



CONGRESSIONAL BUDGET OFFICE  
U.S. CONGRESS  
WASHINGTON, DC 20515

Dan L. Crippen  
Director

December 2, 1999

Honorable John M. Spratt Jr.  
Ranking Democratic Member  
Committee on the Budget  
U.S. House of Representatives  
Washington, DC 20515

Dear Congressman:

As requested in your letter of November 16, the Congressional Budget Office has updated its estimates of the budgetary outlook for fiscal year 2000 to reflect legislative action through the end of the first session of the 106th Congress. The enclosed memorandum entitled “The Budget for Fiscal Year 2000: An End-of-Session Summary” describes the result of that analysis, and Table 3 of that memorandum shows CBO’s current estimate of the on-budget outcome for 2000.

CBO has also estimated the on-budget surplus or deficit for fiscal year 2001—as requested in your letter of November 10—assuming that discretionary outlays in fiscal year 2001 are the same as CBO’s estimate for discretionary outlays in 2000, based on enacted appropriation bills for fiscal year 2000. Table 1 provides CBO’s estimate of how that assumption would affect the on-budget surplus for fiscal year 2001, taking into account legislation passed to date by the 106th Congress and assuming that all other estimating assumptions underlying CBO’s July 1 baseline projections remain in place.

You also requested that CBO estimate the impact of obligation delays and other, similar provisions in appropriation bills that shift outlays from fiscal year 2000 into fiscal year 2001. Table 2 responds to that request.

Honorable John M. Spratt Jr.  
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If you wish further information, we will be pleased to provide it. The CBO staff contact on this subject is Jeff Holland.

Sincerely,

Dan L. Crippen  
Director

Enclosure

cc: Honorable John R. Kasich  
Chairman  
Committee on the Budget

Honorable Pete V. Domenici  
Chairman  
Senate Committee on the Budget

Honorable Frank R. Lautenberg  
Ranking Minority Member

**Table 1.**  
**Estimated Impact of Specified Assumptions on the On-Budget Surplus for Fiscal Year 2001**  
**(In billions of dollars)**

	Fiscal Year 2001
CBO's July 1999 Baseline Estimate of the On-Budget Surplus in 2001	37.5
Estimated Impact of Specified Adjustments <sup>a</sup>	
Assume discretionary outlays in 2001 equal to the current CBO estimate for fiscal year 2000	-42.5
Medicare, Medicaid, and SCHIP Balanced Budget Refinement Act of 1999	-5.8
Tax Relief Extension Act of 1999 <sup>b</sup>	-3.0
Other legislation	<u>-2.6</u>
Subtotal	-53.8
Debt service <sup>c</sup>	<u>-3.1</u>
Total change from baseline	-56.9
CBO's Estimate of the On-Budget Deficit (-) in 2001 Reflecting Specified Adjustments	-19.4

SOURCE: Congressional Budget Office.

- a. Effect on the surplus.
- b. Enacted as Title V of the Ticket to Work and Work Incentives and Improvement Act of 1999 (H.R. 1180).
- c. Includes additional interest costs resulting from the increase in spending in 2000 relative to the July 1999 baseline.

**Table 2.**  
**Spending Delays and Revenue Shifts in Fiscal Year 2000 Appropriation Acts (In billions of dollars)**

	Effect on Outlays or Revenues	
	Fiscal Year 2000	Fiscal Year 2001
Obligation delays		
Various foreign operations appropriations	-0.1	0.1
National Institutes of Health	-0.8	0.8
Health Resources and Services Administration	-0.1	0.1
Centers for Disease Control	-0.2	0.2
Children and Family Services Administration	-0.1	0.1
Social Services Block Grants	-0.4	0.4
Substance Abuse and Mental Health Services Administration	-0.1	0.1
Other delays		
Delay payments to defense contractors and vendors	-1.3	1.3
Delay early disbursements on loans to Israel	-0.6	0.6
Shift civilian and military pay date	-4.1	4.1
Revenue shifts		
Federal Reserve payment	<u>3.8</u>	<u>-3.8</u>
Total <sup>a</sup>	11.4	-11.4

SOURCE: Congressional Budget Office.

a. Effect on the surplus. Positive values indicate an increase in the surplus.

**The Budget for Fiscal Year 2000:  
An End-of-Session Summary**

**December 2, 1999**



**CONGRESSIONAL BUDGET OFFICE  
SECOND AND D STREETS, S.W.  
WASHINGTON, D.C. 20515**

The 106th Congress concluded its first session on November 22 after passing numerous pieces of legislation in the last few days. Among them was H.R. 3194 (Public Law 106-113, the consolidated appropriation act), which comprises five of the 13 regular appropriation acts and a number of other acts. The Congressional Budget Office (CBO) has completed its analysis of that legislation and has updated its previous baseline projections for fiscal year 2000, which were issued on July 1, 1999, to reflect the budgetary impact of all legislation passed since that date. This memorandum summarizes the results of CBO's analysis. (The analysis used the same economic and technical assumptions as the July report. Those assumptions will be revised in January, when CBO produces its new baseline projections.)

