

INFORMED BUDGETEER:

2000 SUPPLEMENTAL APPROPRIATIONS: HERE WE GO!

- Included separately in three recently reported 2001 appropriation bills (Military Construction, Foreign Operations, and Agriculture) were 2000 supplemental appropriations defined as both emergency and nonemergency spending.
- The FY 2001 Military Construction appropriation bill – approved by the full Senate on May 18 – includes 2000 supplemental spending for peacekeeping (Kosovo), counternarcotics, US Coast Guard operations, acquisition and construction, and “Salt Lake Olympics” support. Total emergency spending for these activities exceeds \$4.7 billion (BA) and \$1.0 billion in outlays for 2000.
- The FY 2001 Foreign Operations appropriation bill includes 2000 supplemental spending for Plan Colombia. Total emergency spending in this bill reaches nearly \$1.0 billion (BA) and less than \$150 million in outlays for 2000.
- The FY 2001 Agriculture appropriation bill includes 2000 supplemental spending for a wide array of nondefense, non-foreign affairs items. Total emergency spending in this bill is \$1.9 billion in BA and \$1.0 billion in outlays for 2000. Among other items, the bill provides \$1.3 billion funding for agriculture support programs (primarily dairy and livestock), and \$600 million for Low Income Home Energy Assistance Program (LIHEAP.) The bill provides \$25 million in emergency funding for a new U.S. Customs Firing Range to be placed in West Virginia.
- In total, FY 2000 emergency supplemental funding in these three bills is \$7.6 billion in BA and \$2.2 billion in outlays. The recently adopted FY 2001 Budget Resolution assumed increased resources for FY 2000 emergency supplemental needs that would total \$5.4 billion in BA and \$1.6 billion in outlays.
- In addition to the emergency items funded in the three bills, some items were designated as nonemergency that resulted in a shift of outlays from FY 2001 back to FY 2000 by aligning the pay dates (that had been shifted forward last fall) back to the appropriate year. While having minimal impact on BA, these shifts do increase outlays in FY 2000 by nearly \$7.2 billion. The FY 2001 Budget Resolution assumed this realignment.

- Taking stock of appropriations then, the table below summarizes the recent history of appropriations by subcommittee compared to mandatory and aggregate spending. The FY 2001 BA figures represent the Committee’s filed 302(b) allocation, adjusted to include mass transit BA not customarily included in the Committee’s allocation. Over the period from 1995 to 2001, discretionary BA has increased nearly 20%, and on an annual basis about 3.1%.
- But the growth in spending has varied dramatically by individual subcommittees. Reflecting a federal priority on education and health, the Labor-HHS spending has grown nearly 40% over these last few years, while Foreign Operations has remained relatively flat. Defense spending grew at an 18% rate during this same time, while spending under the Military Construction subcommittee’s jurisdiction actually declined by 2.1%.
- As a basis of comparison, mandatory spending programs have grown slightly faster than discretionary (BA) spending over this same time period, growing at nearly 22.2% from 1995 to the current estimate for 2001. Combining all spending, both mandatory and discretionary spending has grown 21.4% between the two time periods.
- As one last basis of comparison, inflation over this period grew nearly 15% or 2.3% on an annual basis. Spending then in the aggregate slightly exceeded inflation both for discretionary and mandatory programs.

Budget Authority Comparisons					
(\$ in billions)					
	1995	2000	2001	Growth 1995-2001	
	Actual	Enacted ^A	302(b)	Total	Avg Annual
Appropriations					
Agriculture	14.0	14.7	14.9	5.7	0.9
CJS ^B	26.4	35.0	34.0	28.7	4.3
Defense	243.7	270.8	287.4	17.9	2.8
DC	0.7	0.4	0.4	-38.1	-7.7
Energy	20.2	21.6	22.5	11.3	1.8
Foreign Ops ^C	13.2	16.6	13.4	1.4	0.2
Interior	13.7	14.9	15.5	13.3	2.1
LHHS	70.2	87.1	97.4	38.7	5.6
Leg branch	2.4	2.4	2.5	6.1	1.0
Mil Con	8.8	8.4	8.6	-2.1	-0.4
Transportation ^D	11.2	13.7	14.5		
Treasury	11.7	13.6	14.3	22.7	3.5
VA HUD	66.0	72.0	76.2	15.4	2.4
Subtotal	502.1	571.2	601.6	19.8	3.1
Mandatory BA	1,037.5	1,226.7	1,267.7	22.2	3.4
Total BA	1,539.7	1,797.9	1,869.2	21.4	3.3
CPI (1967=100)	151.5	169.9	174.1	14.9	2.3

