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107TH CONGRESS, 2d Session | SENATE | REPORT 107–141

CONCURRENT RESOLUTION ON THE BUDGET FY 2003

REPORT

OF THE

COMMITTEE ON THE BUDGET
UNITED STATES SENATE

TO ACCOMPANY

S. C . R . 100

together with

ADDITIONAL VIEWS

Setting forth the congressional budget for the United States Government for fiscal years 2003 through 2012

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U.S. SENATE, COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP,

Washington, DC, March 1, 2002.

Hon. KENT CONRAD,
Chairman, Committee on the Budget, U.S. Senate, Washington, DC.

Hon. PETE DOMENICI,
Ranking Minority Member, Committee on the Budget, U.S. Senate, Washington, DC.

DEAR KENT AND PETE: As Chairman and members of the Committee on Small Business and Entrepreneurship, we are submitting the following views and estimates on the President's FY2003 budget request for the Small Business Administration (SBA or Agency) and other matters under the Committee's jurisdiction in compliance with section 301(d) of the Congressional Budget Act.

FY 2003 BUDGET REQUEST OVERVIEW

The Administration has requested $798 million for the SBA's FY2003 budget. Last year, the President requested $539 million, and Congress appropriated $768.5 million. While this year's overall request is an increase, virtually all of it goes to administrative expenses and staffing and leaves core programs inadequately funded. To adequately fund those programs, we are short about $200 million.

Of major concern is the 17 percent decrease in small-business lending and investment programs from $19.7 billion to $16.4 billion. The SBA's programs are typically counter-cyclical, growing in demand when the economy is weak and the private sector tightens credit. This economy is proving no different. For example, over the past year, lending surveys by the Federal Reserve found that more than 40 percent of banks cut back on lending to small businesses, making it harder and more expensive to get loans. Consistent with that, in dollars, the FY2002 usage of 7(a) loan is up 16 percent and of 504 loans by 26 percent, over the same period in FY2001. Given the economy and the increased demand for the SBA's credit programs, this budget request is insufficient to meet the needs of small businesses, and we do not support it.

Specifically, we oppose the 50 percent reduction in the 7(a) Loan Guaranty Program, the fee increase in the 504 Loan Guaranty Program, and the insufficient funding for the SBA Microloan Program. The 7(a) loan program, which is critical to our nation's small businesses for long-term working capital, is proposed to be funded at a program level of $4.85 billion for FY2003. If implemented, that proposal would have a serious impact on our states. For example, in FY2001, 234 small businesses in North Dakota got 7(a) loans, which meant $41 million invested in the economy and, by the SBA's own budget assumptions, the creation 1,242 jobs. In New Mexico, 201 small businesses got 7(a) loans, which meant $44 million invested in the economy and the creation of 1,333 jobs. Nationwide, as big business carried out massive lay-offs and two million people lost their jobs, it is estimated that the 7(a) program created nearly 300,000 jobs. To provide $11 billion in 7(a) loans, we request an additional appropriation of $93 million to bring the Administration's request of $85 million to a total of $178 million.

In order to prevent losing half of that stimulus to the economy, we oppose the budget proposal and request a program level of $11 billion. This is a slight increase over the historical program level of $10 billion, but our request is far less than the authorized level of $16 billion and is reasonable given the increase in demand described earlier.

In addition to inadequate funding for 7(a) loans, we are concerned about the inaccuracy of its subsidy rate. Year after year, we struggle to secure adequate funding only to have the same amount and more returned to Treasury. For example, in FY2002, the budget estimates that $100 million will be appropriated for working capital loans, and that $179 million will be returned. Unfortunately, this problem is not isolated. The subsidy rates for most of the SBA's credit programs are a serious problem for the Agency and are burdensome on borrowers and lenders, including the 504 program, the Microloan Program, and the SBIC programs. We ask for the Budget Committee's help in rectifying this problem and possibly amending the Federal Credit Reform Act as you reauthorize it this year.

Another major concern about the budget is funding for the 504 program. As you know, the 504 loan program is not funded through appropriations; it is funded entirely through fees paid by borrowers and lenders. The fees are excessive, and have resulted in about $400 million in negative re-estimates over the past several years. In the FY2003 budget, even though defaults went down slightly, the subsidy rate for the 504 program went up. Consequently, this caused the borrower's annual loan fee to rise. It is very hard to justify an increase in fees when the President's budget estimates that in FY2002 the 504 loan program will send $110 million to Treasury. In order to provide fee relief for the borrowers and compensate for the increase, we request $13 million for the 504 loan program. We also request $34 million to provide some funding for one year of the two-year fee changes enacted as part of PL 107–100.

Like 7(a) and 504 loans, the budget does not request adequate funding for the Microloan Program. The Administration has requested a program level of $26.5 million for direct microloans, and $17.5 million for microloan technical assistance. We are greatly concerned about the technical assistance request because $17.5 million is not even enough to maintain the outstanding portfolio of microloans.

As you know from previous letters, microloan technical assistance is integral to the success of microentrepreneurs, and therefore to the success of the program, because it helps ensure repayment of the loans. Since this program made its first loan in 1992, there have been no losses to the government. No other program has this success rate. The Committee has had a very hard time securing adequate microloan technical assistance in the past, and we respectfully urge you to consider a level of $35 million. That would be enough to serve outstanding microloans and to serve new microloans to be made in FY2003. We request a program level of $35 million for direct microloans because, as with the 7(a) and 504 programs, usage is up. During times of major lay-offs, the need for microlending increases because people turn to self-employment and income-patching to support themselves. In summary, we request an extra appropriation of $17.5 million for microloan technical assist-

ance for a total budget of $35 million, and an extra appropriation of $1.1 million for direct microloans for a total program level of $35 million.

Unfortunately, microloan technical assistance is not the only non-credit program to be under-funded or cut in the FY2003 budget. The BusinessLINC Program and the Program for Investment for Microinterprises (PRIME) were completely eliminated from the budget. As with last year, we request $7 million for BusinessLINC and $15 million for PRIME. Women's Business Centers were funded at $12 million, and we request an additional $2.5 million for a program level of $14.5 million. Between 1997 and 2002, women-owned businesses increased 14 percent, which is twice the rate of all firms in the U.S. It makes no sense to freeze funding for women's business centers when the demand is increasing. The grants to centers have been cut in past years because of inadequate funding. If we are to fund existing centers and also fund new centers, which was Congress' intent when it passed the Women's Business Center Sustainability Act of 1999, then the program must be funded at $14.5 million.

The Administration has requested $88 million for the Small Business Development Centers (SBDCs). Once again, this is not adequate to serve small businesses in our country. In FY 2001, the SBDC program provided counseling and training assistance to almost 610,000 clients. These figures represent almost a 5 percent increase over FY2000. Last year 24 states took serious cuts in federal funding because of population changes identified by the 2000 Census. It wasn't because they lost population; it was because their population did not grow as fast as the national average during the '90s. We cannot expect the SBDCs to serve the same number of businesses, with the same quality, with fewer dollars. To rectify the shortfall, consistent with Amendment No. 183 that passed by unanimous consent to the FY2002 budget resolution, we request a program level of $105 million. This amount would help compensate for the growth in demand and restore cuts that states took last year as a result of the 2000 Census.

We do fully support the following: a program level of $4.5 billion for 504 loans; a program level of $4 billion for SBIC Participating Securities; a program level of $3 billion for SBIC Debentures; $1.5 million for the state conferences on small business; $500,000 for PRO-Net; and $1 million to fund outreach to Native Americans. With an average unemployment rate of 43 percent on reservations, as cited in the budget, it is an understatement to say we need to concentrate on using the SBA's counseling and lending partners to build sustainable economic opportunity in those communities.

As Chairman and members of the Committee, we have two more requests. One, we would like a line item for the SBA's Office of Advocacy. In order to give the Office of Advocacy true independence from the Agency, as has always been intended by its authorizing legislation, it needs to control its budget and its hiring. We also request a line item for the relocation of employees. Under salaries and expenses, the budget for "travel and transportation of employees" increased from $3.8 million to $7.9 million. That is more than double. In the footnotes, the increase is justified as "a small increase to restore these funds back to a more normal operating level, plus costs of proposed employee relocations." Rather than

lump the two expenditures together, we recommend separating them.

You have asked for guidance for programs under the jurisdiction of the Committee on Small Business and Entrepreneurship for the ten-year period of 2003–2012. We would like to work further with you to develop these projections because we disagree with the baseline in the chart CBO provided. The starting baseline for FY2002 for the Small Business Administration's credit programs and non-credit programs, which are calculated as part of salaries and expenses, is too low. For example, in FY2002, the President's budget proposal cut funding for the SBA's non-disaster programs by 26 percent. While significant cuts were restored, level funding was far less than levels set by the authorizing Committee, and historically the Agency has not seen adequate funding for its programs to maximize their potential to the economy. We ask that you not use the ten-year projection provided and that we work to establish a baseline before applying CBO's inflators that will guide the budget authority targets for the next ten years.

In closing, let us thank you for all your help last year. While this year's budget for the SBA is not good, last year's was far worse and your support helped prevent harmful proposals from being enacted. Probably the most serious was the increase in interest rates on disaster loans. No one could have known that the terrorist attacks of September 11th would happen, but we do know that the people who lost homes and businesses would be much worse off today if they were being charged more for their disaster loans. Again, thank you.

We look forward to the opportunity to work with you to develop this portion of the Budget Resolution for FY2003.

Sincerely,

John F. Kerry; Carl Levin; Tom Harkins; Joseph L. Lieberman; Paul Wellstone; Max Cleland; Mary Landrieu; John Edwards; Maria Cantwell; Jean Carnahan.

U.S. SENATE, COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP,

Washington, DC, March 15, 2002.

Hon. KENT CONRAD,
Chairman, Committee on the Budget, United States Senate, Washington, DC.

Hon. PETE DOMENICI,
Ranking Member, Committee on the Budget, U.S. Senate, Washington, DC.

DEAR KENT AND PETE: As Ranking Member of the Committee on Small Business and Entrepreneurship (Committee), I submit the following views and estimates on the President's Fiscal Year 2003 budget request for the Small Business Administration (SBA) and other matters under the Committee's jurisdiction, as directed by § 301(d) of the Congressional Budget Act.

In general, I continue to believe the SBA must rely more on the electronic delivery of services. Having staff members answering every inquiry would necessitate an unwieldy expansion of SBA personnel, leading to a further expansion of managerial staff to over-

see them. The President's e-government initiatives can find a promising model in the SBA's HUBZone program, in which firms submit their applications electronically. (I have further views on specific electronic initiatives being undertaken by the SBA, below).

