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**OMB FINAL SEQUESTRATION REPORT  
TO THE PRESIDENT AND CONGRESS  
FOR FISCAL YEAR 2002**

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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

January 31, 2002

The President  
The White House  
Washington, D.C. 20500

Dear Mr. President:

Enclosed please find the *OMB Final Sequestration Report to the President and Congress for fiscal year 2002*, as required by the Budget Enforcement Act of 1990 (BEA) as amended.

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

Based on the estimates contained in this report, neither discretionary nor pay-as-you-go sequestrations are required for fiscal year 2002.

Sincerely,

A handwritten signature in black ink, appearing to read "M E Daniels Jr".

Mitchell E. Daniels, Jr.  
Director

Enclosure

Identical Letter Sent to The Honorable Richard B. Cheney  
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) requires that OMB issue reports on the overall status of discretionary and pay-as-you-go legislation. An across-the-board reduction of non-exempt spending, known as “sequestration,” enforces compliance with these constraints. The end-of-session report,

which OMB is required to issue after Congress adjourns *sine die*, determines whether or not a sequester is required. This report, which covers legislation enacted in the first session of the 107th Congress, indicates that no sequester is required for either mandatory or discretionary programs.

## II. DISCRETIONARY SEQUESTRATION REPORT

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 all discretionary programs each year through 2002. For 2002, discretionary spending is divided into four categories: highway outlays, mass transit outlays, conservation spending budget authority and outlays, and all other discretionary spending budget authority and outlays. The BEA originally specified a single category for all discretionary spending in 2001 and 2002. The Transportation Equity Act for the 21st Century (TEA-21) established the additional categories for highway and mass transit outlays for 1999 through 2003. P.L. 106-291, the Interior and Related Agencies Appropriations Act, 2001, added the category for conservation spending with limits from 2002 to 2006.

P.L. 107-117, the Department of Defense Appropriations Act, established revised discretionary spending limits for the 2002 appropriations. Specifically, Division C, Section 101 of the Act set the budget authority limit at \$681.4 billion and the outlay limit at \$670.2 billion for the other discretionary spending category and revised the conservation spending outlay limit. The provision also included a special budget authority allowance.

OMB monitors compliance with the discretionary spending limits throughout the fiscal year. Appropriations that cause a breach in the budget authority or outlay limits trigger a sequester to eliminate that breach. The law, however, does not require that Congress appropriate the full amount available under the discretionary limits.

Table 1 summarizes changes to the caps since 1990, and includes the limits established for highways, mass transit, and conservation spending. It also includes the revised limit for 2002 established in P.L. 107-117.

Table 1. HISTORICAL SUMMARY OF CHANGES TO DISCRETIONARY SPENDING LIMITS

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	
(In billions of dollars)														
<b>TOTAL DISCRETIONARY</b>														
Statutory Caps as set in OBRA 1990, OBRA 1993, 1997 Bipartisan Budget Agreement, and TEA-21 .....	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	34.6
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	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	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	-3.3	N/A
	OL	.....	1.0	2.4	2.3	3.0	-0.5	-2.6	-2.8	-0.3	0.1	-0.1	-3.3	N/A
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	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	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	0.6	0.6	N/A
	OL	0.3	0.3	0.8	0.8	0.9	0.1	0.3	0.6	1.1	0.7	1.2	0.8	N/A
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	20.0	22.2	N/A
	OL	1.1	1.8	5.4	9.0	10.1	6.4	8.1	7.0	22.9	35.8	20.5	31.7	N/A
Adjustment pursuant to Sec. 2003 of P.L. 104-19 <sup>1</sup> .....	BA	.....	.....	.....	.....	-15.0	-0.1	-0.1	.....	N/A	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	N/A
Adjustments for special allowances: Discretionary new budget authority .....	BA	.....	3.5	2.9	2.9	2.9	.....	.....	.....	N/A	N/A	3.2	0.3	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	N/A
Outlay allowance .....	BA	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	N/A
	OL	2.6	1.7	0.5	1.0	.....	.....	.....	1.2	.....	.....	2.4	.....	N/A
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	23.7	19.8	N/A
	OL	3.9	5.9	8.8	10.0	6.8	5.4	6.3	12.3	23.7	37.3	24.0	29.2	N/A
Adjustments for Operation Desert Shield/ Desert Storm .....	BA	44.2	14.0	0.6	*	*	.....	.....	.....	N/A	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	N/A
Rounding Adjustment .....	BA	N/A	N/A	N/A	N/A	N/A	N/A	.....	.....	.....	1.1	0.0	.....	.....
	OL	N/A	N/A	N/A	N/A	N/A	N/A	.....	.....	.....	.....	.....	.....	.....
TEA-21 Adjustment (Net) <sup>2</sup> .....	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	N/A
	OL	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.1	2.6	5.2	7.1	.....

