INFORMED BUDGETEER:

@ End of 106th Congress Countdown @	
Calendar Days to Sine Die: October 6 (From June 12)	
Total Days	117
Less:	
Scheduled Non-Leg. Periods (59 days)	58
Fridays & Mondays before/after Non-Leg. Periods (3)	55
Remaining Saturdays & Sundays (14)	41
Mondays & Fridays in Leg. Periods (10) ; =	31
Memo: Days to Beginning of FY 2001	27

CURRENT STATUS OF 2001 APPROPRIATIONS

- Appropriation bills are the name of the game in the Senate and House this month; therefore it is an appropriate time to summarize the status of funding the government for FY 2001.

- One bill – Military Construction – has passed the Senate and is headed to conference with the House, which could begin this week. The Senate version contains supplemental spending for 2000 as well, mostly for defense items.

- Five other bills have been reported, four of which still await floor time. Defense appropriations has passed the House and is currently being considered on the Senate floor. Labor HHS at press time was being considered in the House and the Senate committee bill is awaiting action in the full Senate.

- The Legislative Branch bill has already been debated and has been virtually passed, as it awaits House passage of the companion measure before it can be deemed as passed in the Senate. Foreign Ops and Agriculture have been reported from the Senate Committee but are waiting for floor time because the parallel bills have not passed the House.

- The Transportation bill has passed in the House and is scheduled for Senate subcommittee mark-up tomorrow, June 13. Full committee action expected later this week. None of the other six bills have firm schedules for Committee action.

- It is difficult to assess how action thus far foretells final outcomes. The six reported bills all have been at or under their allocations. But because a change in the statutory cap has not yet been enacted, VA-HUD has an allocation of only $17 billion in BA, about $60 billion less than the amount envisioned for that subcommittee by the FY 2001 Budget Resolution. Until the issue of a change in the cap is joined, it will be difficult to assess in a meaningful way the "status" of appropriation bills.

Status of Appropriation Bills, 2001
($ in Millions)

		Senate 302b	Senate[A] action to date	House[A] action to date	Senate vs allocation
Ag	BA	14,812	14,812	14,376	0
	OT	11,566	11,566	14,723	0
Defense	BA	287,415	287,415	288,410	0
	OT	279,578	276,959	272,334	-2,619
For Ops	BA	13,385	13,384	- -	-1
	OT	14,273	14,273	- -	0
LHHS[B]	BA	97,350	97,350	95,914	0
	OT	92,666	92,666	91,942	0
Leg Branch[C]	BA	2,500	2,500	2,388	0
	OT	2,502	2,498	2,408	-4
Mil Con	BA	8,634	8,634	8,634	0
	OT	5,044	5,040	8,625	-4

[A]Excludes emergencies. [B]Excludes Appropriations for CDRs and adoption assistance for which allocation adjustment will be provided. [C]Includes adjustment for House or Senate only items, respectively.

ADVANCING APPROPRIATIONS

- The Labor-HHS appropriations bill being considered in the House handles advanced appropriations differently than the Senate version. In the House bill, total advance appropriations into 2002-2003 equal $19.8 billion, or $1.1 billion less than the Senate bill. (Total net spending for the House bill in 2001, after accounting for emergencies, mandatory offsets, and other scorekeeping adjustments equals $95.9 billion, compared to $97.3 billion in the Senate bill.)

- The Budget Resolution includes a point of order against any bill that would cause total advance appropriations for 2002 to exceed $23.5 billion, and a point of order against any advances into 2003 or beyond. Will a point of order lie against either the House or Senate bill?

- In the Senate bill, the $1.9 billion advance appropriation for the State Children's Health Insurance Program for FY 2003 subjects the bill to a 60-vote point of order under Section 204(b)(1)(B) of the budget resolution. For the point of order against advances in 2002 to lie against the bill, the sum of advances in all appropriations bills cleared for the President plus the advances in this bill must exceed $23.5 billion. Since no other bills have been cleared for the President and the sum of advances in the Senate bill is $18.6 billion for 2002, this point of order would not apply.

- Currently, the House bill would not trigger either point of order because it does not provide any new advances for 2003 or beyond, and the total level of advances in 2002 does not exceed the $23.5 billion threshold.

- However, the House bill increases advances for 2002 by $827 million over last year's level, primarily by increasing funding for child care. This could pose problems for future bills, if they are to stay within the threshold. To stay within the $23.5 billion threshold, the House would have needed to cut advances in other bills by $827 million. To solve this problem, the House passed a rule with a self-enacting provision that would rescind any FY 2002 appropriations over the cap from the child care program (as long as funding for the program does not drop below the 2000 level).

LHHS Advanced Appropriations:
Senate Proposed vs. House Proposed
($ in billions, BA)

	Enacted for 2001	Senate 2001bill for 2002-03	House 2001 bill for 2002-2003
Dept. of Ed.	12.448	14.748	12.448
Dept. of Labor	2.463	2.463	2.463
Head Start	1.400	1.400	1.400
CPB*	0.350	0.365	0.365
LIHEAP	1.100	- -	1.100
Child Care	1.183	- -	2.000
Health Resource	- -	- -	0.030
SCHIP*	- -	1.900	- -
HHS salary & expens	0.020	- -	- -
TOTAL	18.964	20.876	19.806

*The Senate LHHS bill provides 2003 advances for SCHIP and Corporation for Public Broadcasting (CPB). CPB is historically funded two years in advance.

