106th Congress, 1st Session: No. 30 October 25, 1999

INFORMED BUDGETEER

IN THE HOME STRETCH

- Since last week's *Bulletin,* Congress has made significant progress toward completing its work on each of the thirteen appropriation bills. Discretionary totals in the table below reflect scoring of the conference agreements for the bills that have been sent to the President. (CBO scoring with directed adjustments to reflect OMB outlay rates.)

FY 2000 Appropriations Status
($ in Billions)

		Action to Date FY 2000 BA	OT
Agriculture-	Regular	14.0	14.3
Enacted	Emergency	8.7	8.3
	Total	22.7	22.6
Commerce	Regular	33.8	31.6
Cleared	Emergency (census)	4.56	4.1
	Contingent Emergencies[A]	0.0	0.0
	Total	37.2	35.7
Defense	Regular	259.6	249.9
Cleared	Emergency (readiness)	7.2	4.8
	Contingent Emergencies[A]	0.0	0.8
	Total	266.8	255.5
DC	Regular	0.4	0.4
Vetoed	Emergency	- -	- -
	Total	0.4	0.4
Energy	Regular	21.3	20.8
Enacted	Emergency	- -	- -
	Contingent Emergencies[A]	0.0	0.1
	Total	21.3	20.9
For Operations	Regular	12.7	13.1
Vetoed	Emergency	- -	- -
	Total	12.7	13.1
Interior	Regular	14.3	14.5
Cleared	Emergency	0.2	0.0
	Contingent Emergencies[A]	0.0	0.0
	Total	144	14.5
Labor-HHS*	Regular	83.5	82.1
Conference	Emergency	1.2	0.5
	Contingent Emergencies[A]	0.0	0.1
	Total	84.8	82.7
Leg Branch	Regular	2.5	2.5
Enacted	Emergency	- -	- -
	Total	2.5	2.5
Mil Con	Regular	8.4	8.8
Enacted	Emergency	- -	- -
	Total	8.4	8.8
Transportation	Regular	12.5	43.3
Enacted	Emergency	- -	- -
	Total	12.5	43.3
Treasury	Regular	13.7	14.1
Enacted	Emergency	- -	- -
	Contingent Emergencies[A]	0.0	0.4
	Total	13.7	14.6
VA-HUD	Regular	69.4	82.6
Enacted	Emergency	2.5	0.0
	Contingent Emergencies[A]	0.0	0.2
	Total	71.9	82.9
Discretionary	Regular	545.0	578.0
Total	Emergency (new outlays)	24.3	17.7
	Contingent Emergencies[A]	0.0	1.6
	Total	569.2	597.4
CBO July 1999 cap level		538.2	579.8
Anticipated Adjustments to cap level[B]		1.0	0.5
Amount appropriations are over the cap		5.8	-0.7

*Preliminary CBO numbers. [A]Contingent emergency appropriations not in the OMB Sequestration Preview report. [B]Adjustments for EITC, Arrearages, CDRs, and adoption assistance.

- At the time of this week's publication, Congress had completed action on **twelve** bills: seven appropriation bills had been enacted and three additional bills had cleared both Houses and were awaiting the President's signature. Two bills, both the District of Columbia and the Foreign Operations appropriations, had been vetoed by the President. A conference agreement was tentatively reached last Thursday on the remaining bill, which funds the Departments of Labor, HHS, and Education. This bill may clear both Houses early this week and will be sent to the President along with a revised appropriation for the District of Columbia.

- The budget authority (BA) for fiscal year 2000, given Congressional action to date, totals $569.2 billion, while the outlays (OT) total $597.4 billion. These totals are $4.1 billion below the 1999 level in CBO's July 1999 baseline for budget authority and $17.5 billion above that level for outlays.

- Total emergency spending for FY 2000 tops $24.3 billion in BA and $17.7 billion in outlays. Emergency spending is $9.8 billion below the 1999 level for BA.