Much of the recent budget debate has centered around two distinct objectives. The first is to adhere to the caps on discretionary spending specified in the Balanced Budget Act of 1997. The second is to avoid an on-budget deficit—that is, the need to use funds generated by the Social Security trust funds to finance spending for programs other than Social Security. Under CBO's most recent estimating assumptions, neither objective will be attained for fiscal year 2000. Even after increasing the caps to accommodate emergency designations and certain other spending, as required by law, both budget authority and outlays for discretionary programs will probably exceed the caps for 2000 by about \$7 billion and \$17 billion, respectively. Furthermore, recent legislation has more than eliminated the \$14 billion on-budget surplus projected under CBO's baseline assumptions in July. Using the same economic and technical assumptions and incorporating the effects of those legislative actions, CBO estimates a \$17 billion on-budget deficit for 2000. However, in light of recent economic trends, the baseline estimates that CBO will release in January are likely to present a more favorable picture.

The Office of Management and Budget (OMB) is unlikely to determine that a sequestration is necessary because its estimates of outlays from the appropriation bills are lower than CBO's and because it may categorize certain provisions as offsets to discretionary spending that CBO views as affecting direct spending or revenues. Congressional scoring of the recent legislation also presents a somewhat different picture. With the scorekeeping adjustments specified by Congress—totaling \$4.4 billion in budget authority and \$23.3 billion in outlays—the outlay caps would not be exceeded, and the on-budget accounts would show a surplus.

### The Omnibus Spending Package

H.R. 3194 contains the regular appropriations for the District of Columbia and incorporates by reference nine other bills—four regular appropriation acts (Commerce, Justice, State; Foreign Operations; Interior; and Labor, Health and Human Services, and Education), a miscellaneous appropriation act, and four other acts. Table 1 shows CBO's estimate of the impact of that legislation in fiscal year 2000. The five regular appropriation bills enacted by H.R. 3194 provide \$154.5 billion in discretionary budget authority, which, together with budget authority from previous years, will result in an estimated \$151.2 billion in outlays in 2000.

The miscellaneous appropriation act (H.R. 3425) includes additional funding for various other programs, mostly for disaster assistance and international debt relief. It also contains a number of

provisions that reduce outlays or increase revenues in 2000—mostly as a result of timing shifts. A two-day delay in the last pay date for military personnel and some civilian government employees will temporarily retain \$3.3 billion in the government's coffers. In addition, the Federal Reserve is required to increase its payments to the Treasury by \$3.8 billion in 2000, thus adding that amount to the revenues recorded in the budget; CBO expects that the Federal Reserve's payments to the Treasury will decrease by a corresponding amount in 2001. An across-the-board reduction of 0.38 percent, applicable to all 13 regular appropriation acts, will also produce some savings, reducing budget authority by about \$2.2 billion and outlays by an estimated \$0.8 billion in fiscal year 2000.

H.R. 3194 also incorporates by reference H.R. 3426, the Medicare, Medicaid, and SCHIP Balanced Budget Refinement Act of 1999; H.R. 3427, the Admiral James W. Nance and Meg Donovan Foreign Relations Authorization Act, Fiscal Years 2000 and 2001; S. 1948, the Intellectual Property and Communications Omnibus Reform Act of 1999; and H.R. 3428, the Federal Milk Marketing Orders Act. Most of the costs of those acts stem from H.R. 3426, which increases payments to various providers of Medicare services. CBO estimates that the provisions of H.R. 3426 will boost outlays by \$1.2 billion in 2000 and by \$16.1 billion over the 2000-2004 period.

#### Discretionary Spending: Above or Below the Statutory Caps in Fiscal Year 2000?

Adherence to the discretionary caps is enforced through sequestration, which provides for an across-the-board cut in funding for discretionary programs to eliminate excess spending. At the end of each session of Congress, OMB determines whether a sequestration is required, using its own estimates of the discretionary caps (as adjusted pursuant to the Balanced Budget and Emergency Deficit Control Act) and of the spending that will result from appropriation action. CBO produces similar estimates, but those are purely advisory.

By CBO's reckoning, the 13 regular appropriation acts provided \$578 billion in budget authority in fiscal year 2000 and will result in \$617 billion in outlays in 2000 (see Table 2). Those figures include changes in mandatory programs that were made in the appropriation acts and that are counted in determining compliance with the discretionary caps. They do not, however, include the impact of H.R. 3425 (the miscellaneous appropriation act), which mandates the pay-date shift, the additional payment by the Federal Reserve, and the across-the-board cut. Although H.R. 3425 may have been intended to offset discretionary spending, section 1001(a) of H.R. 3194 requires that the effects of H.R. 3425 on outlays be considered direct spending and not subject to the caps.

