

INFORMED BUDGETEER: Conference Report-- FY2000 Budget Resolution

SUMMARY OF CONFERENCE REPORT: H. Con. Res. 68													
(\$ in Billions)													
		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2000-04	2000-09
Total Spending	BA	1753.8	1795.2	1836.4	1921.3	1988.2	2056.1	2102.8	2173.9	2252.7	2334.3	9294.8	20214.7
	OT	1735.2	1774.3	1804.2	1893.7	1959.0	1029.1	2072.4	2137.7	2220.0	2301.4	9166.4	19926.9
Discretionary	BA	536.3	541.3	550.4	570.2	582.2	583.4	584.6	585.4	586.6	588.1	2780.4	5708.5
	OT	570.9	571.0	567.0	592.8	603.1	606.6	604.6	602.3	605.4	606.4	2904.9	5930.2
Mandatory	BA	1217.5	1253.9	1286.0	1351.1	1405.9	1472.1	1518.2	1588.6	1666.1	1746.2	6514.4	14506.1
	OT	1164.1	1203.2	1237.2	1300.9	1355.9	1422.5	1467.8	1614.5	1614.5	1695.0	6261.5	13966.7
Revenues		1876.1	1922.6	1961.1	2058.8	2134.8	2225.1	2283.3	2363.9	2459.9	2549.8	9953.4	21835.5
on-budget		1408.1	1434.8	1454.8	1531.5	1585.0	1648.3	1681.4	1735.6	1805.5	1868.5	7414.2	16153.5
Surplus		140.9	148.3	156.8	165.1	175.8	196.0	210.8	226.3	239.9	248.5	787.0	1908.6
on-budget		--	--	--	--	1.2	8.7	13.6	18.6	23.7	26.6	1.2	92.4

H. Con. Res. 68

- After failing to achieve a conference agreement on the budget last year, the Congress reversed course and quickly completed its budget blueprint on April 15, for FY 2000 and the decade ahead.
- Only once before has Congress met the April 15 statutory deadline. The FY 1994 budget resolution was adopted on April 1, 1993. Details of the Conference agreement will be in the next *Budget Bulletin*.

Editor's Note: H. Con. Res 68 Conference report on the Budget Resolution, report 106-91, is available on the web at: [http://www.congress.gov/cgi-lis/cpquery/R?cp106:FLD010:@1\(hr091\):](http://www.congress.gov/cgi-lis/cpquery/R?cp106:FLD010:@1(hr091):).

OMNIBUS SUPPLEMENTAL?

- Conference on the \$1.9 billion Emergency Supplemental Appropriations bill for FY 1999 is on the horizon; in addition to the disaster aid for Central America, aid to Jordan, aid to farmers and other miscellaneous supplementals in the pending bills (H.R. 1141), the Administration and the Congress now face the cost of defense operations and humanitarian assistance in Kosovo.
- CBO estimates that the Senate-passed bill saves a net of \$2.4 billion in budget authority (BA), but costs \$77 million in outlays for FY 1999. The FY 2000 impact of the Senate bill is estimated at \$398 million in additional BA, but net savings of \$606 million in outlays. The Senate bill saves money due to the adoption of a Gramm amendment to increase across-the-board reductions in previously approved emergency spending, other than defense and agriculture, to offset the cost of the Senate bill. A second part of the Gramm amendment struck all emergency designations from the bill, so the resulting \$77 million in FY 1999 outlays and the outyear costs will be charged against the spending caps.
- The Senate bill would result in spending in FY 2000 in large part due to the adoption of an amendment to delay the availability of \$350 million in Section 8 housing funds until FY 2000.
- The House-passed bill would result in net spending of \$191 million BA and \$428 million in outlays for FY 1999. An estimated \$248 million in outlays would occur in FY 2000. The House bill includes the "emergency" designation for this spending to avoid being charged against the spending caps.
- Excluding any Kosovo funding requirements, the conferees must still decide on the issue of offsetting the cost of this bill. The House offsets are largely rescissions of funding from foreign operations programs and \$150 million from Department of Energy programs to dispose of excess plutonium and uranium from nuclear weapons.
- The Senate bill utilizes some targeted offsets, such as the across-the-board reduction in available emergency funding; a rescission from the INS and the food stamp program; and a delay in Section 8 housing program funding.
- The Administration's senior advisers have said they would

recommend that the President veto the bills. The White House objects to the House offsets and proposes that the spending in both bills be designated as emergency spending. The Administration also objects to Senate legislative "riders," including the tobacco settlement language; the extension of the moratorium on oil royalty valuation regulations and hardrock mining regulations; and a prohibition on reorganizing the Office of the Special Trustee for American Indians.

Summary: Emergency Supplemental Appropriations (H.R. 1141; \$ in Millions)					
		Budget Authority		Outlays	
		1999	2000	1999	2000
House Passed					
Defense:					
Emergencies		6	0	-17	21
Non-emergencies		0	0	0	0
Total		6	0	-17	21
Nondefense:					
Emergencies		1,036	0	413	327
Non-emergencies		-839	0	-2	-58
Total		185	0	445	227
Total:					
Emergencies		1,030	0	430	306
Non-emergencies		-839	0	-2	-58
Total		191	0	428	248
Senate Passed:					
Defense:					
Emergencies		0	0	0	0
Non-emergencies		-7	11	10	2
Total		-7	11	10	2
Nondefense:					
Emergencies		-1,245	4	132	-617
Non-emergencies		-1,112	383	-65	9
Total		-2,357	387	67	-608
Total:					
Emergencies		-1,245	4	132	-617
Non-emergencies		-1,119	394	-55	11
Total		-2,364	398	77	-606

COSTS OF OPERATION ALLIED FORCE?