**Table 1. HISTORICAL SUMMARY OF CHANGES TO DISCRETIONARY SPENDING LIMITS—Continued**  
(In billions of dollars)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Adjustment to reach spending limits mandated in P.L. 106-429 <sup>3</sup> .....	BA	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	95.9	N/A
	OL	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	58.6	N/A
Adjustment to reach spending limits mandated in P.L. 107-117 <sup>4</sup> .....	BA	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	134.5	N/A
	OL	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	133.1	N/A
Adjustment for conservation limits established by P.L. 106-291 <sup>5</sup> .....	BA	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.8	1.9
	OL	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.2	1.9
Total adjustments .....	BA	45.3	33.2	24.2	14.3	-6.7	11.6	2.9	50.2	47.6	118.8	155.2	1.9
	OL	37.2	20.8	16.4	12.8	7.9	6.3	12.3	24.9	40.0	87.8	170.5	1.9
<b>Preview Report spending limits<sup>6</sup> .....</b>	<b>BA</b>	<b>537.0</b>	<b>536.6</b>	<b>535.7</b>	<b>525.1</b>	<b>511.0</b>	<b>539.7</b>	<b>533.5</b>	<b>583.2</b>	<b>584.8</b>	<b>660.8</b>	<b>706.3</b>	<b>1.9</b>
	<b>OL</b>	<b>551.6</b>	<b>545.7</b>	<b>550.4</b>	<b>547.6</b>	<b>552.7</b>	<b>553.6</b>	<b>560.2</b>	<b>584.2</b>	<b>604.2</b>	<b>652.2</b>	<b>731.3</b>	<b>36.5</b>

N/A = Not Applicable.

\*\$50 million or less.

<sup>1</sup>P.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.

<sup>2</sup>Sec. 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.

<sup>3</sup>Sec. 701 of P.L. 106-429, the Foreign Operations and Related Agencies Appropriations Act, 2001, included revised budget authority and outlay caps for 2001. In addition, this section provided for a budget authority rounding adjustment of 0.5 percent, and also prohibited OMB from making adjustments in the Final Sequestration Report for emergency requirements.

<sup>4</sup>Division C, Section 101 of P.L. 107-117, the Department of Defense Appropriations Act, 2002, included revised budget authority and outlay caps for 2002. In addition, this section provided a budget authority technical estimating difference adjustment allowance of up to 0.12 percent of total appropriations.

<sup>5</sup>Title VIII of P.L. 106-291, the Interior and Related Agencies Appropriations Act, 2001, created a new conservation category with limits on budget authority and outlays for 2002-2006.

<sup>6</sup>Reflects combined Defense Discretionary, Non-Defense Discretionary, Violent Crime Reduction, Highway Category, Mass Transit Category, and Conservation Category spending limits. 2003 figures include Highway, Mass Transit, and Conservation Categories only.

**Table 2. DISCRETIONARY SPENDING LIMITS**

(In millions of dollars)

		2000	2001	2002
<b>VIOLENT CRIME REDUCTION SPENDING</b>				
<b>Update Report Violent Crime Reduction Spending Limits</b> .....	<b>BA</b>	<b>4,500</b>	<b>N/A</b>	<b>N/A</b>
	<b>OL</b>	<b>6,344</b>	<b>N/A</b>	<b>N/A</b>
Adjustments for the Final Sequestration Report:				
No Adjustments .....	BA	.....	N/A	N/A
	OL	.....	N/A	N/A
<b>Final Sequestration Report Limits</b> .....	<b>BA</b>	<b>4,500</b>	<b>N/A</b>	<b>N/A</b>
	<b>OL</b>	<b>6,344</b>	<b>N/A</b>	<b>N/A</b>
<b>HIGHWAY CATEGORY</b>				
<b>Update Report Highway Category Spending Limits</b> .....	<b>BA</b>	.....	.....	.....
	<b>OL</b>	<b>24,574</b>	<b>26,920</b>	<b>28,489</b>
Adjustments for the Final Sequestration Report:				
No Adjustments .....	BA	N/A	N/A	.....
	OL	N/A	N/A	.....
<b>Final Sequestration Report Limits</b> .....	<b>BA</b>	.....	.....	.....
	<b>OL</b>	<b>24,574</b>	<b>26,920</b>	<b>28,489</b>
<b>MASS TRANSIT CATEGORY</b>				
<b>Update Report Mass Transit Category Spending Limits</b> .....	<b>BA</b>	.....	.....	.....
	<b>OL</b>	<b>4,117</b>	<b>4,639</b>	<b>5,275</b>
Adjustments for the Final Sequestration Report:				
No Adjustments .....	BA	N/A	N/A	.....
	OL	N/A	N/A	.....
<b>Final Sequestration Report Limits</b> .....	<b>BA</b>	.....	.....	.....
	<b>OL</b>	<b>4,117</b>	<b>4,639</b>	<b>5,275</b>
<b>CONSERVATION CATEGORY</b>				
<b>Update Report Conservation Category Spending Limits</b> .....	<b>BA</b>	<b>N/A</b>	<b>N/A</b>	<b>1,760</b>
	<b>OL</b>	<b>N/A</b>	<b>N/A</b>	<b>1,232</b>
Federal and State Land and Water Conservation Fund subcategory .....	BA	N/A	N/A	540
	OL	N/A	N/A	.....
State and Other Conservation subcategory .....	BA	N/A	N/A	300
	OL	N/A	N/A	.....
Urban and Historic Preservation subcategory .....	BA	N/A	N/A	160
	OL	N/A	N/A	.....
Payments in Lieu of Taxes subcategory .....	BA	N/A	N/A	50
	OL	N/A	N/A	.....
Federal Deferred Maintenance subcategory .....	BA	N/A	N/A	150
	OL	N/A	N/A	.....
Coastal Assistance subcategory .....	BA	N/A	N/A	440
	OL	N/A	N/A	.....
Unallocated .....	BA	N/A	N/A	120
	OL	N/A	N/A	.....
Adjustments for the Final Sequestration Report:				
Adjustment to reach spending limit mandated in P.L. 107-117 .....	BA	N/A	N/A	.....
	OL	N/A	N/A	241
<b>Final Sequestration Report Limits</b> .....	<b>BA</b>	<b>N/A</b>	<b>N/A</b>	<b>1,760</b>
	<b>OL</b>	<b>N/A</b>	<b>N/A</b>	<b>1,473</b>



