INFORMED BUDGETEER:

@ End of 106th Congress Countup @
Actions Since Planned Sine Die: October 6
(As of October 23)

Total days:	17
Total votes in the Senate:	13
Appropriations bills passed in the Senate:	6
Appropriations bills enacted:	2
Appropriations bills vetoed:	1
Number of Continuing Resolutions:	4
Appropriations bills left to be enacted:	9

BEGINNING TO WRAP UP?

- As of today, October 23, nine of the 13 appropriation bills for FY 2001 are on their way to finalization. Four of the nine have already become law – Defense, Military Construction, Interior, and Transportation. Five other bills have been sent to the President and are awaiting a promised signature.

- The four appropriation bills remaining to complete the 106th Congress are: (1) Commerce, Justice and State, (2) District of Colombia, (3) Foreign Operations, and (4) Labor, HHS.

- Discretionary spending in the nine completed bills represent more than $472 billion in BA and $494 billion in outlays. In other words, they represent about 3/4 of the total expected discretionary spending in FY 2001.

- The following table summarizes 2001 spending in the nine bills that have already been sent to the President. Compared to final discretionary spending in FY 2000, BA in these nine bills will increase approximately $28 billion, or 6.2%.

- The FY 2000 column of the table represents the total spending level for each of these nine bills. Spending for FY 2000 includes one-time spending of approximately $2.5 billion for disaster relief charged to the VA-HUD appropriations bill, as well as $10.6 billion in summer supplemental spending (mostly for defense) and payment shifts of $4.2 billion from FY 2001.

Appropriations Status Report
Enacted Appropriations Bills and Bills with Conference Reports Sent to the President with Supplemental Spending[A]
($ in millions)

		2000	2001	% change
Agriculture	BA	14, 825	18,713	26.2%
2001 Conference	OT	14,919	18,286	22.6%
Defense	BA	276,989	287,613	3.8%
2001 Enacted	OT	272,535	276,720	1.5%
Energy and Water	BA	21,433	23,598	10.1%
2001 Conference	OT	21,303	23,217	9.0%
Interior	BA	15,142	18,883	24.7%
2001 Enacted	OT	14,971	17,387	16.1%
Legislative branch	BA	2,466	2,542	3.1%
2001 Conference	OT	2,450	2,537	3.6%
Military Construction	BA	12,731	4,592	-63.9%
2001 Enacted	OT	12,734	4,435	-65.2%
Transportation	BA	14,442	18,068	25.1%
2001 Enacted[B]	OT	43,953	49,448	12.5%
Treasury Postal	BA	13,780	15,360	13.4%
2001 Conference	OT	14,243	15,149	6.4%
VA, HUD[B]	BA	72,784	82,599	13.5%
2001Conference	OT	83,485	86,853	4.0%
TOTAL	BA	444,592	472,238	6.2%
	OT	480,593	494,032	2.8%
Total FY00 supp. spending,	BA	14,814	-3,923	- -
including timing shifts	OT	11,333	-3,728	- -
Total FY01 emerg. spending,	BA	- -	7,705	- -
including FY00 supp. outlays	OT	- -	10,124	- -

SOURCE: Senate Budget Committee. [A]This table assigns each of the 2000 supplemental items from the Military Construction bills to the subcommittee which the spending for the item would traditionally occur. [B]Includes Mass Transit BA.

- If you remove these one-time spending items, supplementals, and payment shifts from the FY 2000 column, the increase in BA from FY 2000 to FY 2001 for the nine bills jumps to nearly $45 billion, or 10.6%.

- Finally, for the nine bills now or on their way to becoming law, $7.7 billion in BA and $10.1 billion in outlays is classified as emergency spending in 2001. These unforseen emergencies, including spending for agriculture, spending for fires in the West, and other disaster assistance, make up nearly 30% of the raw increase in spending over the FY 2000 level.