CBO has also estimated the level of the statutory caps on discretionary budget authority and outlays for fiscal year 2000, on the basis of the figures that OMB issued in its sequestration update report on August 25, 1999. CBO's estimates include adjustments, required by law, for emergency designations and certain other categories of spending. (The adjustments for emergencies designated in regular appropriation acts for 2000 total nearly \$29 billion in budget authority and over \$19 billion in outlays. Such designations include spending for the census, disaster relief, national defense, and other programs.) Even after adjusting for the treatment of emergencies, CBO's judgment is that

budget authority provided for 2000 exceeds the cap by \$7 billion and outlays are over their cap by \$17 billion. CBO therefore estimates that a sequestration of about 4 percent of discretionary budget authority will be necessary to hold spending at the capped level. (For a more detailed discussion of those calculations, see CBO's *Final Sequestration Report for Fiscal Year 2000*, December 2, 1999.)

CBO's estimates of the discretionary caps are merely advisory, however. The Office of Management and Budget has the final say in how sequestration procedures are applied. Preliminary information provided by OMB indicates that its estimates show budget authority and outlays for all discretionary categories for fiscal year 2000 to be within their respective limits. Thus, the President is unlikely to order a discretionary sequestration.

### On-Budget Surplus or Deficit for 2000?

In July 1999, CBO estimated that the total budget surplus in 2000 would be \$161 billion—a \$147 billion off-budget surplus (almost entirely due to Social Security) and a \$14 billion on-budget surplus—assuming that discretionary outlays would be about \$580 billion (CBO's estimate of the outlay cap at that time). But legislation passed since then has changed the outlook considerably. Projected spending in 2000 as a result of appropriation action—\$617 billion—is more than \$37 billion above CBO's baseline total. Other provisions enacted by reference in the consolidated appropriation act (H.R. 3194) will partially offset that spending increase with reductions in outlays and increases in revenues totaling about \$6 billion. Other legislation enacted since July 1 will have only a minor impact on the budget in 2000.

Including additional interest costs, CBO estimates that legislative action has reduced the projected surplus by nearly \$32 billion relative to its baseline estimates of July 1 (see Table 3). Assuming no changes in the economic or technical assumptions underlying those estimates, CBO projects a total budget surplus of approximately \$129 billion in 2000—an off-budget surplus of \$147 billion and an on-budget deficit of about \$17 billion. Adding in the scorekeeping adjustments specified by the Congress would show the on-budget accounts in surplus.

All such projections are subject to great uncertainty, however, and very small percentage changes in revenues or outlays, each of which totals close to \$2 trillion a year, can change the budgetary outlook significantly. The recent positive economic developments make it likely that CBO will project a more favorable outcome when it completes its new baseline in January.



**Table 1.**  
**Estimated Budgetary Impact of H.R. 3194, an Act Making Consolidated Appropriations for Fiscal Year 2000 (In billions of dollars)**