**Table 2. DISCRETIONARY SPENDING LIMITS—Continued**

(In millions of dollars)

		2000	2001	2002
<b>OTHER DISCRETIONARY SPENDING</b>				
<b>Update Report Other Discretionary Spending Limits</b> .....	<b>BA</b>	<b>580,289</b>	<b>640,803</b>	<b>546,945</b>
	<b>OL</b>	<b>569,224</b>	<b>620,392</b>	<b>537,383</b>
Adjustments for the Final Sequestration Report:				
Adjustment to reach spending limits mandated in P.L. 107–117 .....	BA	N/A	N/A	134,496
	OL	N/A	N/A	132,823
Supplemental Emergency Appropriations to the September 11 Tragedy, 2001, P.L. 107–38 .....	BA	N/A	20,000	.....
	OL	N/A	214	12,597
Supplemental Emergency Appropriations to the September 11 Tragedy, 2001, P.L. 107–117 .....	BA	N/A	N/A	20,000
	OL	N/A	N/A	11,762
Other contingent emergency appropriations released .....	BA	N/A	N/A	2,200
	OL	N/A	N/A	989
Special Budget Authority Allowance .....	BA	N/A	N/A	308
	OL	N/A	N/A	.....
Special Outlay Allowance .....	BA	N/A	N/A	.....
	OL	N/A	N/A	.....
EITC Tax Compliance Initiative .....	BA	N/A	N/A	146
	OL	N/A	N/A	146
Continuing Disability Reviews .....	BA	N/A	N/A	433
	OL	N/A	N/A	390
Adoption Incentive Payments .....	BA	N/A	N/A	20
	OL	N/A	N/A	2
Subtotal, Adjustments for the Final Sequestration Report .....	BA	N/A	20,000	157,603
	OL	N/A	214	158,709
<b>Final Sequestration Report Spending Limits</b> .....	<b>BA</b>	<b>580,289</b>	<b>660,803</b>	<b>704,548</b>
	<b>OL</b>	<b>569,224</b>	<b>620,606</b>	<b>696,092</b>
<b>TOTAL DISCRETIONARY SPENDING</b>				
<b>Preview Report Total Discretionary Spending Limits</b> .....	<b>BA</b>	<b>584,789</b>	<b>640,803</b>	<b>548,705</b>
	<b>OL</b>	<b>604,259</b>	<b>649,066</b>	<b>572,087</b>
<b>Update Report Total Discretionary Spending Limits</b> .....	<b>BA</b>	<b>584,789</b>	<b>640,803</b>	<b>548,705</b>
	<b>OL</b>	<b>604,259</b>	<b>651,951</b>	<b>572,379</b>
<b>Final Sequestration Report Spending Limits</b> .....	<b>BA</b>	<b>584,789</b>	<b>660,803</b>	<b>706,308</b>
	<b>OL</b>	<b>604,259</b>	<b>652,165</b>	<b>731,329</b>

N/A = Not Applicable.

**Adjustments to discretionary limits.**—Section 251(b)(2) of the BEA authorizes certain adjustments after the enactment of appropriations. The permitted section 251(b)(2) adjustments include:

- *Continuing Disability Reviews.*—Funding for additional continuing disability reviews (CDRs) under the heading, “Limitation on Administrative Expenses,” for the Social Security Administration. The law limits adjustments to the budget authority and outlay estimates authorized in P.L.

105–33, 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. The fiscal year 2002 Labor, Education, Health and Human Services and Related Agencies Appropriations Act provided \$433 million in BA and \$390 million in outlays for CDRs.

- *Earned Income Tax Credit (EITC) Compliance Initiative.*—Funding for EITC compliance initiatives, including the detection and enforcement of EITC eligibility rules in order to reduce EITC overclaims. Adjustments are limited to the budget authority and outlay estimates authorized in P.L. 105–33. The fiscal year 2002 Treasury and General Government Appropriations Act provided \$146 million in both BA and outlays for EITC compliance.
- *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 system. The Act provides for a discretionary cap adjustment for appropriations up to \$20 million annually in fiscal years 1999 through 2003. It is assumed that the cost of adoption bonuses will be offset by reductions in mandatory foster care costs. The \$20 million request was included in the fiscal year 2002 Labor, Education, Health and Human Services and Related Agencies Appropriations Act.
- *Emergency Appropriations.*—Funding for amounts designated by Congress and enacted as “emergency requirements”. Fiscal year 2001 supplemental appropriations included \$20.0 billion in emergency budget authority for terrorist response activities. Fiscal year 2002 appropriations acts included \$22.2 billion in emergency budget authority, of which \$20.0 billion was for terrorist response activities, \$1.5 billion was for FEMA disaster relief, \$400 million was for wildland fire fighting, and \$300 million was for the low-income heating assistance program. The 2001 and 2002 caps have been adjusted to reflect both the budget authority and outlay effects of these appropriations. The 2002 outlay adjustment for the spendout of 2001 terrorist response appropriations also includes a technical correction revising OMB’s 2002 outlay estimates for P.L. 107–38 downward by \$1 million.
- *Special Outlay Allowance.*—This allowance was included in the BEA to cover technical scoring differences that result when OMB scoring exceeds CBO scoring. If, in any year, outlays for a discretionary spending

category exceed the spending limit for the category, but new budget authority does not exceed the limit for that category, the special outlay allowance may be used. The outlay adjustment is the amount of the excess spending over the limit. The adjustment can not exceed 0.5 percent of the sum of the adjusted discretionary spending limits on outlays for that fiscal year. OMB does not estimate that the special outlay allowance will be required for fiscal year 2002.

