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**Legislative Bulletin……………………..……….……….………June 26, 2003**

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## H.R. 2559—Military Construction Appropriations Act for Fiscal Year 2004 (Knollenberg)

**Order of Business**: The bill is scheduled to be considered on Thursday, June 26th, subject to an open rule (H.Res. 298). The Chair may accord priority in recognition to Members who have pre-printed their amendments in the *Congressional Record*.

**DRAFT Summary**:

## BY THE NUMBERS:

*Budget Authority in Millions of Dollars*

| | FY '03 Enacted | FY '04 Request[1] | FY '04 Cmte Bill |
|---|---|---|---|
| Regular Appropriations | 10,595.9 | 9,190.2 | 9,536.5 |
| Rescissions | -101.9 | -153.4 | -340.5 |
| Supplemental Appropriations | 204.8 | 0 | 0 |
| **Grand Total** | **10,698.8** | **9,036.8** | **9,196.0** |

[1]The Appropriations Committee scores the President's request at $9,237.1 million (including rescissions), $200.3 million higher than the original net budget submission. This is the result of the Appropriations Committee's moving some of the DOD request to Military Construction and of CBO's estimate of the Administration's request for a general provision related to foreign currency fluctuations, which results in an appropriation of $55.0 million.

**Excluding supplemental appropriations (*but including rescissions*), the committee bill is:**

- $1,298.0 million or 12.4% **below** last year;
- $159.2 million or 1.8% above the original request (*see footnote above*); and
- $41.1 million or 0.4% below the adjusted request (*see footnote above*).

**Including supplemental appropriations (*and rescissions*), the committee bill is:**

- $1,502.8 million or 14.0% **below** last year.

## Major Funding Areas

*In Thousands of Dollars*

| | FY 2003 Enacted* | FY 2004 Request** | FY 2004 Cmte** | Cmte Vs. FY 2003 | Cmte Vs. FY 2003 | Cmte Vs. Request | Cmte Vs. Request |
|---|---|---|---|---|---|---|---|
| Military Construction, Army | 1,634,334 | 1,536,010 | 1,350,045 | -284,289 | -17.39% | -185,965 | -12.09% |
| Military Construction, Navy | 1,303,788 | 1,132,858 | 1,171,755 | -132,033 | -10.13% | 38,897 | 3.43% |
| Military Construction, Air Force | 1,048,366 | 830,671 | 896,136 | -152,230 | -14.52% | 65,465 | 7.88% |
| Military Construction, Defense-Wide | 866,669 | 814,116 | 780,933 | -85,736 | -9.89% | -33,183 | -4.08% |
| Military Construction, Reserve Components | 706,491 | 369,550 | 464,911 | -241,580 | -34.19% | 95,361 | 25.80% |
| NATO Security Investment | 167,200 | 169,300 | 169,300 | 2,100 | 1.26% | 0 | 0.00% |
| Family Housing, Total | 4,206,014 | 3,959,164 | 3,937,493 | -268,521 | -6.38% | -21,671 | -0.55% |
| Base Realignment & Closure | 561,138 | 370,427 | 370,427 | -190,711 | -33.99% | 0 | 0.00% |

*Including rescissions but *excluding* supplemental appropriations
**Including rescissions

**Committee Action**: On June 23, 2003, the Appropriations Committee marked up and reported H.R. 2559 to the full House.

**Cost to Taxpayers**: H.R. 2559 would appropriate a total of $9.196 billion in fiscal year 2004 for military construction, the NATO Security Investment Program, military family housing, and base realignment and closure.

**Does the Bill Create New Federal Programs or Rules?**: No.

**Constitutional Authority**: The House Appropriations Committee, in House Report 108-173, cites constitutional authority in Article I, Section 9, Clause 7 ("No Money shall be drawn from the Treasury, but in Consequence of Appropriations made by Law.")

