INFORMED BUDGETEER: Happy Fiscal New Year

ARE WE REALLY BEHIND ON OUR WORK?

- With all the Democrats fuss about the Congress not getting its work done on time with respect to funding the operations of our government, the *Bulletin* thinks a little history lesson is in order. **Fact:** On only 3 occasions in the past 23 years (since FY 1977) have all 13 bills been enacted separately prior to the start of the new fiscal year: FY1977, FY 1989, and FY 1995.

- Prior to the beginning of FY 2000 (which began on October 1st) Congress had sent 5 of the 13 regular appropriations bills to the President. Furthermore, as a safety measure, Congress passed and the President signed what is known as a "CR" or "continuing resolution" to ensure that important government functions, and more importantly our citizens' lives, are not interrupted while work is completed on the remaining bills. The CR runs through midnight October 21.

- Passing a CR was the responsible thing to do and is by no means an unusual event. As a matter of fact, the Congressional Research Service tells us that the use of CRs dates back to the 1870's and have been frequently used since World War II. **Fact:** other than the 3 occasions cited above, in every other year, under Democrat and Republican Presidents alike -- frequently under Congress' controlled by the Democrats - - either a continuing resolution has been enacted and/or a funding gap has occurred.

- **Fact:** Since 1977 (when 6 of the 13 bills were rolled into one omnibus bill before the start of the new fiscal year), 82 CRs have been required. In a number of years, we have needed 4, 5 and as many as 6 CRs. The highpoint, or rather a low point, was reached in 1995 when 14 CRs were required in order to complete the appropriations process for FY 1996.

Appropriations Acts: FY 1977-2000
(Regular, Continuing, and Omnibus)

Fiscal Year	Congress/ Session	President	Regular Bills Enacted by Start of Fiscal Year	Number of Continuing Resolutions (CR)	Omnibus Act or Full-year CR	Funding Gap/ Shutdown Duration
1977	94/2	Ford	13	2	no	10 days
1978	95/1	Carter	9	3	yes	28 days
1979	95/2	Carter	5	1	yes	17 days
1980	96/1	Carter	3	2	yes	11 days
1981	96/2	Carter	1	3	yes	---
1982	97/1	Reagan	0	4	yes	2 days
1983	97/2	Reagan	1	2	yes	4 days
1984	98/1	Reagan	4	2	yes	3 days
1985	98/2	Reagan	4	5	yes	3 days
1986	99/1	Reagan	0	5	yes	---
1987	99/2	Reagan	0	6	yes	1 day
1988	100/1	Reagan	0	5	yes	1 day
1989	100/2	Reagan	13	0	no	---
1990	101/1	Bush	1	3	no	---
1991	101/2	Bush	0	5	no	3 days
1992	102/1	Bush	3	4	yes	---
1993	102/2	Bush	1	1	no	---
1994	103/1	Clinton	2	3	no	---
1995	103/2	Clinton	13	0	no	---
1996	104/1	Clinton	0	14	yes	26 days
1997	104/2	Clinton	7	0	yes	---
1998	105/1	Clinton	1	6	no	---
1999	105/2	Clinton	1	6	yes	---
2000	106/1	Clinton	4	1	no	---

Source: Calendars of the United States House of Representatives (final edition), 82nd-105th Congresses; Congressional Research Service. Tabulated by Senate Budget Committee Majority staff, October 1, 1999. FY 2000 data current as of September 30, 1999

Notes: Bills that were enacted on or before the first day of the fiscal year (October 1) are considered to have been enacted by the start of the fiscal year. Legislative action on most bills occurred in the session indicated, but in some cases legislative action was not completed until the following session. For FY1977, two continuing resolutions were enacted to provide temporary funding for certain unauthorized programs omitted from the applicable regular appropriations acts. For FY1997, all regular appropriations were enacted by the beginning of the fiscal year but six regular bills were consolidated into an omnibus act.

- Savvy Budgeteers will remember an important turning point in 1981. Prior to 1981 funding gaps frequently occurred. Some lasting for up to two weeks. It was only after 1981 when then-sitting Attorney General Civelletti issued a series of opinions based upon the Anti-Deficiency Act, that the government truly "shut-down" because of these funding gaps. As a result, thereafter the length of funding gaps decreased while the use of CRs increased.

