



Appropriations Update

Committee on the Budget • Majority Caucus
U.S. House of Representatives
Jim Nussle, *Chairman*

309 Cannon House Office Building
Washington, DC 20515 • (202) 226-7270
Rich Meade, *Chief of Staff* • www.budget.house.gov

Volume 3, No. 2

11 February 2003

FISCAL YEAR 2003 OMNIBUS APPROPRIATIONS BILL (H.J.RES. 2, as passed by the Senate)

SUMMARY

On January 23, 2003, the Senate passed H.J. Res. 2, as amended. The House passed H.J.Res. 2 on January 8, 2003 as a continuing resolution [CR]. The Senate subsequently amended the measure to fund, through September 30, 2003, the eleven regular appropriations bills for fiscal year 2003 that did not pass prior to adjournment of the 107th Congress.

Regular appropriations for the fiscal year - which began on 1 October 2002 - have been enacted only for the military and civilian activities of the Department of Defense; remaining government operations are funded through 20 February 2003 by a CR. The House and Senate are currently in conference to reconcile their differences on this bill.

H.J.Res.2, as amended, reflects the Senate position on the eleven unfinished discretionary appropriation bills. It also includes provisions regarding defense intelligence spending, election reform, wildland firefighting, fisheries aid and several mandatory, or entitlement, programs.

The bill provides a total of \$389.640 billion in budget authority [BA] and \$428.442 billion in outlays. Of these amounts, discretionary programs total \$385.419 billion in BA and \$424.452 billion in outlays; mandatory programs total \$4.221 billion in BA and \$3.990 billion in outlays. This analysis compares the Senate position to the position in the House-passed and reported bills (see Table 1).

Table 1: Omnibus Appropriations Bill Fiscal Year 2003
(fiscal years; millions of dollars)

	2002 Enacted Without One Time Spending	2003 Request	House Passed/Reported ¹	2003 Senate ²
Budget Authority ³	373,650	383,130	383,767	389,640
Outlays	396,899	424,821	428,688	428,442
Discretionary				
Budget Authority	373,650	383,130	383,767	385,419
Outlays	396,899	424,821	428,688	424,452
Mandatory				
Budget Authority				4,221
Outlays				3,990

¹ Budget Authority reduced by \$24 million. The Appropriations Committee notes in its report (H.Rept. 107-740) for the VA-HUD appropriations bill (H.R. 5605) that it would reallocate funding within its 302(a) allocation to eliminate the breach prior to consideration in the House.

² Excludes \$3.744 billion in advance appropriations for fiscal year 2004 in the Senate bill.

³ Excludes Mass Transit BA.

(continued on next page side)

This document was prepared by the majority staff of the Committee on the Budget, U.S. House of Representatives. It has not been approved by the full committee and may not reflect the views of all the committee's members.

COST OF THE LEGISLATION

The Congressional Budget Office [CBO] estimates the bill provides a total of \$389.640 billion in budget authority [BA] and \$428.442 billion in outlays for both discretionary and mandatory spending.

Discretionary spending totals \$385.419 billion in new BA and \$424.452 billion in outlays for fiscal year 2003. Discretionary spending in the Senate-passed omnibus bill is \$11.769 billion in BA and \$27.553 billion in outlays above the 2002 enacted level excluding one-time supplemental spending (see Table 1). Outlay growth outpaces BA growth since payments are still being made on items funded by the fiscal year 2002 supplementals. The Senate omnibus contains \$26.885 billion in advance appropriations, \$3.707

billion more than allowed by the House budget resolution, and \$311 million worth of rescissions.

If this measure is enacted, the discretionary budget authority provided by this omnibus bill will increase spending for the eleven nondefense appropriation bills it covers by 9.2 percent a year in each of the past 3 years (see Table 3). Growth in defense appropriation bills will lag nondefense, growing at 8.7 percent a year in each of the past 3 years.

Mandatory spending totals \$4.221 billion in BA and \$3.990 billion in outlays in fiscal year 2003. The ten-year cost of the mandatory proposals is \$4.516 billion in BA and \$4.515 billion in outlays.

