

## INFORMED BUDGETEER

| CBO's Re-estimate of the President's SS Framework   |            |            |            |            |            |            |
|---|------------|------------|------------|------------|------------|------------|
| Data from Director Crippen's testimony to the Senate Budget Committee, 3/3/99, \$ in billions |            |            |            |            |            |            |
|   | 2000       | 2001       | 2002       | 2003       | 2004       | 2000-2004  |
| CBO Current Services  |            |            |            |            |            |            |
| Unified Budget Surplus  | 133        | 156        | 212        | 213        | 239        | 953        |
| On-budget   | -5         | 11         | 59         | 51         | 68         | 184        |
| Off-Budget (SS-Surplus)   | 138        | 145        | 153        | 162        | 171        | 769        |
| CBO Current Services: Off- budget Surplus   | 138        | 145        | 153        | 162        | 171        | 769        |
| <i>Minus</i>  |            |            |            |            |            |            |
| CBO Estimate: President's Unified Surplus post SS Framework                                   | 80         | 89         | 110        | 109        | 128        | 516        |
| <i>Equals</i>   |            |            |            |            |            |            |
| Amount of SS surplus President Spends   | 58         | 56         | 43         | 53         | 43         | 253        |
| <i>Minus</i>  |            |            |            |            |            |            |
| SS Equity Purchases   | 18         | 15         | 19         | 19         | 23         | 94         |
| <i>Equals</i>   |            |            |            |            |            |            |
| <b>Amount of SS Surplus President spends on Non-SS programs</b>                               | <b>40</b>  | <b>41</b>  | <b>24</b>  | <b>34</b>  | <b>20</b>  | <b>158</b> |
| <b>Percent of SS Surplus that President spends on Non-SS programs</b>                         | <b>29%</b> | <b>28%</b> | <b>16%</b> | <b>21%</b> | <b>12%</b> | <b>21%</b> |

Source: CBO; Details may not add to totals due to rounding.

#### THE PRESIDENT "SAVES" SOCIAL SECURITY BY SPENDING THE SS SURPLUS ???

- The *Bulletin* has pointed out many times that the President's SS Framework spends part of the Social Security surplus for added discretionary spending and Universal Savings Accounts. We had estimated that the President spends \$146 billion of the SS surplus for these programs between 2000-2004, based on OMB numbers.
- Now that we have CBO's re-estimate of the President's budget, we can use CBO's numbers to make this calculation. The results are very similar — the President spends \$158 billion of the SS surplus between 2000-2004.
- The above table shows how these totals are derived. We first looked at CBO's current services estimate of the off-budget (or SS) surplus. If the President truly saved the SS surplus, his unified surplus stream should be at least this large. However, it is actually far smaller.
- Taking the difference between these streams, we see that the President spends some of the SS surplus in each of the next 5 years. His framework spends \$58 billion of SS' money in 2000 and \$253 billion between 2000-2004.
- However, some of this spending includes SS equity purchases. If one backs these out, **you find that the President spends \$40 billion in 2000 and \$158 billion between 2000-2004 on extradiscretionary spending and low-income entitlements.**
- **Expressed in percent terms, the President spends almost 30 percent of the SS surplus in 2000 and 21 percent between 2000-2004 on programs unrelated to SS. As the Bulletin has noted repeatedly, this is a most interesting way of "Saving Social Security".**
- **This track record undermines the Administration's rationale for why they concocted their elaborate intragovernmental IOU transfer scheme.** They have argued that this accounting gimmick was needed to wall off the surplus and prevent politicians from spending it. **If this gimmick doesn't even stop its authors from spending the SS surplus, how effective can it be?**

#### NEVER AGAIN? BUDGET PROCESS REFORM LEGISLATION

- In the hope to never ever repeat that 4,000 pages, \$21.4 billion emergency spending Omnibus monster that the President and the Congress crafted at the end of last year, the Governmental Affairs Committee voted on March 4th to report three of Senator Domenici's proposals to reform the budget and appropriations process.
- As a bit of background, Senator Domenici introduced two budget process bills on January 19th: S. 92, the Biennial Budgeting and Appropriations Act; and S. 93, the Budget Enforcement Act of 1999. The Committee decided to break up the five titles of S. 93 into separate bills.
- By a vote of 10-5, the Committee voted to report S. 92, the Biennial Budgeting and Appropriations Act. S. 92 would convert the current annual budgeting, authorizing, and appropriations process to a biennial, or two-year, cycle.
- In the first session of a Congress, the President would submit a biennial budget and Congress would complete action on a biennial budget resolution and 13 biennial appropriations bills. The second session of a Congress would be devoted to oversight and consideration of authorization legislation.
- On a voice vote, the Committee voted to report Senator Domenici's proposal to reform the way Congress considers emergencies. Under current law, anything Congress and the President designates as an "emergency" is exempted from the spending caps and the pay-as-you-go requirements and comes right out of the budget surplus.
- Senator Domenici's original proposal (S. Res. 5 and title II of S. 93) would have established 5 guidelines (necessary, sudden, urgent, unforeseen, and temporary) for evaluating emergency proposals and made any emergency provision subject to a 60 vote point of order in the Senate. Senator Domenici's original proposal also provided a 60 vote point of order against riders on emergency supplemental appropriations bills.
- In order to get the necessary support in committee, Senator Domenici had to modify his emergency reform proposal to lower the waiver requirement to a simple majority in the Senate. He also dropped the point of order against riders on emergency supplementals.
- On a party-line vote, the Committee reported the Government Shutdown Prevention Act (title IV of S. 93). This bill would provide for an automatic continuing resolution (CR) funding

authority in the event appropriations were not enacted by the beginning of the fiscal year. The bill would provide agencies with appropriations at the lower of the previous year's level or the President's request until the regular appropriations bills were enacted.

