
**BUDGET ENFORCEMENT ACT
PREVIEW REPORT**

14. PREVIEW REPORT

The Budget Enforcement Act (BEA) of 1997, which was enacted as part of the Balanced Budget Act (BBA) of 1997, extended and modified the enforcement requirements of the Budget Enforcement Act of 1990. The BEA of 1997 established new limits, or “caps,” for discretionary spending through 2002. It also eliminated existing pay-as-you-go balances and extended the requirement that legislation affecting direct spending or receipts not increase the deficit. An across-the-board reduction of non-exempt spending, known as “sequestration,” enforces compliance with these constraints. The BEA requires that OMB issue a report on the impact of each piece of legislation seven days after enactment of a bill. Three additional reports throughout the year are required on the overall status of discretionary and pay-as-you-go legislation.

This Preview Report, the first of the three required overall status reports, provides the status of discretionary appropriations and pay-as-you-go legislation based on laws enacted as of the end of the first session of the 105th Congress. In addition, it explains the differences between the OMB and CBO estimates of the discretionary caps.

The OMB estimates use the economic and technical assumptions underlying the President’s budget submission, as required by the BEA. The OMB Update Report that will be issued in August, and the Final Report that will be issued after the end of the Congressional session, must also use these economic and technical assumptions. Estimates in the Update Report and the Final Report will only be revised to reflect laws enacted after the Preview Report.

Discretionary Sequestration Report

Discretionary programs are funded annually through the appropriations process. The scorekeeping guidelines accompanying the Budget Enforcement Act of 1990, as amended by the Omnibus Budget and Reconciliation Act of 1993, and by the Budget Enforcement Act of 1997, identify accounts with discretionary resources. The BEA of 1997 limits budget authority and outlays available for discretionary programs each year through 2002. For 1998 and 1999, the BEA of 1997 establishes three separate categories of discretionary spending: defense, non-defense (excluding violent crime reduction spending), and violent crime reduction spending. For 2000, the law divides discretionary spending into two categories: violent crime reduction spending and all other discretionary spending. For 2001 and 2002, there is a single category for all discretionary spending. OMB monitors compliance with the discretionary spending limits throughout the fiscal year. Appropriations that cause a breach in the budget authority or outlay caps trigger a sequester to eliminate that breach.

The Administration is proposing that the Congress include in the 1999 Budget Resolution a total of \$75.5 billion in 1999 for three deficit neutral “Reserve Fund” mechanisms for the: Research Fund for America, Environmental Resources Fund for America, and Transportation Fund for America. This proposal is discussed in the “Funds for America” section of this report.

Adjustments to discretionary limits.—The BEA permits certain adjustments to the discretionary limits—also known as caps. On November 24, 1997, the Office of Management and Budget submitted the Final Sequestration Report for 1998 required by the BEA. This report described adjustments permitted by the BEA as of the time the report was issued. The caps resulting from these adjustments are the starting points for this Preview Report. Included in this report are cap adjustments for changes in concepts and definitions and estimates of emergency spending, which the BEA permits to be made at this time. Before enactment of the BEA of 1997, section 251(b)(1) authorized adjustments for changes in inflation estimates from those in the House Conference Report on the 1994 Budget Resolution. The BEA of 1997 no longer provides for such an adjustment. Table 14–1 summarizes changes to the caps since 1990.

Several cap adjustments represent changes in concepts and definitions resulting from legislative action that reclassified certain programs. These actions shifted programs between the mandatory (i.e., direct spending) category and the discretionary category. For instance, several 1998 appropriations bills included provisions that modified mandatory programs. Since funding controlled by appropriations action is considered discretionary, the effects of these provisions are recorded as adjustments to the caps.

After consultation with the Congress and the Congressional Budget Office, OMB has also reclassified the Corps of Engineers’ Formerly Utilized Sites Remedial Action Program (FUSRAP) from the energy function to the national defense function. The non-defense discretionary spending limits have been adjusted downward, and the defense discretionary spending limits have been adjusted upward to accommodate this classification change.

