# COMMITTEE FOR A RESPONSIBLE FEDERAL BUDGET



Memo to: Board and Members
From: Carol Cox Wait
Date: July 30, 2002

Subject: Budget Issue Update—Summer Recess

**Just say no!**

The supplemental that Congress just passed includes $5.1 billion in "contingency funds". If the President agrees, the contingency funds would be designated "emergency" appropriations. The "contingencies" include money for 13 Departments and agencies. These funds were not included in the President's supplemental request. The President might like to have some of the money before October 1st but he cannot pick and choose. The way the bill is written, he must approve all the contingency items or none.

Most of the so-called "contingencies" were included in the President's FY 2003 request. They belong in 2003. This is a blatant attempt to move the money into 2002 and make room for an additional $5 billion in FY 2003 appropriations. The President should just say no.

**Budget Nightmare.**

Hypothetical headline mid to late October, "Senate Passes $1.4 Trillion Dollar Prescription Drug/Tax Cut Bill". The Budget Enforcement Act (BEA) (budget caps and pay-as-you-go rules enacted in 1990 and extended in 1993 and 1997) expires September 1, and with it the 60-vote points of order in the Senate. Come October, the Senate could pass a bill that combines the Democrats' $800+ billion prescription drug bill with the President's $550 billion in additional tax cuts. There would be no 60-vote point of order.

Any Senator could filibuster. But the filibuster would be reported very differently than a Budget Act point of order. Filibusters tend to be reported as obstructionist tactics. Budget Act points of order tend to be reported as fiscally responsible actions. Some Senators might try to trim the cost of the package. Proponents almost certainly would be willing to add extra goodies to attract votes. If this seems entirely implausible to you, review the "Budget Outlook" on the following pages. We fear that it is all too believable, a nightmare for anyone concerned with responsible budgets.

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**Current Budget Outlook.**

Rules don't work well all the time. Almost everyone abuses some speed limit some time. Does that argue for repeal of all speed limits? Congresses and Administrations have used large surpluses, war and recession as excuses to bust through budget caps and avoid pay-as-you-go (PAYGO) discipline. (PAYGO is supposed to force trade-offs for tax cuts or new entitlements if such legislation would increase the deficit.) Some would say that, since the rules don't work there is no real need to extend them.

The House passed a budget and they have done a pretty good job enforcing it with regard to appropriations bills. But the House Budget Committee has not tried to block tax cuts. And the House has yet to face pressures that will arise from higher Senate Spending levels and differences over priorities between and among the two bodies and the Administration.

The Senate has not passed a budget. But Appropriations Chairman Byrd and Ranking Minority Member Stevens have announced their intention to keep the 13 regular bills in line with targets consistent with the Budget Committee-reported resolution. They even suggested that both will oppose any amendments that do not include offsets. The Senate targets are $9.8 billion higher than the House and $11.1 billion higher than the President. And there surely will be another supplemental appropriations bill next year.

The Senate targets assume $2.4 billion more than the House or the President in advances from FY 2002 appropriations. Appropriations grew almost 11% per year over the last two years and about 6% per year for the two previous years.

Who is kidding whom? As the tables on the next page illustrate, both Houses of Congress are busy passing bills to increase spending and cut taxes. The Administration supports some spending increases and most of the tax cuts. The budget is in deficit. Cutting taxes *and* increasing spending will not solve that problem. Decision-makers must make some hard choices. They should start by reaching some agreement on discretionary spending caps and limits for new tax/direct spending legislation.

| Table 1--Revenue Bills Passed in the House of Representatives this year fiscal years--$ in millions | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | | | Total |
| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2003-06 |
| H.R. 6 Marriage Penalty | | -9,900 | -14,100 | -21,500 | -30,600 | -40,400 | -116,500 |
| H.R. 7 Faith Based Charities | | -368 | -816 | -900 | -1,182 | -1,193 | -4,459 |
| H.R. 8 Estate Taxes | | -4 | -7,029 | -9,100 | -11,324 | -13,114 | -40,571 |
| H.R. 2143 Estate Tax | | | | | | | |
| H. R. 586 Foster Care* | | -18 | -29 | -37 | -45 | -53 | -182 |
| H.R. 622 Adoption* | | -47 | -174 | -224 | -254 | -275 | -974 |
| H.R. 3009 Andean Free Trade* | | -41 | -47 | -50 | -53 | -57 | -248 |
| H.R. 3129 Border Security * | | -4 | -4 | -4 | -4 | -4 | -20 |
| H.R. 3210 Terrorism Insurance[a)] | | | -100 | -200 | -500 | -600 | -1,400 |
| H.R. 4626 Marriage Penalty and Welfare to Work | | | -257 | -486 | -161 | -2 | -906 |
| H.R. 4946 Long-Term Care[b)] | | | -106 | -250 | -329 | -359 | -1,044 |
| Total | | -10,382 | -22,662 | -32,751 | -44,452 | -56,057 | -166,304 |

Sources: Congressional Budget Office , Joint Tax Committee, and *Thomas* (congressional web site)
* enacted

a) Also would increase direct spending by $7.3 billion over five years.