COMPLIANCE WITH THE BUDGET ACT

The rules that govern the budget process require that appropriations be charged against the Committee sponsoring the bill. Charging the full cost of the bill to the Appropriations Committee causes the bill to exceed the BA limit set in H.Con.Res. 353 by \$5.873 billion. That amount consists of \$4.221 billion in mandatory spending and \$1.652 billion in discretionary spending that was not offset as intended by the 2.9 percent across the board reduction.

Exceeding the BA limit set by the budget resolution results in a violation of section 302(f) of the Congressional Budget Act. Section 302(f) prohibits the consideration of legislation exceeding the BA allocation established in the budget resolution. Generally, that section of the Budget Act is enforced for appropriations measures against the 302(b) suballocations, but the Appropriations Committee has not established 302(b) suballocations for this Congress. (The suballocations issued last year expired at the end of the last Congress because a budget agreement was not reached with the Democrat-controlled Senate.)

Advance Appropriations

In addition, H.J.Res. 2, as passed by the Senate, is in violation of section 301 of H.Con.Res. 353, which limits

advance appropriations to \$23,178,000 for fiscal year 2004. H.J.Res. 2 includes advance appropriations of \$26,885,000,000, or \$3,707,000,000 more than the limit set in H.Con.Res. 353.

Advance appropriations consist of budget authority provided in an appropriations act for a particular fiscal year that does not become available for spending or obligation until a subsequent fiscal year. The use of advance appropriations mushroomed between fiscal years 1998 and 2000. In response, the budget resolutions for fiscal years 2001, 2002 and 2003 limited advance appropriations for all 13 appropriations bills to roughly the amount enacted for 2001. The budget resolutions limited this gimmick because increasing advance appropriations can provide a way to evade the spending limits set by the budget resolution.

Mandatory Programs

Even if the mandatory programs were not charged to the Appropriations Committee, and were handled as freestanding pieces of legislation, all of the provisions, except for those involving Medicare, would violate section 302(f) of the Budget Act. Please see pages 6-7 for an indepth discussion of these issues.

(continued on next page)

COMPARISON OF HOUSE AND SENATE SPENDING PROPOSALS

Table 2: Comparison of House and Senate Appropriations Committee Actions
All Subcommittees
(fiscal year 2003; millions of dollars)

Subcommittee	Request	House-Passed/ Reported	Senate	Senate over(+)/ under(-) House
Agriculture	17,062	17,601	18,350	749
Commerce, Justice, State	40,846	41,119	41,505	386
Defense ¹	356,470	354,830	354,830	0
District of Columbia	379	517	512	-5
Energy and Water	25,528	26,027	26,164	137
Foreign Operations	16,450	16,549	16,429	-120
Interior	18,953	19,730	18,952	-778
Labor, HHS, Education	131,230	129,902	136,519	6,617
Legislative Branch	3,405	3,413	3,362	-51
Military Construction ²	9,663	10,499	10,499	0
Transportation	18,952	19,413	20,129	716
Treasury, Postal Service	17,960	18,500	18,220	-280
VA, HUD	92,415	91,020	90,349	-671
Additional Defense - Division M			3,895	3,895
Election Reform/Wildland Fire/Fisheries - Division N			2,425	2,425
Across the Board Reduction (2.85%) - Division N			-11,392	-11,392
Allowances		-24		24
Subtotal	749,313	749,096	750,748	1,652
Mass Transit BA	1,445	1,445	1,445	0
Subtotal Budgetary Resources - 2003	750,758	750,541	752,193	1,652
Advance Appropriations - 2004			3,744	3,744
Total Budgetary Resources	750,758	750,541	755,937	5,396

¹ Defense appropriations bill (P.L. 107-248).

² Military Construction appropriations bill (P.L. 107-249).

³ Passed and reported bill amounts exceed fiscal year 2003 302(a) limitation in H.Con.Res. 353 by \$24 million. The Appropriations Committee notes in its report (H.Rept. 107-740) for the VA-HUD appropriations bill (H.R. 5605) that it would reallocate funding within its 302(a) allocation to eliminate the breach prior to consideration in the House.