Another cap adjustment for changes in concepts and definitions is for the redefinition of obligation limitations for certain transportation programs as discretionary budget authority. This conceptual change is explained in the “Transportation Obligation Limitations Defined as Discretionary Budget Authority” section of this report.

Table 14–2 shows the impact on the discretionary spending limits of the adjustments being made in this Preview Report.

Table 14-1. HISTORICAL SUMMARY OF CHANGES TO DISCRETIONARY SPENDING LIMITS

(In billions of dollars)

		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
TOTAL DISCRETIONARY													
Statutory Caps as set in OBRA 1990 and OBRA 1993	BA	491.7	503.4	511.5	510.8	517.7	519.1	528.1	530.6	N/A	N/A	N/A	N/A
	OL	514.4	524.9	534.0	534.8	540.8	547.3	547.3	547.9	N/A	N/A	N/A	N/A
Adjustments for changes in concepts and definitions	BA	.....	7.7	8.2	8.2	8.8	-0.6	-0.4	3.1	N/A	N/A	N/A	N/A
	OL	.....	1.0	2.4	2.3	3.0	-0.5	-2.6	-2.8	N/A	N/A	N/A	N/A
Adjustments for changes in inflation	BA	.....	-0.5	-5.1	-9.5	-11.8	3.0	2.6	*	N/A	N/A	N/A	N/A
	OL	.....	-0.3	-2.5	-5.8	-8.8	1.8	2.3	0.9	N/A	N/A	N/A	N/A
Adjustments for credit reestimates, IRS funding, debt forgiveness, IMF, and CDRs	BA	0.2	0.2	13.0	0.6	0.7	0.1	0.2	0.1	N/A	N/A	N/A	N/A
	OL	0.3	0.3	0.8	0.8	0.9	0.1	0.3	0.1	N/A	N/A	N/A	N/A
Adjustments for emergency requirements	BA	0.9	8.3	4.6	12.2	7.7	5.1	1.6	.....	N/A	N/A	N/A	N/A
	OL	1.1	1.8	5.4	9.0	10.1	6.4	5.4	1.7	N/A	N/A	N/A	N/A
Adjustment pursuant to Sec. 2003 of P.L. 104-19 ¹	BA	.....	.....	.....	.....	-15.0	-0.1	-0.1	.....	N/A	N/A	N/A	N/A
	OL	.....	.....	.....	.....	-1.1	-3.5	-2.4	-1.5	N/A	N/A	N/A	N/A
Adjustments for special allowances:													
Discretionary new budget authority	BA	.....	3.5	2.9	2.9	2.9	.....	.....	.....	N/A	N/A	N/A	N/A
	OL	.....	1.4	2.2	2.6	2.7	1.1	0.5	0.1	N/A	N/A	N/A	N/A
Outlay allowance	BA	.....	.....	.....	.....	.....	.....	.....	.....	N/A	N/A	N/A	N/A
