INFORMED BUDGETEER:

@ End of 106th Congress Countdown @ Calendar Days to Sine Die: October 6 (From June 19)	
Total Days	110
Less:	
Scheduled Non-Leg. Periods (59 days)	51
Fridays & Mondays before/after Non-Leg. Periods (3)	48
Remaining Saturdays & Sundays (12)	36
Mondays & Fridays in Leg. Periods (13) ; =	23
Memo: Days to Beginning of FY 2001	19

CHECKING THE SCORE ON TAX CUTS

- The clock is ticking down on the 106th Congress, and time is running short on enacting tax cuts assumed in the FY 2001 Budget Resolution. The resolution assumed that Congress would pass and the President would sign into law tax cuts that would total no more than $11.6 billion in FY 2001, and no more than $150.0 billion over the next five years.

- As one mechanism for considering tax cuts in the Congress, the resolution (section 103 and 104) provided for the "reconciliation" of revenues. If the reconciliation process is to be used, the Finance Committee in the Senate and the Ways & Means Committee in the House are to report no later than July 14 changes in tax laws that would not exceed the $11.6 billion and $150.0 billion figures.

- A second tax cut bite at the apple was also included in the resolution. If either because the first tax reconciliation bill (July 14) does not become law, or only a portion of the tax cuts assumed in the resolution become law, a second reconciliation bill is provided for in the resolution – September 13. This second reconciliation bill when added to any tax cuts that have been enacted (either free standing or in the first reconciliation bill) cannot exceed the $11.6 billion and $150.0 billion figures.

- One slight twist (there always is one), the resolution anticipated that the budget and economic outlook could change between the time the resolution was adopted and the time of these reconciliation dates. Section 213 of the resolution authorizes the Chairmen of the two Budget Committees to change the taxcut reconciliation figures in section 103 and 104, upward for any CBO change of the on-budget surplus estimates compared to their March 2000 estimates.

- This is the only change in numbers authorized for any reestimates (no change in spending assumptions). Therefore, if the Chairmen do not exercise their authority under the resolution to increase the tax reconciliation instruction (upward or down depending on the reestimates), new additional on-budget surplus estimates would go to retiring the debt held by the public.

- The full Senate failed earlier this year (prior to the adoption of the resolution) to pass tax reductions associated with the marriage tax penalty. The Senate Finance Committee now plans to markup the first taxreconciliation bill on June 28. The first reconciliation bill is likely to focus on the marriage tax penalty. A similar bill is being planned for the House Ways & Means Committee in the House the first week following the 4th of July recess.

- To date, the 2nd Session of the 106th Congress has passed and the President has signed into law taxreductions totaling $3.2 billion for 2001, and $5.7 billion over the next five years for various transportation and trade legislation. These will be counted against the resolution assumptions. (See table below.)

- The 2nd Session of the House has passed individual tax cuts that have not been either passed or considered in the Senate. These individual tax cuts sum to nearly $128.4 billion over the next five years, and $448.0 billion over the next ten years.

- The 2nd Session of the Senate has passed individual tax cuts that have not been either passed or considered in the House and total $23.0 billion over the next five years, $55.8 billion over the next ten years.

- The *Bulletin* estimates that the unduplicated tax cuts passed in the 2nd Session in the House and Senate, plus tax cuts that have become law, sum to $141.6 billion over the next five years, slightly below the $150 billion permitted in the resolution.

Revenue Impact of Bills passed, 106th Congress, 2nd Session
($ in Billions)

	2001-05	2001-10
Enacted Legislation:		
Air-21	-*	-0.1
Civil Asset Forfeiture Reform Act	-0.6	-1.2
Trade & Development Act	-2.6	-4.5
Total- enacted	-3.2	-5.7
House Passed Legislation:		
Marriage Tax Penalty Relief	-46.4	-172.6
Death Tax Elimination Act	-28.3	-104.7
Telephone Excise Tax Repeal	-19.6	-50.6
Taxpayer Bill of Rights 2000	-2.1	-7.3
Small Business Tax Fairness Act[A]	-18.3	-43.6
Patients' Rights[B]	-13.0	-68.5
Other	-0.6	-0.6
Total- House passed	-128.4	-448.0
Senate Passed Legislation:		
Affordable Education Act	-7.7	-21.3
Patients' Rights[B]	-15.2	-34.5
Total- Senate passed	-23.0	-55.8
Total- Enacted, House & Senate Passed[C]	-141.6	-441.0

[A]Estimate shown with effects of estate tax relief removed. [B]Patients' rights passed each House in first session; conference is ongoing in the second session. [C]Total includes Senate number for Patients' rights, non-duplicative. JCT estimates

FARMING THE BUDGET

- The soon to be signed into law- Agriculture Risk Protection Act of 2000- will result in direct farm assistance payments topping $21.6 billion this year. With net farm income expected to reach $45 billion this year (the *Bulletin's* estimate based on USDA data), one can think of the federal government's direct assistance contributing to half of the net farm income this year (about 9% of gross farm income.)

- The new farm legislation follows the broad spending assumptions of the FY 2001 Budget Resolution. The new law overhauls the federal crop insurance program and provides increased direct payments to producers facing the 4th consecutive year of depressed crop prices.

