

❁INFORMED BUDGETEER: Holiday Edition ❁

BUDGETEERS, WE HAVE A PROBLEM...

- The *Budget Bulletin* would like to take this opportunity to look toward the future and to begin to consider the level of discretionary spending for 2001. To do so, it is first appropriate to take a quick look at where we currently stand.
- According to CBO estimates, discretionary budget authority (BA) for 2000 is nearly \$578 billion. If that figure is adjusted for items requiring funding for one-time only (such as the decennial census), then the amount appropriated for the remaining activities rests at \$560 billion. One-time spending in 2000 totals over \$18 billion and includes, besides the census, disaster assistance for Hurricane Floyd, emergency payments to farmers, and monies to implement the Wye River accord.
- CBO's estimate of the discretionary BA limit for 2001 is nearly \$542 billion. This is \$18 billion less than the amount appropriated for 2000, adjusted for one-time spending. As a result, a 3.2% reduction in discretionary BA would be required in the coming budget year to stay within the 2001 cap, as shown in Table 1.
- It is useful to put such a reduction in discretionary BA in an historical context, as in Table 2. The amount appropriated in 2000, adjusting for BA provided for one-time spending, was only \$3 billion less than discretionary BA in 1999. Such a reduction is equivalent to a mere 0.5% decrease in discretionary spending between the two years.
- Although the reduction in spending from 1999 to 2000 for programs that will continue to require annual funding was relatively small, completing the appropriations process this year did not prove easy. The spending bills were not completed until more than seven weeks after the start of the fiscal year, and this delay required seven continuing resolutions in order to avoid a government shut down.
- Given CBO's estimate of the cap on BA for 2001, passing appropriation bills in the upcoming session may be even more difficult than it was this session. To make matters worse, more than \$23 billion of the \$542 billion BA cap for 2001 has already been appropriated as advance funding in the 2000 appropriation bills (compared to \$9 billion in advances provided the year before for 2000).
- The severe constraints that Congress will inevitably face in trying to complete the 2001 appropriation bills starkly underscores the need to consider modifying the statutory limits on discretionary spending. If the President does not propose to raise the caps in his 2001 budget submission, the *Bulletin* believes that the FY 2001 Budget Resolution may be the appropriate vehicle in which to do so. The resolution would be subject to a super majority vote on the Senate floor if such a change were reported from the Committee.

	Approps: FY 1999	Approps: FY2000	Difference 1999-2000	Change % 1999-2000
CBO estimate: BA	591.116	577.980	-13.136	-2.2%
One-time BA*	-28.604	-18.211		
Subtotal	562.512	559.769	-2.743	-0.5%
Memorandum:				
Emergency BA	34.064	31.412		
BA w/o Emergencies	557.052	546.568	-10.484	-1.9%

*One-time BA provided in 2000 includes the periodic census, disaster assistance for Hurricane Floyd, emergency payments to farmers, and monies to implement the wye River accord.

THE AXE FALLS!

- Section 301 of the Consolidated Appropriations Act of 1999 (P.L. 106-113) mandated a 0.38 percent across-the-board reduction in all discretionary budget authority and obligation limitations provided in the FY 2000 appropriations Acts.
- The reduction will be applied to each federal department, agency, instrumentality or entity. No program, project or activity can be reduced by more than 15 percent. Programs under the transportation firewall are held to the TEA 21 authorized levels.
- For defense programs of the Departments of Defense and Energy, the reduction is to be applied proportionally to all accounts except military personnel accounts, which are exempted.
- The Administration has "flexibility" in allocating this overall spending reduction for non-defense programs. OMB directed agencies that reductions should be:
 - taken from the least critical funding available to the agency;
 - from amounts provided above the President's budget request;
 - taken to avoid reductions-in-force; and
 - targeted reductions rather than across-the-board funding cuts.
- OMB requested agency plans by December 3, and is required to report on the allocation of these reductions in the President's FY 2001 budget submission.

UNFINISHED BUSINESS

- Congress passed and sent to the President a few trade-related items before it adjourned last month - extensions of general Trade Adjustment Assistance (TAA) and the Generalized System of Preferences (GSP).
- However, left unfinished were many other provisions from H.R. 434, the Sub-Saharan Africa/Carribbean Basin trade bill. The House passed H.R. 434 on July 16, 1999; the Senate passed the bill (as amended) on November 3, 1999, named conferees and asked for a conference with the House.
- Many provisions of Senate-passed H.R. 434 were enacted at the end of the 1st session of the 106th Congress. As mentioned above, general TAA and GSP were extended, rum cover-over was enacted, and most of the revenue offsets in H.R. 434 were enacted as part of H.R. 1180, the Ticket to Work and Work Incentives Improvement Act (which included extension of expiring tax provisions).
- Provisions that the conferees will have to deal with next year include extension of certain trade benefits to Sub-Saharan Africa (ten-year revenue loss of \$152 million), trade benefits for the Carribbean Basin (ten-year revenue loss of \$1.223 billion), and normal trade relations for Albania and Kyrgyzstan (negligible revenue loss).