- **Another fact:** in only 8 years - - over the last 23 --were all 13 bills separately enacted without the use of an omnibus bill or a *full year* CR (fiscal years 1977, 1989, 1990, 1991,1993, 1994, 1995 and 1998).

- Last year, Congress sat down with the President and packaged 8 regular appropriations bills (and some authorizations too) into one huge omnibus bill. Two years prior to that, 6 bills were packaged into an omnibus bill. Omnibus bills are not the right way to do business. Members from both sides of the aisle have been very unhappy when this has occurred. Each of the 13 bills is important and should be considered on its own, in the full light of day, not rolled into a huge omnibus bill in a backroom somewhere.

- The *Bulletin* hopes that Congress sends the President 13 separate bills. The enactment of the CR makes this possible. We sincerely hope this will be the only CR that is needed.

WHERE WE STAND THIS YEAR

- As FY 2000 began last Friday, October 1st, Congress had completed action on 5 of the 13 annual appropriation bills. Four of those bills were signed by the President before the beginning of the fiscal year, including the Energy and Water, Legislative Branch, Military Construction, and the Treasury-Postal Service appropriation bills.

- The table below summarizes 8 bills which have either been enacted, vetoed or are in process of clearing the Congress. Total BA for these 8 bills would decline relative to 1999 by 5.3 percent.

FY 2000 Appropriations Status
($ in billions)

Enacted/Vetoed/Conf. Agreement		FY 1999* BA	FY 1999* OT	FY 2000 BA	FY 2000 OT
Agriculture	Regular	14.0	14.0	14.0	14.2
Conference	Emergency	6.6	6.1	8.7	8.3
	Total	**20.6**	**20.1**	**22.7**	**22.5**
D.C.	Regular	0.6	0.6	0.4	0.4
Vetoed	Emergency	0.0	0.0	- -	- -
	Total	**0.6**	**0.6**	**0.4**	**0.4**
Energy-Water	Regular	21.1	21.1	21.3	20.8
Enacted	Emergency	0.7	0.6	- -	- -
	Total	**21.7**	**21.7**	**21.3**	**20.8**
Foreign Ops	Regular	13.4	12.7	12.7	13.1
Conference	Emergency	2.0	0.6	- -	
	T otal	**15.4**	**13.3**	**12.7**	**13.1**
Leg. Branch	Regular	2.4	2.3	2.5	2.5
Enacted	Emergency	0.2	0.0	- -	- -
	Total	**2.6**	**2.3**	**2.5**	**2.5**
Mil.Con.	Regular	8.4	9.1	8.4	8.8
Enacted	Emergency	0.7	0.0	- -	- -
	Total	**9.1**	**9.2**	**8.4**	**8.8**
Treasury Postal	Regular	13.3	12.9	13.7	14.1
Enacted	Emergency	2.1	0.9	- -	- -
	Total	**15.4**	**13.7**	**13.7**	**14.1**
Transportation	Regular	13.0	38.6	12.2	43.2
Conference	Emergency	0.7	0.2	- -	- -
	Total	**13.7**	**38.8**	**12.2**	**43.2**
Total	Regular	86.2	111.3	85.2	117.2
Total	Emergency	13.0	8.4	8.7	8.3
Total- Total		**99.2**	**119.7**	**93.9**	**125.4**

*CBO July 1999 Baseline

- Congress had also sent to the President the bill appropriating funds for the District of Columbia, but he vetoed it, not because of funding levels, but because of social policy riders. Such an early veto is unusual considering that since 1977, the first year that the Budget Act was in full effect, there have been only two other occasions (both District of Columbia bills) where appropriations legislation received a veto that (remained sustained) before the beginning of a fiscal year.

- In addition, as FY 1999 ended, final Congressional action was imminent for three conference agreements providing appropriations for programs in Agriculture, Foreign Operations, and Transportation.

ECONOMICS

IMPROVING FY1999 PICTURE

- With just one day of daily revenue reports to go, it now looks very likely that the FY1999 surplus will exceed CBO's summer forecast of $120 billion.

- Revenues look to be coming in $4-5 billion above CBO's estimates. September's tally has been buoyed by very strong withholding taxes, good corporate tax payments and higher excise taxes.

- The only wildcard now remains what happens to September outlays. We'll keep you posted, but odds are that FY1999's surplus will be a few billion higher than assumed, which would put us within a hair's width of on-budget balance. The good news continues!