However, in some areas the SBA has had additional functions imposed on it by statute, and some additional personnel and funding will be necessary to carry out those mandates in an effective, efficient, and economical manner. This is true even of the HUBZone program, as will also be discussed further below.

7(a) Guaranteed Business Loan Program. The small business community must have access to a strong 7(a) loan program to obtain long-term financing that would not otherwise be available. Each year, 40,000 or more small business concerns turn to the SBA's 7(a) program for critical financing. The budget request includes a significant decrease in the program authority from $10.5 billion to $4.8 billion. This cutback, if not reversed, will have a harmful impact on small business start-ups and growth.

During the past five years, the Committee studied closely the management of the credit subsidy rates for the credit programs at the SBA. For the past decade, the losses under the programs have declined dramatically; however, these program improvements have not been fully recognized by the Office of Management and Budget (OMB) and the SBA in calculating the credit subsidy rate. Consequently, last year Senate Kerry and I requested the General Accounting Office (GAO) to undertake a comprehensive examination of the 7(a) credit subsidy rate calculations.

In July 2002, the GAO delivered its report to the Committee. Significantly, the GAO revealed that since Fiscal Year 1992, defaults and recoveries for the 7(a) program were overestimated by the SBA and OMB. What the overestimates mean in real cost is that the Federal government collected significantly more money than needed to fund the loss reserve accounts as required under the Credit Reform Act of 1990. Specifically, the GAO found that the Federal government had collected over $950 million in excess fees paid by borrowers and lenders and by taxpayers' funds appropriated by the Congress. This amount has grown to over $1.1 billion with the information supplied in the President's Fiscal Year 2003 budget request.

In response to proposed legislation to direct the OMB to correct the credit subsidy rate problem, the Budget Committee staff received assurances last October from the OMB that the 7(a) credit subsidy rate would not exceed 50 basis points (0.50 percent) in the Fiscal Year 2003 budget request. The Small Business Committee relied on the OMB assurances when the Congress passed S. 1196, which lowered the fees paid by the small business borrowers and lenders participating in the 7(a) loan program. The President signed the bill into law on December 21, 2001, as Public Law 107–100. Subsequently, in February 2002, and contrary to the assurances provided by the OMB to the Budget Committee staff in October 2001, the budget request included a credit subsidy rate of 88 basis points (0.88 percent), which is 76 percent higher than the level promised by the OMB.

To some, this difference might seem slight—merely splitting hairs. But in reality, the difference is significant. The 38 basis points (0.38 percent) above the maximum level set by the OMB last

fall means that the Congress will need to appropriate at least an additional $45.6 million, and probably more, to fund the 7(a) loan program in Fiscal Year 2003. Based on the GAO analysis of the credit subsidy rate, it will not be long before this additional appropriation, along with some fees collected from borrowers and lenders, will be found to be "excess" and will be sent to the general Treasury. It is clear that the SBA and OMB will be collecting fees well in excess of the program's needs. Unless changes are made to this process, the Congress will have to resort to appropriating funds, which otherwise would not be needed, to allow the 7(a) program to meet the credit needs of the small business community.

HUBZone Program. The Historically Underutilized Business Zone (HUBZone) program is one area in which additional funding is needed. This program was adopted in the Small Business Reauthorization Act of 1997 and authorized at $5 million for Fiscal Years 1998 through 2000. In the Small Business Reauthorization Act of 2000, the HUBZone program was reauthorized at $10 million for Fiscal Years 2001 through 2003. Actual appropriations for this program, however, have remained at $2 million each year for Fiscal Years 1998 through 2001. In 2002, an unexpected omission in the Commerce-Justice-State Appropriations bill deleted the HUBZone program funding, although in the Defense/Supplemental Appropriations bill the Congress subsequently directed that HUBZone funding be restored through a reprogramming request.

Although the Federal government has numerous economic development programs, the HUBZone program is a unique response to a particular problem. Economic development in distressed areas is particularly challenging due to the lack of an established customer base. Tax abatements, regulatory relief, and other incentives to attract small business into distressed areas are important but inadequate. Indeed, if businesses that locate in historically underutilized business areas do not have customers, they will soon fail and the economic development efforts will be for naught. The HUBZone program answers this need by providing incentives for the government to act as a customer to these businesses. While HUBZone firms stabilize their revenues and establish a non-governmental customer base, Federal contracts can keep these firms alive and keep the economic development effort from collapsing.

Consistent underfunding of the HUBZone program threatens the program's ability to deliver on these promises. In Fiscal Year 2003, Federal agencies are to award 3% of all prime contract dollars through the program, or approximately $6 billion in prime contracts. Moreover, § 8(d) of the Small Business Act requires large business concerns to submit HUBZone program subcontracting plans in contracts over $500,000 ($1 million for construction contracts). To date, the SBA has certified over 4,700 firms in the HUBZone program, a substantial improvement over last year. However, 4,700 firms is still insufficient to support this volume of contracting. Additional funding is necessary to seek out and certify a sufficient number of qualified firms, and particularly to identify firms that supply goods and services needed by Federal purchasing offices in different regions of the country. As HUBZone participation increases, the need for increased enforcement and oversight of program requirements will also increase correspondingly. Accordingly, the HUBZone appropriation for Fiscal Year 2003 should be

increased, at a minimum, to the $5 million originally authorized in the HUBZone Act of 1997.

Procurement Center Representatives (PCRs). Like all Federal agencies whose workforce is nearing retirement age, the SBA also faces a serious "brain-drain" of procurement knowledge as its staff of Procurement Center Representatives (PCRs) has shrunk below sustainable levels. Moreover, many of the existing staff have no funding to travel to the procurement centers nominally assigned to them, so the SBA's ability to monitor and strengthen small business contracting is even less than it appears on its face.

Failure to hire and retain sufficient PCRs will further diminish the SBA's ability to carry out its statutory mandates as existing staff retires. Procurement is a technical discipline that requires knowledge and experience to manage effectively. Insufficient staff cannot be overcome by tasking these responsibilities to other SBA employees as a part-time function. Without enough PCRs, the SBA will be unable to work with procuring centers to develop small business-friendly procurement strategies, and will be forced to intervene at the last minute (for example) to appeal proposed bundling of contracts. This will result in delays in contracting by other agencies, frustrating their efforts to carry out their own responsibilities.

Accordingly, the budget should include funding to hire and train an additional 20 PCRs in Fiscal Year 2003, while replacing attrition among existing PCRs. Based on costs to hire PCRs in the past, this will require an additional $2 million for the SBA Office of Government Contracting. Reports accompanying the budget resolution should clearly state the purpose for which this funding is provided, to ensure it is allocated to its intended purpose.

Federal and State Technology (FAST) Partnership Program. This program, established by the Small Business Innovation Research (SBIR) Program Reauthorization Act of 2000, is a competitive matching-grant program to encourage States to create an atmosphere conducive to the development of high-technology small businesses, including the establishment of coalitions of university and private sector organizations. While the program is administered by the SBA, each agency with an SBIR program participates in the determination of State programs that should be funded. The FAST program is intended to support the SBIR program, by marshalling more and higher quality research and development proposals to SBIR agencies.

The SBA was appropriated $3.0 million for the FAST program for Fiscal Year 2002. Fifty States, the District of Columbia and four territories are eligible for funds under the program. While funding under the FAST program is to be provided on a competitive basis and the program does not require that each State receive funds, if each State or jurisdiction submits an eligible proposal and receives funds, the average grant amount will be approximately $54,500. This amount is insufficient to provide an effective incentive to States to encourage the development of small, high-technology businesses. Therefore, I request that the FAST program be funded at its authorized level of $10 million.

SBIR Technical Assistance (Rural Outreach Program). One critical component of the SBIR program, to help small companies in rural States seek SBIR awards, is the Rural Outreach Program

(ROP). The Rural Outreach Program provides technical assistance grants to State programs and research centers to assist small companies in preparing Small Business Innovative Research submissions seeking research awards. Currently, many of the SBIR awards are awarded to small businesses in urban States. The ROP is designed to create a more competitive atmosphere by providing rural States with leverage to assist their small businesses seeking research awards. Currently, 25 States participate in the ROP.

For Fiscal Year 2003, the Administration seeks to fund the ROP at $500,000. This amount would provide only $20,000 per State, which is insufficient for States to maintain even their current ROP efforts. I believe that the ROP should be funded for Fiscal Year 2003 at its authorized level of $2 million.

Office of National Ombudsman. Once again the budget request proposes to under-fund and undermine the importantance of this program by requesting the same flat-line amount of $500,000, which has served as a virtual placeholder for this line-item. I find this astonishing. When President Bush was sworn into office, he took an early lead in reviewing the crunch of last-minute regulations pushed through by the outgoing Clinton Administration. It is therefore remarkable that the Administration's budget shows so little support for Office of National Ombudsman and its efforts to monitor the impact of regulations on small businesses. I would think this program would be in-tune with the President's oversight of agency regulations and would warrant greater support.

The Regulatory Fairness program, administered by the Ombudsman, was created under the Small Business Regulatory Enforcement Fairness Act (SBREFA) that passed the Senate without opposition in 1996 (Public Law 104–121). The SBA Office of National Ombudsman is charged with overseeing the ten Regional Fairness Boards that convene throughout the U.S. to listen to small businesses described their experiences with Federal regulatory agencies. This program provides small businesses an opportunity to tell someone in the Federal government when they have been treated unfairly by agencies in enforcement actions. This is not about small businesses trying to avoid their responsibilities; it is about providing a sounding board so that the Administration and the Congress can find out what is actually happening out in the country.

This program therefore provides a critical link between small businesses and Federal agencies. In Fiscal Years 2001 and 2002, this program was appropriated only $500,000, making it very difficult to conduct the necessary follow-up to ensure that agencies are responding to the concerns raised through the reports submitted by the Fairness Boards. This undermined the ability of the program to meet the goals I envisioned in the SBREFA legislation.

At a minimum, this allocation should be increased to $1.625 million. This will permit more meetings of the Regulatory Fairness Boards to be held and more staff to be hired. With ten Regional Fairness Boards throughout the country, at approximately $10,000 per meeting, the previous allocation only allowed one meeting of each board per year. This should be increased to at least four meetings per board per year, which will require an increase of approximately $300,000. Ideally, at least one meeting of a board should occur in each State each year. Further, increased staff support will

allow for greater specialization and thus better follow-up with the agencies.

