

CBO TESTIMONY

Statement of
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on
The Outlook for Discretionary Spending

before the
Committee on Science
U.S. House of Representatives

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NOTICE

This statement is not available for public release until it is delivered at 10:00 a.m. (EDT), Tuesday, July 23, 1996.



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Chairman Walker and Members of the Committee, I appreciate the opportunity to discuss the budgetary outlook for discretionary spending programs—such as the research and development activities of interest to this Committee—under both the President's and the Congress's plans for balancing the budget by 2002. At this stage, determining what future funding levels will be for individual discretionary spending programs is not possible. However, under both the President's 1997 budget and the 1997 budget resolution, the overall amount of discretionary spending through 2002 would be substantially lower in real terms than in the current year.

THE PRESIDENT'S 1997 BUDGET

In March, the President submitted his proposals for reaching budgetary balance by 2002. Last week, the Office of Management and Budget (OMB) released its *Mid-Session Review of the 1997 Budget*, updating the numbers in the March budget. The President's budget includes two sets of policies: one that the Administration estimates would balance the budget under its economic and technical estimating assumptions, and a second set that includes contingent policies for reaching balance under the more cautious economic assumptions of the Congressional Budget Office (CBO).

The contingent policies in the President's budget include ending the proposed tax cuts for the middle class and other adjustments after 2000 and lowering spending

levels for discretionary programs in 2001 and 2002. According to the OMB midsession review, discretionary outlays would have to be reduced by \$24.6 billion in 2001 and by \$51.8 billion in 2002 from the President's preferred spending levels in order to achieve budgetary balance under CBO's assumptions. Those reductions and the resulting levels for total discretionary outlays are shown in Table 1 and illustrated graphically in Figure 1.

Neither the March budget nor the July midsession review reveals how the President would allocate the contingent reductions in discretionary spending among individual programs. Although it is not certain, some of those contingent reductions are likely to be applied to federal research and development programs.

THE 1997 CONGRESSIONAL BUDGET RESOLUTION

The Congress adopted its own plan in June for balancing the budget by 2002 under CBO's economic and other estimating assumptions (see Table 1 and Figure 1 for the level of discretionary outlays in the budget resolution). The conference report accompanying the resolution includes a table that allocates the discretionary spending levels by major function, but how the functional totals would be distributed among individual programs is not known.

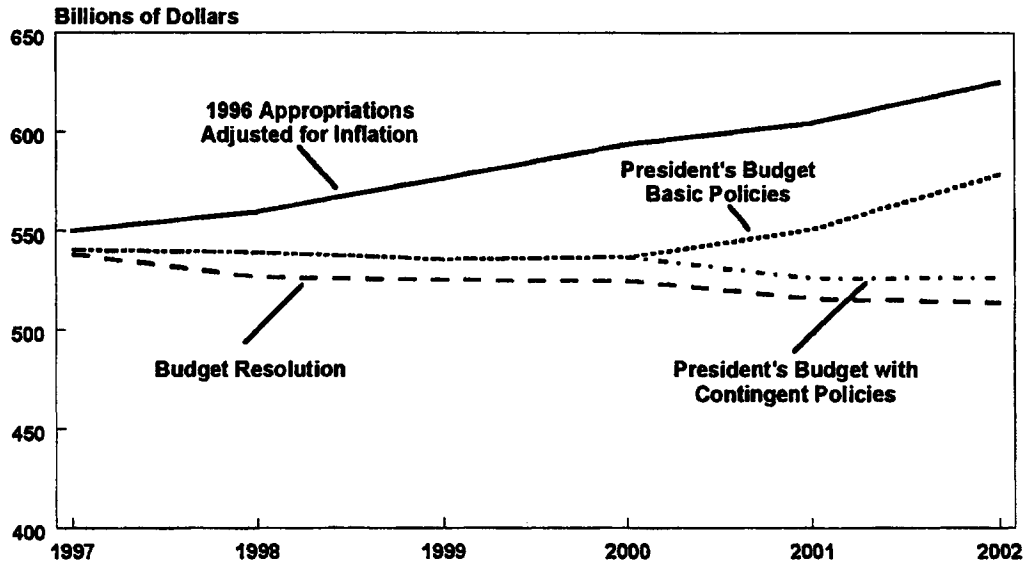
TABLE 1. TOTAL DISCRETIONARY OUTLAYS UNDER THE PRESIDENT'S BUDGET AND THE BUDGET RESOLUTION (In billions of dollars)

	1997	1998	1999	2000	2001	2002
1996 Appropriations Adjusted for Inflation ^a	550	560	576	594	605	625
Mid-Session Review ^b						
Basic budgetary policies ^c	541	539	536	537	551	579
Contingent proposals ^d	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>-25</u>	<u>-52</u>
Total	541	539	536	537	527	527
Budget Resolution ^e	539	527	525	525	516	514
Mid-Session Review's Basic Policies Minus Budget Resolution	2	12	10	12	35	65
Mid-Session Review's Total Minus Budget Resolution	2	12	10	12	10	13

SOURCES: Congressional Budget Office; Office of Management and Budget.

- a. Projections published in Congressional Budget Office, *The Economic and Budget Outlook: Fiscal Years 1997-2006* (May 1996), adjusted for effects of the Omnibus Consolidated Rescissions and Appropriations Act of 1996, which was enacted after the May baseline had been completed.
- b. Office of Management and Budget, *Mid-Session Review of the 1997 Budget* (July 16, 1996).
- c. Policies proposed to be carried out if the Administration's economic and technical assumptions prove accurate.
- d. Additional policies proposed to achieve a balanced budget by 2002 under CBO's economic and technical assumptions.
- e. Conference report on House Concurrent Resolution 178 (H.Rpt. 104-612).

FIGURE 1. TOTAL DISCRETIONARY OUTLAYS (By fiscal year)



SOURCES: Congressional Budget Office; Office of Management and Budget.

The conference report offers some clues about the priorities of the conferees, such as providing a 3 percent increase for research and related activities of the National Science Foundation, but assumptions behind the budget resolution are not binding on the appropriators. The only binding constraint on the appropriations committees is the total level of discretionary spending for 1997. The appropriation legislation will determine how that level of spending is allocated among individual spending programs.

As Table 1 and Figure 1 show, total discretionary outlays in the 1997 budget resolution are lower in every year than the level proposed by the President, even under the contingent policies that would be needed to reach budgetary balance under CBO's assumptions. Although the difference is quite small for 1997, it represents \$10 billion to \$13 billion for 1998 through 2002.

CONCLUSION

Under both the President's budget and the Congressional budget resolution, discretionary spending levels in 2001 and 2002 would be lower in real terms than the 1996 spending level. Both Table 1 and Figure 1 show the 1996 spending level adjusted for inflation in 1997 through 2002. In 2002, even the President's preferred spending level for discretionary outlays is 7 percent below the 1996 spending level

adjusted for expected inflation. Under the President's contingent policies, discretionary outlays in 2002 would be 16 percent lower than the 1996 level in real terms. The budget resolution target for 2002 is 18 percent lower than 1996 in real terms. Thus, under either plan, the current levels of program activity for discretionary programs could not be maintained in terms of real purchasing power.

How the reductions in real discretionary spending would be allocated to individual programs cannot be known for 1998, let alone for 2001 and 2002. The spending levels for individual discretionary spending programs will be decided each year by the appropriation process, and the current relative spending priorities of both the President and the Congress for discretionary programs will not necessarily be tomorrow's priorities.