^AThe 2000 enacted numbers include the effect of \$5.4 billion in supplemental appropriations included in the FY 2001 Budget resolution. ^BThe one-time BA for the Decennial Census has been removed from 2000. ^CBA for Payments to the IMF have been removed in 1999. ^DThese numbers include mass transit BA, which since the passage of TEA-21 in 1998, are not customarily included in the Appropriation committee’s 302(b) allocations. In addition, the majority of transportation BA is mandatory rather than discretionary, therefore any growth rate comparison would be misleading as it would not represent the full transportation picture.

Summary of Supplemental- Senate Reported							
(\$ in millions)							
		2000	2001	2002	2003	2004	2005
Emergency:							
Defense	BA	4,399	0	0	0	0	0
	OT	955	2,270	765	242	93	29
Non-defense	BA	3,249	152	0	0	0	0
	OT	1,259	1,336	542	163	66	22
Total, emergency	BA	7,648	152	0	0	0	0
	OT	2,214	3,606	1,307	405	159	51
Non-emergency							
Defense	BA	-3	0	0	0	0	0
	OT	4,831	-4,833	0	0	0	0
Non-Defense	BA	-109	-38	0	0	0	0
	OT	2,366	-2,098	-116	-36	3	1
Total, non-emerg.	BA	-112	-38	0	0	0	0
	OT	7,197	-6,931	-116	-36	3	1
Total, supplemental							
	BA	7,536	114	0	0	0	0
	OT	9,411	-3,325	1,191	369	162	52

Source: CBO

2001 APPROPRIATIONS: SADDLE UP

- Six FY 2001 appropriation bills have now been reported from the Senate Appropriation Committee – Agriculture, Defense, Foreign Operations, Labor-HHS, Legislative, and Military Construction. Just about half way done for the year and ahead of schedule!

CORRECTIVE MEDICINE

- *Bulletin* No.12 (May 8) stated that since 1995 “funding for cancer research has increased by 72 percent, mental health research by 78 percent. The budgets for human genome and drug abuse research

have more than doubled.” These figures need to be adjusted for the fact that, prior to 1996, AIDS research was treated as a separate line item. Today AIDS funding is included in each Institute’s budget allocation.

- Comparing apples to apples, growth figures are: cancer research, 55 percent; mental health, 54 percent; drug abuse, 57 percent; human genome, 118 percent (still more than double). With the adjusted figures, most Institutes received 1995-2000 increases in the 45-65 percent range, rather than the 50-75 percent given in the previous *Bulletin* article.
- Even with these revised figures, these Institutes have still received very large increases, and the overall NIH figure remains the same: a 58 percent increase from 1995-2000.
- The Senate-reported Labor-HHS bill would increase NIH funds by \$2.7 billion to \$20.5 billion, a 15 percent increase over 2000 and more than double the President’s requested increase of \$1.1 billion.