Finally, this greater allocation will permit more promotion of the program and greater use of technology by designing better on-line filing options for small businesses to file their complaints. One of the problems with this program has been a lack of awareness among small businesses, so that they have not come forward with their accounts of how they were treated by Federal agencies. This can be resolved, consistent with the President's e-government initiatives, through technology.

Small Business Development Center (SBDC) Program. The SBDC program is the SBA's largest management and technical assistance program. The SBDCs serve more small businesses and individual entrepreneurs than all other SBA programs, credit and non-credit, combined. In Fiscal Year 2001, the SBDC program provided counseling and training assistance to over 600,000 persons and small businesses.

The budget request of $88 million is the same amount that was appropriated for Fiscal Year 2002. This amount, while significant, fails to address the changes that have occurred in recent years. As the result of the 2000 Census, twenty-four State SBDC programs have taken cuts in SBA funding for Fiscal Year 2002. These twenty-four States took cuts, not because they lost population, but because their population did not grow as fast as the national average during the 1990s. Consequently, I recommend that the SBDC funding is increased to $105 million so that SBDC services will not be curtailed in States that are experiencing decreases in funding from the SBA.

E-Government Portal Business Compliance One-Stop. The request is $5 million to develop a better government Internet portal for small businesses is one that requires close scrutiny. In the past, I have been concerned about the SBA's ability to define clear project goals, Sometimes, it appears that the SBA's appetite for funding is greater than its ability to manage and implement the task all the way through to completion. The Committee has submitted to the SBA a number of questions in this area, following the SBA budget hearing conducted on February 27th. Answers to these questions will provide a better idea of an appropriate funding level for this initiative. My staff will be at your disposal for funding discussions when those answers have been provided and reviewed.

Other E-Government Initiatives. I support the President's request for $2.8 million to upgrade information technology infrastructure and to enhance IT security. Obviously, the current international environment has made all government entities more conscious of security needs, both physical security and electronic security. I am concerned that the SBA has been slow to conduct risk assessments, and I urge the SBA to complete them during Fiscal Year 2003. The President has also proposed $750,000 to implement an electronic documents management system. I support this effort.

Thank you for the opportunity to comment on programs within the Committee's jurisdiction. I look forward to working with you to develop a budget resolution that is cognizant of both the Administration's reform agenda and of the need for a strong small business program. If you have questions about this letter, please contact

Cordell Smith of my Small Business Committee staff at (202) 224–4086.

Sincerely,

CHRISTOPHER S. BOND,
Ranking Member.

U.S. SENATE,
COMMITTEE ON VETERANS' AFFAIRS,
Washington, DC, March 6, 2002.

Hon. KENT CONRAD, *Chairman.*
Hon. PETE V. DOMENICI, *Ranking Member,*
Committee on the Budget, U.S. Senate, Washington, DC.

DEAR KENT AND PETE: Pursuant to Section 301(d) of the Congressional Budget Act of 1974, the leadership of the Committee on Veterans' Affairs (hereafter, "Committee") hereby reports to the Committee on the Budget its views and estimates on the fiscal year 2003 (hereafter, "FY 03") budget for Function 700 (Veterans' Benefits and Services), and for Function 500 (Education, Training, Employment and Social Services) programs within the Committee's jurisdiction. This letter fulfills the Committee's obligation to provide recommendations on veterans' programs within its jurisdiction.

I. SUMMARY

The Department of Veterans Affairs (VA) requires $2.5 billion in additional funding in FY 03 to support its medical care operations. This needed sum includes $1.1 billion to obviate the need for a proposed health care deductible—a proposal which we find unacceptable—and $1.4 billion to cover payroll increases for VA health care personnel, medical inflation, and VA's existing medical care shortfall. We expect VA to improve insurance collections by $400 million over and above the $400 million in added collection revenues that VA already projects for FY 03. Thus, we limit our requested medical care increase to $2.1 billion for FY 03. An increase limited to that amount will allow VA to maintain current services and obviate the need for legislation to suppress demand.

As you both are undoubtedly aware, VA's proposed budget—and all Department budgets—show increases in discretionary spending of 2.9 percent attributable to a proposed shift in personnel-related costs under proposed legislation to revise accounting for Federal pension and post-retirement health benefits contributions. We express no view on this technical proposal. Our statements with respect to proposed funding levels for VA, however, do not assume that costs associated with this proposal will be transferred to VA.

With respect to mandatory account programs, we support the Administration's request—as far as it goes. But we request, in addition, funding sufficient to allow for an increase in survivors' educational benefits.

II. DISCRETIONARY ACCOUNT SPENDING

A. P M a Ca S

VA requires a significant increase in funding to better address the needs of an aging population, to improve services and quality,

and to reduce clinical waiting times. But VA does not request the level of funding needed. Instead, it requests legislation to impose new fees—a $1500 annual "deductible" on so-called "Priority 7" veterans. We opposite this proposal. Accordingly, while we agree with the Administration on the level of funding required to support the VA health care system, we differ on the amount that needs to be appropriated—and the amount that can be collected from insurance carriers and garnered directly from veterans in the form of fees and deductibles. Our views are summarized below:

FY 2003 PROPOSED MEDICAL CARE BUDGET ($)

Current services	Deductible offset	Total assets required	Collections efficiencies	Committee view of appropriation
Payroll: 572 m		.....	Consolidate MCCF operations	
Inflation: 396 m		.....	Execute private sector contracts	
Drug Costs: 306 m	Revenue: 260 m	.....	Reduce outstanding receivables	
FY 02 Deficit: 258 m	Enrollment: 855 m	.....	Require enrollees' insurance information	
Total: [1] +$1.4b	+$1.1b	+$2.5b	−$0.4b	−[2] +$2.1b

[1] The cost of maintaining current services plus compensating for the FY 02 shortfall actually exceeds $1.4 billion. We have chosen, however, to limit our base calculations to this level.

[2] Total excludes the Administration's proposed accrual of full funding for Federal retiree costs.

1. Current Services (+$1.4 billion)

Payroll inflation, increases in the costs of goods, and other "uncontrollables" dictate funding increases of at least $1.27 billion in FY 03 simply to maintain the level of current services. In addition to this amount, the VA health care system is currently running a sizeable deficit which is accounted for in our proposed level of funding.

VA's medical care payroll costs will increase by almost $572 million in FY 03 due to non-optional cost-of-living and within-grade salary and wage adjustments and increases in government-paid Social Security, health insurance, retirement, and other benefits. The cost of inflation and rate changes for goods and services dictates an additional $396 million in funding in FY 03. And according to VA, pharmaceutical inflation requires $306 million in funding over and above the amount included in general inflation request. This additional pharmaceutical need comes despite an aggressive VA pharmaceutical management program.

VA's FY 02 deficit also requires attention. To partially fill the $400 million deficit in the current fiscal year, it is our understanding that the Administration will request $142 million in supplemental funding. The remainder—$258 million—must also be addressed, as it is manifesting itself is disturbing ways: VA is approving no new community-based clinics; managers of many existing community-based clinics have been told to stop accepting new patients; hundreds of millions of dollars have been reallocated from 16 health care networks to fund emergency shortfalls in five networks; and waiting times for even basic primary care have grown to alarming levels.

2. Proposed $1,500 Deductible (+$1.1 billion)

VA has seen a substantial increase in enrollment, especially in the number of Priority 7 veterans—so-called "higher income" veterans—whose financial means are above approximately $24,000. There are about 1.9 million currently-enrolled Priority 7 veterans; VA projects further growth, estimating that the number of Priority 7 enrollees will account for more than one-third of the total number of enrollees in FY 07. Anecdotal evidence (provided in the form of testimony before this Committee in July 2001) suggests that many Priority 7 veterans have turned to VA for drug coverage because Medicare lacks similar coverage.

While the Administration's request assumes that enrollment will remain open, the deductible is most certainly designed to slow the growth of enrollees. VA estimates that the deductible—if it were to be enacted—would raise $260 million in revenue. More significantly, it estimates that enactment would cause more than 100,000 veterans to leave (or choose to not enroll in) the VA medical care system, yielding "savings" of $855 million. We believe veterans needing care should not be deterred from enrolling for care. Our view is that the $1.1 billion in projected savings and revenue stemming from a proposed deductible designed to deter such enrollment must be allocated to the VA medical care account.

3. Efficiencies from the Medical Care Cost Collections Fund (−$400 million)

While we concur with VA that at least $2.5 billion in additional spending for FY 03 is needed to support medical care operations, we estimate that only $2.1 billion of that amount need come from appropriations. We are confident that the remaining $400 million in discretionary resources can be secured through both efficiencies in VA's management and needed improvements to VA's medical collections effort. VA anticipates collecting $1.5 billion in "third party" insurance and TRICARE reimbursements and "first party" patient copayments. VA can—and VA must—do much better than this.

VA's increase in the prescription drug copayment alone will increase collections by approximately $140 million. In addition, inflation-driven increases in the "reasonable rates" VA will charge to insurance companies in FY 03 will generate additional collections. VA also expects to implement new long-term care copayments for nonservice-connected veterans with incomes over $9,000 per year; it anticipates an additional $40 million in revenue from this change. Finally, additional collections from insurers will be made possible by our rejection of the proposed $1500 deductible since patients with insurance coverage will not have been deterred from enrolling for VA care. These modifications alone—modifications that will not require VA improve its business practices at all—will allow VA to approach its goal of collecting $1.5 billion from first and third-party sources. But VA must do more.

We believe VA can add to least $400 million more to the $1.5 billion target it has set for itself. VA must consolidate collection operations, take advantage of private sector contract opportunities, and reduce outstanding receivables (currently more than $700 million in receivables are due). VA must also improve clinician medical record documentation and be more persistent in requiring that vet-

erans provide insurance information when they enroll for and receive health care. (VA currently identifies insurance from only 15% of veterans seeking care for nonservice-connected conditions.) For our part, the Committee will examine proposals to require health insurance companies to recognize VA as a preferred provider. Such proposals may enable VA to foster closer working relationships with these companies and result in smoother billing practices.

B. C

We support VA's proposal to move forward now on construction of the national cemeteries mandated by Public Law 106–117. We hope that the request will enable VA to gain full funding for these—and other—projects. There can be no delay as the World War II and Korean War veterans are aging rapidly.

We are also pleased to see a proposed increase of $7 million for the State Veterans Cemetery Grant Program. This program is a popular alternative for States with small veteran populations; it provides a way for those States to honor and commemorate the service of their veterans.