	OL	2.6	1.7	0.5	1.0	.....	.....	.....	.....	N/A	N/A	N/A	N/A
Subtotal, adjustments excluding Desert Shield/Desert Storm	BA	1.1	19.2	23.6	14.3	-6.7	7.5	4.0	3.1	N/A	N/A	N/A	N/A
	OL	3.9	5.9	8.8	10.0	6.8	5.5	3.7	-1.5	N/A	N/A	N/A	N/A
Adjustments for Operation Desert Shield/Desert Storm	BA	44.2	14.0	0.6	*	*	.....	.....	.....	N/A	N/A	N/A	N/A
	OL	33.3	14.9	7.6	2.8	1.1	.....	.....	.....	N/A	N/A	N/A	N/A
Total adjustments	BA	45.4	33.2	24.2	14.3	-6.7	7.5	4.0	3.1	N/A	N/A	N/A	N/A
	OL	37.2	20.8	16.4	12.8	7.8	5.5	3.7	-1.5	N/A	N/A	N/A	N/A
Spending limits as of 2/6/97 ²	BA	537.1	536.6	535.7	525.1	511.0	526.7	532.0	533.8	N/A	N/A	N/A	N/A
	OL	551.6	545.7	550.4	547.6	548.6	552.7	551.0	546.4	N/A	N/A	N/A	N/A
Adjustment to reach discretionary spending limits included in the 1997 Bipartisan Budget Agreement	BA	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-6.9	N/A	N/A	N/A	N/A
	OL	N/A	N/A	N/A	N/A	N/A	N/A	N/A	6.9	N/A	N/A	N/A	N/A
Statutory Caps as set in 1997 Bipartisan Budget Agreement ³	BA	N/A	N/A	N/A	N/A	N/A	N/A	N/A	526.9	533.0	537.2	542.0	551.1
	OL	N/A	N/A	N/A	N/A	N/A	N/A	N/A	553.3	559.3	564.3	564.4	560.8
Adjustments for changes in concepts and definitions	BA	N/A	N/A	N/A	N/A	N/A	N/A	N/A	.....	28.1	28.7	29.3	29.9
	OL	N/A	N/A	N/A	N/A	N/A	N/A	N/A	.....	-0.3	-0.4	-0.5	-0.5
Adjustments for emergency requirements	BA	N/A	N/A	N/A	N/A	N/A	N/A	7.7	0.3	.....	.....	.....	.....
	OL	N/A	N/A	N/A	N/A	N/A	N/A	2.7	2.6	1.8	0.8	0.1	*
Adjustments for CDRs, Arrearages, EITC	BA	N/A	N/A	N/A	N/A	N/A	N/A	.....	0.9	.....	.....	.....	.....
	OL	N/A	N/A	N/A	N/A	N/A	N/A	.....	0.5	0.1	0.1	0.1	0.1
Adjustments for special allowances:													
Outlays	BA	N/A	N/A	N/A	N/A	N/A	N/A	.....	.....	.....	.....	.....	.....
	OL	N/A	N/A	N/A	N/A	N/A	N/A	.....	1.2	.....	.....	.....	.....
Preview Report spending limits ³	BA	537.1	536.6	535.7	525.1	511.0	526.7	539.7	528.0	561.1	565.9	571.3	581.0
	OL	551.6	545.7	550.4	547.6	548.6	552.7	553.7	557.6	560.9	564.7	564.1	560.3