NIH Funding Increases, 1995-2000 (includes funds for AIDS research, \$ in millions)			
Institute	1995	2000	1995-2000 % Increase
Human Genome	154	337	118.8
Research Resources	359	680	89.4
Nursing	55	90	63.6
Allergy & Infectious Diseases	1,114	1,803	61.8
Neurological & Stroke	654	1,035	58.3
Aging	438	690	57.5
Drug Abuse	440	689	56.6
Deafness & Communicative	171	265	55.0
Cancer	2,156	3,332	54.5
Heart, Lung & Blood	1,321	2,040	54.4
Mental Health	636	978	53.8
Diabetes, Digestive & Kidney	752	1,148	52.7
Dental	177	270	52.5
Library of Medicine	141	215	52.5
Alcohol Abuse & Alcoholism	193	294	52.3
Arthritis, Musculoskeletal & Skin	234	352	50.4
General Medical	920	1,362	48.0
Eye	310	453	46.1
Child Health & Human Develop.	600	863	43.8
Fogarty International Center	34	44	29.4
Complementary & Alternative	-	69	n/a
TOTAL NIH	11,248	17,811	58.4
		4	

HIGHER FY2000 SURPLUS ESTIMATE

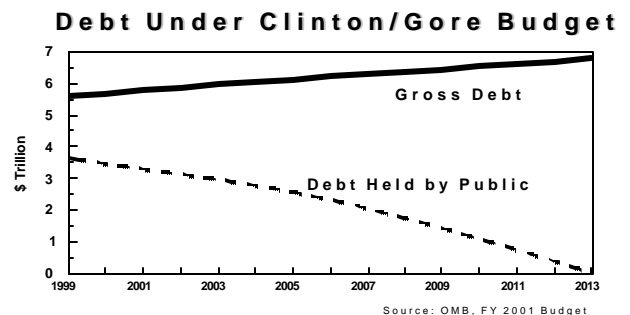
- In its latest Monthly Budget Review, CBO noted that revenues are coming in above projection due to the remarkable surge in economic growth in the last two quarters. As such, they have revised up their surplus estimate for FY2000. CBO said they would not update their FY 2001-2010 projections until the release of their summer update.

FY 2000 Surpluses (\$ in Billions)			
	March Forecast	May Forecast	Increase
Unified Surplus	179	200+	21+
On- Budget Surplus	26	40+	14+
Off-Budget Surplus	153	160+	7+

- Revenues are already \$35-40 billion above CBO’s winterbaseline assumptions. If current trends continue, this coverage could increase further. Indeed, adjusting for calendar quirks, revenues are now running roughly 9.5% faster versus the same period last year. This compares to CBO’s FY2000 revenue growth forecast of 6.5%.
- Revenue strength is broad-based. Nonwithheld individual income taxes are up \$15-20 billion (most of which came in with April’s final 1999 payments), withheld is up \$10-15 billion, and corporate taxes are up by roughly \$8 billion.
- Outlays are coming in very close to CBO’s projection. However, CBO notes that this could change depending on Congress’s spending decisions for the rest of the year. As such, CBO was conservative in bumping up their unified surplus projection at this time.
- Wall Street economists have been less cautious. At present, many are expect the FY 2000 surplus to come in near \$225 billion.

CELEBRATION IN TIMES SQUARE?

- In a recent speech, Vice President Gore noted “we’re making so much progress toward paying down the debt, it has just been announced that the debt clock will be unplugged and removed from Times Square this fall”.
- This statement is misleading. The Times Square debt clock records the US’s gross debt, which has been rising steadily since 1969. Under the Clinton/Gore budget, gross debt will keep rising from \$5.6 trillion today to \$6.8 trillion by 2013 according to OMB’s own projections. (It would also rise under Congress’ budget plan, although less rapidly).



- Why is this? Even though our publicly held debt is falling, the debt held by government trust funds is rising even more rapidly. Since gross debt is the sum of these two types of debt, it continues to rise. Gross debt matters because it is a partial (albeit understated) representation of the government’s long-term unfunded liabilities – this debt will ultimately need to be repaid in the future once the baby boomers retire.

- What makes the Vice President's statement so ironic is that the crux of his "reform" plan for Social Security is to have the rest of government write a check for \$34 trillion and deposit it in the SS Trust Fund. This would boost the gross debt by an additional \$34 trillion relative to current projections. No wonder that the Vice President is so pleased that the gross debt clock is coming down, so his accounting shenanigans go unnoticed.