We also support VA's requested funding for major and minor medical construction. The VA health care system has significant infrastructure needs that have gone unfunded in the past several budget cycles. While the Committee still must authorize all major construction projects—and it looks forward to reviewing the merits of requested projects—we nonetheless are pleased to see a proper funding request in this budget. We support the level sought for both the major and minor construction needs of VA.

C. G a O a E

We support the VA budget request of $1.4 billion for the General Operating Expenses (GOE) account. The request will support an increase of 147 FTE over the FY 02 level on the heels of two years of 800+ FTE increases. VA has indicated that the Veterans Benefits Administration (VBA) cannot absorb greater increases; new employees hired over the last two years are only now getting up to speed.

We are cognizant of VA data gathering limitations which prevent VA from demonstrating the level of gains, if any, already achieved from the influx of newly-hired employees. It is significant, we think, that the President's nominee to serve as Under Secretary for Benefits, who also chaired the Secretary's Task Force to examine VA's claims processing system, has stated as follows: "I must say that I think the VA has the necessary resources right now to do the job . . . the Agency can't justify asking for more people right now." In light of that, we do not seek additional FTE for the GOE account at this time.

D. V a E a T a S

VA's proposed budget assumes a shift of veterans employment and training services from the Department of Labor (DOL) to VA, a shift that would result in the movement of $197 million in discre-

tionary appropriations from DOL to VA. VA has not described how existing programs would be replaced except to state that it would initiate a "competitive grant program." Without a more detailed program design, we cannot realistically assess anticipated program costs or required staffing levels. And inasmuch as this proposed transfer has not been authorized or even formally requested, it is clearly premature for VA to include anticipated costs in its proposed FY 03 budget.

E. E P a

This year, preparations for the consequences of terrorism have affected all Federal budget and all hospital networks, VA's included. VA must equip and train staff to protect themselves—and VA patients—during a crisis. VA must also meet its obligations to provide care to potential civilian casualties; it does so by serving as the largest single medical asset supporting the Federal Response Plan for disasters, the infrastructure backbone of the National Disaster Medical System, and as the medical back-up to the Department of Defense. In October 2001, VA's Preparedness Review Working Group estimated that a minimum of $118 million would be required to prepare the health care delivery system alone for disasters. The VA budget requests only $55 million for all emergency programs.

FY 2003 COMMITTEE ESTIMATE FOR MINIMAL EMERGENCY MEDICAL PREPAREDNESS ($)

Personal protective equipment/Patient decontamination equipment	Staff disaster training	Emergency PTSD services	Regional pharmaceutical caches	Minimum total	FY 2003 request
100 m	2 m	10 m	6 m	118 m	55 m

We believe VA's FY 03 budget should include, at minimum, $118 million for emergency preparedness. This minimal investment is required if VA medical centers are to avoid choosing between emergency preparedness and necessary medical care for veterans. In addition, we believe that VA could play a much greater role in preparing for and meeting mass medical care needs during a public health crisis. Although we make no separate request for preparedness funds for this purpose, we anticipate doing so in the future after careful consideration of VA's potential contribution and concomitant needs in the context of homeland security.

III. MANDATORY ACCOUNT SPENDING

We support the budget request $29.6 billion, which reflects an increase of $1.6 billion in mandatory funds for benefits payments above the FY 02 level of $28.6 billion. This increase in mandatory funds provides for a 1.8 percent cost of living adjustment in 2003. But we also recommend an increase, above the FY 03 baseline, in the mandatory spending ceiling of $250 million in FY 03, $1.3 billion from FY 03 through FY 07, and $2.5 billion from FY 03 through FY 12.

A. OBRA P

The budget request recommends legislation to make permanent an Omnibus Budget Reconciliation Act (OBRA) extender—information-matching with the IRS to verify VA needs-based pensioners' income. Last year's budget resolution assumed that this provision, which expires at the end of FY 02, would be extended. However, there were jurisdictional complications associated with a necessary corresponding amendment to the tax code allowing the IRS to provide to VA requested information. We will work to overcome these obstacles this year. And while we intend to extend this provision of law, we do not anticipate making it permanent.

B. S 'a D 'E a A a

Last year's budget resolution afforded the Veterans' Committees the opportunity to make significant enhancements to Montgomery GI Bill (MGIB) education benefits and other veterans' programs through enactment of the Veterans Education and Benefits Expansion Act of 2001. We appreciate your action to make these statutory improvements possible. The centerpiece of this legislation was an historic, 47 percent increase in the MGIB monthly benefit. This increase, after it is phased-in over a two year period, will provide for a basic monthly benefit of $985 beginning in October 2003.

The Veterans Education and Benefits Expansion Act also increased the Survivors' and Dependents' Education Assistance (DEA) monthly education benefit—but only from $607 to $670. (DEA benefits are provided to the spouses and dependent children of a) service members who die on active duty, b) veterans who die as a result of service related injuries, and c) veterans who are permanently and totally disabled.) A recent VA program evaluation report concluded that increasing the DEA monthly benefit to approximately $800 would encourage usage among almost 90% of those who otherwise would not have used it. Furthermore, the report recommended that future DEA benefits "should be the same as [the] MGIB benefit." VA concurs as indicated by testimony of Deputy Secretary of Veterans Affairs Leo McKay before the Committee. Accordingly, we hope to increase the DEA monthly benefit to the same amount, and on the same phased-in basis, as the MGIB monthly benefit. That reform would increase direct spending by $250 million in FY 03, $1.3 billion in FY 03–FY 07, and $2.5 billion in FY 03–FY 12. We request an adjustment to the Committee's mandatory account spending ceilings to accommodate this needed legislation.

Sincerely,

JOHN D. ROCKEFELLER IV,
Chairman.

ARLEN SPECTER,
Ranking Member.

VIII. COMMITTEE VOTES

On March 20, 2002, Chairman Conrad presented the Chairman's Mark for the fiscal year 2003 budget resolution to the Committee.

Votes taken during Committee consideration of the concurrent resolution on the budget were as follows:

MARCH 20, 2002

(1) By a vote of 20 yeas to 0 nays the Committee agreed to the Conrad motion that the Committee begin consideration with the Chairman's mark as original text for purposes of amendment, and that no amendment be in order that would increase spending or reduce revenues relatives to the Chairman's mark unless the amendment is fully offset in each and every year, except for an amendment in the nature of a substitute to be offered by Senator Hollings, a Republican substitute, and a substitute representing President Bush's budget.

Yeas: 20	Nays: 0
Conrad	
Hollings	
Sarbanes	
Murray	
Wyden	
Feingold	
Johnson	
Byrd	
Nelson	
Stabenow	
Clinton	
Corzine	
Domenici	
Nickles	
Bond	
Gregg	
Snowe	
Frist	
Smith	
Allard	

Not voting: Grassley, Gramm, Hagel.

MARCH 21, 2002

(2) By voice vote the Committee adopted the Clinton and Johnson amendment expressing the sense of the Senate that Congress should provide sufficient resources to ensure beneficiary access to high quality health services provided by home health agencies, skilled nursing facilities, physicians, and hospitals, including rural, teaching, community, and safety-net hospitals that serve communities across the nation.

(3) By voice vote the Committee adopted the Feingold, Bond, Stabenow, and Nelson amendment expressing the sense of the Senate that Congress and the administration should work together to avoid the 15 percent reduction in the prospective payment system for home health care and extend the 10 percent bonus payment for rural Medicare home health providers.

(4) By voice vote the Committee adopted the Snowe amendment expressing the sense of the Senate that Congress should increase funding for the Child Care and Development Fund to meet the

work requirements under the reauthorization of welfare programs and to allow states to expand child care programs to meet the needs of lower-income working families.

(5) By voice vote the Committee adopted the Feingold amendment expressing the sense of the Senate that the resolution assumes the Department of Defense will give priority to funding the Active Guard/Reserves and Military Technicians at least at the minimum required levels.

(6) By voice vote the Committee adopted the Nelson amendment expressing the sense of the Senate that science and technology should be no less than three percent of the budget of the Department of Defense by 2007.

(7) By voice vote the Committee adopted the Johnson, Conrad, and Domenici amendment expressing the sense of the Senate that priority consideration will be provided to tribal colleges through funding for the Tribally Controlled College or University Assistance Act, the Equity in Educational Land Grant Status Act, and Title III of the Higher Education Act; and such priority consideration reflects Congress' intent to continue to work toward statutory Federal funding goals for the Tribal Colleges and Universities.

(8) By voice vote the Committee adopted the Stabenow amendment expressing the sense of the Senate that Congress should request that the Department of Defense review the findings of the "Tail-to-Tooth Commission" and should closely evaluate ways to streamline overhead and support functions, and any savings made in this area should be used to provide the best support to our troops fighting the war or terrorism on critical resources for homeland defense.

(9) By voice vote the Committee adopted the Feingold, Grassley, Murray, Johnson, Domenici, and Smith amendment expressing the sense of the Senate encouraging the promotion of geographic equity in Medicare fee-for-service payments and rewarding, rather than punishing, providers who deliver high-quality, cost effective Medicare services in all areas of the country.

(10) By voice vote the Committee adopted the Smith, Snowe, Clinton, and Corzine amendment expressing the sense of the Senate that sufficient funding will be made available to expand access to affordable health care coverage for the uninsured; and that such funding shall permit a mix of options for private and public coverage, build upon and strengthen private and public coverage, target those who need it most, avoid creating new bureaucracies, and promote flexibility in expanding coverage.

(11) By voice vote the Committee adopted the Nelson amendment expressing the sense of the Senate that Congress should repeal any law that established the offset of military retired pay by Veterans Disability Compensation, enact legislation that fully funds restoration of military retired pay to eligible disabled veterans, and that the President should provide full funding for military retired pay in future budget requests.

(12) By voice vote the Committee adopted the Domenici amendment expressing the sense of the Senate that Congress should establish a National Commission on Medicaid and State-Based Health Care Reform to study and make recommendations to the Congress, the President, and the OHS Secretary with respect to the program under title XIX of the Social Security Act.

(13) By voice vote the Committee adopted the Stabenow amendment expressing the sense of the Senate that if Congress passes legislation that utilizes market forces and competition to lower the cost of prescription drugs, and if CBO says that these measures save the Federal government money, these savings should be set aside to enhance a prescription drug benefit for Medicare recipients.

