



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

Dan L. Crippen  
Director

October 14, 1999

Honorable Don Young  
Chairman  
Committee on Resources  
U.S. House of Representatives  
Washington, DC 20515

Dear Mr. Chairman:

This letter responds to your request for an assessment of the potential effect of H.R. 701 on the annual appropriation process and budgetary caps. In particular, you asked whether the bill's creation of new mandatory spending would lead to a reduction in the statutory caps on discretionary spending. Adjustments in the caps are made by the Office of Management and Budget (OMB), in consultation with the Congress. Although CBO cannot predict whether OMB would choose to adjust the caps if H.R. 701 were enacted, we do not believe that such an adjustment is warranted.

H.R. 701, the Conservation and Reinvestment Act of 1999, would create new direct spending by establishing or expanding mandatory programs. The bill would make 60 percent of offsetting receipts (plus interest earnings) from leases on the Outer Continental Shelf (OCS) available for spending without further appropriation action, resulting in new direct spending of about \$7.5 billion over the 2000-2004 period. Currently, OCS receipts are deposited in the U.S. Treasury as miscellaneous receipts. Of such amounts, \$150 million is credited to the Historic Preservation Fund and up to \$900 million is credited to the Land and Water Conservation Fund annually. All such receipts are available for spending only through appropriation action. Such appropriations are subject to the statutory caps on discretionary spending and are constrained by the spending allocations assigned to subcommittees of the Appropriations Committees.

Under some circumstances, OMB may adjust the discretionary caps. Specifically, section 251 of the Balanced Budget and Emergency Deficit

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Control Act states that the spending limits should be adjusted to “reflect changes in concepts and definitions.” CBO does not believe that enacting H.R. 701 would warrant a cap adjustment because creating new direct spending authority does not constitute a change in budgetary concepts or definitions. Whether the new direct spending under H.R. 701 would replace or supplement similar existing discretionary spending would ultimately depend on subsequent appropriation actions.

If you wish further information, we will be pleased to provide it. The CBO staff contacts are Victoria Heid Hall and Deborah Reis.

Sincerely,

Dan L. Crippen  
Director

cc: Honorable George Miller  
Senior Democratic Member

Honorable Ralph Regula  
Chairman, Subcommittee on Interior and Related Agencies  
Committee on Appropriations

Honorable Norman D. Dicks  
Ranking Minority Member

Honorable John R. Kasich  
Chairman, Committee on the Budget

Honorable John M. Spratt, Jr.  
Ranking Democratic Member