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MEMO TO: BOARD AND MEMBERS
FROM: CAROL WAIT AND SUSAN TANAKA
DATE: OCTOBER 19, 1998

SUBJECT: OMNIBUS APPROPRIATIONS BILL

How Much Worse Can it Get?

A number of Members have inquired how we would vote on the omnibus appropriations bill. The answer is: no! The pressure to pass the bill and go home, however, may prove impossible to resist. Failure would be very embarrassing for the White House and Congressional leaders as both already have claimed victory.

The only reason to support the bill is that subsequent versions likely would be far worse. Given what has happened in the last three weeks, we must concede that is a credible argument.

“Emergency Spending” Greater than the Budgets of 40 States

Isaiah 22:13, “Let us eat and drink, for tomorrow we shall die,” might be the motto of the Clinton Administration and the 105th Congress in its closing days. Since the end of the fiscal year on September 30, Congress and the President have agreed to spend about \$1 billion per day. \$20 billion in so called emergency spending is more than the total budgets for all but ten States in the country, and most is not for items we would label emergencies.

In addition, the bill contains about \$7 billion over the caps for non-emergency spending. Some of that is offset by cuts in other programs. Some is offset by accelerating collections of future year receipts. Some offsets seem unlikely to materialize or to measure up. And some of the spending is forward funded to avoid worry about offsets until next year.

An actual budget surplus in the year just ended, plus projected surpluses for several years to come, created the climate in which all of this is possible, despite the fact that the surplus is due entirely to Social Security tax collections in excess of current benefit costs.

Better Never than Late

For those who say that Congress just completed work they should have done earlier in the year, we think the work better should have been left undone. Better to pass a 6-month or full-year continuing resolution at last year's levels. Nothing in this bill is important enough to justify scrapping the discipline that produced the first balanced budget in 29 years.

There were plenty of reasons for delay. The House wanted a big tax cut. The President wanted to spend more money than the Balanced Budget Act allows. The Administration criticized Congress for legislating on appropriations. In the end, Congressional leaders and White House negotiators did a deal by the simple expedient of adding more and more money. When they could not fit a size 16 woman into a size 12 dress, the negotiators agreed to rip the seam in the back and hope that nobody notices.

The bill extends some popular tax expenditures. Excess spending for programs near and dear to Democratic constituencies more or less equals that for Defense and other Republican priorities. The notorious mohair and honey bee entitlement programs got a new lease on life. Really tough non-monetary differences (e.g., some environmental issues and how to conduct a census) were put off until another day.

Mortgaging the Future

When questionable offsets and emergency labels failed to cover everything Congress and the Administration were determined to do right now, they forward funded \$4 billion—mortgaging the amounts under the caps for FY 2000.

If Congress passes and the President signs this bill, it will not cause a one-time spike in Federal spending. OMB Director Jack Lew is working right now on the budget for FY 2000. He cannot and will not cut new spending \$25 billion or more, year over year, to stay within the caps for FY 2000—and neither will Congress.

There is tremendous pressure to raise the caps for defense and domestic discretionary spending; but this is the wrong way to go about doing so. It took twenty-five years of fiscal restraint to get to budget balance. Current surpluses could prove to be fleeting, even illusory, if the economy slows and we cannot curtail the urge to binge this way.

One final truly depressing thought: many probably pushed to include in the bill items they fear might not survive any serious priority setting process; and setting priorities is the function of responsible budget process.