*Less than \$50 million.

¹P.L. 104-19, Emergency Supplemental Appropriations for Additional Disaster Assistance, for Anti-Terrorism Initiatives, for Assistance in the Recovery from the Tragedy that Occurred at Oklahoma City, and Rescissions Act, 1995, was signed into law on July 27, 1995. Section 2003 of that bill directed the Director of OMB to make a downward adjustment in the discretionary spending limits for 1995-1998 by the aggregate amount of the estimated reductions in new budget authority and outlays for discretionary programs resulting from the provisions of the bill, other than emergency appropriations.

²Reflects combined General Purpose Discretionary and Violent Crime Reduction spending limits.

³Reflects combined Defense Discretionary, Non-defense Discretionary (Excluding Crime), and Violent Crime Reduction spending limits.

Table 14-2. DISCRETIONARY SPENDING LIMITS

(In millions of dollars)

		1998	1999	2000	2001	2002
NON-DEFENSE DISCRETIONARY SPENDING, EXCLUDING VIOLENT CRIME REDUCTION SPENDING¹						
End-of Session Sequestration Report Non-Defense Discretionary Spending Limits (Excluding Violent Crime Reduction)	BA	253,500	255,699	257,326	255,785	256,964
	OL	285,680	289,678	290,527	287,914	283,249
Adjustments:						
Changes in Concepts and Definitions:						
Statutory and Other Shifts Between Categories	BA	.....	-249	-270	-283	-293
	OL	.....	-333	-470	-552	-591
Conversion of Discretionary Transportation Department Obligation Limitations to Discretionary Budget Authority ²	BA	(27,732)	28,287	28,881	29,516	30,165
	OL	.....	.....	.....	.....	.....
Contingent Emergency Appropriations Released	BA	6	.....	.....	.....	.....
	OL	6	.....	.....	.....	.....
Reestimate of Multilateral Development Bank (MDB) Arrears	BA	.....	.....	.....	.....	.....
	OL	.....	-48	.....	.....	.....
Subtotal, Adjustments for the Preview Report	BA	6	28,038	28,611	29,233	29,872
	OL	6	-381	-470	-552	-591
Preview Report Non-Defense Discretionary Spending Limits (Excluding Violent Crime Reduction)	BA	253,506	283,737	285,937	285,018	286,836
	OL	285,686	289,297	290,057	287,362	282,658
Anticipated Other Adjustments:						
Line Item Veto Cancellations	BA	-49	-1	-1	-1	.....
	OL	-19	-22	-5	-4	-2
Budget Proposals:						
Repeal of Sec. 642 of the 1998 Treasury and General Government Appropriations bill (CSRS/FERS "Open Season")	BA	.....	110	125	133	140
	OL	.....	110	125	133	140
Contingent Emergency Spending Contained in the 1999 Budget	BA	.....	(2,660)	.....	.....	.....
	OL	.....	.....	.....	.....	.....
EITC Tax Compliance Initiative	BA	.....	143	144	145	146
	OL	.....	143	144	145	146
Continuing Disability Reviews (CDRs)	BA	.....	355	405	405	405
	OL	.....	327	401	405	405
MDB Arrearage Payments	BA	.....	502	.....	.....	.....
	OL	.....	35	51	70	86
Adoption Incentive Payments	BA	.....	20	20	20	20
	OL	.....	2	15	20	20
Supplemental Security Income (SSI) Non-disability Redeterminations of Eligibility	BA	.....	50	.....	.....	.....
	OL	.....	46	4	.....	.....
Transfer within NDD to Funds for America:						
Research Fund for America ²	BA	(-27,907)	-27,054	-26,026	-26,335	-23,080
	OL	(-26,439)	-23,780	-24,554	-25,099	-21,586
Environmental Resources Fund for America ²	BA	(-6,647)	-5,897	-5,608	-5,644	-5,582
	OL	(-5,301)	-4,725	-5,735	-5,807	-5,671
Transportation Fund for America ²	BA	(-36,140)	-36,739	-35,620	-36,139	-36,671
	OL	(-33,499)	-34,819	-34,290	-35,093	-35,940
Emergency Discretionary Funding from Designated Offsets	BA	.....	2,424	.....	.....	.....
	OL	.....	2,424	.....	.....	.....
Subtotal, Budget Proposals	BA	-49	-66,087	-66,561	-67,416	-64,622
	OL	-19	-60,259	-63,844	-65,230	-62,402
Preview Report Non-defense Discretionary Spending (Excluding Violent Crime Reduction), Including Further Adjustments	BA	253,457	217,650	219,376	217,602	222,214
	OL	285,667	229,038	226,213	222,132	220,256
VIOLENT CRIME REDUCTION SPENDING¹						
End-of Session Sequestration Report Violent Crime Reduction Spending Limits	BA	5,500	5,800	4,500	4,400	4,500
	OL	4,833	4,953	5,554	5,981	4,530
Adjustments:						
No Adjustments	BA	.....	.....	.....	.....	.....
	OL	.....	.....	.....	.....	.....

Table 14-2. DISCRETIONARY SPENDING LIMITS—Continued
(In millions of dollars)