- *Discretionary Budget Authority Adjustment.*—Division C of public law 107–117, the 2002 Department of Defense Appropriations Act, included a provision allowing OMB to adjust the 2002 limit on budget authority for the discretionary category upward by any amounts in excess of the spending limits, up to 0.12 percent. This allowance, which was enacted to account for appropriations bill scoring differences between OMB and CBO, resulted in an increase of \$308 million to the discretionary category budget authority limits.

***Anticipated adjustment to the highway category.***—Section 8101 of TEA–21 requires OMB to revise the highway spending limits for changes in actual and estimated federal gasoline tax receipts, relative to the receipt levels assumed in TEA–21. For example, if actual tax receipts exceed the TEA–21 assumed levels, OMB is required to increase the limit for the budget year. This adjustment permits funding to be consistent with the level of taxes that are collected and earmarked for highways spending. OMB has no discretion when making this adjustment; its role is purely ministerial.

Over the past several years, actual and estimated gasoline tax receipts exceeded the levels assumed in TEA–21. Accordingly, OMB applied the formula as specified in the legislation and increased the highway category obligation limitations by \$3.1 billion in 2001 and \$4.5 billion in 2002. In 2003, however, the TEA–21 formula is estimated to produce a downward adjustment of nearly –\$5.0 billion in the highway obligation limitation. The resulting 2003 highway outlay limit is estimated to be –\$0.9 billion below the 2002 outlay limit. This is due both to actual gasoline tax receipts being lower than antici-

pated in 2001 and revised Treasury projections of gasoline tax receipts for 2003.

Although the actual adjustment to the caps will be made in the Preview Report

and transmitted to the Congress with the President's 2003 Budget, the anticipated adjustment is included here because it breaks from the historical pattern of upward adjustments.

**Table 3. ANTICIPATED ADJUSTMENTS TO THE HIGHWAY AND MASS TRANSIT CATEGORIES FOR CHANGES IN RECEIPTS AND TECHNICAL ASSUMPTIONS**

(In millions of dollars)

	2001	2002	2003
<b>HIGHWAY CATEGORY</b>			
<b>Obligation Limitation Assumed in 2002 Preview Report</b> .....	<b>30,216</b>	<b>32,310</b>	<b>28,233</b>
Anticipated Adjustments:			
Difference Between Current and Previous Estimate of 2003 Highway Tax Receipts .....	N/A	N/A	-1,497
Difference Between 2001 Actual and Estimated Highway Tax Receipts .....	N/A	N/A	-3,468
Subtotal, Obligation Limitation Adjustment .....			-4,965
<b>Anticipated 2003 Preview Report Obligation Limitation</b> .....	<b>30,216</b>	<b>32,310</b>	<b>23,268</b>
<b>Outlay Limits in 2002 Preview Report</b> .....	<b>26,920</b>	<b>28,489</b>	<b>29,100</b>
Adjustments:			
Reduction in 2003 Obligation Limitation .....	N/A	N/A	-1,341
Changes in Technical Assumptions:			
Reestimate of Outlays from Obligation Limitation level, Adjusted to Include Outlays from change in Obligation Limitation .....	N/A	N/A	27,581
Reestimate of Outlays from Obligation Limitation level, Adjusted to Include Outlays from change in Obligation Limitation .....	N/A	N/A	27,759
Adjustment for Changes in Technical Assumptions .....	N/A	N/A	-178
Total Adjustments .....	N/A	N/A	-1,519
<b>Anticipated Outlay Limits in 2003 Preview Report</b> .....	<b>26,920</b>	<b>28,489</b>	<b>27,581</b>
<b>MASS TRANSIT CATEGORY</b>			
<b>Outlay Limits in 2002 Preview Report</b> .....	<b>4,639</b>	<b>5,275</b>	<b>5,531</b>
Adjustment:			
Changes in Technical Assumptions:			
Reestimate of Outlays from Obligation Limitation Using Current Technical Assumptions .....	N/A	N/A	6,030
2002 Preview Report Outlays .....	N/A	N/A	5,531
Adjustment for Changes in Technical Assumptions .....	N/A	N/A	499
<b>Anticipated Outlay Limits in 2003 Preview Report</b> .....	<b>4,639</b>	<b>5,275</b>	<b>6,030</b>

**Summary of FY 2001 discretionary appropriations.**—Table 4 summarizes the status of enacted fiscal year 2001 discretionary

appropriations, relative to the discretionary caps.

**Table 4. STATUS OF FY 2001 DISCRETIONARY APPROPRIATIONS**

(In millions of dollars)

	BA	Outlays
<b>Highway Category</b>		
Adjusted discretionary spending limits .....		26,920
Total enacted .....		26,897
Spending over/under (–) limits .....		–23
<b>Mass Transit Category</b>		
Adjusted discretionary spending limits .....		4,639
Total enacted .....		4,639
Spending over/under (–) limits .....		
<b>Other Discretionary Spending</b>		
Adjusted discretionary spending limits .....	660,803	620,606
Total enacted .....	660,801	620,564
Spending over/under (–) limits .....	–2	–42
<b>Total Discretionary Spending—All Categories</b>		
Adjusted discretionary spending limits .....	660,803	652,165
Total enacted .....	660,801	652,100
Spending over/under (–) limits .....	–2	–65

**Status of FY 2002 discretionary appropriations.**—Table 5 summarizes OMB scoring of the fiscal year 2002 appropriations bills.