COMPLICATIONS WITH DISAPPEARING DEBT

- The *Bulletin* has, from time to time, addressed the question of a shrinking public debt and the implications for Treasury debt management. Reducing the debt is a good thing- but interestingly it can create problems most would not have thought about.

- Treasury has managed the shrinking debt in a variety of ways: choosing not to issue new debt to replace maturing debt, reducing the number of debt instruments in a given auction, eliminating certain debt instruments, changing the auction cycle, and repurchasing debt prior to maturity.

- Treasury took these actions in order to balance its debt management goals of ensuring a sufficient supply of cash to pay obligations, ensuring that the debt is financed at the lowest cost, and promoting efficient capital markets.

- Earlier this year, Treasury had decided that it made debt-management sense to cease issuing the 52-week t-bill. But not so fast – the Bureau of the Public Debt's legal eagles found that seven federal government statutes were dependent on the 52-week bill for certain calculations. In order to avoid disrupting the calculations called for in the statutes, the elimination of the 52-week bill is on hold. Treasury Assistant Secretary Gary Gensler has said that Treasury is working with Congress to make appropriate changes to the specific statutes.

- What statutes need to be changed? The Bureau of the Public Debt legal department found seven statutes that base calculations on the 52-week bill rate. In addition, they found sixteen statutes that base calculations on the rates of bills with maturities of less than one year, and two that base calculations on the rates of Treasury bonds. The list follows, and as you can see, a wide range of federal statutes are involved.

- **Statutes associated with bills with maturities of less than one year – interest rates for (16):**

< Savings fund for pay and allowance of employees missing in hostile action,
< Determination of restructured delinquent farmer program loan values,
< Claims involving the food stamp program,
< An executive of a business development company who borrows money from the company for the purpose of purchasing securities,
< Most student loans,
< Prompt payment ,
< Interest owed by Treasury to states and vice versa,
< Savings fund established for pay and allowance of missing members of the uniformed services,
< Recovery under certain circumstances of funds paid under the Community Mental Health Centers Act for the construction and modernization of facilities,
< Recovery under certain circumstances of funds paid for the construction and modernization of medical facilities,
< Certain student loans for health profession students,
< Payments of certain health insurance refunds,and
< Overpayments of medical program grants retained by state.

- **Statutes associated with 52-week bills - interest rates for (7):**

< Unpaid criminal fines and penalties of more than $2,500,
< Certain student loans,
< Tax-deferred liability of shareholders of domestic international sales corporations,
< Money judgments in civil cases recovered in Federal district court,
< Judgment against the U.S. affirmed by the Supreme Court after review on petition of the U.S., and
< Compensation owed for takings of property.

- **Statutes associated with Treasury bonds- interest rates for (2):**

< Securities issued by certain small business investment companies, and
< Obligations issued to the Secretary of the Treasury to obtain money for the Rural Housing Insurance Fund.

ECONOMICS

CBO SEMINAR ON THE NEW ECONOMY

- At the request of Chairman Domenici, CBO organized a seminar to explore the origins of the "New Economy" and the implications for productivity growth. A panel of top academics and industrial representatives were assembled in an off-the-record briefing.

- The first session looked at the sources of recent productivity gains. Some participants noted that gains have been concentrated in the sector which manufactures computers, while few gains have been recorded in the sectors that use computers. In contrast, others believed that there have been diffused gains from IT (Information Technology) evident in all sectors. What accounts for this difference in opinion? The former participants excluded productivity gains that were thought to be due to cyclical factors, whereas the others did not.

- Other participants urged a different focus, noting that the real story behind the New Economy is the productivity improvement that we're <u>not</u> measuring. The recent rise in stock valuations may reflect this unmeasured surge.

- In the second session, researchers and industry representatives spoke of the enormous opportunities afforded by IT. Special attention was paid to the auto, financial and health sectors. Participants noted, however, that the internet only boosts productivity growth to the extent that it reduces firms' costs of doing business rather than just shifting the channels of distribution.

- In the third session, the policy implications of the New Economy were discussed. One economist felt that we should pursue prudent budgetary policies until it is clear whether IT is leading to sustainable, broad-based productivity gains. Another economist noted that one of the hallmarks of the New Economy is that cyclical volatility has been dampened. He attributed this to policy decisions over the last twenty years to reduce regulations, lower tax burdens, and adopt a monetary policy objective of low and stable inflation – a continuation of these policies would help sustain the "New Economy".

- In summary, the seminar did not attempt to give an absolute verdict on the origins and implications of the New Economy. However, it was intended to give listeners a better appreciation of the issues involved. Thanks to all the presenters and to CBO for organizing this excellent seminar! (More to come later.)

BUDGET QUIZ

<u>Question:</u> When must the President submit to Congress a supplemental update of the Budget, commonly known as the "Mid-Session Review"?

<u>Answer:</u> Section 1106 of Title 31, U.S.C requires the supplemental summary of the budget before **July 16**.

<u>Question:</u> When must CBO submit to Congress it's supplemental update of the Budget?

<u>Answer:</u> Technically, whenever it wants to. Section 202(e) of the Budget Act simply states "from time to time submit... such further reports as may be necessary or appropriate."