

## INFORMED BUDGETEER:

## SUPPLEMENTAL - THE FINAL WORD

FY 2001 Supplemental*					
(BA, \$ in Millions)					
Subcommittee	Admin. Reques t	Senate Passed	Conf.	Conf. v. Sen	Conf less Admin.
<b>Defense</b>					
CJS	0	84	20	-64	20
Defense	5,458	5,452	5,458	6	0
Energy & Water	291	291	277	-14	-14
Mil.-Con.	<u>93</u>	<u>93</u>	<u>79</u>	<u>-14</u>	<u>-14</u>
<b>TOTAL DEFENSE</b>	<b>5,841</b>	<b>5,920</b>	<b>5,834</b>	<b>-86</b>	<b>-7</b>
<b>Nondefense</b>					
Ag	55	-23	-22	1	-77
CJS	0	-115	-115	0	-115
DC	0	0	1	1	1
Energy and Water	79	79	190	111	111
Foreign Ops.	-20	90	80	-10	100
Interior	50	77	114	37	64
Labor-HHS	150	250	250	0	100
Leg. Branch	80	16	79	63	-1
Transportation	92	67	67	0	-25
Treasury	176	177	159	-18	-17
VA-HUD	<u>40</u>	<u>6</u>	<u>-94</u>	<u>-100</u>	<u>-134</u>
<b>TOTAL NONDEFENSE</b>	<b>703</b>	<b>624</b>	<b>709</b>	<b>85</b>	<b>6</b>
<b>TOTAL</b>	<b>6,544</b>	<b>6,544</b>	<b>6,543</b>	<b>-1</b>	<b>-1</b>

\* These supplementals also each include \$589.4 million in mandatory funding for veterans disability and compensation payments and \$347 million in mandatory funding for the Montgomery GI Bill and related benefits.

- reported from the full Appropriations Committee and are awaiting full Senate action. At least 3 of the 4 remaining bills, though, are bound to be contentious. The Appropriations Committee has yet to mark-up the Defense bill, the Labor-HHS bill, the Military Construction bill, or the District of Columbia bill.
- Assuming adjustment of the statutory cap level, the FY 2002 Budget Resolution allocated \$661.3 billion in discretionary BA to the Senate Appropriations Committee for its 13 bills. In addition, the resolution allowed for, at the Chairman of the Budget Committee's discretion, an adjustment to this allocation for a FY 2002 defense budget amendment. The language in the resolution allowing for the adjustment required that the defense budget amendment, as submitted by the President and reviewed and acted on by Congress, would not cause the on-budget surplus to be reduced below the assumed surplus in the Medicare HI program.
- The President has submitted an \$18.4 billion FY 2002 defense budget amendment. If added to the budget resolution's \$661.3 billion, appropriations would total \$679.7 billion next year. The Chairman of the Budget Committee has not used his discretion to allocate this money. Therefore, the current status table continues to show only either the passed level of spending for the two bills for which we have Senate-passed scoring, the latest cost estimate available on the other bills that have been acted upon, or the assumed allocation from the Appropriation Committee's 302(b) allocation.
- When compared to final action in FY 2001, including the supplemental appropriations enacted last week (see previous article), discretionary spending for FY 2002 is anticipated to increase 3.1%. These figures do not include the \$18.4 billion FY 2002 defense amendment.
- Assuming allocation of the defense budget amendment, total discretionary spending would grow by 6.1% compared to final FY 2001. Counting the additional \$2.2 billion discretionary emergency funding added to the Senate appropriation bills to date and not counted against the bill's allocations, discretionary spending would grow by 6.5% compared to FY 2001. And it is only July!
- Meeting the outlines of the FY 2002 Budget Resolution, Congress cleared and President Bush signed a \$7.5 billion FY 2001 supplemental appropriations bill whose discretionary spending fits within the spending caps. FY 2002 outlays associated with the bill total \$4.6 billion.
- The final bill provides a net \$6.5 billion in budget authority (BA) for discretionary spending as assumed in the budget resolution, along with nearly \$1.0 billion for mandatory veterans benefits and services. Defense receives a net of \$5.8 billion and non-defense a net of \$709 million for 2001. FY 2001 outlays total \$1.4 billion.
- The bill meets the President's test of providing no new spending designated as an "emergency" that would spend additional amounts above the discretionary caps. The conferees dropped a House provision designating \$473 million in various spending items as "emergency" spending. The conferees also dropped a House provision rescinding \$389 million of FEMA disaster relief funding to which the Administration objected.
- Funding in the Senate bill for projects often treated as "emergency" spending -- repair of Washington State highways damaged in the Nisqually earthquake (\$12.8 million) -- was originally offset. In the final bill an additional \$14.8 million is added for new highway projects in Kentucky, Minnesota, Missouri, and Wisconsin.
- The final bill adds new spending items, which are offset, including \$35.5 million for USDA watershed projects in seven states, and \$22.9 million for the Global Food for Education Initiative.