- ▶ In response to Chairman Domenici's inquiry of potential budgetary costs of the NATO operation in Yugoslavia, the CBO released a preliminary analysis on April 15.
- ▶ According to CBO, assuming that the current air campaign continues into early May and is followed by a peacekeeping program, military and humanitarian costs for the first 12 months (through March 2000) could total about \$3 billion.
- ▶ If fighting escalated to include U.S. ground forces, the cost would be about \$300 million a month to deploy and sustain each increment of 27,000 troops and over \$1 billion a month to sustain an air campaign.

GOVERNMENT FAILS SECOND AUDIT ON EVE OF TAX DAY

- Last year's oversight hearings on the IRS uncovered alarming, abusive actions that agency has taken to extract tax payments. For instance, the hearings revealed that a citizen had been pulled from the shower at gunpoint.
- Even though the Congress took quick action by passing the IRS Restructuring and Reform Act of 1998, many taxpayers probably prepared their records with added care this year. Some may wonder what would happen if the microscope were turned on the federal government itself.
- Well, on March 31, the GAO released the second annual audit of the United States Government. Unfortunately, the progress since last year was limited. Only 8 of 24 agencies received a clean opinion on time, nearly identical to last year's results.
- If a private company suffered the same evaluation, it would no longer be able to borrow from banks or issue securities. Even worse, the GAO audit also found evidence that the Administration's *budget* data may not be accurate either.
- The GAO reports: "In summary, significant financial systems weaknesses, problems with fundamental record keeping and financial reporting, incomplete documentation, and weak internal controls, including computer controls, continue to prevent the government from accurately reporting a large portion of its assets, liabilities, and costs. These deficiencies ... affect the government's ability to accurately measure the full cost and financial performance of programs and manage its operations."
- The GAO emphasizes that "the government was unable to support significant portions of the more than \$1.8 trillion reported as the total net cost of government operations." In sum, the government cannot accurately track what it spends money on or how efficient its programs are.
- Although the financial statements are generally unreliable, they are still a useful source for identifying long-term liabilities. The federal government's net position (assets minus liabilities) at the end of 1998 was negative \$6.1 trillion. It is important to note that the government will remain solvent because it has the ability to tax and print money.
- Still, this last figure excludes the enormous commitments the government has made to Social Security and Medicare. According to the supplemental information included in the financial statements, the present value of future resources needed for Social Security is \$3.8 trillion, and the present value of future resources needed for Medicare Part A is \$4.0 trillion.
- Overall, the financial statements identify nearly \$14 trillion in debts that we must eventually pay off. To tackle this long-term problem, the Congress and the President must enact needed policy reforms, maintain fiscal discipline, and keep the economy growing rapidly.
- The entire report, the Financial Audit of the 1998 Consolidated Financial Statements of the United States Government, is available at www.gao.gov/reports.htm.

CAPITAL BUDGETING COMMISSION SAYS ITS NOT SUCH A CAPITAL IDEA

- The President's Commission to Study Capital Budgeting released their report in February and did not recommend adoption of a capital budget (<http://whitehouse.gov/pscscb>).
- The President created the Commission by executive order (E.O. 13037) on March 3, 1997. The *National Journal* reported that the President created the commission to win Senator Robert Torricelli's (D-NJ) vote against the balanced budget constitutional amendment. Torricelli, an advocate of capital budgeting and a balanced budget amendment, singularly defeated the amendment after his own measure to exclude debt to finance capital from the budget was voted down.
- Chaired by former California Treasurer Kathleen Brown and Goldman Sachs Senior Partner Jon Corzine, the Commission criticized the current budget process for generating inefficient budget decisions and neglecting maintenance of acquired assets.
- Capital budgeting, like emergency spending, naturally suffers from a definition problem. Capital can be anything from physical assets like buildings to intangibles like public health.
- Rather than create a separate capital budget which would become a source of temptation to increase spending under the guise of a "capital budget," the Commission recommended refining the existing process by improving information and reporting about capital spending in order to better set priorities, make decisions, and evaluate the results of these decisions.
 - The Commission made eleven specific recommendations which would, among other things:
 - ▶ require agencies to make annual, five-year strategic plans and for OMB and Congress to take these plans into consideration when preparing the budget,
 - ▶ extend benefit-cost analysis to all major programs on an annual basis,
 - ▶ create capital acquisition funds that would borrow funds from Treasury to acquire an asset and charge rent to a program for use of the asset,
 - ▶ require agencies to calculate annually the rate of return on capital expenditures.

CALENDAR

April 22: Senate Budget Committee Hearing: The status of the Medicare Program, 1999 Annual Trustees Report. Witness: Secretary of Health and Human Services, Donna Shalala. Dirksen 608, 10:00 am.

A NEW BUDGETEER!

- The *Bulletin* happily announces its newest Budgeteer: a baby boy born on April 16 to Bob & Laura Stevenson. Congratulations and best wishes.
- To help this new addition plan for the future here's a look ahead to the Social Security program when he retires. In 2066, when young Mr. Stevenson can retire and get full benefits under Social Security (the retirement age will be 67 by then), the actuarial deficit in the program will equal about 6 percent of taxable payroll. That means he will get less than 70 percent of the benefits promised under current law.