- The Committee did not have a chance to consider Senator Domenici's proposals to clarify the application of pay-as-you-go procedures when there is an on-budget surplus (title III of S. 93) and to streamline the Senate's consideration of budget resolutions and reconciliation bills (title V of S. 93).
- Once Governmental Affairs reports the biennial and emergency bills, they will be referred to the Budget Committee for 30 days. The Government Shutdown Prevention Act will go straight to the Senate calendar.

**SAVE MILITARY RETIREMENT - - SECOND?**  
**(Save Social Security - - First?)**

- Last week by a vote of 91-8, the Senate passed S. 4, the Soldiers', Sailors', Airmen's, and Marines' Bill of Rights Act. According to preliminary estimates, the version that passed the Senate would cost \$63 billion in additional military retirement and other benefits over 10 years (\$16 billion in direct spending, \$46 billion in discretionary spending, and \$1 billion in lost revenues).
- In addition, the bill would increase the unfunded liability of the Military Retirement Trust Fund by \$4.6 billion, and it would increase retirement benefits over the **next 50 years by \$192 billion.**
- The military retirement system already has a net unfunded liability of \$496 billion. Based on the latest calculations of the DoD Office of the Actuary, the system had accrued \$639 billion in liabilities and held \$143 billion in assets as of September 30, 1997. Because these assets are federal debt securities, however, the government will have to raise funds in the future to pay for their redemption.
- According to the *1997 Consolidated Financial Statements of the US Government*, which eliminates intra-governmental holdings, the accrued liability of the military pension, health, and compensation systems is a towering \$1.1 trillion. This number is 40 percent larger than the projected on-budget surpluses over the next ten years! And it is nearly on the same scale as the \$1.8 trillion liability of Medicare Part A and the \$3.5 trillion liability of Social Security listed in the government's financial statements.
- *The Bulletin* finds it interesting that we are increasing the unfunded liability of one system, military retirement, while we are trying to reduce the unfunded liability of another, Social Security. Hopefully, we won't save Social Security the same way we're saving military retirement.
- Senators voted for S.4 in the belief that the dramatically-increased retirement benefits would resolve plummeting retention among midcareer enlisted personnel and officers in the armed forces.
- Unfortunately, S.4 was considered before CBO was able to testify before the Armed Services Committee. When a hearing was finally held on this subject on Wednesday, March 3, CBO testified that it had "found that the Military Retirement Act of 1986 (known as REDUX) is not having a discernable, widespread effect on retention of midcareer personnel."

**MANY PROGRAMS PAST**  
**THEIR EXPIRATION DATES**

- The Balanced Budget & Emergency Deficit Control Act of 1985 required CBO to report to Congress each year all unauthorized appropriations and expiring authorizations. This year's report indicates that in FY1999 Congress appropriated over **\$102 billion** to programs with expired authorizations.
- Authorizing laws establish, continue or modify federal programs, and they are a prerequisite under House and Senate rules for the Congress to appropriate budget authority.
- The legislation enacted by authorizing committees provides the foundation for operating a program and direction on the level of funding to the Appropriations Committees. Authorizations are typically in specific dollar amounts or provide "such sums as are necessary".
- Authorizations can be permanent or cover only specific fiscal years. If an authorization is for a defined period of time, once that time period expires, Congress can extend the program through reauthorization or by providing new appropriations (unless the original authorization prohibits it). However, any appropriations made after a program's authorization has expired are considered "unauthorized appropriations."
- House rules allow a point of order against an unauthorized appropriation. Additionally, the listing of unauthorized appropriations in committee reports is required by both House and Senate Rules.
- This year's report shows that a total of 118 programs with expired authorizations were funded in FY 1999. The largest amount is for veteran's medical care at a total of \$17.3 billion, which was authorized through the end of 1998. There was \$13.7 billion provided for NASA which was last authorized 6 years ago in 1993.
- Apparently, many authorizing committees have not had the time to review and renew expiring authorizations. One of the primary purposes of Biennial Budgeting and Appropriations Act - - S. 92 - - is to increase time for oversight of existing programs. *The Bulletin* suggest that \$102 billion for 118 programs whose authorizations have not been renewed and therefore have not been reevaluated represents a serious failure in oversight.

| <b>FY 1999 Appropriations with Expired Authorizations</b><br>(By Senate Committee, \$ in millions) |                |                    |
|--|----------------|--------------------|
| Senate Committee   | Number of laws | Appropriation Amt. |

|                        |     |           |
|------------------------|-----|-----------|
| Agriculture            | 5   | 470.1     |
| Armed Services         | 0   | 0         |
| Banking                | 5   | 9,254.2   |
| Commerce               | 22  | 24,808.8  |
| Energy                 | 14  | 4,462.6   |
| Environment            | 18  | 4,321.4   |
| Finance                | 1   | 2,100.9   |
| Foreign relations      | 9   | 8,609.8   |
| Governmental Affairs   | 1   | 0         |
| Indian Affairs         | 2   | 34.9      |
| Intelligence           | 1   | 3.0       |
| Judiciary              | 15  | 15,324.6  |
| Labor                  | 22  | 15,388.1  |
| Rules & Administration | 1   | 36.5      |
| Small Business         | 0   | 0         |
| Veterans' Affairs      | 4   | 17,326.0  |
| TOTAL                  | 118 | 102,141.1 |