OMB estimates that spending in the highway, mass transit, and other discretionary

categories are within the budget authority and outlay limits set in the BEA, as amended by P.L. 107–117, the Department of Defense Appropriations Act, 2002. OMB estimates that a sequester will not be required for any of the discretionary categories.

**Table 5. STATUS OF FY 2002 APPROPRIATIONS ACTION**

(In millions of dollars)

	BA	Outlays
<b>OTHER DISCRETIONARY</b>		
Agriculture and Rural Development .....	16,207	16,951
Commerce, Justice, State and the Judiciary .....	38,229	39,331
Defense .....	317,173	304,072
District of Columbia .....	411	414
Energy and Water Development .....	24,574	24,563
Foreign Operations .....	15,447	15,732
Interior and Related Agencies .....	17,794	18,009
Labor, HHS, and Education .....	123,445	110,540
Legislative Branch .....	2,974	2,967
Military Construction .....	10,502	8,430
Transportation and Related Agencies .....	15,360	19,099
Treasury, Postal Service, and General Government .....	17,068	16,543
Veterans Affairs, HUD, Independent Agencies .....	85,290	90,193
2002 effects of 2001 supplemental appropriations .....	73	1,549
2002 outlay effects of P.L. 107-38, Sept. 11 emergency supple- mental .....		12,597
P.L. 107-117, supplemental appropriations in response to terrorist attacks .....	20,001	11,762
Total, Other Discretionary Spending .....	704,548	692,752
Final Sequestration Report Other Discretionary Limits .....	704,548	696,092
CONGRESSIONAL ACTION OVER/UNDER(-) LIMITS .....		-3,340
<b>HIGHWAY CATEGORY</b>		
Transportation and Related Agencies <sup>1</sup> .....	[-62]	28,489
Total, Highway Category Spending <sup>1</sup> .....	[-62]	28,489
Final Sequestration Report Highway Category Limits .....		28,489
CONGRESSIONAL ACTION OVER/UNDER(-) LIMITS .....	N/A	
<b>MASS TRANSIT CATEGORY</b>		
Transportation and Related Agencies <sup>1</sup> .....	[1,348]	5,272
Total, Mass Transit Category Spending <sup>1</sup> .....	[1,348]	5,272
Final Sequestration Report Mass Transit Category Limits .....		5,275
CONGRESSIONAL ACTION OVER/UNDER(-) LIMITS .....	N/A	-3
<b>CONSERVATION SPENDING CATEGORY</b>		
Commerce, Justice, State and the Judiciary .....	438	369
Interior and Related Agencies .....	1,320	1,104
Total, Conservation Category Spending .....	1,758	1,473
Final Sequestration Report Conservation Spending Category Limits .....	1,760	1,473
CONGRESSIONAL ACTION OVER/UNDER(-) LIMITS .....	-2	

**Table 5. STATUS OF FY 2002 APPROPRIATIONS ACTION—Continued**

(In millions of dollars)

	BA	Outlays
<b>TOTAL, DISCRETIONARY SPENDING</b>		
Total, Discretionary Spending .....	706,306	727,986
Final Sequestration Report Discretionary Spending Limits .....	706,308	731,329
CONGRESSIONAL ACTION OVER(+)/UNDER(-) LIMITS .....	-2	-3,343

<sup>1</sup> Highway and Mass Transit Category BA, under current law, do not count towards the discretionary spending limits. Therefore, enacted BA amounts under those categories are not counted toward any of the 2002 spending limits.

**Comparison of OMB and CBO discretionary limits.**—Section 254(d)(5) of the BEA requires that this report explain the differences between OMB and CBO estimates for discretionary spending limits. Table 6 compares OMB and CBO limits for fiscal years 2000 through 2002. CBO uses the discretionary limits from OMB’s sequestration update report as a starting point for adjustments in its end-of-session sequestration report.

The difference between OMB and CBO estimates of the 2002 spending limits is

\$308 million in budget authority and \$3.4 billion in outlays. The budget authority difference is due to scoring convention differences between OMB and CBO. The outlay difference is primarily due to OMB assuming higher outlays associated with 2001 and 2002 emergency supplemental funding in response to the terrorist attacks on the United States. More detailed explanations of these differences is available in the separate seven-day-after reports issued subsequent to enactment of each discretionary appropriations bill.

**Table 6. COMPARISON OF OMB AND CBO DISCRETIONARY SPENDING LIMITS**

(In millions of dollars)

	2000	2001	2002
<b>Violent Crime Reduction</b>			
CBO Final Sequestration Report limits:			
BA .....	4,500	N/A	N/A
OL .....	6,344	N/A	N/A
OMB Final Sequestration Report limits:			
BA .....	4,500	N/A	N/A
OL .....	6,344	N/A	N/A
Difference:			
BA .....		N/A	N/A
OL .....		N/A	N/A
<b>Highway Category</b>			
CBO Final Sequestration Report limits:			
BA .....			
OL .....	24,574	26,920	28,489
OMB Final Sequestration Report limits:			
BA .....			
OL .....	24,574	26,920	28,489
Difference:			
BA .....			
OL .....			