## CURRENT SENATE STATUS OF FY 2002 APPROPRIATIONS

- Out of the 13 regular appropriation bills needed to fund government operations next year, only three have passed the Senate: Interior, Energy & Water, and Legislative Branch. As the *Bulletin* goes to press, the Transportation bill is being debated on the floor of the Senate, and the Agriculture and VA-HUD appropriations bills are waiting in the wings. Therefore, at best, 5 of the 13 bills will be ready for conference with the House after Labor Day.
- Of the remaining 8 bills, all except 4 have been marked-up and

## KNEE HIGH BY THE 4<sup>th</sup> OF JULY & AGRICULTURE SPENDING IS STILL GROWING

Final 2001 Appropriations vs. 2002 Senate Current Status (\$ in Billions)						
Subcommittee	2001 Enacted <sup>a</sup>		Senate 2002 <sup>b</sup>		% Change	
	BA	OT	BA	OT	BA	OT
<b>Agriculture<sup>d</sup></b>						
General Purpose	15.7	15.4	16.1	16.1	2.5	4.8
<b>CJS<sup>d</sup></b>						
General Purpose	38.2	37.4	38.4	38.5	0.4	3.0
Conservation	0	0	0.3	0.2		
<b>Total</b>	<b>38.2</b>	<b>37.4</b>	<b>38.6</b>	<b>38.7</b>	<b>1.1</b>	<b>3.5</b>
<b>Discretionary</b>						
<b>Defense<sup>e</sup></b>						
General Purpose	292.8	279.4	298.6	291.7	2.0	4.4
<b>District of Columbia<sup>e</sup></b>						
General Purpose	0.4	0.4	0.4	0.4	-12.1	-4.4
<b>Energy-Water<sup>d</sup></b>						
General Purpose	24.0	23.1	25.0	25.0	3.8	7.9
<b>Foreign Operations<sup>e</sup></b>						
General Purpose	15.0	15.5	15.5	15.2	3.7	-2.1
<b>Interior<sup>c</sup></b>						
General Purpose	19.0	16.7	17.2	16.6	-9.9	-0.5
Conservation	0	0	1.3	1.0		
<b>Transportation<sup>d</sup></b>						
General Purpose	19.0	16.7	18.5	17.6	-2.9	5.7
Highways			0.2	0.2		
<b>Total</b>	<b>109.6</b>	<b>95.9</b>	<b>119.0</b>	<b>107.5</b>	<b>8.6</b>	<b>12.1</b>
<b>Treasury Postal<sup>e</sup></b>						
General Purpose	2.7	2.6	1.9	2.1	-28.7	-20.2
<b>VA-HUD<sup>d</sup></b>						
General Purpose	9.0	8.5	9.6	9.3	6.8	8.6
<b>Full Committee<sup>c</sup></b>						
General Purpose	17.1	16.4	15.6	19.2	-8.8	16.8
Emergencies	0	27.0	0	28.5		5.5
<b>Total</b>	<b>17.1</b>	<b>48.5</b>	<b>15.6</b>	<b>52.9</b>	<b>-8.8</b>	<b>9.1</b>
<b>Appropriations</b>						
General Purpose	16.0	15.5	17.0	16.2	6.3	4.8
Highways						
Mass Transit	80.8	85.0	84.1	88.5	4.0	4.1
<b>Total</b>	<b>80.8</b>	<b>85.0</b>	<b>84.1</b>	<b>88.5</b>	<b>4.0</b>	<b>4.1</b>
<b>Discretionary</b>						
Emergencies	0	0	2.0	0		
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0.3</b>	<b>0.8</b>		
<b>Total</b>	<b>640.</b>	<b>644.0</b>	<b>660.2</b>	<b>682.0</b>	<b>3.1</b>	<b>5.9</b>
<b>Discretionary</b>						
Emergencies	4		2.2	0.2		

Source: CBO/SBC Republican scoring. Details may not add to totals due to rounding.

<sup>a</sup> The 2001 levels are CBO's May baseline plus the 2001 supplemental (HR 2216, PL 107-20).

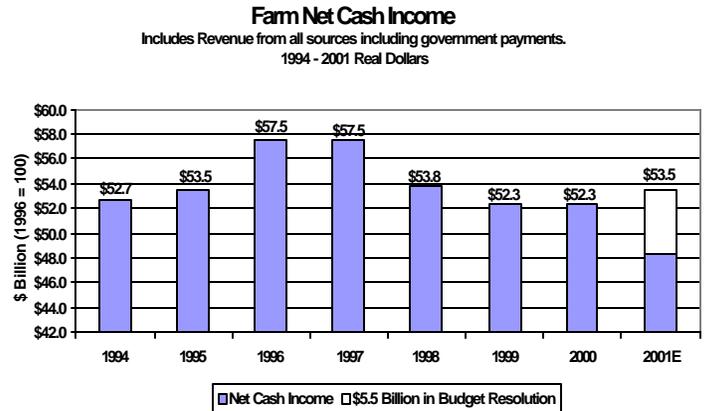
<sup>b</sup> Excludes effects of emergency appropriations in bill if 302(a) has not yet been adjusted for such effects.

<sup>c</sup> Passed in Senate.

