INFORMED BUDGETEER: Why Scorekeeping is Tough!

TO SEQUESTER OR NOT TO SEQUESTER...

- Paragraph (a)(6) of Section 251 of the Balanced Budget and Emergency Deficit Control Act states that a within-session discretionary sequestration shall occur if an appropriation for a fiscal year in progress is enacted before July 1 and causes a breach within any category of discretionary spending. (There are two kinds of sequester: discretionary and paygo. See following section on paygo sequester.)

- Why should the informed budgeteer be concerned about a within-session sequester? The table below aptly illustrates the answer. OMB, which solely determines whether there will be such a sequester (and there hasn't been one since 1991), shows that there is not enough room under the "Other Discretionary" caps for 2000 to accommodate the expected effects of any 2000 "supplemental" provisions.

- As a result, potential increases to 2000 BA and outlays that exceed the room left under OMB's caps would trigger a within-session sequester of $3.6 billion in BA and $5.1 billion in outlays, absent any remedy. Such potential increases include the $5.4 billion in supplemental budget authority for 2000 and the resulting $1.6 billion in outlays included in the 2001 Budget Resolution and the $7.0 billion in outlays that is moved back into 2000 from 2001 by reversing the pay shifts and repealing the obligation delays that were enacted in the appropriation bills last fall.

Likely OMB Evaluation of Whether a Within-Session Sequestration is Necessary
($ in Millions)

		2000		
		OMB final report caps	OMB Scoring 2000 approps	Enacted less caps
Violent Crime	BA	4,500	4,500	0
	OT	6,344	6,344	0
Highway	BA	0	0	0
	OT	24,574	24,574	0
Mass Transit	BA	0	0	0
	OT	4,117	4,117	0
Other Discretionary[A]	BA	563,612	562,055	-1,557
	OT	564,913	561,450	-3,463
		Potential Further 2000 Impacts		
Plus supplemental spending in B. Res.[B]	BA	- -	5,415	- -
	OT	- -	1,606	- -
Plus timing shift & repeal of delays[B]	BA	- -	-296	- -
	OT	- -	6,991	- -
Other Discretionary w/ potential impact	BA	563,612	567,174	**3,562**
	OT	564,913	570,047	**5,134**

[A]Includes contingent emergencies released since the Final Report. [B]Adding these amounts to the OMB scoring of the 2000 Appropriation bills and not to the Final Sequestration Report caps assumes that the spending is not declared an emergency.

- There are several ways to avoid a within-session sequestration. The first, and most obvious, is to not breach the discretionary spending cap in any category. If the discretionary spending caps are not breached, no sequester is necessary. A similarly obvious, but inverse, strategy is to create the spending, but enact a provision (such as in the House-passed supplemental) instructing OMB to ignore the provisions for sequester purposes.

- Another way to avoid a within-session discretionary sequestration is by declaring spending an emergency. This avoids a sequester because the Balanced Budget and Emergency Deficit Control Act includes a provision to adjust the caps upward for emergency expenditures.

- Finally, to avoid a within-session sequester, one could add certain items to the list of things that allows the caps to be adjusted upward, as OMB proposed in February in its Sequester Preview Report for the reversal of the pay and obligation delays. In addition to emergency appropriations, such items currently include continuing disability reviews, an allowance for IMF, an allowance for international arrearages, the EITC compliance initiative, and adoption incentive payments.

- Congress must take one or a mix of these steps to avoid triggering a within-session sequester (assuming such provisions are enacted in the next seven weeks). This just goes to show you that trying to spend more under the 2001 caps by undoing some shifts--enacted last year to avoid breaking the 2000 caps--still comes up against the cap discipline. As the adage says: you can either pay now or you can pay later.

WHAT'S THE SCORE?

OMB Statutory Paygo Scorecard

- Under statutory pay-as-you-go, fifteen days after the completion of a session of Congress, OMB is required to add the cost of all direct spending and receipts legislation that has been enacted since the Balanced Budget Act of 1997. If the cumulative effect results in a net decrease to the on-budget surplus, OMB is required to make reductions in certain direct spending programs (aka, a paygo sequester).

- The statutory scorecard was set to zero at the end of the last session. The first table shows that as of May 9, 2000, legislation has been enacted that has decreased the on-budget surplus by $44 million in 2001. (OMB has not added the effect of H.R. 434, the African CBI Trade Bill, to the scorecard yet. See note below table.) Unless legislation is enacted later this session to offset this change, a sequester will be required.

Statutory Paygo Scorecard
(OMB Estimates, $in Millions)

	2000	2001	2002	2003	2004	2005
Beginning balance	0	0	0	0	0	0
Cost of legislation:						
Receipt effect	- -	-115	-115	-115	-115	-115
Outlay effect	2	-71	-105	-113	-113	-113
Ending Balance*	2	44	10	2	2	2

NOTE: Effects of H.R. 434 are expected to increase the 2000 balance by $51 million and increase the 2001 balance by $385 million, requiring an even larger sequester if offsets are not enacted.*Positive value indicates sequester would be required unless offsets are enacted.

Senate Paygo Scorecard

- The Senate paygo scorecard was modified in last year's budget resolution and now is effectively used to measure whether legislation is dipping into the social security surplus. Its beginning balance is CBO's March 2000 baseline projection of on-budget surpluses.