**Table 6. COMPARISON OF OMB AND CBO  
DISCRETIONARY SPENDING LIMITS—Continued**

(In millions of dollars)

	2000	2001	2002
<b>Mass Transit Category</b>			
CBO Final Sequestration Report limits:			
BA .....			
OL .....	4,117	4,639	5,275
OMB Final Sequestration Report limits:			
BA .....			
OL .....	4,117	4,639	5,275
Difference:			
BA .....			
OL .....			
<b>Conservation Category</b>			
CBO Final Sequestration Report limits:			
BA .....	N/A	N/A	1,760
OL .....	N/A	N/A	1,473
OMB Final Sequestration Report limits:			
BA .....	N/A	N/A	1,760
OL .....	N/A	N/A	1,473
Difference:			
BA .....	N/A	N/A	
OL .....	N/A	N/A	
<b>Other Discretionary</b>			
CBO Final Sequestration Report limits:			
BA .....	580,289	660,803	704,240
OL .....	569,224	620,523	692,717
OMB Final Sequestration Report limits:			
BA .....	580,289	660,803	704,548
OL .....	569,224	620,606	696,092
Difference:			
BA .....			308
OL .....		83	3,375
<b>Total Discretionary Spending Limits</b>			
CBO Final Sequestration Report limits:			
BA .....	584,789	660,803	706,000
OL .....	604,259	652,082	727,954
OMB Final Sequestration Report limits:			
BA .....	584,789	660,803	706,308
OL .....	604,259	652,165	731,329
Difference:			
BA .....			308
OL .....		83	3,375

### III. PAY-AS-YOU-GO SEQUESTRATION REPORT

Pay-as-you-go enforcement covers 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 following are exempt from the pay-as-you-go scorecard: Social Security, the Postal Service, legislation specifically designated as an emergency requirement, and legislation fully funding the Federal Government's commitment to protect insured deposits.

The BEA requires that, in total, receipts and direct spending legislation not result in a net cost. 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 resulting change in outlays or receipts for the current year, the budget year, and the following four fiscal years for enacted direct spending and receipts legislation. The estimates, which

must rely on the economic and technical assumptions underlying the most recent President's budget, determine whether the pay-as-you-go requirement is met. The pay-as-you-go process requires that OMB maintain a "scorecard" that shows the cumulative net cost of such legislation.

Table 7 presents OMB estimates of pay-as-you-go legislation included in the individual bill reports. In total, these bills have resulted in net costs of \$75.3 billion in 2001 and \$55.0 billion in 2002. As required by the BEA, the 2001 total reflects only Acts added to the scorecard after the 2001 final sequestration report was issued. Under the BEA, the 2001 and 2002 totals are combined when determining the need for sequestration. The table indicates that a combined balance of \$130.3 billion was on the pay-as-you-go scorecard prior to the adjustment required by the Department of Defense and Emergency Supplemental Appropriations Act for 2002. Because that Act reset the 2001 and 2002 balances to zero, no sequester is required for mandatory programs. The table also shows the CBO estimate for each Act as it was reported in CBO's pay-as-you-go bill reports.



**Table 7. NET COST OF PAY-AS-YOU-GO LEGISLATION ENACTED TO DATE<sup>1</sup>**  
(In millions of dollars)

Report Number	Act Number	Act Title	2001	2002	2003	2004	2005	2006	2001-2006
<b>Legislation enacted since the Balanced Budget Act of 1997:</b>									
		Balances shown in 2002 Preview Report (also 2001 End of Session report)							
		OMB estimate	0	16,053	18,465	19,336	20,673	0	74,527
		CBO estimate	0	12,884	14,651	14,206	14,551	0	56,292
<b>Legislation enacted in the 1st session of the 107th Congress:</b>									
553	P.L. 107-13 H.R. 581	Wildland Fire Management Reimbursement Authority							
		OMB estimate	3	-3	0	0	0	0	0
		CBO estimate	3	-3	0	0	0	0	0
554	P.L. 107-15 H.R. 1727	Fallen Hero Survivor Benefit Fairness Act							
		OMB estimate	0	2	4	4	4	4	18
		CBO estimate	1	7	5	5	5	4	27
555	P.L. 107-16 H.R. 1836	Economic Growth and Tax Relief Reconciliation Act	69,501	35,691	86,399	105,457	106,330	130,781	534,159
		OMB estimate	73,808	37,570	90,335	107,421	107,102	134,887	551,123
556	P.L. 107-18 S. 1029	Manufactured Housing Program User Fee Authority							
		OMB estimate	0	0	0	0	0	0	0
		CBO estimate	2	1	0	0	0	0	3
N/A	P.L. 107-19 S. 657	National 4-H Program Centennial Initiative							
		OMB estimate							
		CBO estimate							
			OMB does not consider this bill as subject to pay-as-you-go.						
			0	2	-1	-1	0	0	0
557	P.L. 107-25 H.R. 2213	Crop Year 2001 Agricultural Economic Assistance Act							
		OMB estimate	5,500	0	0	0	0	0	5,500
		CBO estimate	5,500	0	0	0	0	0	5,500
558	P.L. 107-27 H.R. 93	Federal Firefighters Retirement Age Fairness Act							
		OMB estimate	0	0	0	0	0	0	0
		CBO estimate	0	0	-1	-1	-1	-1	-4
559	P.L. 107-37 H.R. 2882	Expedited Payment for Heroic Public Safety Officers							
		OMB estimate	0	8	0	0	0	0	8
		CBO estimate	0	5	0	0	0	0	5
560	P.L. 107-43 H.R. 2603	United States-Jordan Free Trade Area Implementation Act							
		OMB estimate	0	1	1	2	3	5	12
		CBO estimate	0	2	2	3	4	4	15
N/A	P.L. 107-46 S. 248	An Act to Amend the Admiral James W. Nance and Meg Donovan Foreign Relations Authorization Act							
		Receipt effect	OMB does not consider this bill as subject to pay-as-you-go.						
		CBO estimate	0	582	0	0	0	0	582
561	P.L. 107-52 H.J.Res 51	Approving the Extension of Normal Trade Relations Status for Vietnam							
		OMB estimate	0	26	29	27	27	26	135
		CBO estimate	0	33	34	36	38	40	181