SUBCOMMITTEE

Agriculture

The Agriculture division, as passed by the Senate, is \$749 million more than the House-reported version due largely to an increase in the Foreign Agricultural Service and the Senate not using the Farm Service offset of \$450 million for the Export Enhancement Program. If the measure passes as proposed by the Senate, spending in this bill will have increased by 7.0 percent a year each of the past three years; under the House plan, average annual growth for the past three years would be 5.5 percent. Table 3 compares growth rates under the House and Senate plans.

**Commerce,
Justice, State**

The Commerce, Justice, State division, as passed by the Senate, is \$386 million more than the House Appropriations subcommittee allocation of the 107th Congress.

If the measure passes as proposed by the Senate, spending in this bill will have increased by 2.3 percent a year for each of the past three years. Under the House plan, average annual spending growth would be 1.9 percent a year for the past three years.

(continued on next page)

District of Columbia

The District of Columbia division as passed by the Senate is \$5 million less than the House-reported version due largely to reduced funds for economic development. If the measure passes as proposed by the Senate, spending in this bill will have increased by 4.2 percent a year for each of the past three years; under the House plan, average annual growth for the past three years would be 4.5 percent.

Energy and Water

The Energy and Water division, as passed by the Senate, is \$137 million more than the House-reported version due largely to increases in the Department of Energy and independent agencies, offset by reductions in the Army Corps of Engineers. If the measure passes as proposed by the Senate, spending in this bill will have increased by 6.7 percent a year for each of the past three years; under the House plan, average annual growth for the past three years would be 6.5 percent.

Foreign Operations

The Foreign Operations division, as passed by the Senate, is \$120 million less than the House-reported version due largely to a reduction in International Security Assistance. If the measure passes as proposed by the Senate, spending in this bill will have increased by 0.4 percent a year for each of the past three years; under the House plan, average annual growth for the past three years would be 0.6 percent.

Interior

The Interior division, as passed by the Senate, is \$778 million less than the House-passed version due to reductions in Forest Service wildland fire management, Fish and Wildlife Service, National Park Service and Department of Energy conservation programs. If the measure passes as proposed by the Senate, spending in this bill will have increased by 7.2 percent a year for each of the past three years; under the House plan, average annual growth for the past three years would be 8.6 percent.

Labor, HHS, Education

The Labor, HHS, and Education division, as passed by the Senate, is \$6.617 billion more than the House Appropriations subcommittee allocation of the 107th Congress, due largely to an additional \$5 billion for education for the disadvantaged. This increase was offset

by a proportionate \$5 billion across the board reduction in other government spending. Also, since a bill was not reported in the House, the House has not yet tapped an additional \$1 billion in funds reserved in its budget resolution for special education, and therefore, is not reflected in the subcommittee allocation.

In addition, the Senate added \$3.744 billion in advance appropriations for education. These advance appropriations, while provided in the fiscal year 2003 appropriations act, will not become available until fiscal year 2004. If the measure passes as proposed by the Senate, spending in this bill will have increased by 17.3 percent a year for each of the past three years; under the House plan, average annual growth for the past three years would be 14.3 percent.

Legislative Branch

The Legislative Branch division, as passed by the Senate, is \$51 million less than the House-passed version due largely to reductions in Capitol Police general expenses and funds for a police building. If the measure passes as proposed by the Senate, spending in this bill will have increased by 10.5 percent a year for each of the past three years; under the House plan, average annual growth for the past three years would be 11.1 percent.

Transportation

The Transportation division, as passed by the Senate, is \$716 million more than the House-reported version due largely to increased funds for Amtrak and the Transportation Security Administration. If the measure passes as proposed by the Senate, spending in this bill will have increased by 14.5 percent a year for each of the past three years; under the House plan, average annual growth for the past three years would be 13.2 percent.

This Senate measure also increases the limitation on the total obligations for the Federal-Aid Highways program to \$31.8 billion, allowing obligations to stay at the fiscal year 2002 level of \$31.8 billion currently in effect under the fiscal year 2003 continuing resolution. This causes outlays for the program to be higher than that allowed by section 204 of the budget resolution, which provided a special reserve fund for increases in this program and specifically applied a point of order against any measure that included such an obligation limit increase and would cause outlays to be higher than the allocation of outlays to the Appropriations Committee. But because the overall level of outlays in the *entire* bill is less than the allocation provided

(continued on next page)

to the Appropriations Committee, the measure does not violate this outlay point of order.

