31, 2000¹

Public Law Number	Act Number	Act Title
P.L. 106-172	H.R. 2130	Hillary J. Farias and Samantha Reid Date-Rape Drug Prohibition Act
P.L. 106-175	H.R. 3557	Congressional gold medal to John Cardinal O'Connor
P.L. 106-177	H.R. 764	Child Abuse Prevention and Enforcement Act
P.L. 106-182	H.R. 5	Senior Citizens' Freedom to Work Act
Pvt.L. 106-4	S. 452 ²	Private relief for Belinda McGregor
P.L. 106-202	S. 2323 ²	Worker Economic Opportunity Act
P.L. 106-206	H.R. 154	To allow the Secretary of the Interior and the Secretary of Agriculture to establish a fee system for commercial filming activities on Federal land, and for other purposes
P.L. 106-207	H.R. 371	Hmong Veterans' Naturalization Act
P.L. 106-210	H.R. 1832	Muhammad Ali Boxing Reform Act
P.L. 106-214	H.R. 3293 ²	Vietnam Veterans Memorial Commemorative Plaque
P.L. 106-220	S. 291	Carlsbad Irrigation Project Acquired Land Transfer Act
P.L. 106-225	H.R. 3642	To authorize the President to award posthumously a gold medal on behalf of the Congress to Charles M. Schulz
P.L. 106-229	S. 761	Electronic Signatures in Global and National Commerce Act.
P.L. 106-230	H.R. 4762	To amend the Internal Revenue Code of 1986 to require 527 organizations to disclose their political activities
P.L. 106-247	S. 148	Neotropical Migratory Bird Conservation Act
P.L. 106-250	H.R. 3544	Pope John Paul II Congressional Gold Medal Act
P.L. 106-251	H.R. 3591	To provide for the award of a gold medal on behalf of the Congress to former President Ronald Reagan and his wife Nancy Reagan in recognition of their service to the Nation
P.L. 106-252	H.R. 4391	Mobile Telecommunications Sourcing Act
P.L. 106-254	H.R. 1791	Federal Law Enforcement Animal Protection Act of 2000
P.L. 106-255	H.R. 4249 ²	Cross-Border Cooperation and Environmental Safety in Northern Europe Act of 2000
P.L. 106-257	S. 1629	Oregon Land Exchange Act of 2000

¹ OMB does not issue pay-as-you-go reports for these bills.

² OMB does not score this bill as subject to pay-as-you-go requirements.

Pending legislation.—The Congress completed action on the Long-Term Care Security Act (H.R. 4040), but it has not yet been transmitted to the President. OMB estimates that this bill would cost \$7 million in 2001 and \$9 million over the 2001 through 2005 period. Because OMB has not yet reported on this bill, OMB did not take it into account for this report.

Comparison with CBO estimates.—The BEA requires that OMB explain differences with CBO estimates of enacted PAYGO legisla-

tion. Table 6 shows the CBO estimate for each Act as it was reported in CBO's PAYGO bill reports. For the sum of 2000 and 2001, OMB estimates a net cost of \$1.2 billion while CBO estimates a net cost of \$1.1 billion for the same period. This difference is mostly due to differences in pricing of the Trade and Development Act of 2000 and the Agricultural Risk Protection Act of 2000. For 2002 through 2005, the differences resulting from these Acts are largely offsetting. As a result, both OMB and CBO estimate a total cost of \$9.9 billion over the 2000 through 2005 period.