- The CBO July 1999 cap on discretionary spending is $538.2 billion in budget authority and $579.8 billion in outlays. Currently, regular appropriations are over that cap level by $5.8 billion in BA and under the cap by $0.7 billion in outlays. To avoid a sequester by OMB at the end of the session, budget authority for regular appropriations must be cut by that amount. If an across the board cut on all discretionary programs (including emergencies) is enacted with the Labor-HHS appropriation bill, as is being discussed, a sequester could successfully be avoided.

PRESIDENT'S IOU SCHEME FOR SOCIAL SECURITY

- In an effort to one-up Congress' commitment to save Social Security's money, the President has resuscitated the "Godzilla of all Gimmicks" -- his much-maligned scheme to extend the Social Security's Trust Fund life with IOUs. He claims that his plan would do more for Social Security than Congress'. Nothing could be farther from the truth.

- The President's IOU transfers provide no real, additional money for Social Security and are completely unrelated to present surpluses. What will happen when Social Security tries to redeem these IOUs down the road? A future President will have to raise more than $34 trillion (yes, trillion) in taxes in order to turn these Clinton promissary notes into real resources.

QUOTES OF NOTE
THE PRESIDENT'S IOUs FOR SOCIAL SECURITY

David Walker, Comptroller General GAO; Testimony before Senate Budget Cmte, February 1999

"[President Clinton's Social Security proposal] does not come close to "saving Social Security". **"Under the President's proposal, the changes to the Social Security program will be more perceived than real:** although the trust funds will appear to have more resources as a result of the proposal, nothing about the program has changed".

Alan Greenspan, Federal Reserve Chairman ; Q&A before Senate Banking Cmte, July 1999

When asked if he supported using general revenues to shore up Social Security: "I would very much prefer that we did not move in the direction of general revenues because in effect, once you do that, **then you've opened up the system completely and the issue of what SS taxes are becomes utterly irrelevant...** And I'm not terribly certain that serves our budgetary processes in a manner which I think is appropriate."

Edward Gramlich, Federal Reserve Board Member and Chairman of the 1994-1995 Social Security Advisory Council; Testimony Before Senate Finance Cmte, February 1999

"During the deliberations of the 1994-1996 Social Security Advisory Commission, **we considered whether general revenues should be used to help shore up the Social Security program. This idea was unanimously rejected** for a number of reasons... there are serious drawbacks to relaxing SS' long-run budget constraint through general revenue transfers".

Concord Coalition, September 27, 1999 press release

"...we do not agree that (the President's) plan to credit Social Security with new treasury IOUs representing interest savings from presumed debt reduction does anything to save the program ...**All it does is literally paper over Social Security's looming shortfalls.**

AIR-21: SPRUCE GOOSE GETS NO FREE RIDE ON THE BUDGET !

- Conferees have finally been appointed on the FAA reauthorization legislation and both members and the staff have begun work. The Bulletin salutes the wise decision of both House and Senate leadership to include as conferees members from the Budget Committees. We are confident that these wise legislators - seasoned by recent budget and appropriations battles - will preserve appropriate and fiscally responsible budgetary treatment for aviation.

- Although progress is being made, the conferees have not yet addressed the tough issues presented to the conference, including the future budgetary treatment of aviation spending. Bulletin readers will recall that the House - in hopes of forcing the Senate into a compromise - has proposed both taking the aviation trust fund off-budget and creating a firewall within the appropriations process. The Senate proposed no change in the budgetary treatment. Neither off-budget nor firewalls will ever be cleared for take-off by the Senate.

- As budget and transportation staffs begin preparation of materials for the conferees on this issue many important questions come to mind. Most notably, *what is the federal government's TOTAL spending on aviation?* On this issue some interesting facts are emerging.

- *First*, aviation spending from the trust fund has been greatly supplemented by contributions from the general fund. That means that Americans who don't fly have been picking up the tab for those that do to the tune of nearly $56 billion over the life of the trust fund.