**Treasury,
Postal Service**

The Treasury, Postal Service division, as passed by the Senate, is \$280 million less than the House-passed version due to reductions in federal drug control programs and the transfer of a smaller election reform grant program to a much larger effort under Division N. If the measure passes as proposed by the Senate, spending in this bill will have increased by 10.0 percent a year for each of the past three years; under the House plan, average annual growth for the past three years would be 10.5 percent.

VA HUD

The VA-HUD division, as passed by the Senate, is \$671 million less than the House-reported version due to reductions in the Federal Emergency Management Agency's [FEMA] disaster relief and pre-disaster mitigation fund, the National Science Foundation, the National Aeronautics and

Space Administration, and Veteran's Affairs construction. These reductions were offset by a partial reinstatement of the President's request for the Corporation for National and Community Service. If the measure passes as proposed by the Senate, spending in this bill will have increased by 7.9 percent a year for each of the past three years; under the House plan, average annual growth for the past three years would be 8.2 percent.

Other Discretionary Programs

Additional Defense-Division M: Division M, as passed by the Senate, includes an additional \$3,895 million for defense intelligence activities.

Additional Domestic Spending and Across the Board Reduction-Division N: The bill includes additional discretionary domestic spending for election reform (\$1,500 million), wildland fire emergency (\$825 million) and fishery disaster assistance (\$100 million). The bill provides an across the board reduction of \$11,392 million, or roughly 2.85 percent, of discretionary accounts listed in divisions A through K of the bill (the eleven regular appropriations bills that have not passed).

GROWTH OVER THE PAST THREE YEARS

**Table 3: Spending by Appropriations Bills
Average Annual Growth 2000-2003**

Subcommittee	House Avg Annual Growth Rate 2000-2003	Senate Avg Annual Growth Rate 2000-2003 ¹
Agriculture	5.5%	7.0%
Commerce, Justice, State	1.9%	2.3%
Defense ²	8.4%	8.8%
District of Columbia	4.5%	4.2%
Energy and Water	6.5%	6.7%
Foreign Operations	0.6%	0.4%
Interior	8.6%	7.2%
Labor, HHS, Education	14.3%	17.3%
Legislative Branch	11.1%	10.5%
Military Construction	6.7%	6.7%
Transportation ³	13.2%	14.5%
Treasury, Postal Service	10.5%	10.0%
VA, HUD	8.2%	7.9%
Total Budgetary Resources	8.7%	9.0%
Defense (Defense & Military Construction)	8.3%	8.7%
Non Defense (All Other)	9.1%	9.2%

¹ Individual Senate bill growth rates do not reflect the across the board reduction and additional domestic spending in Division N of the omnibus appropriations bill. The Labor, HHS and Education growth rate reflects the \$3.7 billion in advance appropriations for fiscal year 2004 in the Senate bill.
² Senate bill includes Defense appropriations bill (P.L. 107-248) and additional \$3.9 billion in omnibus appropriations bill (H.J.Res. 2).
³ Includes Mass Transit BA.

(continued on next page)

RESCISSIONS

The bill contains \$317 million worth of rescissions in the following programs: Agriculture's Cooperative State Research, Education, and Extension Service (\$1 million), Patent and Trademark Office (\$120 million), Department of Justice's Working Capital (\$36 million) and Asset forfeiture

(\$51 million) accounts, National Park Service land acquisition (\$30 million), Smithsonian Institution (\$14 million), Transportation Secretary (\$57 million) and the Housing and Urban Development consolidated fee fund (\$8 million).

AUTHORIZATION ISSUES

Mandatory Programs

The bill provides increased fiscal year 2003 mandatory spending of \$4.221 billion in BA and \$3.990 billion in outlays. As noted under "Compliance with the Budget Act," the cost of these provisions contribute to the bill exceeding the Appropriations Committee's 302(a) allocation. As indicated below, if these provisions were considered as separate bills, the non-Medicare provisions would exceed the appropriate authorizing Committee's allocation.

