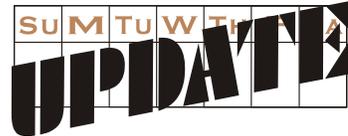

BUDGET WEEK



HOUSE COMMITTEE ON THE BUDGET
Majority Caucus • Jim Nussle, *Chairman*

309 Cannon House Office Building
www.budget.house.gov • (202) 226-7270

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MEMBERS' ALERT – POTENTIAL END-OF-SESSION LEGISLATION

A number of bills with significant costs have been passed by one or both Houses, and could come up before adjournment in conference reports, a continuing resolution, or other unrelated measures. The listing below identifies some of the key measures from this group, and indicates their potential budgetary impact.

AGRICULTURE

□ ***Drought/Livestock Assistance***

Issue: The Senate has passed several measures providing drought-related assistance to eligible crop and livestock producers for both the 2001 and 2002 crop years. Similar versions have been introduced in the House.

Cost: The Senate bill would cost \$5.9 billion in fiscal year 2003. Although the funding was designated as an emergency, the authority to exempt emergency-designated spending from the budget rules expired on 30 September. House versions would cost from \$3 billion to \$6 billion in the first year, but sponsors contend the cost of such assistance is offset by the decline in Commodity Credit Corporation outlays that resulted from declining crop prices.

Budget Implications: The House-passed budget resolution provided a 5-year allocation in excess of \$40 billion for a reauthorization of the Farm Bill. The conference committee on the Farm Bill had the discretion to use a portion of the allocation on a crop and livestock package included in the Senate-passed Farm Bill. This title was dropped from the Farm Bill and the money used for other programs. Consequently, the Senate bill would exceed the Agriculture Committee's allocation in the House-passed budget resolution, and would violate the Congressional Budget Act.

DEFENSE

□ ***Concurrent Receipt of Military Retirement and Disability Pay***

Issue: The Senate-passed defense authorization bill, now in conference, includes an entitlement expansion that breaches the budget resolution by \$13.7 billion over 5 years. The Senate bill would provide full concurrent receipt of military and retirement and disability pay for all military veterans with disabilities rated by the Department of Veterans Affairs [VA]. The House-passed bill would phase in full concurrent receipt for individuals with 60-percent or greater VA disability ratings.

Cost: The Senate bill would cost \$3.2 billion in budget authority and outlays the first year, and \$19.5 billion in budget authority and outlays over 5 years. The House provision would cost \$516

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million in budget authority and outlays in the first year and \$5.8 billion in budget authority and outlays over 5 years.

Budget Implications: The House-passed budget resolution accommodates a concurrent receipt proposal of \$516 million in fiscal year 2003 and \$5.8 billion over 5 years. This is equal to the provisions in the House-passed defense authorization bill. The Senate concurrent receipt proposal would exceed this by almost \$2.7 billion in fiscal year 2003, and \$13.7 billion over 5 years. This additional spending would violate the Budget Act.

FINANCE

□ ***Bankruptcy Reform Act*** (H.R. 333)

Issue: This bill, now in conference, makes several changes in bankruptcy-related laws. The House bill would slightly increase fees charged for filing bankruptcy cases, and would change how some of these fees are currently recorded in the budget. The bill increases, by \$279 million over 5 years, the amount of bankruptcy fees treated as offsets to appropriations, resulting in a net reduction in discretionary spending of \$23 million over this period. It also reduces revenue by \$260 million over 5 years, because bankruptcy fees now recorded as revenue would be reclassified as offsetting collections and offsetting receipts. H.R. 333 also would require additional judgeships, increasing mandatory pay and benefits by \$18 million over the next 5 years.

Cost: The House bill would have reduced revenue by \$45 million in fiscal year 2003 and \$260 million over 5 years. It also would have increased direct spending – spending not subject to appropriations – by \$2 million in the first year and \$18 million over 5 years.

Budget Implications: The revenue loss is within levels permitted under the budget resolution. But the direct spending increase would exceed the Judiciary Committee's allocation, violating the Budget Act.

□ ***Terrorism Reinsurance*** (H.R. 3210)

Issue: H.R. 3210 is currently in conference. The bill provides a Federal financial "backstop" to commercial property and casualty insurers in the event of losses from future terrorist acts. Assistance provided under the House bill would be reimbursable. Under the Senate bill, the assistance is in the form of a grant to the insurance industry, and would not be reimbursable.

Cost: Although the House bill is reimbursable, it would cost \$7.3 billion over 5 years because reimbursements would lag behind assistance payments. This cost was designated as an emergency but the authority to exempt such expenditures from the budget resolution expired on 30 September. Although an estimate has not been completed, the Senate bill, which is in the form of a grant, is expected to be considerably more expensive.

Budget Implications: Both the House and Senate bills would exceed the allocations provided to the Financial Services Committee and hence violate the Budget Act.

ENERGY

□ ***The Energy Policy Act of 2002*** (H.R. 4)

REVENUE PROVISIONS

Issue: This bill is currently in conference and has substantial budget implications. The bill's primary budget effect will be the inclusion of tax credits related to energy exploration and use.

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Cost: As passed by the House, these provisions would reduce projected Federal receipts by about \$1.7 billion in the first year, and by \$18.7 billion over 5 years. The Senate bill reduced revenue by \$1.2 billion in the first year, and \$14.1 billion over 5 years.

Budget Implications: The budget resolution would accommodate additional tax cuts of up to \$3.7 billion in fiscal year 2003 and \$24.2 billion over 5 years. Hence both the House and Senate revenue provisions would be consistent with the budget resolution and would not violate the Budget Act.

SPENDING PROVISIONS (BONNEVILLE POWER ADMINISTRATION)

Issue: As passed by the Senate, H.R. 4 increases the mandatory borrowing authority of the Bonneville Power Administration by \$1.3 billion over 5 years. There was no comparable provision in the House-passed energy bill.