HOW TO SAVE MONEY WITHOUT EVEN TRYING

- Since we are all still waiting around for the President and the Congress to finish the appropriation bills for this year, budgeteers have more time than they're used to during this end-of-session non-rush. So try this little thought experiment.

- For this month of October, most of the government has been operating on a series of week-long continuing resolutions (CR's), except for agencies and programs funded by the Defense, Military Construction, and Interior appropriation bills. One might wonder what would be the impact if this situation were to last for an entire year?

- Of course that's not going to happen. But the last time CR's continued for any significant length of time was in 1996, when full-year regular appropriation bills and levels were not set for most discretionary activities until the seventh month of the fiscal year–April 1996. While appropriation levels finally enacted were only marginally greater for 1996 than in 1995, the dampening effect of operating in a CR situation for more than half a year is credited with holding 1996 outlays to 5.1 percent below 1995 outlays in real terms. By the time agencies received their actual appropriation for 1996, there wasn't enough of the year left to actually get the money out the door.

- If a CR were to be in effect for all of FY 2001 for the other 10 bills, then the "current rate" budget authority available in all their programs would be $305 billion. Yet based on the best guess available at this time, the regular appropriation bills for those 10 are likely to result in total BA of about $325 billion. So operating for the whole year at the CR rate instead of the regular bill levels would hold down BA by $20 billion.

- Now let's assume (no, let's fervently hope!) that all regular bills will be enacted by November 1. When agencies get their regular appropriation, they will be able to "catch up" and spend their higher, full year amount over the rest of the year.

- But what if there was a way to "lock in" the reduced level of resources that only had been available to be spent during October under the CR's? Taking the full-year "savings" of $20 billion and dividing by 12 months yields a reduction of budgetary resources of $1.7 billion, even if only temporarily.

MEDICAID'S NEWEST FINANCING LOOHOLE

- The Congressional Budget Office (CBO) recently estimated a bill designed to close a newly found loophole in Medicaid's financing system and would save $127 billion over ten years. The loophole works through a combination of high reimbursement rates for health care institutions that are owned by local governments and intergovernmental transfers between those institutions and the states.

- In effect, the states pay these institutions exceedingly high reimbursements for treating Medicaid patients, for which the federal government pays a large portion (between 50 and 83 percent). Then the institution makes an intergovernmental transfer back to the states to lower the states' matching rate.

- Currently, 20 states are operating arrangements that take advantage of this loophole, and a few states are using it extensively. There are also 11 more states that have proposals to exploit this loophole pending with the Health Care Financing Administration (HCFA).

- In response to the growing problem, HCFA issued a proposed rule on October 5 which would partially close the emerging loophole while providing a generous transition. There may be an effort by some in the final days of this Congress to block HCFA's rule.

- CBO estimates that such a provision would cost $61.3 billion over ten years.

NEW IRS DATA ON TAX AND INCOME SHARES

- In response to a request from Vice Chairman Saxton of the Joint Economic Committee, the IRS Statistics of Income Division this week released data on 1998 income and tax shares. This data release follows closely on the heels of the 1997 data which were released just a few months ago.

- The 1998 data demonstrate that the progressivity of the federal income tax is alive and well; indeed, it continues to increase.

- In the decade of the '90s, the share of federal income taxes paid by the top 1 percent of income earners rose by 9.7 percentage points, from 25.1% of the total to 34.8%. The share paid by the top 1% rose by 1.6 percentage points in the past year alone, from 33.2% in 1997.

- The increase in the share of income taxes paid was concentrated at the highest income levels, as is evident from the data showing the share of taxes paid by the top half of income earners rose only 1.6 percentage points between 1990 and 1998.

- The *Bulletin* would be remiss if it did not also display data on income shares over the same period. After all, perhaps taxes paid by the top 1% rose because income was higher for the top 1%.

- Income did grow for the top 1% (as it did for the top 10% and the top 50%), but it's not the whole story. Income rose for these groups, but the share of taxes paid rose even more.