The Agriculture Risk Protection Act of 2000
($ in Billions)

	FY2000	FY2001	FY2000-2010
Title I: Crop Insurance Reform	0.000	1.421	20.024
Title II:			
Subtitle A- Market Loss Assit.	5.466	1.383	6.842
Subtitle B- Conservation	0.000	0.050	0.050
Subtitle C- Research	0.000	0.051	0.051
Subtitle D- Ag. Marketing	0.000	0.015	0.015
Subtitle E- Nutrition programs	0.034	0.077	0.057
Subtitle F- Other programs	0.000	0.063	0.063
Total	5.500	3.060	27.102

Source: CBO Estimates, May 24, 2000.

- Title I (crop insurance reform) provides new entitlement spending, two-thirds of which will go to provide subsidies for farmers who purchase approved insurance products under the federal crop insurance system. The remaining will be spent on improved flexibility under the Non-insured Crop Disaster Assistance Program (NAP), and various other research, development, and pilot programs put in place to further enhance risk management options for farmers and ranchers.

- New spending under Title I is expected to increase each year from $1.4 billion in 2001, to an estimated $2.5 billion in 2010. The ten-year spending under Title I is expected to be over $20 billion. The current cost of the federal crop insurance program will double including these new subsidies. The program's costs are expected to exceed $40 billion.

- Title II of the bill, which takes advantage of $7.1 billion held in reserve (section 216 of the resolution) to provide "assistance for producers of program crops and specialty crops."

- The assistance provided in Title II includes $5.5 billion for additional market loss payments to farmers (to be payed in FY 2000), $500 million for payments to oilseed producers, $900 million for specialty and other crops, $51 million for agriculture research, $50 million for agriculture conservation, and $7 million for swine pseudorabies vaccinations.

- The Federal Agriculture Improvement and Reform Act (FAIR) of 1996 established a system of fixed income support payments, compared to previous farm policy that tied support payments to production decisions. When FAIR was enacted it specified that these fixed payments (AMTA-Agriculture Market Transition Act) would total $5.1 billion for the current year- FY2000.

- Last October the FY 2000 Agriculture Appropriations Act upped the statutory fixed payments for this year by $5.5 billion. So with the enactment of this new bill in June, another $5.5 billion has been added to those payments, bringing the total AMTA payments to $15.1 billion or three times what was envisioned at the time FAIR becoame law.

- Of the $900 million provided for specialty and other crops:

  - $340 million to compensate tobacco producers for reduced demand;
  - $200 million for USDA to purchase specialty crops for National School Lunch program, including apples, black-eyed peas, cherries, citrus, cranberries, onions, melons, peaches, and potatoes;
  - $100 million to cottonseed producers;
  - $78 million for loan deficiency-type payments for grazed wheat, barley, and oats, and for program crop producers not enrolled in Freedom to Farm programs;
  - $71 million for improvements in inspection services for fruits and vegetables;
  - $47 million to compensate peanut producers for low prices in the 2000 crop year;
  - $25 million to compensate fruit growers for losses due to disease; and
  - $23 million to support loans for apple, honey, wool and mohair producers.

- Of the $51 million for agriculture research ("providing assistance to producers of program crops and specialty crops"):

  - $15 million to carry out carbon cycle research;
  - $14 million to complete construction of a corn-based ethanol research pilot plant in Illinois;
  - $10 million for laboratories and equipment for research on soil science and forest health in Nebraska;
  - $8.5 million for research on livestock and poultry waste management systems; and
  - $3 million for research on proteins from genetically altered tobacco that may be used as a vaccine for cervical cancer.

ECONOMICS

REVENUES CONTINUE TO POUR IN

- CBO's latest monthly budget review brings further good news – in the first eight months of the FY2000, the fiscal surplus is running about $80 billion more than it was in the same period last year.

- Robust revenue growth is the source of this improvement. Remarkably, revenues are growing at an 11.7% pace YTD (nearly double their FY1999 pace), with notable strength seen in individual income and corporate income taxes. This is consistent with the economy's supercharged performance in recent quarters. While we still need to examine June 15th's corporate tax and individual estimated payments, the outlook for the rest of FY2000 remains upbeat as well.

Revenue Growth
($ in billions)

	Oct-May 1999	Oct-May 2000	% Change
Individual Income	576	664	15.2
Corporate Income	98	113	15.3
Social Insurance	405	434	7.0
Other	99	106	6.8
TOTAL	1,179	1,317	11.7

- Unfortunately, outlays are also running at a faster clip than they did last year, although a slight deceleration seems likely in the remaining months of the fiscal year.

Outlay Growth
($ in billions)

	Oct-May 1999	Oct-May 2000	% Change
Defense	171	184	7.3
Social Security	254	265	4.3
Medicare	140	144	3.4
Medicaid	71	76	8.4
Other Programs	345	370	7.2
Net Interest	158	157	-0.6
TOTAL	1,138	1,196	5.1

- CBO will be revising its estimates of the FY2000-2010 surpluses shortly. At present, they have acknowledged that the FY2000 surplus is likely to top $200 billion. This compares with their $179 billion forecast last March.

O EDITOR'S NOTE: For Budgeteers who missed the SBC/CBO Seminar on the New Economy on June 6, papers and publications from many of the participants are now available on CBO's web site: http://www.cbo.gov/. Additionally, for an excellent summary see The Economist, June 10-16th, 2000; page 86, "Productivity on Stilts", also available on the web at http://www.economist.com/