- *Second*, the government contributes to aviation in ways other than the activities of the FAA. Funds are provided through NASA, the Departments of Defense, Commerce and State for activities ranging from computer development, air traffic control, the National Weather Service to the International Civil Aviation Organization. In whole, these programs contribute nearly $2 billion annually to federal aviation activites and are paid for by the non-flying public. These activities are crucial to the FAA's air traffic control mission. So if , in the name of fairness to those who pay aviation taxes, the conference is going to "unlock" the aviation trust fund -- let's make sure it's paying *all* of its bills. Seems that from a budgetary perspective, they've been getting more than their money's worth.

- If total federal aviation spending has not been sufficient to fulfill the federal government's responsibility, then the *Bulletin* believes that ought to be addressed in the context of all government spending. Remember that to provide the increases sought by TEA-21, real offsets - which caused tough votes - were required. Looking at aviation spending in isolation - without a frank discussion of who loses out if aviation spending is increased - will only produce a more complicated and less transparent budget. A result that all budgeteers would find unacceptable.

GAO PROVIDES OVERSIGHT OF EMPOWERMENT ZONE TAX EXPENDITURES

- In response to a request from Congressmen Mica and Shays, GAO issued a report that examines the extent to which businesses in empowerment zones used the program's three tax incentives (an employment credit, increased expensing, and tax-exempt bonds) and three other tax incentives targeted to help businesses (the work opportunity credit, the welfare-to-work credit, and the brownfields deduction).

- GAO mailed a survey to 2,400 businesses in the nine original empowerment zones created by the Omnibus Budget Reconciliation Act of 1993: Atlanta, Baltimore, Chicago, Detroit, Philadelphia/Camden, New York City, the Kentucky Highlands, the Mississippi Mid-Delta, and the Rio Grande Valley. GAO received responses from about half of the businesses surveyed.

- After tallying the responses, GAO found that *fewer than half of the eligible businesses used any of the three empowerment zone tax credits for tax year 1997*. When asked about the work opportunity credit, the welfare-to-work credit, and the brownfields deduction, 76% of large urban businesses, 90% of small urban businesses, and 87% of rural businesses reported that they used *none* of these three tax incentives.

- Of the empowerment zone credits, the employment credit was the most utilized. This credit was used by 42% of large urban businesses, 6% of small urban businesses, and 32% percent of rural businesses. Businesses that did not claim the credit cited two main reasons - either they did not qualify for the credit because their employees lived outside of the zone or they did not know about the credit.

- The increased expensing deduction was used by 9% of large urban businesses, 4% of small urban businesses, and 8% of rural businesses. The main reason businesses cited for not using the deduction was that they did not know about it; other reasons included they did not invest in "qualified zone property," or their investments were too large or too small to use the deduction.

- Only 10 businesses of the more than 1,000 responding to the survey reported using the tax-exempt facility bonds. The vast majority of businesses cited not knowing about the bonds as the reason why they were not used. Other reasons cited included that the bonds were too complicated to use or that the business simply did not need the bonds.

- GAO's report was issued September 30, 1999 and is titled, "Businesses' Use of Empowerment Zone Tax Incentives, RCED-99-253."

CALENDAR

October 26: Dr. James A. Thurber, Professor and Director of the Center for Congressional and Presidential Studies at American University. All briefings are in Dirksen 608 at 3pm.

October 27: Senate Budget Committee meeting; Members will meet with the President of the European Union (EU), Romano Prodi to review EU/US issues. Dirksen 608; 9:00- 10:00 am.

November 9: Dr. Robert Reischauer, Senior Fellow, Brookings Institution; formerly Director of the Congressional Budget Office.

November 17: Dr. Eugene Steuerle, Senior Fellow, Urban Institute; formerly Deputy Assistant Secretary at the Treasury

Department.