Cost: The Senate Bonneville provision would cost \$1.3 billion over 5 years.

Budget Implications: The Senate provision or any alternative that would exceed \$700 million in fiscal year 2003 or over 5 years would breach the allocation of the Resources Committee and would violate the Congressional Budget Act.

HEALTH CARE

□ ***Medicare Modernization and Prescription Drug Act of 2002*** (H.R. 4954)

Issue: A package of Medicare provider adjustments was considered part of the Medicare bill, which passed the House pursuant to the provisions of the House budget resolution's reserve fund for Medicare modernization and prescription drugs.

The Senate did not pass a comprehensive Medicare bill. But on 1 October, Senator Baucus and other Senate Finance Committee members introduced S. 3018, a Medicare provider payment bill that would increase Medicare provider payments and Federal Medicaid matching rates.

Cost: The provider package in the Medicare bill reported by the Ways and Means Committee totaled \$4.1 billion in fiscal year 2003 and \$28.4 billion over 10 years. (The House-passed version of this bill was not scored by the Congressional Budget Office.) The Senate bill would cost around \$10.1 billion in 2003 and \$43.8 billion over 10 years.

Budget Implications: The House-passed budget resolution established a reserve fund for a Medicare bill of up to \$5 billion in fiscal year 2003 and \$350 billion over 10 years. The bill could include provisions related to modernization, a prescription drug benefit, and Medicare adjustments (e.g provider payments). H.R. 4954, as passed by the House, included a 10-year package of about \$30 billion in provider payments, and the House-passed budget resolution would accommodate a package of that magnitude. But the reserve fund cannot be used for non-Medicare provisions such as the Medicaid items in the Senate bill. (In the House, such items would have to be financed from the Ways and Means Committee's non-Medicare allocation.)

NATURAL RESOURCES AND ENVIRONMENT

□ ***Permanent Funding for PILT and Refuge Revenue Sharing***

Issue: H.R. 1811, the Payment in Lieu of Taxes [PILT] and Refuge Revenue Sharing Permanent Funding Act, was incorporated into an omnibus bill parks and lands package, H.R. 5569, which was briefly scheduled for floor consideration the week of 15 October. Both programs compensate States and counties for forgone revenue from Federal property which is not subject to property

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taxes. This bill would convert an existing discretionary program, funded through the appropriations process, into an entitlement.

Cost: CBO estimates that H.R. 1811 would increase direct spending by \$273 million in fiscal year 2003, and \$1.4 billion over the next 5 years. As noted, the bill is currently part of the House Resources Committee's omnibus parks and lands package, under negotiation for floor consideration.

Budget Implications: The budget resolution provided \$700 million in the Resource Committee's allocation for unrelated legislation. This bill would exceed the Committee's allocation by \$700 million, and thereby violate the Budget Act.

TRANSPORTATION

□ ***The Aviation Industry Stabilization and Reform Act*** (H.R. 5506)

Issue: This bill was approved by the House Transportation and Infrastructure Subcommittee on Aviation on 2 October 2002. It extends War Risk Insurance coverage for airlines, and reopens the \$10-billion loan guarantee program (established in Public Law 107-42, the Air Transportation Safety and System Stabilization Act) for applications by air carriers. Applications for the loan guarantee program had to be filed by 28 June 2002. This bill would reopen the program to new applications in the event of a war with Iraq.

Cost: Because some applications for loan guarantees are still pending, the cost of reopening the loan guarantee program for applications is uncertain, and the Congressional Budget Office has not released a cost estimate. But the bill could cost as much as \$1.5 billion in fiscal year 2003.

Budget Implications: Although the original loan guarantees were designated as an emergency and therefore exempt from the budget resolution, the authority to designate such emergencies has expired and hence the cost of reopening the loans would count against the budget resolution.

Consequently, if the bill has any cost in fiscal year 2003, it would breach the Transportation and Infrastructure Committee's allocation and therefore violate the Budget Act.

□ ***Port Security***

Issue: The Senate Committee on Commerce, Science, and Transportation reported S. 1214, the Port and Maritime Security Act of 2001, on 2 August 2001. This bill would extend, through fiscal year 2006, the increase in vessel tonnage duties that was enacted in 1990 by Public Law 101-508. The fee expired on 30 September 2001. The bill would make most of the offsetting receipts earned as a result of the extension available for spending, without further appropriation, to finance a new program to enhance security at U.S. ports.

Cost: The Congressional Budget Office estimates that enacting S. 1214 would cost \$55 million in fiscal year 2003, and \$221 million over 5 years.

Budget Implications: The Transportation and Infrastructure Committee does not have any new budget authority in its allocation for fiscal year 2003. Hence the bill would violate the Budget Act.

UNEMPLOYMENT

□ ***Unemployment Insurance***

Issue: Senator Baucus has introduced legislation to: 1) increase, from 13 weeks to 26 weeks, the period in which individuals in all States can receive extended unemployment benefits; and 2) provide an additional 7 weeks of eligibility for persons in high unemployment States.

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Cost: The Baucus proposal would cost \$2.1 billion in fiscal year 2003 and \$1.9 billion over 5 years.

Budget Implications: This extension of expiring benefits was not anticipated in the House budget resolution for fiscal year 2003. The budget resolution provided \$1.8 billion in budget authority in the Ways and Means Committee's allocation for fiscal year 2003 and \$4.8 billion over 5 years. Hence, the Senate bill would breach the allocation in fiscal year 2003 – violating the Congressional Budget Act – but would comply with the 5-year allocation to the Ways and Means Committee. The option to exempt the bill from the budget resolution as an emergency expired on 30 September.