(14) By voice vote the Committee adopted the Feingold and Smith amendment expressing the sense of the Senate that the maximum Pell Grant award should be raised to the maximum extent practicable, and funding for the Pell Grant program should be higher than the level requested by the President.

(15) By voice vote the Committee adopted the Corzine amendment expressing the sense of the Senate that Congress should reject the reductions in guaranteed Social Security benefits proposed by the President's Commission to Strengthen Social Security.

(16) By voice vote the Committee adopted the Sarbanes amendment expressing the sense of the Senate that the Assistance to Firefighters Grant Program administered by FEMA should be fully funded and remain a separate and distinct program that provides financial resources for basic fire fighting needs.

(17) By voice vote the Committee adopted the Snowe, Smith, and Stabenow amendment against reducing Social Security benefits.

(18) By voice vote the Committee adopted the Clinton amendment expressing the sense of the Senate that adequate stockpiles be made available for all routine immunizations universally recommended for children.

(19) By voice vote the Committee adopted the Smith amendment expressing the sense of the Senate that the Payment in Lieu of Taxes ("PILT") program should be fully funded.

(20) By voice vote the Committee adopted the Corzine amendment expressing the sense of the Senate that funding for Superfund be at a level sufficient to significantly increase the number of toxic waste sites cleaned up through the Superfund program.

(21) By voice vote the Committee adopted the Clinton amendment expressing the sense of the Senate that the Federal government should pay for the costs incurred by state and local government for providing services to undocumented immigrants.

(22) By voice vote the Committee adopted the Grassley amendment expressing the sense of the Senate that the FBI should not receive the additional $21 million in budget authority requested for the National Infrastructure Protection Center ("NIPC") until the Attorney General reports to the Congress that NIPC will remain an inter-agency organization and will not be transferred solely to the FBI.

(23) By voice vote the Committee adopted the Allard amendment expressing the sense of the Senate regarding a Senate vote on a balanced budget Constitutional amendment, with Senators Sarbanes and Murray voting in the negative.

(24) By voice vote the Committee adopted the Nelson amendment expressing the sense of the Senate that none of the funds provided in this resolution should be used to provide reimbursements under the Medicare program to any provider who requires beneficiaries to pay an access or membership fee, or requires the purchase of non-

Medicare-covered services as a precondition for receiving Medicare-covered care.

(25) By voice vote the Committee adopted the Domenici amendment to provide revenue reductions, offset with a corresponding unspecified reduction in spending in Function 920, for legislation to ensure that group health plans and group health insurance issuers who offer mental health benefits do not impose different treatment conditions or financial requirements for mental health benefits than they do for medical/surgical benefits; and providing that there shall be no negative impact on the Social Security trust funds as a result of the amendment.

(26) By a vote of 22 yeas to 0 nays the Committee adopted the Conrad amendment expressing the sense of the Senate that the Committee on Finance should extend the child tax credit for 2011 and the succeeding years, and that the Committee on Finance should offset the cost of that extension by enacting legislation to close down abusive corporate tax shelters and other abusive tax practices brought to light as a result of its investigations into the collapse of the Enron Corporation.

Yeas: 22	Nays: 0
Conrad	
Hollings	
Sarbanes	
Murray	
Wyden	
Feingold	
Johnson	
Byrd	
Nelson	
Stabenow	
Clinton	
Corzine	
Domenici	
Grassley	
Nickles	
Gramm	
Bond	
Gregg	
Snowe	
Frist	
Smith	
Allard	

Not voting: Hagel.

(27) By a vote of 10 yeas to 12 nays the Committee defeated the Gramm amendment to make unspecified spending cuts in Function 920 of over $56 billion, and use the proceeds to reduce revenues.

Yeas: 10	Nays: 12
Domenici	Conrad
Grassley	Hollings
Nickles	Sarbanes
Gramm	Murray
Bond	Wyden
Gregg	Feingold

Snowe	Johnson
Frist	Byrd
Smith	Nelson
Allard	Stabenow
	Clinton
	Corzine

Not voting: Hagel.

(28) By a vote of 11 to 11 the Committee defeated the Gregg and Feingold amendment, as modified, to establish discretionary spending limits; to allow Senators to have provisions of appropriations bills, amendments, and conference reports stricken pursuant to a supermajority point of order; and provide that if Congress has not adopted a concurrent resolution on the budget for any of fiscal years 2003 through 2007 before May 15 of each of those calendar years, then the discretionary spending limits in the amendment would become 302(a) spending allocations to the Appropriations Committee.

Yeas: 11	Nays: 11
Feingold	Conrad
Domenici	Hollings
Grassley	Sarbanes
Nickles	Murray
Gramm	Wyden
Bond	Johnson
Gregg	Byrd
Snowe	Nelson
Frist	Stabenow
Smith	Clinton
Allard	Corzine

Not voting: Hagel.

(29) By a vote of 8 yeas to 14 nays the Committee defeated the Conrad amendment in the nature of a substitute reflecting President Bush's budget for fiscal year 2003.

Yeas: 8	Nays: 14
Domenici	Conrad
Grassley	Hollings
Nickles	Sarbanes
Gramm	Murray
Bond	Wyden
Gregg	Feingold
Frist	Johnson
Allard	Byrd
	Nelson
	Stabenow
	Clinton
	Corzine
	Snowe
	Smith

Not voting: Hagel.

(30) By a vote of 13 yeas to 9 nays the Committee adopted the Domenici amendment to add discretionary spending limits for fiscal

year 2003 for purposes of Senate enforcement at a level of $768.089 billion in budget authority and $794.736 billion in outlays.

Yeas: 13	Nays: 9
Feingold	Conrad
Nelson	Hollings
Stabenow	Sarbanes
Domenici	Murray
Grassley	Wyden
Nickles	Johnson
Gramm	Byrd
Bond	Clinton
Gregg	Corzine
Snowe	
Frist	
Smith	
Allard	

Not voting: Hagel.

(31) By a vote of 10 yeas to 12 nays the Committee defeated the Domenici amendment to (1) eliminate the reserve fund in the Chairman's mark which provides additional funding for defense-related expenses in fiscal years 2005 through 2012 if they are needed, up to the level requested by the President in his budget; (2) make unspecified spending cuts in Function 920 by $179.907 billion in budget authority and $160.460 billion in outlays over the next 10 years; (3) cut national defense spending by $5.579 billion in budget authority and outlays in fiscal year 2004; and (4) increase defense spending by a total of $185.486 billion in budget authority and $166.039 billion in outlays in fiscal years 2005 through 2012.

Yeas: 10	Nays: 12
Domenici	Conrad
Grassley	Hollings
Nickles	Sarbanes
Gramm	Murray
Bond	Wyden
Gregg	Feingold
Snowe	Johnson
Frist	Byrd
Smith	Nelson
Allard	Stabenow
	Clinton
	Corzine

Not voting: Hagel.

(32) By a vote of 12 yeas to 10 nays the Committee agreed to the Conrad motion that the Committee report favorably the Chairman's mark as amended.

Yeas: 12	Nays: 10
Conrad	Domenici
Hollings	Grassley
Sarbanes	Nickles
Murray	Gramm
Wyden	Bond
Feingold	Gregg

Johnson
Byrd
Nelson
Stabenow
Clinton
Corzine
Snowe
Frist
Smith
Allard

Not voting: Hagel.

IX. Additional Views

ADDITIONAL VIEWS OF SENATOR FEINGOLD

We all should acknowledge the efforts of the Chairman and his staff in crafting a budget resolution this year. This is the first such resolution the Budget Committee has considered under Chairman Conrad's leadership, and he deserves enormous credit for crafting a budget under the severe constraints imposed by the profilgate policies of last year's budget.

The Chairman is very much in the position of convincing the man with a hangover that a hair of the dog is not the solution to his problems. This year's budget is a morning after budget, and I realize how difficult it has been for Chairman Conrad to argue for fiscal responsibility in the wake of last year's binge.

At some point, I am convinced that Chairman Conrad's message for restraint and responsibility will have a more receptive audience and we will get back to reducing the deficit in a more serious way, an effort that served the budget and the economy so well during the 1990s. For the good of the Nation, I hope that time comes soon.

While I have shared my thoughts with the Chairman about the need to go further in reducing the deficit, I certainly believe his mark began that process. Moreover, I doubt a different Chairman could have come anywhere near achieving what he did in his proposal.

Having said that, I must indicate that as it stands now, while I voted to report this concurrent budget resolution out of the Budget Committee, unless it is significantly improved on the floor, I will not be able to support it. The spending priorities are not balanced, and it does not adequately reduce the budget deficit.

Not all of the additional spending provided for an already bloated Defense budget is justified. We all support the President in his effort to fight terrorism, but billions of the additional spending he proposed for the military has nothing to do with the fight against terrorism. As I have noted before, it makes no sense to fully fund three separate tactical fighter aircraft programs. It did not make sense a year ago, and it does not make sense now.

More broadly, I am greatly concerned that the lack of sufficient fiscal restraint in the resolution will compound the damage done by last year's budget when we squandered the opportunity to address the serious long-term fiscal challenges facing our nation—strengthening Social Security, modernizing Medicare, reforming long-term care, and paying down our massive Federal debt.

Chairman Conrad is certainly not to blame for the policies that put us in this situation. Indeed, he warned us all that this would happen. And I know that his mark must be, to some extent, a consensus document. Unfortunately, it is hard to make tough choices by consensus.

In the long run, the only way we will eliminate the deficit is if we force ourselves to do so through budget rules. Such constraints cannot in and of themselves make tough decisions for us, but they can oblige us to do so. That is the consensus for which we must strive.

Budget rules certainly were instrumental in the efforts that led to a balanced budget, however briefly. The Chairman included some provisions in his mark, and we added a modest discretionary spending cap provision during committee deliberations. While I regret the stronger enforcement provisions proposed by Senator Gregg and myself were not adopted by the committee, I look forward to working with my colleagues on the floor to strengthen the provisions that the committee did approve, and, as well, to enact meaningful enforcement mechanisms in law.

I supported moving this resolution out of committee because if we had not reported that measure, the precedents of the Senate would have put us at risk of being saddled with a budget that is far worse. The same wrong-headed policies that led to the current fiscal mess are just over the horizon waiting to pounce. As badly as the Social Security Trust Fund fares under the resolution approved by the Budget Committee, failing to report that resolution could have laid the Trust Fund open to huge raids.

Again, I thank Chairman Conrad for his efforts and those of his staff. Though I cannot be an enthusiastic supporter of the Budget Committee's work product, I recognize and appreciate the work that has gone into it.