	Approps: FY 2000	Cap FY2001	Difference 2000 - 2001	Change % 2000- 2001
CBO estimate: BA	577.980	541.751	-36.229	-6.3%
One-time BA*	-18.211			
Subtotal	559.769	541.751	-18.018	-3.2%
Memorandum:				
Emergency BA	31.412			
BA w/o Emergencies	546.568	541.751	-4.817	0.9%

*One-time BA provided in 2000 includes the periodic census, disaster assistance for Hurricane Floyd, emergency payments to farmers, and monies to implement the wye River accord.

- During debate on H.R. 434, the Senate added provisions extending TAA to farmers and fishermen (Conrad, Grassley Burns amendment costing \$200 million over ten years) and to textile workers (Thurmond amendment costing \$80 million over ten years).
- According to Finance Committee press materials, several revenue raising provisions included in the Senate tax extenders bill and H.R. 434 have been set aside as funding sources for the Africa/Caribbean trade bill conference. The revenue offsets that were not enacted and that have been “set aside” total about \$1.9 billion over ten years.

**PANEL SAYS SOCIAL SECURITY IMBALANCE
BIGGER THAN PROJECTED**

- A panel convened by the Social Security Advisory Board released a report this week, stating that the program’s long-term financial imbalance is wider than what program actuaries expect.
- As background, the Social Security Act amended in 1968 provides for the appointment of an advisory council every four years, beginning in 1969. The Advisory Councils were authorized to seek technical assistance as needed.
- The Advisory Panels became Advisory Boards in 1997 when the SSA became an independent agency. The first Technical Panel appointed by the Advisory board met from January to September in 1999 and was charged with the responsibility to advise the Board on the assumptions and methodology used by the Board of Trustees of the OASDI Trust Funds to project the future financial status of the funds.
- The 1999 Technical Panel on Assumptions and Methods, chaired by Urban Institute senior fellow Eugene Steuerle, estimated the 75-year deficit to be 2.60% of taxable payroll, as compared to the Trustees official projection of 2.07%.
- The Panel said that the current projection underestimates the impact of longer life-spans and growth in earnings, which will increase the amount of benefits that retirees collect. The Panel also suggested that a lower interest rate should be used for calculating the return from investing trust fund surpluses in Treasury bonds.
- In addition, the Panel recommended that the program’s Board of Trustees present new information in its subsequent annual reports that would move public debate away from the current focus on trust fund solvency. This information would include the total value of the program’s unfunded obligations, the lifetime value of benefits for different age “cohorts,” and discussion of the probability of differing scenarios. The Panel also recommended that the Trustees use a lower assumed rate of return when estimating the effects of investing the trust funds in equities.

2000 BUDGET FORECAST: SBC CALENDAR

January 24: Second Session of Congress convenes

January 25: State of the Union Address (tentative)

January 26: Senate Budget Committee Hearing: CBO Annual Report; Witness: CBO Director, Dr. Dan. Crippen; 608 Dirksen, 10:00am.

February 7: President’s FY2001 Budget Submission

February 8: Senate Budget Committee Hearing: President’s FY 2001 Budget; Witness: Secretary of Treasury, Larry Summers; Dirksen 608, 10:00am.

February 9: Senate Budget Committee Hearing: President’s FY 2001 Budget; Witness: OMB Director, Jack Lew; Dirksen 608, 10:00am.

**THE BULLETIN'S 1999 UPDATE ON THE CPI:
CHRISTMAS PRICE INDEX**
(as of 12/9/99)

Its time to revive one of the Bulletin’s favorite holiday tradition, our Christmas Price index. The last time we did this was in 1996, the price of gold has gone down but the rest of the CPI is showing signs of inflationary pressures.

Gold: \$279.6 per troy oz., London Bullion Market; 1996 price - \$368.60 per troy oz.

Silver: \$5.09 per troy oz., London Bullion Market; 1996 price - \$4.81 per troy oz.

Frankincense: \$6.21 per oz., Adventure Arabia Store; 1996 price - \$1.50 per oz.

Myrrh: \$3.58 per oz., Adventure Arabia Store; 1996 price - \$1.98 per oz.

Chanel No. 5: \$ 280 per oz., Chanel Boutique, N.Y.; 1996 price - \$240 per oz.

The Twelve Days of Christmas: \$12,381 - Consisting of; **A Partridge in a Pear tree-** \$27 (\$15 for the partridge, \$12 for the pear tree), **Two Turtle Doves-** \$50, **Three French Hens-** \$15, **Four Calling Birds-** \$280, **Five Golden Rings-** \$325, **Six Geese-a-laying-** \$150, **Seven Swans Swimming-** \$3,500, **Eight Maids Milking-** \$34, **Nine Ladies Dancing-** \$2,600, **Ten Lords Leaping-** \$3,100, **Eleven Pipers Piping-** \$1,100, and **Twelve Drummers Drumming-** \$1,200.

❁ HOLIDAY WISHES ❁

The Staff of the Senate Budget Committee would like to shed its Grinch image long enough to wish our faithful *Bulletin* readers and their families a happy and healthy holiday season and a joyous New Year. We will be taking a holiday break, this will be our last *Bulletin* of the millennium but look for a FY 2001 primer in your mailboxes around the time of the State of the Union.