b) Also would increase direct spending by $26 million over five years

| Table 2—Appropriations for FY 1998-FY 2003 Budget Authority--$ in Millions—(totals may not add due to rounding) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | FY 2003 | | | |
| Subcommittee | Enacted | | | | | | Appropriations Committees | | |
| | 1998 | 1999 | 2000 | 2001 | 2002 | Pres | House | Senate | S ± H |
| Agriculture | 14,094 | 14,649 | 14,982 | 16,442 | 17,336 | 17,051 | 17,601 | 17,980 | 379 |
| CJS | 31,276 | 35,717 | 38,793 | 39,436 | 43,550 | 40,729 | 40,303 | 43,475 | 3,172 |
| Defense | 250,682 | 265,702 | 278,844 | 307,628 | 335,097 | 356,595 | 354,447 | 355,139 | 692 |
| DC | 823 | 705 | 453 | 469 | 651 | 379 | 517 | 517 | 0 |
| Energy-Water | 20,938 | 21,781 | 21,550 | 24,201 | 25,677 | 25,149 | 26,027 | 26,300 | 273 |
| Foreign Ops | 13,058 | 15,700 | 16,266 | 15,705 | 17,055 | 16,100 | 16,350 | 16,350 | 0 |
| Interior[c] | 13,976 | 14,361 | 15,359 | 19,053 | 19,252 | 18,953 | 19,730 | 19,326 | -404 |
| Labor-HHS[c] | 81,281 | 84,872 | 101,391 | 110,057 | 127,750 | 130,900 | 129,902 | 134,288 | 4,386 |
| Leg. Branch | 2,279 | 2,582 | 2,490 | 3,088 | 3,254 | 3,412 | 3,413 | 3,413 | 0 |
| Mil-Con | 9,292 | 8,997 | 8,650 | 9,106 | 10,633 | 9,541 | 10,083 | 10,622 | 539 |
| Transportation[d] | 14,933 | 13,874 | 14,385 | 18,968 | 24,151 | 19,851 | 20,856 | 21,100 | 244 |
| Treasury Postal | 12,713 | 14,652 | 13,719 | 16,399 | 18,999 | 17,960 | 18,501 | 18,501 | 0 |
| VA-HUD | 66,570 | 69,959 | 71,718 | 83,254 | 96,408 | 92,518 | 91,811 | 92,934 | 1,123 |
| **Subtotal** | | | | | | 749,138 | 749,541 | 759,945 | 10,404 |
| Unallocated[e] | **($ in Billions)** | | | | | 10,000 | 11,000 | 10,344 | -656 |
| **Total** | 529.6 | 563.6 | 598.6 | 663.8 | 736.0 | 759,138 | 760,541 | 770,289 | 9,748 |
| *Emergencies[c]* | | | | | | --- | --- | *2,200* | *2,200* |

Source: Congressional Budget Office and Senate Budget Committee Republican Staff

[a] President's budget reflects amendments submitted by the President on March 14 and July 3.
[b] In addition to the figures shown here, Sen. Byrd's proposed Senate allocation also includes $25.4 billion in advance appropriations, $2.244 billion more than the advances from the FY 2002 appropriations bills.
[c] Emergencies are included in each subcommittee's allocation total.
[d] Includes mass transit budget authority of $1.445 billion in 2003 for President, House, and Senate.
[e] The House includes a $1 billion special education reserve fund; if released, it would be allocated to the Labor-HHS subcommittee.

The tables above do not include the Railroad Retirement bill that passed last December ($7 billion over ten years, and rising costs thereafter for decades to come). Neither do they include prescription drugs estimated to add somewhere between $200 billion and $800 billion over ten years to the cost of a Medicare program that will go broke just beyond the window for these cost estimates.

Last year nearly all budget forecasters predicted very large surpluses over the next decade. This year the budget is in deficit. As the economy recovers, CBO, OMB, the Blue Chip and almost everyone else will predict a return to surpluses.

Modest economic growth should make budget balance an achievable goal by 2005—even if we continue to spend at current levels for the War and Homeland Security.

The loudest opponents of new tax cuts often are the loudest supporters of big spending increases and new programs—and vice a versa. A major stumbling block on the way to new budget process rules is that almost everybody wants some new spending and/or tax cuts and fears that their favorite ox will be gored.

Congress should adopt achievable budget targets, e.g., budget balance within two years. We would very much like to see Social Security surpluses "saved" but that is not an achievable short-term objective.

Congress should agree on whether there will be new tax cuts and/or direct spending programs, and just how much money should be available for such purposes.

They should set new discretionary caps at levels Congress and the Administration are prepared to enforce—and not use bogus "emergencies", timing shifts, etc. to stay within them.

Budget rules are important because without them the budget situation likely will deteriorate further and make it harder to deal with the serious challenges that will arise as the baby boom generation retires.

It is time for our leaders to act responsibly and amend and extend the BEA or adopt new rules. The rules now on the books expire in 60 days.