**Table 7. NET COST OF PAY-AS-YOU-GO LEGISLATION ENACTED TO DATE <sup>1</sup>—Continued**  
(In millions of dollars)

Report Number	Act Number	Act Title	2001	2002	2003	2004	2005	2006	2001–2006
562	P.L. 107–56	Uniting and Strengthening America by Providing Appropriate Tools							
	H.R. 3162	Required to Intercept and Obstruct Terrorism (USA PATRIOT)							
		OMB estimate	0	117	24	21	17	23	202
		CBO estimate	0	104	-220	-174	173	271	154
563	P.L. 107–42	Air Transportation Safety and System Stabilization Act							
	H.R. 2926		267	1,063	3,000	1,800	0	0	6,130
		OMB estimate	1,400	-400	2,400	2,400	800	0	6,600
N/A	P.L. 107–68	Legislative Branch Appropriations Act, 2002	OMB does not consider this bill as subject to pay-as-you-go.						
	H.R. 2647		0	-2	0	0	0	0	-2
N/A	P.L. 107–73	Departments of Veterans Affairs and Housing and Urban Development	OMB does not consider this bill as subject to pay-as-you-go.						
	H.R. 2620	Appropriations Act, 2002	0	32	9	9	10	10	70
		OMB estimate	OMB does not consider this bill as subject to pay-as-you-go.						
		CBO estimate	0	32	9	9	10	10	70
564	P.L. 107–90	Railroad Retirement and Survivors' Improvement Act of 2001							
	H.R. 10		0	195	448	623	682	720	2,668
		OMB estimate	0	226	504	711	780	817	3,038
		CBO estimate							
565	P.L. 107–103	Veterans' Education and Benefits Expansion Act of 2001							
	H.R. 1291		0	201	504	606	650	685	2,646
		OMB estimate	0	229	539	701	780	840	3,089
		CBO estimate							
566	P.L. 107–105	Administrative Simplification Compliance Act							
	H.R. 3323		0	-25	25	0	0	0	0
		OMB estimate	0	-50	50	0	0	0	0
		CBO estimate							
567	P.L. 107–107	National Defense Authorization Act for 2002							
	S. 1438		0	86	-234	-208	-253	-274	-883
		OMB estimate	0	146	-221	156	92	103	276
		CBO estimate							
568	P.L. 107–109	Best Pharmaceuticals for Children Act							
	S. 1789		0	0	0	0	0	0	0
		OMB estimate	0	-8	-5	-4	-7	-15	-39
		CBO estimate							
N/A	P.L. 107–117	Department of Defense and Emergency Supplemental Appropriations, 2002	OMB does not consider this bill as subject to pay-as-you-go.						
	H.R. 3338		0	0	0	0	7	7	14
		OMB estimate							
		CBO estimate							
569	P.L. 107–118	Small Business Liability Relief and Brownfields Revitalization Act							
	H.R. 2869		0	0	0	0	0	0	0
		OMB estimate	0	2	3	7	12	17	41
		CBO estimate							
570	P.L. 107–121	Native American Breast and Cervical Cancer Treatment Technical Amend-							
	S. 1741	ment Act of 2001	0	2	2	3	3	4	14
		OMB estimate	0	0	0	1	1	1	3
		CBO estimate							
571	P.L. 107–123	Investor and Capital Markets Fee Relief Act							
	H.R. 1088		0	1,455	1,947	2,174	2,429	2,716	10,721
		OMB estimate	0	1,261	1,804	1,984	2,152	2,317	9,518
		CBO estimate							

**Table 7. NET COST OF PAY-AS-YOU-GO LEGISLATION ENACTED TO DATE <sup>1</sup>—Continued**  
(In millions of dollars)

Report Number	Act Number	Act Title	2001	2002	2003	2004	2005	2006	2001–2006
572	P.L. 107–134	Victims of Terrorism Relief Act of 2001							
	H.R. 2884	OMB estimate	0	135	79	10	4	6	234
		CBO estimate	0	190	96	14	6	6	312
573	P.L. 107–135	Department of Veterans Affairs Health Care Programs Enhancement Act	0	1	1	2	2	2	8
	H.R. 3447	OMB estimate	0	1	1	2	2	2	8
		CBO estimate	0	1	1	2	2	2	8
<b>Subtotal, legislation enacted in the 1st session of the 107th Congress:</b>									
		OMB estimate	75,271	38,955	92,229	110,521	109,898	134,698	561,572
		CBO estimate	80,714	39,930	95,334	113,270	111,956	139,310	580,514
<b>Total, legislation enacted since the Balanced Budget Act of 1997:</b>									
		OMB estimate	75,271	55,008	110,694	129,857	130,571	134,698	636,099
		CBO estimate	80,714	52,814	109,985	127,476	126,507	139,310	636,806
		OMB balance for sequester		130,279					
<b>Remove balances for 2001 and 2002 pursuant to P.L. 107–117:</b>									
		OMB estimate	-75,271	-55,008	0	0	0	0	-130,279
		CBO estimate	-80,714	-52,814	0	0	0	0	-133,528
<b>Current balances:</b>									
		OMB estimate	0	0	110,694	129,857	130,571	134,698	505,820
		CBO estimate	0	0	109,985	127,476	126,507	139,310	503,278