I cannot help but think that if Senator Conrad has chaired the Budget Committee at this time last year, we would be in a far stronger budget position than we are now, and we would have produced a resolution that I could enthusiastically support.

RUSS FEINGOLD.

ADDITIONAL VIEWS OF SENATOR JOHNSON

I was pleased to join my colleague from New York, Senator Clinton, in offering an amendment to the budget resolution to express the need to provide sufficient funding in the budget for health care providers, particularly in rural and frontier America.

To use a term that I recently heard, but one that captures the true essence of the situation, we are facing "a perfect storm" in the wake of our health care system. It is no secret that throughout this country health care costs are rising at astonishing rates. Prescription drug spending alone continues to increase by nearly 15 percent yearly. Seniors in this country are forced to choose between paying for medications or daily life necessities. Providers are facing reductions in Medicare reimbursements, yet costs of delivering health care services continue to escalate. These devastating effects are felt throughout the entire industry by home health agencies, skilled nursing facilities, hospitals, physicians and other health care providers. But it doesn't stop there, ultimately beneficiaries themselves feel the impact, whether it be through a reduction in access to health care services or no services at all.

Often faced with conditions of geographic isolation, low population density, and poor economic conditions, many rural areas impose economic hardships on existing providers and make it difficult to attract health professionals. Despite rural Americans making up 20 percent of the nation's population and nearly 22 million rural residents living in federally designated Health Professions Shortage Areas and Medically Underserved Areas, only 9 percent of the nation's physicians practice in rural counties. As well, rural health care givers typically serve a disproportionately high number of Medicare beneficiaries further straining their financial condition as Medicare reimbursements are reduced. For example, the hospitals in Eureka and Faulkton, South Dakota derive 89 percent and 91 percent of their revenue respectively from Medicare patients.

As economic conditions force states to decrease health care reimbursement rates and an aging baby boomer population excerts further demand on many providers, particularly in states such as South Dakota where we have one of the highest rate per capita of individuals over the age of 80, we are going to see an ever increasing need to address the inadequacies and disparities of Medicare reimbursement rates.

Promoting beneficiaries' access to medically necessary health care of high quality is one of the primary objectives of the Medicare program. Therefore, I am pleased the Committee adopted the provider resources amendment so that we ensure resources are made available to those health care providers who are delivering critically necessary health care services.

JIM JOHNSON.

ADDITIONAL VIEWS OF SENATORS DOMENICI, FRIST, AND GRASSLEY

The President's budget request sets forth three clear goals: (1) national security, (2) homeland security, and (3) economic security. The Republican Members of the Senate Budget Committee support these goals and find the Committee-reported FY 2003 Budget Resolution falling short of at least two of the President's objectives.

The resolution (S. Con. Res. 100) would risk both our national security and our country's fiscal future. By reducing the President's long-term defense commitment at this time, the resolution sends the wrong signal to those who wish our country harm. While the Majority's resolution ostensibly funds the President's defense request the next two years, the Majority thwarted efforts by Republicans in the Committee to guarantee that funding by establishing a firewall between defense and non-defense appropriations. Failure to establish this firewall for one year, a year in which 258,000 U.S. troops are deployed overseas, once again, calls into question the stated commitment to the President's defense request in the near term.

The resolution contradicts its stated goal of future fiscal responsibility with new, expansive domestic spending programs. The resolution increases domestic spending both now and in the future, and furthermore, relaxes budget enforcement tools and increases taxes when compared to the President's budget. The resolution's 10-year numbers understate the growth in domestic spending thus masking certain pressure for major tax increases that would be required to fund programs in the future. And not once does the resolution or supporting documentation address accountability in governing nor mention the President's five management reforms for agencies' budgets: management of human capital, competitive sourcing, E-government, financial management, and budget and performance integration.

The Chairman of the Budget Committee states that within the overall level of discretionary funding for FY 2003 that the President's request for domestic non-defense, homeland security funding has been met at $25.2 billion. The Republican Members have no basis to challenge this statement, and accept that this funding will be provided within the guidelines of the resolution. Competition will be fierce for these non-defense, non-international affairs discretionary dollars, however, given other spending commitments made in the resolution.

While establishing the laudable goal of balancing the federal budget without counting funds from the social security program in the future, the resolution continues to use social security surpluses throughout the decade. After months of criticism of the President's budget, this Democratic resolution's so-called circuit breaker or trigger provision puts off to another day, another Congress, another

budget, the hard choices for tomorrow. Over the period FY 2003–FY 2012 the resolution uses $1.3 trillion in social security surplus for programs other than social security. If this Congress is not willing to at least exercise some fiscal restraint today, it is disingenuous to try to demand such restraint from its successors.

The Republican Members' concerns follow:

1. *Increased Spending.*[1]—The resolution sets total federal spending in FY 2003 at $2.132 trillion, up 6.5 percent over the current year. Defense discretionary outlays will grow by 9.2 percent in FY 2003, while domestic spending (including nondefense discretionary and mandatory spending) will grow by 6.4 percent. The resolution's 10-year numbers shows a path of total spending slowing from this year's 6.5 percent growth to an annual average rate of 4.5 percent over the decade. But the slowdown in spending is due to the resolution reducing and slowing defense expenditures. While defense spending in the resolution would grow at only 3.3 percent annually over the next decade, all domestic spending would grow at 5.2 percent annually. Mandatory spending grows at even a faster rate of 6.0 percent. Analysis of the resolution's spending assumptions suggest that even this rate of growth in domestic spending is understated in the resolution. The resolution increases total domestic spending over the President's request by almost $350 billion and nearly $600 billion over current law for the next 10-year period.[2] Even in the budget year—FY 2003—the resolution would increase total domestic spending nearly $14 billion over the President's request, and $25 billion over current law policies.

Compared to the President's request, nearly 70 percent of the resolution's increased spending over the next decade is in the area of mandatory spending programs. The resolution creates $100 billion in new mandatory spending for an education program that needs reform (IDEA—Individuals with Disabilities Education Act). An expansive prescription drug benefit is added to the Medicare program with no stipulation made that Medicare be reformed. Both programs will grow, not subject to appropriations in the future, and will place unique pressure on future federal budgets.

The resolution increases domestic discretionary spending authority over the President's budget request in 2003 by $15.5 billion while claiming to be at the President's request. First, the resolution omits the President's proposal to budget for the accrual cost of retirement benefits for federal employees, but nonetheless adds $9.0 billion to its discretionary mark. The resolution also increases 2003 advance appropriations $2.2 billion over current practice and it assumes a "historical" rescission of $46.7 billion in budget authority and $39.0 billion in outlays over the next decade. Outlay savings from this assumption are highly unlikely.

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[1] For purposes of accurate and fair comparisons the numbers presented in this text exclude the President's economic security plan included in his FY 2003 budget submission and exclude the recently enacted Job Creation and Worker Assistance Act of 2002 (P.L. 107–147)

[2] Summary tables included in these views that compare the reported resolution to the President's budget request as reestimated by the CBO, excluding the effects of the recently enacted Job Creation and Worker Assistance Act of 2002 (P.L. 107–147). Comparisons are also presented relative to the CBO March baseline estimates, again excluding P.L. 107–147. The spending and revenue impact form P.L. 107–147 is assumed in the reported resolution. Therefore to make direct comparisons to the President's budget which included different stimulus spending and revenue assumptions than those finally enacted, both P.L. 107–147 and the President's assumed stimulus policies have been excluded from some tables.

Domestic appropriated accounts are $106 billion higher than the President's request over the decade, even without including an allowance for the FY 2002 supplemental request of $27.1 billion transmitted to Congress on March 21. Further, most domestic discretionary account increases, assumed in the resolution in the early-years, are clearly understated in the out-years. As an example, while the resolution increases domestic appropriation outlays in FY 2003 by $10.3 billion compared to the President's request, the resolution assumes that these adds are somehow one-time increases and will gradually be reduced over the decade. The combination of major increases in mandatory spending programs that will grow in the future, and an understatement in the future of the current year increases in domestic appropriated accounts, combined with highly questionable savings from rescissions, portend an unsustainable future fiscal path.

2. *Limited Enforcement Provisions.*—The resolution does extend, in the Senate, some expiring points-of-orders and pay-go provisions. But only because of the effort led by the Republicans does the resolution establish a one-year cap on discretionary spending. Efforts in the Committee to extend the caps further and strengthen enforcement provisions failed, but will be revisited in the full Senate. Even Senator Domenici's effort to guarantee that the resolution's commitment to funding the President's defense request just for one year—FY 2003—failed when he tried to include a firewall between defense and non-defense spending in that year.

Other provisions in the resolution weaken its enforcement provisions, such as increasing domestic advance appropriations by over $2.2 billion this year and eliminating the emergency designation point-of-order for non-defense discretionary spending. This point-of-order is the Senate's only mechanism for reviewing the use of the emergency designation. Moreover, many would have to agree that it has been invoked most judiciously.

The advance appropriations limit has been increased from the level set in last year's resolution—$23.2 billion. That limitation was designed to accommodate the advances that had been made in the FY 2001 bills into FY 2002, or in other words: the appropriators were held harmless for this advance spending, but were to do no more. The Appropriations Committee complied with the rule, and the advances contained in the FY 2002 bills were within the set limit. It is clear that with respect to FY 2003, the resolution intends to permit an additional $2.2 billion in spending beyond what the President has proposed.

3. *Cuts in National Security/International Affairs.*—The resolution reduces defense spending authority $245 billion below the President's request. The resolution claims that a "reserve fund" for defense expenditures would be available if needed. But unlike reserve funds in past GOP budget resolutions which accounted for the reserved amounts in the totals but withheld them from the committees of jurisdiction, in this resolution the funds have simply vanished. This allows the proponents of the resolution to claim greater debt reduction than would be the case without these reserves. In contract to the "reserved" but non-existent defense dollars, new domestic, mandatory spending programs for education

and health care are allocated within the budget totals and not set outside the budget in any imaginary "reserve" construction.

In another contrast to the President's recent commitments and efforts to increase funding for foreign aid programs, the resolution cuts the President's request nearly $5 billion over the next decade.

4. *Increased taxes relative to President's request.*—The resolution provides for no tax cuts over the entire decade. Bipartisan congressional tax cut proposals, such as the CARE Act designed to increase incentives for charitable giving and the recently reported Finance Committee energy tax credits are not accommodated within the resolution. Further, expiring tax provisions such as the R&E tax credit and those provisions that expire in 2010 such as marriage penalty relief, child credit and marginal tax rate reductions would not be permitted if the resolution's blueprint is adopted in the Congress. In total compared to the President's budget, the resolution would increase taxes $553 billion over the next decade.