		1998	1999	2000	2001	2002
Preview Report Violent Crime Reduction Spending Limits	BA	5,500	5,800	4,500	4,400	4,500
	OL	4,833	4,953	5,554	5,981	4,530
DEFENSE DISCRETIONARY SPENDING¹						
End-of Session Defense Discretionary Spending Limits	BA	269,000	271,500	275,367	281,847	289,610
	OL	267,124	266,566	269,011	270,670	273,100
Adjustments:						
Changes in Concepts and Definitions:						
Statutory and Other Shifts Between Categories	BA		70	62	61	59
	OL		69	61	60	58
Subtotal, Adjustments for the Preview Report	BA		70	62	61	59
	OL		69	61	60	58
Preview Report Defense Discretionary Spending Limits	BA	269,000	271,570	275,429	281,908	289,669
	OL	267,124	266,635	269,072	270,730	273,158
Anticipated Other Adjustments:						
Line Item Veto Cancellations	BA	-431				
	OL	-95	-153	-94	-51	-18
Budget Proposals:						
Repeal of Sec. 642 of the 1998 Treasury and General Government Appropriations bill (CSRS/FERS "Open Season")	BA		73	84	88	93
	OL		73	84	88	93
Subtotal, Anticipated Other Adjustments and Adjustments for 1999 Budget Proposals	BA	-431	73	84	88	93
	OL	-95	-80	-10	37	75
Preview Report Defense Discretionary Spending Limits, Including Further Adjustments	BA	268,569	271,643	275,513	281,996	289,762
	OL	267,029	266,555	269,062	270,767	273,233
RESEARCH FUND FOR AMERICA						
Research Fund for America Spending²	BA	(27,907)	31,102	32,222	33,715	35,523
	OL	(26,439)	27,828	30,750	32,479	34,029
Designated Offsets	BA		-4,048	-6,196	-7,380	-12,443
	OL		-4,048	-6,196	-7,380	-12,443
Transfer within NDD to Research Fund for America (non-add, included above)	BA	(-27,907)	(-27,054)	(-26,026)	(-26,335)	(-23,080)
	OL	(-26,439)	(-23,780)	(-24,554)	(-25,099)	(-21,586)
Net Impact on Deficit/Surplus	BA					
	OL					
ENVIRONMENTAL RESOURCES FUND FOR AMERICA						
Environmental Resources Fund for America Spending²	BA	(6,722)	7,672	7,015	7,054	7,003
	OL	(5,376)	6,500	7,142	7,217	7,092
Designated Offsets	BA	(-75)	-1,775	-1,407	-1,410	-1,421
	OL	(-75)	-1,775	-1,407	-1,410	-1,421
Transfer within NDD to Environmental Resources Fund for America (non-add, included above)	BA	(-6,647)	(-5,897)	(-5,608)	(-5,644)	(-5,582)
	OL	(-5,301)	(-4,725)	(-5,735)	(-5,807)	(-5,671)
Net Impact on Deficit/Surplus	BA					
	OL					
TRANSPORTATION FUND FOR AMERICA						
Transportation Fund for America Spending²	BA	(36,140)	36,739	37,320	37,839	38,371
	OL	(33,499)	34,819	35,990	36,793	37,640
Designated Offsets	BA			-1,700	-1,700	-1,700
	OL			-1,700	-1,700	-1,700
Transfer within NDD to Transportation Fund for America (non-add, included above)	BA	(-36,140)	(-36,739)	(-35,620)	(-36,139)	(-36,671)
	OL	(-33,499)	(-34,819)	(-34,290)	(-35,093)	(-35,940)
Net Impact on Deficit/Surplus	BA					
	OL					

Table 14-2. DISCRETIONARY SPENDING LIMITS—Continued

(In millions of dollars)

		1998	1999	2000	2001	2002
TOTAL DISCRETIONARY SPENDING¹						
Preview Report Total Discretionary Spending, Including Funds for America	BA	527,526	570,606	575,946	582,606	597,373
	OL	557,529	569,693	574,711	575,369	576,780
Designated Offsets for:						
Funds for America	BA		-5,823	-9,303	-10,490	-15,564
	OL		-5,823	-9,303	-10,490	-15,564
Emergency Discretionary	BA		-2,424			
	OL		-2,424			
Proposed Adjustments	BA	480	-1,252	-777	-790	-804
	OL	114	-561	-725	-806	-870
Preview Report Total Discretionary Spending Limits	BA	528,006	561,107	565,866	571,326	581,005
	OL	557,643	560,885	564,683	564,073	560,346

NOTE: Detail may not add to total due to rounding.

¹Amounts in Table 14-2 are split by spending category for comparability purposes. The Balanced Budget Agreement of 1997 included: separate spending limits for Non-Defense Discretionary (Excluding Violent Crime Reduction) Spending, Violent Crime Reduction spending limits for Discretionary (Excluding Violent Crime Reduction) Spending, Violent Crime Reduction Spending, and Defense Discretionary Spending for 1998 and 1999; separate spending limits for Discretionary (Excluding Violent Crime Reduction) Spending and Violent Crime Reduction Spending for 2000; and, a single spending limit for Total Discretionary Spending for 2001 and 2002.