<sup>1</sup> Excludes bills with impact of \$500,000 or less in each fiscal year 2001 through 2006 under both OMB and CBO scoring.

**Table 8. PAY-AS-YOU-GO LEGISLATION WITH IMPACT OF \$500,000 OR LESS ENACTED IN 2001**

1st Session of the 107th Congress

Public Law Number	Act Number	Act Title
P.L. 107-5	S.J. Res. 6	Disapproval of Ergonomics Regulations
P.L. 107-8	H.R. 256	Family Farmer Bankruptcy Act Extension until June 1, 2001
P.L. 107-14	H.R. 801	Veterans' Survivor Benefits Improvements Act of 2001
P.L. 107-17	H.R. 1914	Family Farmer Bankruptcy Act Extension until October 1, 2001
Pvt. L. 107-1	S. 560 <sup>1</sup>	Private relief for Rita Mirembe Revell
P.L. 107-28	H.R. 271 <sup>2</sup>	Land conveyance to the city of Carson City, Nevada
P.L. 107-30	H.R. 427	Bull Run Watershed Management Unit Act
P.L. 107-41	H.R. 2133	Brown v. Board of Education 50th Anniversary Commission
P.L. 107-45	S. 1424	"S" Visa Authority Extension
P.L. 107-59	H.R. 146 <sup>2</sup>	Great Falls Historic District Study Act of 2001
P.L. 107-60	H.R. 1000	William Howard Taft National Historic Site Boundary Adjustment Act of 2001
P.L. 107-61	H.R. 1161 <sup>1</sup>	To authorize the Government of Czech Republic to establish a memorial
P.L. 107-62	H.R. 1668	To authorize the Adams Memorial Foundation to establish a commemorative work
P.L. 107-69	H.R. 2925	Reclamation Recreation Management Act Amendment
P.L. 107-71	S. 1447	Aviation and Transportation Security Act
P.L. 107-81	S. 1573	Afghan Women and Children Relief Act of 2001
P.L. 107-91	H.R. 1230 <sup>2</sup>	Detroit River International Wildlife Refuge Establishment Act
P.L. 107-94	H.R. 2540	Veterans Compensation COLA of 2001
P.L. 107-100	S. 1196	Small Business Investment Company Amendments Act of 2001
P.L. 107-104	H.R. 2559	Federal Employees Long-Term Care Insurance Amendments of 2001
P.L. 107-108	H.R. 2883	Intelligence Authorization Act for Fiscal Year 2002
P.L. 107-110	H.R. 1 <sup>2</sup>	No Child Left Behind Act of 2001
P.L. 107-122	S. 1793	Higher Education Relief Opportunities for Students Act of 2001
P.L. 107-124	H.R. 2277	An Act to Provide for Work Authorization for Nonimmigrant Spouses of Treaty Traders and Investors
P.L. 107-125	H.R. 2278	An Act to Provide for Work Authorization for Nonimmigrant Spouses of Intracompany Transferees
P.L. 107-127	H.R. 2751	General Shelton Congressional Gold Medal Act
P.L. 107-131	H.R. 3346	Simplification of IRS Higher Education Expense Reporting Requirements
P.L. 107-133	H.R. 2873	The Promoting Safe and Stable Families Amendments of 2001

<sup>1</sup> OMB does not consider this bill as subject to pay-as-you-go requirements; CBO does.<sup>2</sup> CBO does not consider this bill as subject to pay-as-you-go requirements; OMB does.

**Comparison with CBO estimates.**—The BEA requires that OMB explain differences with CBO estimates of enacted pay-as-you-go legislation. The Economic Growth and Tax Relief Reconciliation Act of 2001 accounts for almost all of the total difference between OMB

and CBO for legislation enacted in the first session of the 107th Congress. In addition, OMB and CBO had different estimates of the timing of the net costs for the Air Transportation Safety and System Stabilization Act of 2001.

For the Economic Growth and Tax Relief Reconciliation Act of 2001, OMB scored net costs of \$534.2 billion over the 2001 through 2006 period, while CBO scored net costs of \$551.1 billion. The difference of \$17.0 billion was the result of different economic assumptions and technical estimating differences, attributable to the use of different baselines and estimating models. For the Air Transportation Safety and System Stabilization Act, the difference between OMB and CBO over 2001 through 2006 is only \$0.5 billion; however, OMB scored net costs

that were \$1.1 billion lower than CBO in 2001 and \$1.5 billion higher than CBO in 2002. The differences in the year-by-year estimates were the result of OMB assuming a quicker payment of victim's compensation payments than CBO and OMB and CBO having different estimates for the provision delaying certain excise tax payments from 2001 to 2002.

More detail on differences in other bills is available in the separate reports issued subsequent to enactment of each bill.