	<u>Nonemergencies</u>		<u>Emergencies</u>		<u>Total</u>	
	<u>Budget Authority</u>	<u>Outlays</u>	<u>Budget Authority</u>	<u>Outlays</u>	<u>Budget Authority</u>	<u>Outlays or Revenues</u>
<b>On-Budget</b>						
Discretionary Appropriations						
District of Columbia	0.4	0.4	0	0	0.4	0.4
Commerce, Justice, State	33.4	32.6	4.5	4.1	37.8	36.7
Foreign operations	13.5	12.4	1.8	0.9	15.3	13.3
Interior	14.7	14.8	0.2	0.1	14.9	14.9
Labor, HHS, Education	<u>81.9</u>	<u>84.0</u>	<u>4.1</u>	<u>2.0</u>	<u>86.0</u>	<u>85.9</u>
Total, Discretionary Appropriations	143.9	144.2	10.6	7.0	154.5	151.2
Direct Spending						
Miscellaneous Appropriations (H.R. 3425)						
Disaster assistance	a	a	0.6	0.5	0.6	0.5
International debt relief	0.3	0.3	0	0	0.3	0.3
National directory of new hires	-0.1	-0.1	0	0	-0.1	-0.1
Government-wide reduction of 0.38 percent	-2.1	-0.8	-0.1	a	-2.2	-0.8
Shift in civilian and military pay date	0.3	-4.1	0	0	0.3	-4.1
Other	<u>0.2</u>	<u>0.1</u>	<u>0</u>	<u>0</u>	<u>0.2</u>	<u>0.1</u>
Subtotal	-1.5	-4.5	0.5	0.5	-1.0	-4.0
Medicare, Medicaid, and SCHIP Balanced Budget Refinement Act of 1999 (H.R. 3426)	1.2	1.2	0	0	1.2	1.2
Other	<u>a</u>	<u>0.1</u>	<u>a</u>	<u>0</u>	<u>a</u>	<u>0.1</u>
Total, Direct Spending	-0.3	-3.2	0.5	0.5	0.2	-2.7
Revenues						
Shift in civilian and military pay date (H.R. 3425)	n.a.	n.a.	n.a.	n.a.	n.a.	-0.4
Intellectual Property and Communications Omnibus Reform Act (S. 1948)	n.a.	n.a.	n.a.	n.a.	n.a.	a
Federal Reserve transfer (H.R. 3425)	<u>n.a.</u>	<u>n.a.</u>	<u>n.a.</u>	<u>n.a.</u>	<u>n.a.</u>	<u>3.8</u>
Total, Revenues	n.a.	n.a.	n.a.	n.a.	n.a.	3.3
Total On-Budget Spending	143.6	140.9	11.1	7.5	154.7	148.5
Total On-Budget Revenues	n.a.	n.a.	n.a.	n.a.	n.a.	3.3
<b>Off-Budget</b>						
Shift in civilian and military pay date						
Offsetting receipts	0.2	0.2	0	0	0.2	0.2
Revenues	n.a.	n.a.	n.a.	n.a.	n.a.	-0.2
<b>Memorandum:</b>						
Net Increase in Surplus from Pay Shift	n.a.	n.a.	n.a.	n.a.	n.a.	3.3

SOURCE: Congressional Budget Office.

NOTES: HHS = Health and Human Services; n.a. = not applicable.

a. Less than \$50 million.

**Table 2.**  
**Discretionary Appropriations for Fiscal Year 2000 (In billions of dollars)**

	Budget Authority	Outlays
Discretionary Appropriations (By act) <sup>a</sup>		
Agriculture	22.7	22.7
Commerce, Justice, State	37.8	36.7
Defense	269.4	267.8
District of Columbia	0.4	0.4
Energy and water	21.3	21.0
Foreign operations	15.3	13.3
Interior	14.9	14.9
Labor, HHS, Education	86.0	85.9
Legislative	2.5	2.5
Military construction	8.4	8.8
Transportation	13.6	44.7
Treasury and general government	13.7	14.7
Veterans, HUD, independent agencies	71.9	83.7
Subtotal	578.0	617.2
CBO's July 1999 Baseline Estimate of Discretionary Appropriations	539.3	579.8
Difference (Total appropriations minus baseline estimate)	38.7	37.3
<b>Memorandum:</b>		
Emergency Designations <sup>b</sup>	30.8	26.8

SOURCE: Congressional Budget Office.

NOTE: HHS = Department of Health and Human Services; HUD = Department of Housing and Urban Development.

- a. CBO estimates, excluding Congressional scorekeeping adjustments.
- b. Included in the appropriation figures above. The outlay figure includes emergencies designated in previous years (\$7.3 billion) as well as outlays from emergency appropriations for fiscal year 2000.

**Table 3.**  
**Estimated On-Budget Impact of Congressional Action for Fiscal Year 2000 (In billions of dollars)**

	Fiscal Year 2000
CBO's July 1999 Baseline Estimate of the On-Budget Surplus	14.4
Effects of Legislative Action Since July 1 on the Surplus	
Estimated outlays from appropriations in excess of the baseline estimate <sup>a</sup>	-37.3
Changes in direct spending	
Medicare, Medicaid, and SCHIP Balanced Budget Refinement Act of 1999	-1.2
Miscellaneous appropriations for fiscal year 2000 (H.R. 3425) <sup>b</sup>	4.0
Other <sup>c</sup>	<u>d</u>
Subtotal	2.9
Changes in revenues	
Federal Reserve payment	3.8
Other <sup>e</sup>	<u>-0.3</u>
Subtotal	3.4
Additional interest costs	<u>-0.8</u>
Total Change from Baseline	-31.8
CBO's Estimate of the On-Budget Deficit (-) Reflecting Congressional Action to Date	-17.4

SOURCE: Congressional Budget Office.

NOTE: Increases in outlays are shown as negative because they reduce the surplus.

- a. See Table 2 for details.
- b. See Table 1 for details.
- c. Includes the effect of the State Department Authorization Act of 1999 and other, smaller items.
- d. Less than \$50 million.
- e. Mostly the Ticket to Work and Work Incentives Improvement Act of 1999 (H.R. 1180), the Intellectual Property and Communications Omnibus Reform Act of 1999 (S. 1948), and the shift in pay dates.