New IRS Data on Tax and Income Shares

	% Share of Federal Individual Income Taxes Paid			
	1997 AGI Threshold	1990	1998	Change
Top 1%	$269,496	25.1	34.8	9.7
Top 10%	$83,220	55.4	65.0	9.6
Top 50%	$25,491	94.2	95.8	1.6
Bottom 50%	<$25,491	5.8	4.2	-1.6
	% Share of Adjusted Gross Income			
	1990		1998	Change
Top 1%	14.0		18.5	4.5
Top 10%	38.8		43.8	5.0
Top 50%	85.0		86.3	1.3
Bottom 50%	15.0		13.7	-1.3

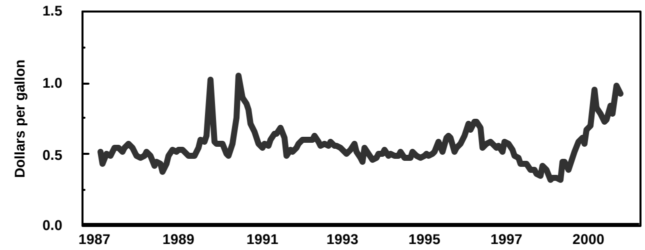
SOURCE: IRS, Statistics of Income Division

WARM HOMES, HOTTER PRICES

- For all of those northeastern *Bulletin* readers wondering about their heating oil bills this winter, the Energy Information Agency (EIA) says rates may rise by 25% or more. This would approach levels not seen since the Gulf War. Despite recent increases in production, low inventories continue to plague public utilities bracing against the impact that a colder winter season will have on energy demand. Unlike last year's unseasonably mild weather, the National Weather Service expects this winter to be the coldest in three years.

Heating Oil

(No. 2 Oil, One Month Futures Price)



Source: Haver Analytics

- The EIA is forecasting that comparatively colder weather conditions will expand demand for distillate fuel (whose components include heating oil) by 3.3% to 3.88 million barrels a day. On a household basis, consumers in the northeast will see their winter heating expenditures rise from $760 to $949 for the entire season.

Cost of Heating Oil Per Household

(1997-2000 Actual, 2000-2001 Forecast)

	1997-98	1998-99	1999-00	2000-01
Consumption (gallons)	636	650	644	693
Average Price ($/gallon)	$0.92	$0.80	$1.18	$1.37
Expenditures ($)	$585	$520	$760	$949

SOURCE: Energy Information Agency

- Inventories of distillate fuel now stand at between 114-118 million barrels and are 15-18% below the level of a year ago. EIA notes that average stock withdrawals are expected to be only 130 thousand barrels-per-day, which is less than half the rate of last year. Even at such a reduced pace, inventories are still expected to fall to their lowest levels since 1996 by the end of this winter

- Currently refineries are striving to produce enough distillate fuel to raise inventories to their former levels. EIA expects domestic production to reach 3.66 million barrels-per-day and push refineries' capacity utilization rates to 91.8%. Daily imports of distillates will add another 110 thousand barrels to the total available supply.

- Refineries can not continue to operate at such an intense pace indefinitely. At some point production will have to slow down so that refineries can conduct routine maintenance, which the American Petroleum Institute (API) says usually occurs throughout September and October. Since most refineries have been operating at close to full capacity for an extended period of time, maintenance is even more imperative. This raises doubts that they can squeeze much more out of their current facilities.

- Indeed if any problems occur with the distribution of heating oil, supply bottlenecks could exacerbate prices further. New England is especially vulnerable to disruptions since it is not connected to a major pipeline. Instead, they rely heavily on barge traffic that transports the oil from terminals in New Jersey to New England via the Hudson river. Last year many rivers and harbors did freeze over and interrupted the flow of waterborne traffic. API concluded that this stoppage contributed to the dramatic price increase in heating oil.

- Considering all of the current information on the factors that influence prices and incorporating some of the possible risks such as diminished production or disrupted distribution, it would appear that prices may go higher before they fall.