<sup>d</sup> Reported by Senate.

<sup>e</sup> As reported in latest Senate 302(b) allocation from July 23rd.

- Now that the 2001 appropriations supplemental has been passed, the Congress has turned to additional spending for agriculture in all its various forms.
- To review, the FY 2002 Budget Resolution assumed an additional \$5.5 billion in 2001 bringing total federal government support to farmers this year to \$24.5 billion. The money in the near term was expected to stabilize the agriculture sector's net cash farm income.



- With the additional \$5.5 billion in FY 2001, net cash farm income will be slightly higher than in 1999 and 2000, \$53.5 billion in 2001, versus \$52.3 billion in both 1999 and 2000 (in constant dollars). On June 26<sup>th</sup> the House passed HR 2213, a straight forward \$5.5 billion package, allowing plenty of time to conference with the Senate in order to prepare a bill that would be ready for the President's signature by the August recess. According to CBO staff, this is the latest possible time that this package could be enacted and outlay in 2001. However, it was only on July 25, that the Senate Agriculture Committee under Democratic control reported a package.
- Defeating a Republican amendment that fit precisely within the \$5.5 billion budget assumptions, the Democratic majority reported a package totaling \$7.5 billion in BA, with \$5.5 billion in 2001, \$2 billion in FY 2002; and \$18 million in 2003. Instead of a near term supplemental assistance package, the Committee reported bill resembles a miniature farm bill. Provisions within the bill fall under multiple House Committee jurisdictions. Unfortunately for the farm sector, such an approach does not lend itself to a rapid conference resolution of this bill.
- For the period 2002-11, the Budget Resolution assumed new policies, costing \$74 billion, and when added to current law projections, assistance to farmers is expected to total over \$168 billion.
- On July 26<sup>th</sup>, the House Agriculture Committee started to mark up its version of the longer-term farm bill. CBO scored the House farm bill's concept as costing \$73.5 billion over 10 years. This total implies that the House envisions using all the budget resolutions' assumed 2002-11 monies to write a farm bill. The House splits the resources between the farm bill titles as follows: crops and dairy get \$53.7 billion; conservation gets \$15.1 billion; trade gets \$1 billion; research gets \$700 million; nutrition gets \$2.3 billion and rural development gets \$785 million.
- Earlier this year Budget Committee staff conducted a series of briefings about the upcoming farm bill in the context of world trade and the US' current world trade commitments. Agriculture runs a positive trade balance and is a source of strength for the sector. As trade barriers fall, US agriculture should become only more

competitive. Unfortunately, a big shortcoming of the House draft farm bill is that it ignores World Trade Organization (WTO) commitments. Within the context of trade there are three types of distortion – export subsidies; import tariffs, and domestic support. The current House draft violates our WTO domestic support obligations because it commits more money in low commodity price years to domestic supports than our WTO commitment allows.

- On a third front, the Senate Appropriations Committee reported on July 18<sup>th</sup> the Agriculture, Rural Development and related Agencies Appropriations Act for 2002. It provides \$73.9 billion, which is \$870 million more (excluding FY 2001 emergencies of \$3.64 billion) than 2001's version. Of the total funded in this bill, \$16.1 billion is defined as discretionary spending. The following table summarizes the total appropriation levels by title:

<b>Senate Reported FY 2002 Agriculture Appropriations</b>	
<b>(BA, \$ in Billions)</b>	
<b>Appropriation Account</b>	
Agriculture programs	31.9
Conservation Programs	1.0
Rural Economic and Community Development	2.8
Domestic Food Programs	35.8
Foreign Assistance Programs	1.1
Related Agencies and FDA	1.3
General Provisions	0
<b>TOTAL</b>	<b>73.9</b>

### **BUDGET QUIZ**

Question: Some of you may have noted that in the above current status 302(b) table there is a new discretionary spending category. What is this new category and when was it put into place?

Answer: The new discretionary category is the Conservation Spending Cap. This cap was established in the FY 2001 Interior Appropriations bill and further funded in the FY 2001 Commerce Justice State Appropriation bill. This new cap will be in place through FY 2006.

The statutory cap level for FY2002 is \$1.760 billion. It is important to note that if this cap is not fully funded, there is no penalty. However, the following year the cap would need to be funded at the FY 2003 level plus the difference between the statutory 2002 level and the actual 2002 level. The rollover of funds from one year until the next continues until the cap expires.

So far this year, the Senate has included \$1.32 billion in the Interior Appropriations bill and \$251 million in the Commerce Justice State Appropriations bill.

The new Conservation Spending Cap provides funding for, among other things, Payment in Lieu of Taxes, Youth Conservation Corps, NOAA coastal impact assistance, Historic Preservation, and the Land and Water Conservation.

### **CALENDAR**

August 2: HEARING, “Social Security: Budgetary Tradeoffs and Transition Costs.” Witnesses: Mr. Robert Greenstein, Center on Budget and Policy Priorities; Dr. Peter Orszag, Sebago Associates; Dr. Sylvester J. Schieber, Watson Wyatt Company 10AM; SD-608.