THE INCREDIBLE SHRINKING DEBT

- In FY1998 the federal unified budget posted a surplus of $70 billion, the first surplus since 1969. Because of the surplus, debt held by the public fell by $51 billion during FY1998.

- The *Bulletin* would like to remind readers that a budget surplus does not translate dollar-for-dollar into debt reduction because surpluses can be used to increase cash balances, to finance federal direct loan and loan guarantee programs, and for other transactions besides debt reduction.

- Last week, the *Bulletin* projected a FY1999 surplus of $121 billion. This is likely to translate in a reduction in debt held by the public of between $85-90 billion in FY1999.

INTERNATIONAL ECONOMICS

JUST TRYING TO KEEP TRACK OF IT ALL. . .

- This week marked the annual convening of members of the IMF and World Bank in Washington. As expected, leaders of these organizations and the G-7 announced finalization of an expanded debt relief plan, a plan to forgive $70 billion of the $130 billion in total debts held by 41 highly indebted poor countries (HIPC). The G-7 plan ("the Cologne debt initiative") was described in detail in the June 25 *Bulletin*.

- While the issues to be debated are extensive, *the debt relief plan as proposed relies in part on US contributions for both bilateral and multilateral aid and would need Congressional action to authorize the IMF's financing proposals.* There are 4 requests pending:

1. The President's FY 2000 Budget requested $120 million for the Treasury's Debt Restructuring Account. Of this $120 million, $50 million was to be transferred to the HIPC Trust Fund (to pay debt relief of the multilateral development banks including the World Bank), $20 million for US bilateral debt forgiveness, and the remaining $50 million for debt relief for tropical rainforest conservation. The recently filed Foreign Operations Appropriations conference report provides $33 million for debt forgiveness, $87 million less than the Request, but the same level as enacted in 1999.

2. On May 24, an Administration request was transmitted to allow the IMF access to its $1.4 billion Special Contingency Account, a fund set up to cover shortfalls due to arrears. This request for authorization language was designed to find additional funding for the HIPCs.

- In the transmittal, the Administration had asked for an authorization to sell 10 million ounces of the IMF's gold reserves and contribute the profits to the HIPC trust fund. After opposition from many countries, the IMF abandoned this effort and replaced it with the following accounting trick to revalue its gold reserves and use the proceeds for HIPC.

3. Last week, the IMF approved a proposal to sell **14 million** ounces (4 million more than proposed in June) of IMF gold at market prices to one member that has large repayments coming due to the IMF. Simultaneously the IMF would agree to accept the same amount of gold, valued at the same price, to settle part or all of the member's repayment to the IMF.

- Since the IMF values its gold at book value ($46 an ounce) this results in a creation of new money held by the IMF that they would use to finance debt forgiveness (IMF estimates it will transfer $2.1 billion to the HIPC trust fund). However, to go forward, this proposal requires the approval of Congress, although no authorization language has been proposed by the Administration to date.

4. Another feature of the Administration's new plan was announced on September 21. The Administration transmitted a budget amendment requesting an additional $250 million for debt forgiveness in FY2000 and $200 million a year in advance appropriations for the next 3 years. Of the new request, $600 million is earmarked for the HIPC trust fund and $250 million for bilateral debt forgiveness.

- Summary: The Administration has pushed forward and committed to the debt relief plan even though the neccessary US contributions have not been approved and appropriated by Congress. US contributions alone (including a conservative estimate of the US' share of the IMF gold proceeds)under the plan would amount to **at least $1.7 billion.** Given the many funding priorities in international affairs by the Administration, the *Bulletin* wonders where this proposal ranks on the long list?

CALENDAR

October 5: As part of the preparation for the 25th Anniversary Hearings, a **staff briefing will be given by Professor Allen Schick**. Dr. Shick was one of the original staff experts who assisted in drafting the Act and is the author of the 1980 classic: Congress and Money: Budgeting, Spending and Taxes. Dirksen 608, 2:30-4:00.

October 19-20: **25th Anniversary of the Congressional Budget Act, Senate Budget Committee Hearings.** Dirksen 216, 10:00am -2:00pm.

✍ NEW GAO REPORT: In response to Senator Domenici's request, GAO has issued a new report titled *Debt Management in a Period of Budget Surplus*. The new report supplements GAO's May 1999 publication, *Federal Debt: Answers to Frequently Asked Questions -- An Update*. No debt groupie should be without either report and both should be available at www.gao.gov.