5. *The Trigger.*—The resolution has a magic trigger referred to as a circuit breaker. The resolution includes the following new process, it is a "wait until next year" procedure. If in any year an on-budget deficit is projected in CBO's January 2003 annual report, then next year's budget resolution would be out of order unless it included policies to achieve a balanced budget excluding social security trust funds. This path would require such balance within 5 years (FY 2008). Even if the resolution for this year were to perfectly come true, then it would project on-budget deficits in 2004 and throughout the remainder of this decade. Therefore, under the policies called for in this reported budget resolution, next year's budget resolution would be required to include a series of policies to adhere to the trigger:

- Raise taxes $570 billion; or
- Further reduce the President's defense request by another 25%; or
- Further reduce the President's non-defense spending by 26%; or
- Freeze all discretionary spending at the 2002 level; or
- Cut Medicare by 30%; or
- Eliminate food stamps, TANF, child care, child nutrition, SCHIP, foster care, veterans' benefits and veterans' pensions beginning in 2004; or
- Some combination or portion of all of the above, but not until next year!

Supporting documentation for these Minority Views are presented in the following summary tables that compare (among other things) the resolution to the CBO March baseline, CBO's reestimate of the President's Budget, and with and without the recent Job Creation and Worker Assistance Act of 2002.

Tables to follow:

- Rates of Growth in the SBC Reported Resolution;
- Comparison of SBC Reported Resolution With CBO's March Baseline and the Reestimate of the President's Budget, With Economic Stimulus and Excluding Accruals;
- Comparison of SBC Reported Resolution With CBO's March Baseline and the Reestimate of the President's Budget Without Economic Stimulus and Excluding Accruals;

• Comparison of SBC Reported Resolution and CBO March Baseline, Without Economic Stimulus and Excluding Accruals—FY 2003 to FY 2012;

• Comparison of SBC Reported Resolution and CBO Reestimate of the President's Budget, Without Economic Stimulus and Excluding Accruals;

• Comparison of Discretionary Budget Authority in the SBC Reported Resolution, the CBO March Baseline, and the Reestimate of the President's Budget.

Senator PETE V. DOMENICI,
Committee on the Budget, Ranking Member.
Senator CHARLES GRASSLEY,
Committee on the Budget.
Senator BILL FRIST,
Committee on the Budget.

RATES OF GROWTH IN THE SBC REPORTED RESOLUTION WITHOUT ECONOMIC STIMULUS AND EXCLUDING ACCRUALS*

	In billions of dollars			% change, 2002–2003	Avg. percent annual growth, 2002–2012
	2002	2003	2012		
Defense	348.2	380.2	479.5	9.2	3.3
Nondefense	382.6	414.5	490.3	8.3	2.5
Discretionary	730.7	794.7	969.8	8.8	2.9
Mandatory	1,102.6	1,165.3	1,983.5	5.7	6.0
NDD and Mandatory	1,485.2	1,579.9	2,473.8	6.4	5.2
Total Outlays	2,000.7	2,131.7	3.099.4	6.5	4.5
Outlays with no interest	1,833.3	1,960.1	2,953.2	6.9	4.9

*The SBC Reported Resolution does not include the effect of the enactment of the Job Creation and Worker Assistance Act of 2002 (P.L. 107–147).

Source: Senate Budget Committee Republican Staff.

COMPARISON OF SBC REPORTED RESOLUTION WITH CBO'S MARCH BASELINE AND THE REESTIMATE OF THE PRESIDENT'S BUDGET WITH ECONOMIC STIMULUS AND EXCLUDING ACCRUALS

[In billions of dollars]

	CBO March baseline	CBO reest of the President's budget*	SBC reported resolution**	SBC less baseline	SBC less reestimate
FY 2003:					
Discretionary	761	784	795	34	10
Mandatory	1,148	1,170	1,169	21	(1)
Net Interest	170	180	175	5	(5)
Total Spending	2,080	2,134	2,138	59	4
Total Revenues	2,086	2,013	2,046	(40)	33
Unified Deficits/Surpluses	6	(122)	(92)	(98)	29
On-budget Deficits/Surpluses	(170)	(297)	(268)	(98)	29
Discretionary Spending BA	732	759	768	36	9
Defense	357	393	393	36	0
Nondefense	375	366	375	(0)	9
FY 2003–2012:					
Discretionary	8,557	8,853	8,798	241	(55)
Defense	3,966	4,449	4,289	323	(160)
Nondefense	4,591	4,403	4,509	(82)	106
Mandatory	14,602	15,038	15,275	673	236
Net Interest	1,517	1,884	1,808	291	(75)
Total Spending	24,677	25,775	25,881	1,204	106
Total Revenues	27,057	26,455	27,064	7	609
Deficits/Surpluses Unified	2,380	680	1,183	(1,197)	503

COMPARISON OF SBC REPORTED RESOLUTION WITH CBO'S MARCH BASELINE AND THE REESTIMATE OF THE PRESIDENT'S BUDGET WITH ECONOMIC STIMULUS AND EXCLUDING ACCRUALS—Continued

[In billions of dollars]

	CBO March baseline	CBO reest of the President's budget *	SBC reported resolution **	SBC less baseline	SBC less reestimate
Deficits Surpluses On-budget	(102)	(1,802)	(1,299)	(1,197)	503

*CBO's Reestimate of the President's Budget includes the President's budget amendment submitted on March 14, 2002, as well as the President's economic security proposal.

**The SBC Reported Resolution includes the effect of the enactment of the Job Creation and Worker Assistance Act of 2002 (P.L. 107–147).

Source: Senate Budget Committee Republican Staff.

COMPARISON OF SBC REPORTED RESOLUTION WITH CBO'S MARCH BASELINE AND THE REESTIMATE OF THE PRESIDENT'S BUDGET WITHOUT ECONOMIC STIMULUS AND EXCLUDING ACCRUALS

[In billions of dollars]

	CBO March baseline	CBO reest of the President's budget *	SBC reported resolution **	SBC less baseline	SBC less reestimate
FY 2003:					
Discretionary	761	784	795	34	10
Mandatory	1,148	1,162	1,165	17	3
Net Interest	170	174	172	1	(3)
Total Spending	2,080	2,121	2,132	52	11
Total Revenues	2,086	2,078	2,086	(0)	8
Unified Deficits/Surpluses	6	(43)	(46)	(52)	3
On-budget Deficits/Surpluses	(170)	(219)	(224)	(55)	(5)
Discretionary Spending BA	732	759	768	36	9
Defense	357	393	393	36	0
Nondefense	375	366	375	(0)	9
FY 2003–2012:					
Discretionary	8,557	8,853	8,798	241	(55)
Defense	3,966	4,449	4,289	323	(160)
Nondefense	4,591	4,403	4,509	(82)	106
Mandatory	14,602	15,029	15,271	669	242
Net Interest	1,517	1,767	1,751	233	(17)
Total Spending	24,677	25,649	25,820	1,143	171
Total Revenues	27,057	26,499	27,051	(5)	553
Deficits/Surpluses Unified	2,380	850	1,232	(1,149)	382
Deficits Surpluses On-budget	(102)	(1,633)	(1,251)	(1,149)	382

*CBO's Reestimate of the President's Budget includes the President's budget amendment submitted on March 14, 2002, but does not include the President's economic security plan proposal.

**The SBC Reported Resolution does not include the effect of the enactment of the Job Creation and Worker Assistance Act of 2002 (P.L. 107–147).

Source: Senate Budget Committee Republican Staff.

COMPARISON OF SBC REPORTED RESOLUTION AND CBO MARCH BASELINE WITHOUT ECONOMIC STIMULUS AND EXCLUDING ACCRUALS

[In billions of dollars]

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2003–2007	2003–2012
SBC Reported Resolution *:												
Defense	380.2	393.9	405.0	410.1	413.4	430.9	444.1	457.5	474.4	479.5	2002.6	4288.9
Nondefense	414.5	422.6	430.4	437.3	444.9	454.0	462.5	471.6	480.8	490.3	2149.7	4509.0
Discretionary	794.7	816.5	835.4	847.4	858.3	884.9	906.6	929.1	955.2	969.8	4152.3	8797.9
Mandatory	1165.3	1196.1	1278.5	1358.8	1443.8	1547.7	1648.2	1759.1	1890.2	1983.5	6442.5	15271.0
Net Interest	171.6	188.0	191.2	189.5	186.3	181.7	175.8	167.7	152.7	146.1	926.7	1750.8
Total Outlays	2131.7	2200.6	2305.2	2395.7	2488.4	2614.2	2730.6	2855.9	2998.1	3099.4	11521.5	25819.7
Revenues	2085.6	2208.9	2341.4	2447.2	2568.3	2706.6	2856.9	3008.5	3278.0	3549.9	11651.4	27051.4
Unified Surplus	−46.1	8.3	36.2	51.5	80.0	92.4	126.3	152.6	279.9	450.6	129.9	1231.7
On-budget	−222.0	−185.9	−174.7	−174.0	−160.6	−163.7	−144.8	−134.6	−23.8	132.9	−917.3	−1251.1
Off-budget	175.9	194.2	210.9	225.5	240.6	256.1	271.1	287.2	303.6	317.6	1047.1	2482.8
CBO March Baseline:												
Defense	354.2	363.4	374.7	380.5	386.6	400.0	410.5	421.2	435.9	439.2	1859.4	3966.2
Nondefense	407.0	420.5	431.6	441.9	452.9	463.9	475.3	487.1	499.1	511.6	2153.9	4590.9
Discretionary	761.2	783.9	806.3	822.4	839.5	863.8	885.8	908.3	935.1	950.8	4013.3	8557.1
Mandatory	1148.2	1180.4	1241.0	1312.4	1384.7	1471.4	1562.3	1661.7	1778.1	1862.0	6266.6	14602.0
Net Interest	170.2	183.7	183.5	177.5	169.5	159.2	146.4	130.6	111.9	84.9	884.4	1517.4
Total Outlays	2079.6	2148.0	2230.7	2312.3	2393.7	2494.4	2594.5	2700.6	2825.1	2897.7	11164.3	24676.5
Revenues	2085.9	2209.3	2341.8	2447.7	2568.9	2707.2	2857.5	3009.2	3278.7	3550.7	11653.6	27056.9
Unified Surplus	6.3	61.3	111.1	135.4	175.2	212.8	263.0	308.6	453.7	653.1	489.2	2380.4
On-budget	−169.6	−132.9	−99.9	−90.1	−65.4	−43.3	−8.1	21.4	150.0	335.4	−557.9	−102.4
Off-Budget	175.9	194.2	210.9	225.5	240.6	256.1	271.1	287.2	303.6	317.6	1047.1	2482.8
Difference:												
Defense	26.0	30.5	30.3	29.6	26.8	30.9	33.6	36.3	38.5	40.3	143.2	322.8
Nondefense	7.5	2.1	−1.2	−4.6	−8.0	−9.9	−12.8	−15.5	−18.3	−21.3	−4.2	−82.0
Discretionary	33.5	32.6	29.1	25.0	18.7	21.0	20.8	20.8	20.2	19.0	139.0	240.8
Mandatory	17.1	15.7	37.5	46.4	59.1	76.3	85.9	97.4	112.1	121.5	175.9	669.0
Net Interest	1.5	4.3	7.8	12.0	16.8	22.5	29.4	37.1	40.8	61.2	42.3	233.4
Total Outlays	52.1	52.6	74.4	83.4	94.7	119.8	136.1	155.3	173.0	201.7	357.2	1143.2