²1998 adjustment displayed for comparability purposes (non-add).

Adjustments to the Limits That Would be Made Under Existing Adjustment Authority:

- **Line Item Veto Cancellations.**—Pursuant to Section 1024(b) of the Line Item Veto Act, P.L. 104-130, the discretionary spending caps must be reduced by the amount of any cancellation of discretionary budget authority and outlays that is not disapproved by the Congress. The caps must be adjusted in the sequester report following ten calendar days (excluding Sundays) after the expiration of the time period (30 days when the Congress is in session) for expedited congressional consideration of a bill to overturn a veto. The estimates in Table 14-2 represents line item veto cancellation of items in the 1998 appropriations bills, assuming that no disapproval bills are enacted into law.
- **Repeal of Sec. 642 of the 1998 Treasury and General Government Appropriations Act.**—Section 642 provided for an “Open Season” in which Federal employees could switch from the Civil Service Retirement System (CSRS) to the Federal Employees Retirement System (FERS). The budget proposes to repeal the provision. (The provision was canceled under the Line Item Veto Act, but reinstated by Court Order.) OMB estimates the provision would result in reductions in receipts from employee contributions to the Civil Service Retirement and Disability Fund (CSRDF). Because this requirement was enacted in an appropriations act, the provision results in a change to the discretionary caps to reflect the loss of receipts. The proposed repeal of the provision would eliminate the reduction in the cap.
- **Contingent Emergency Appropriations.**—The budget contains requests for appropriations for the Federal Emergency Management Agency’s Disaster relief program, Health and Human Services’ Low-Income Home Energy Assistance Program, and the Agriculture Department’s Wildland fire-

fighting program. Language is included in the budget requesting that the Congress designate these appropriations as “emergency requirements.” The funds could only be obligated if the President were to submit a subsequent formal budget request that included the President’s “emergency designation,” hence, the name “contingent emergency appropriation.”

- **Earned Income Tax Credit (EITC) Compliance Initiative.**—The budget contains funding for EITC compliance initiatives, including the detection and enforcement of EITC eligibility in order to reduce EITC overpayments. The 1998 Treasury and General Government bill provided \$138 million for this initiative.
- **Continuing Disability Reviews.**—The budget includes funding for additional continuing disability reviews (CDRs) under the heading “Limitation on Administrative Expenses” for the Social Security Administration. CDRs are conducted to verify that recipients of Social Security disability insurance benefits and Supplemental Security Income benefits for persons with disabilities continue to meet the definition of disability. The 1998 Labor, Health and Human Services, Education and Related Agencies appropriations bill provided \$290 million for CDRs.
- **Allowance for Multilateral Development Bank International Arrearages funding.**—The BBA limited the amount of the cap adjustment for funding for arrearages for international organizations, international peacekeeping, and multilateral development banks to \$1.884 billion for 1998 through 2000. A total of \$460 million was provided for international arrearage payments in the 1998 appropriations bills.
- **Adoption Incentive Payments.**—The Adoption and Safe Families Act of 1997 authorizes bonus payments to States that increase the number of adoptions from the foster care system. It provides for

a discretionary cap adjustment for appropriations up to \$20 million annually in each of the years 1999 through 2003. It is assumed that the cost of adoption bonuses will be offset by reductions in mandatory foster care costs.

Other Adjustments:

- *Supplemental Security Income (SSI) Non-disability Redeterminations of Eligibility.*—The budget proposes a cap adjustment of \$50 million in 1999 only to conduct approximately 268,000 additional non-disability redeterminations of eligibility in the Supplemental Security Income program. This effort would result in estimated program savings of \$97 million in 1999 and \$216 million from 1999 to 2003.

- *Funds for America Proposals.*—The budget includes funding for three new funds - the Research Fund for America, the Environmental Resources Fund for America and the Transportation Fund for America. This proposal is discussed in more detail in the "Budget Policy Reforms" section of this report.