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## H.R. 2596—Health Savings Account Availability Act (Thomas)

**Order of Business**: The bill is scheduled for consideration on Thursday, Jun 26th, under a closed rule with one motion to recommit the bill, with or without instructions. The rule also provides that H.R. 2596 will be joined with H.R. 1 (the Medicare bill) if both are adopted.

**Summary**: H.R. 2596 creates new Health Savings Accounts (HSA) under the Internal Revenue Code. These accounts would be tax-exempt and contributions to an account (within limits) would be tax deductible if made by an individual and excludable from gross income and wages if made by an employer. Earnings from an HSA would not be considered gross income and distributions made for qualified medical expenses would not be included in gross income.

Specifically, the bill includes the following provisions:

- Creates an HSA for those in a traditional deductible group called Health Savings Security Accounts. Individuals who are covered under a health plan meeting minimum deductible requirements ($500 for self-only coverage, $1000 for family coverage) and no other health plan or are uninsured would be eligible. The annual contribution limit ($2000 for self-only coverage and $4000 for family coverage) would be phased down for individuals with incomes over $75,000 ($150,000 for family coverage). "Catch-up" contributions would be allowed for those 55 or older ($500 in 2004, increasing $100 each year to $1000 in 2009).
- Creates an HSA for those in a high deductible group. Individuals who are covered under a health plan meeting minimum deductible requirements ($1000 for self-only coverage, $2000 for family coverage) would be eligible (the uninsured would not be eligible). The annual contribution limit would be equal to the deductible amount. There is no income cap, nor are catch-up contributions allowed.
- Individuals receiving Medicare benefits would not be eligible to establish an HSA (although a previously established HSA could be used to pay some Medicare-related expenses after age 65, as described below).
- Rollovers into an HSA from another HSA, a Medical Savings Account (MSA), or a Flexible Spending Arrangement (FSA) would be allowed tax-free. FSA rollovers would be limited to a maximum of $500 annually. Rollovers from another HSA or an MSA would not be included in the annual contribution limit.
- An employer could make a contribution to an employee's HSA, but would be required to provide a comparable contribution to all participating employees. Any contributions to an employee's HSA would be required to be shown on the employee's W-2. Family members could contribute only to a Health Savings Security Account.
- "Qualified medical expenses" are expenses incurred by the individual or the individual's spouse and dependents that are not reimbursed through other means, including:
  - amounts paid for the diagnosis, cure, mitigation, treatment or prevention of disease, including prescription drugs;
  - transportation related to medical care;
  - certain long-term care services and insurance;
  - COBRA coverage; and
  - retiree health insurance after age 65, including Medicare Part B premiums (only for Health Savings Security Accounts).
- Distributions that don't meet the definition of "qualified medical expenses" would be subject to income tax and an additional 15 percent penalty. The penalty would not apply to distributions made after age 65 or made due to death or disability.
- Funds in an HSA would be transferred to a designated surviving spouse upon the death of the account holder. If no surviving spouse were designated, the assets would be included in the account holder's estate.
- Allows up to $500 of unused funds in an employee's health FSA to be carried forward to the next year or transferred into an HSA. If the employee was not eligible to contribute to an HSA, the funds could be transferred to a qualified pension plan.

**Committee Action**: A similar bill (H.R. 2351) was considered by the Ways and Means Committee on June 19 and reported, amended, by a vote of 23 to 16.

**Cost to Taxpayers**: An official estimate is available only for the bill as reported by the Ways and Means Committee. For that bill, the Joint Tax Committee estimated a reduction in revenues of $20.3 billion over five years and $71.5 billion over ten years.

**Does the Bill Create New Federal Programs or Rules?**: The bill creates a new tax-free savings option for qualified health care expenditures.

**Constitutional Authority**: Although a committee report citing constitutional authority is not available, Article I, Section 8, Clause 1 gives Congress the power to "lay and collect Taxes, Duties, Imposts and Excises."

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