COMPARISON OF SBC REPORTED RESOLUTION AND CBO MARCH BASELINE WITHOUT ECONOMIC STIMULUS AND EXCLUDING ACCRUALS—Continued

[In billions of dollars]

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2003–2007	2003–2012
Revenues	−0.3	−0.4	−0.4	−0.5	−0.5	−0.6	−0.6	−0.7	−0.7	−0.8	−2.1	−5.5
Unified Surplus	−52.4	−53.0	−74.9	−83.9	−95.2	−120.4	−136.7	−156.0	−173.8	−202.5	−359.3	−1148.7
On-budget	−52.4	−53.0	−74.9	−83.9	−95.2	−120.4	−136.7	−156.0	−173.8	−202.5	−359.3	−1148.7
Off-budget	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

*The SBC Reported Resolution does not include the effect of the enactment of the Job Creation and Worker Assistance Act of 2002 (P.L. 107–147).

Source: Senate Budget Committee Republican Staff.

COMPARISON OF SBC REPORTED RESOLUTION AND CBO REESTIMATE OF THE PRESIDENT'S BUDGET WITHOUT ECONOMIC STIMULUS AND EXCLUDING ACCRUALS

[In billions of dollars]

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2003–2007	2003–2012
SBC Reported Resolution *:												
Defense	380.2	393.9	405.0	410.1	413.4	430.9	444.1	457.5	474.4	479.5	2002.6	4288.9
Nondefense	414.5	422.6	430.4	437.3	444.9	454.0	462.5	471.6	480.8	490.3	2149.7	4509.0
Discretionary	794.7	816.5	835.4	847.4	858.3	884.9	906.6	929.1	955.2	969.8	4152.3	8797.9
Mandatory	1165.3	1196.1	1278.5	1358.8	1443.8	1547.7	1648.2	1759.1	1890.2	1983.5	6442.5	15271.0
Net Interest	171.6	188.0	191.2	189.5	186.3	181.7	175.8	167.7	152.7	146.1	926.7	1750.8
Total Outlays	2131.7	2200.6	2305.2	2395.7	2488.4	2614.2	2730.6	2855.9	2998.1	3099.4	11521.5	25819.7
Revenues	2085.6	2208.9	2341.4	2447.2	2568.3	2706.6	2856.9	3008.5	3278.0	3549.9	11651.4	27051.4
Unified Surplus	−46.1	8.3	36.2	51.5	80.0	92.4	126.3	152.6	279.9	450.6	129.9	1231.7
On-budget	−222.0	−185.9	−174.4	−174.0	−160.6	−163.7	−144.8	−134.6	−23.8	132.9	−917.3	−1251.1
Off-budget	175.9	194.2	210.9	225.5	240.6	256.1	271.1	287.2	303.6	317.6	1047.1	2482.8
CBO Reestimate of the President's Budget **:												
Defense	380.2	388.3	406.2	420.4	433.8	455.1	470.0	484.4	502.4	508.5	2028.9	4449.4
Nondefense	404.2	411.5	416.9	422.9	431.1	441.1	451.6	465.7	473.7	484.6	2086.6	4403.2
Discretionary	784.4	799.8	823.1	843.3	864.8	896.2	921.6	950.1	976.1	993.1	4115.5	8852.5
Mandatory	1162.1	1200.5	1266.1	1351.1	1430.5	1518.9	1612.3	1714.4	1842.6	1930.4	6410.3	15028.9
Net Interest	174.5	189.2	189.3	187.1	184.8	182.4	177.0	169.2	161.4	152.2	925.0	1767.3
Total Outlays	2120.9	2189.6	2278.5	2381.5	2480.2	2597.6	2710.8	2833.7	2980.2	3075.7	11450.7	25648.7
Revenues	2077.9	2197.3	2323.9	2424.9	2542.5	2680.1	2830.3	2980.0	3137.4	3304.2	11566.5	26498.5
Unified Surplus	−43.1	7.7	45.4	43.4	62.3	82.5	119.5	146.2	157.2	228.5	115.8	849.8
On-budget	−218.8	−186.3	−165.4	−182.0	−178.3	−173.6	−151.6	−141.1	−146.5	−89.3	−930.8	−1632.9
Off-budget	175.7	194.1	210.8	225.4	240.6	256.1	271.1	287.3	303.8	317.8	1046.6	2482.7
Difference:												
Defense	0.0	5.6	−1.2	−10.3	−20.4	−24.2	−25.8	−27.0	−28.1	−29.1	−26.3	−160.5
Nondefense	10.3	11.1	13.6	14.4	13.8	12.9	10.9	5.9	7.2	5.7	63.2	105.8
Discretionary	10.3	16.6	12.4	4.1	−6.6	−11.4	−14.9	−21.0	−20.9	−23.3	36.9	−54.6

COMPARISON OF SBC REPORTED RESOLUTION AND CBO REESTIMATE OF THE PRESIDENT'S BUDGET WITHOUT ECONOMIC STIMULUS AND EXCLUDING ACCRUALS—Continued

[In billions of dollars]

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2003–2007	2003–2012
Mandatory	3.3	−4.4	12.4	7.7	13.3	28.7	35.9	44.7	47.5	53.1	32.2	242.2
Net Interest	−2.8	−1.2	1.9	2.4	1.5	−0.7	−1.2	−1.5	−8.7	−6.1	1.7	−16.5
Total Outlays	10.8	11.0	26.7	14.2	8.2	16.6	19.8	22.2	17.9	23.7	70.8	171.0
Revenues	7.7	11.6	17.5	22.3	25.9	26.5	26.6	28.6	140.6	245.7	84.9	552.9
Unified Surplus	−3.0	0.5	−9.2	8.1	17.7	9.9	6.8	6.4	122.7	222.0	14.1	381.9
On-budget	−3.2	0.4	−9.3	8.0	17.6	9.9	6.8	6.5	122.8	222.2	13.6	381.8
Off-budget	0.2	0.1	0.1	0.1	0.0	0.0	−0.0	−0.1	−0.1	−0.2	0.5	0.1

*The SBC Reported Resolution does not include the effect of the enactment of the Job Creation and Worker Assistance Act of 2002 (P.L. 107–147).

**CBO's Reestimate of the President's Budget includes the President's budget amendment submitted on March 14, 2002, but does not include the President's economic security plan proposal.

Source: Senate Budget Committee Republican Staff.

COMPARISON OF DISCRETIONARY BUDGET AUTHORITY IN THE SBC REPORTED RESOLUTION, THE CBO MARCH BASELINE, AND THE REESTIMATE OF THE PRESIDENT'S BUDGET—WITHOUT RETIREMENT ACCRUAL PROPOSAL

[In billions of dollars]

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2003–2007	2003–2012
SBC Reported Resolution:												
Discretionary Spending BA	768.1	786.5	804.2	822.1	841.0	860.2	880.8	900.8	921.2	942.4	4021.9	8527.3
Defense	392.8	400.5	410.8	421.2	432.2	443.5	455.2	467.0	478.9	491.2	2057.5	4393.1
Nondefense	375.3	386.0	393.4	400.9	408.8	416.8	425.6	433.9	442.4	451.2	1964.4	4134.2
CBO Restimate of the President's Budget*:												
Discretionary Spending BA	759.1	773.7	801.0	827.9	858.8	881.4	904.4	931.6	949.6	973.5	4020.5	8660.9
Defense	393.8	394.9	415.6	436.2	457.7	469.8	482.1	494.8	507.8	521.2	2097.1	4572.9
Nondefense	366.4	378.7	385.5	391.7	401.1	411.6	422.3	436.7	441.7	452.3	1923.4	4088.0
CBO March Baseline:												
Discretionary Spending BA	732.4	751.2	770.3	789.6	810.0	830.8	852.7	874.8	897.0	920.1	3853.4	8228.9
Defense	356.9	366.3	375.7	385.2	395.2	405.5	416.3	427.1	437.9	449.2	1879.4	4015.4
Nondefense	375.5	384.9	394.5	404.4	414.7	425.3	436.4	447.7	459.1	470.9	1974.1	4213.4
SBC Reported Resolution less President's Reestimate:												
Discretionary Spending BA	9.0	12.8	3.2	−5.7	−17.8	−21.1	−23.6	−30.8	−28.4	−31.1	1.4	−133.6
Denfense	0.0	5.6	−4.7	−15.0	−25.5	−26.4	−27.0	−27.9	−29.0	−30.0	−39.6	−179.8
Nondefense	8.9	7.3	7.9	9.2	7.7	5.2	3.3	−2.9	0.6	−1.1	41.0	46.2
SBC Reported Resolution less CBO March Baseline:												
Discretionary Spending BA	35.7	35.3	33.9	32.5	31.0	29.4	28.0	26.0	24.2	22.2	168.5	298.5
Defense	35.9	34.2	35.1	36.0	36.9	37.9	38.9	39.9	40.9	41.9	178.1	377.7
Nondefense	−0.2	1.1	−1.2	−3.5	−5.9	−8.4	−10.8	−13.9	−16.7	−19.7	−9.6	−79.2

*CBO's Reestimate of the President's Budget includes the President's budget amendmemt submitted on March 14, 2002.

Source: Senate Budget Committee Republican Staff.

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