Medicare

There are three mandatory Medicare provisions contained within the Senate-passed 2003 Omnibus Appropriations bill. All three provisions increase payments in fiscal year 2003, but because of outlay lags and premium adjustments they also have more minor effects in future years. Had these three provisions been moved as a separate bill, or three separate bills, and followed the regular order of being reported by an authorizing committee, they would not violate the Budget Act. The legislative text of all three provisions fall under the jurisdiction of the Ways and Means Committee, which is currently in breach of its allocation of budget authority provided under H.Con.Res. 353, the current House budget resolution. However, the budget resolution specifically provided a special \$350 billion Medicare allocation under which all Medicare spending falls. The Budget Committee Chairman has the authority to adjust this allocation to release all or a portion of this budget authority. After making such an adjustment, had these bills come to the floor separately, they would not violate section 302(f) of the Congressional Budget Act, which prohibits any new spending unless it is offset in the first-year and over the five-year period.

Physician Fee Schedule: This provision would stop a scheduled 4.4-percent cut in physician fees from taking place on 1 March 2003. Instead, payments to physicians will remain at 2002 levels through 30 September 2003. This provision costs \$630 million in fiscal year 2003, \$150

million in fiscal year 2004, and provides savings of \$100 million in fiscal year 2005.

Rural and Small Urban Hospitals: The Medicare Payment Advisory Commission [MedPAC] has recommended eliminating the 1.6 percent payment disparity rural and small urban hospitals receive on their inpatient discharges relative to large urban hospitals. This provision would temporarily raise the inpatient base rate for rural and small urban hospitals to the same rate as large urban hospitals from 1 April 2003 through 30 September 2003. This provision costs \$250 million in fiscal year 2003 and \$30 million in fiscal year 2004.

Home Health Services: Currently, rural home health care providers receive a 10 percent bonus payment to account for longer travel times, but these payments are due to expire 31 March 2003. This provision would extend these payments, albeit at a lower 5 percent amount, through 30 September 2003. This provision costs \$40 million in fiscal year 2003 and \$13 million in fiscal year 2004.

Medicaid Programs

Transitional Medicaid: This bill provides \$173 million in BA and \$184 million in outlays in 2003 to extend Transitional Medicaid Assistance [TMA] until 30 September 2003. TMA was created under Temporary Assistance for Needy Families [TANF] welfare reform to provide Medicaid coverage for up to one year for those former welfare recipients who return to the workforce and would otherwise lose Medicaid coverage because of earnings from employment. The ten-year cost of this provision is \$370 million in BA and \$369 million in outlays. Were this amendment to be moved as a separate bill, it would not be in compliance with the Budget Act. The legislative text falls under the jurisdiction of the Energy and Commerce Committee, which has exceeded the levels of budget authority provided by the current House budget resolution. Hence it would violate section 302(f) of the Congressional Budget Act which prohibits any new

(continued on next page)

spending unless it is offset in the first-year and over the five-year period.

QI-1 Program: This bill provides \$28 million in BA and outlays in 2003 to extend the QI-1 program until September 30, 2003. The QI-1 program is a block grant to the States to allow them to pay the Medicare Part B premium for low-income seniors with incomes between 120 and 135 percent of poverty. Were this amendment to be moved as a separate bill, it would not be in compliance with the Budget Act.

The legislative text falls under the jurisdiction of the Commerce Committee, which is currently in breach of allocation of budget authority provided under H.Con. Res 353, the current House budget resolution. Hence it would violate section 302(f) of the Congressional Budget Act which prohibits any new spending unless it is offset in the first-year and over the five-year period.

**Emergency
Agricultural Assistance**

The bill provides \$3.1 billion in additional funds for agricultural assistance. The majority of funds go to crop and livestock producers who have been hampered in recent years by drought and weather-related problems. Aid is focused in areas where counties have been deemed as a disaster or individuals have experienced a certain level of losses. Were this amendment to be moved as a separate bill, it would not be in compliance with the Budget Act.

The legislative text falls under the jurisdiction of the Agriculture Committee, which is currently in breach of allocation of budget authority provided under the H.Con.Res. 353, the current House budget resolution. Hence it would violate section 302(f) of the Congressional Budget Act which prohibits any new spending unless it is offset in the first-year and over the five-year period.