- As of May 11, 2000, by CBO's scoring, the Senate paygo balances including H.R. 434, have been reduced by $434 million in 2001, $2,675 million over the 2001-2005 period, and by $1,966 million over the 2006-2010 period. If legislation causes the Senate paygo scorecard to reach zero or turn positive in 2001, 2001-2005, or 2006-2010, that legislation would be subject to a Senate paygo point of order which could be waived by 60 votes.

Senate Paygo Scorecard
(CBO Estimates, $ in millions)

	2000	2001	2001-2005	2006-2010

Beginning balance*	-26,479	-26,509	-396,437	-1,494,523
Cost of legislation:				
Receipt effect	- -	-551	-3,204	-2,506
Outlay effect	54	-117	-529	-540
Ending Balance	-26,425	-26,075	-393,762	-1,492,557

*Pursuant to sec. 207 of H. Con. Res. 68, the figures shown reflect CBO baseline estimates of the on-budget surplus as of April 13, 2000, the day the 2001 budget resolution was agreed to by Congress.

REVENUE REDUCTIONS AND THE BUDGET RESOLUTION

- The 2001 Budget Resolution allows up to $11.6 billion in revenue reductions in 2001 and up to $150 billion over five years. With the approval of the conference report and the expected signature of the President on the Africa/CBI trade bill, Congress and the President have already made a down payment on the tax cut by approving three pieces of legislation that reduce revenues by a total of $551 million in 2001 and $3.2 billion over five years.

- Earlier this spring, the President signed the FAA reauthorization bill which contained language that would expand a pilot program that provides for the use of federal airport improvement grants to facilitate tax-exempt financing of airport projects. JCT estimated that these provisions would result in an increase in tax-exempt financing and a subsequent loss of federal revenue of $34 million over five years.

- In late April, the President signed the Civil Asset Forfeiture Reform Act of 2000. This legislation makes many changes to federal asset forfeiture laws that would affect the processing of about 60,000 civil seizures conducted each year by the Department of Justice and the Department of the Treasury. CBO estimated that this legislation would result in fewer civil seizures by DOJ and the Treasury Department, and that governmental receipts (i.e., revenues) deposited into the Assets Forfeiture Fund and the Treasury Forfeiture Fund would decrease by about $115 million each year beginning in fiscal year 2001, for a total revenue reduction of $575 million over five years.

- Finally, the Africa/CBI trade bill results in reduced revenues because of lower tariff collections, to the tune of $434 million in 2001 and $2.595 billion over five years. The African and CBI provisions would allow duty- and quota-free access (through 2008) to the U.S. market for apparel made in sub-Saharan African and Caribbean countries with U.S. fabric and yarn. The legislation would also give duty- and quota-free treatment to apparel made from Caribbean or African fabric, up to a specified cap.

POMP, CIRCUMSTANCE, AND... A WILLFUL DISREGARD OF HISTORY?

- Given that it's graduation time, no doubt college presidents across the land will be offering up words of wisdom to eager graduates. Let's hope their words have more grounding in history and facts than some of the letters that college presidents have written recently to Senators who voted against the Kennedy amendment on Pell grants during consideration of the 2001 Budget Resolution.

- Pell grants mostly help students from families with incomes below $30,000 to attend college when they otherwise would not be able to. Congress sets an annual maximum grant level, which then has a ripple-through effect on the average grant size and the number of grant recipients.

- One example of a college president's state of knowledge on this program expresses "dismay and concern" about the vote against the Pell grant amendment and a "freezing of funds for higher education programs," then escalating to "[i]t is unconscionable...to take a stance against helping needy students go to college." Finally, such a letter warns that with the upcoming election and with some polls showing voters care more about education than anything else, members "should be particularly sensitive to the views of their constituents." [Isn't it interesting that college presidents feel they have to lobby on behalf of students–for whom is the program more important, the student or the school?]

- This is a clear case of "you're only as good as your last vote" and betrays ignorance, either willful or uninformed, of everything that came before. Many colleges have distribution requirements that force students to take a history course so that they may learn from it. Here's some relevant history on the Pell grant program.

Maximum Pell Grant Awards
1987-2000

Year	Maximum in dollars
1987	2,100
1988	2,200
1989	2,300
1990	2,300
1991	2,400
1992	2,400
1993	2,300
1994	2,300
1995	2,340
1996	2,470
1997	2,700
1998	3,000
1999	3,125
2000	3,300

SOURCE: CRS

- For fiscal years 1987 to 1995, when appropriations were written by a fully Democratic Congress, the maximum Pell grant award increased by an average annual rate of 1.4 percent. Since then, under a Republican Congress, the maximum award has increased by an average annual rate of 7.1 percent.

- The Senate Budget Resolution included resources to start to increase the maximum beyond the current level of $3,300, and emerged from the Budget Committee with an amendment suggesting that the resolution accommodated the President's request of $3,500 (a six percent increase, nearly keeping pace with the rate of increase over the past five years).

- Clearly, some believe more is always better. But for the past five years, in significantly higher and evenly measured doses, low-income students and their families have been doing much better by the Republican Congress than by its predecessors. So, by extension, have colleges and universities and their presidents. That's what make their threats and taunts so puzzling.

CALENDAR

June 6: CBO/SBC Seminar The New Economy. Panels include: New Economy Basics, Sectoral Stories, and Implications for Fiscal and Budget Policy. Dirksen 215, 1:00-6:00p.m.