The actual adjustments to the discretionary spending caps to be included in subsequent sequester reports cannot be determined until all appropriations have been enacted. Table 14-3 compares the President's discretionary proposals to the proposed caps for 1998 through 2002. The estimates for 1998 are based on BEA scoring of enacted appropriations bills and have been adjusted for a subsequent emergency release.

Table 14-3. BUDGET PROPOSALS

(in millions of dollars)

		1998	1999	2000	2001	2002
Defense Discretionary Spending¹						
Estimated Limits	BA	269,000	271,643	N/A	N/A	N/A
	OL	267,124	266,555	N/A	N/A	N/A
President's Proposals ²	BA	268,491	271,643	N/A	N/A	N/A
	OL	262,391	266,555	N/A	N/A	N/A
President's Proposals Compared to the Limits	BA	-509		N/A	N/A	N/A
	OL	-4,733		N/A	N/A	N/A
Non-defense Discretionary Spending, Excluding Violent Crime Reduction Spending¹						
Estimated Limits	BA	253,506	217,650	N/A	N/A	N/A
	OL	285,686	229,038	N/A	N/A	N/A
President's Proposals ²	BA	252,124	217,650	N/A	N/A	N/A
	OL	284,833	225,582	N/A	N/A	N/A
President's Proposals Compared to the Limits	BA	-1,382		N/A	N/A	N/A
	OL	-853	-3,456	N/A	N/A	N/A
Research Fund for America						
Research Fund for America Spending ³	BA	(27,907)	31,102	32,222	33,715	35,523
	OL	(26,439)	27,828	30,750	32,479	34,029
Designated Offsets (non-add)	BA		(-4,048)	(-6,196)	(-7,380)	(-12,443)
	OL		(-4,048)	(-6,196)	(-7,380)	(-12,443)
Transfer within NDD to Research Fund for America (non-add)	BA	(-27,907)	(-27,054)	(-26,026)	(-26,335)	(-23,080)
	OL	(-26,439)	(-23,780)	(-24,554)	(-25,099)	(-21,586)
Net Impact on Deficit/Surplus	BA					
	OL					
Environmental Resources Fund for America						
Environmental Resources Fund for America Spending ³	BA	(6,722)	7,672	7,015	7,054	7,003
	OL	(5,376)	6,500	7,142	7,217	7,092
Designated Offsets (non-add)	BA	(-75)	(-1,775)	(-1,407)	(-1,410)	(-1,421)
	OL	(-75)	(-1,775)	(-1,407)	(-1,410)	(-1,421)
Transfer within NDD to Environmental Resources Fund for America (non-add)	BA	(-6,647)	(-5,897)	(-5,608)	(-5,644)	(-5,582)
	OL	(-5,301)	(-4,725)	(-5,735)	(-5,807)	(-5,671)
Net Impact on Deficit/Surplus	BA					
	OL					
Transportation Fund for America						
Transportation Fund for America Spending ³	BA	(36,140)	36,739	37,320	37,839	38,371
	OL	(33,499)	34,819	35,990	36,793	37,640
Designated Offsets (non-add)	BA			(-1,700)	(-1,700)	(-1,700)
	OL			(-1,700)	(-1,700)	(-1,700)
Transfer within NDD to Transportation Fund for America (non-add)	BA	(-36,140)	(-36,739)	(-35,620)	(-36,139)	(-36,671)
	OL	(-33,499)	(-34,819)	(-34,290)	(-35,093)	(-35,940)
Net Impact on Deficit/Surplus	BA					
	OL					

Table 14-3. BUDGET PROPOSALS—Continued
(in millions of dollars)

		1998	1999	2000	2001	2002
Violent Crime Reduction Spending¹						
Estimated Limits	BA	5,500	5,800	4,500	N/A	N/A
	OL	4,833	4,953	5,554	N/A	N/A
President's Proposals	BA	5,500	5,800	4,500	N/A	N/A
	OL	4,833	4,953	4,895	N/A	N/A
President's Proposals Compared to the Limits	BA	.....	.....	.....	N/A	N/A
	OL	.....	.....	-659	N/A	N/A
Discretionary Spending, Excluding Violent Crime Reduction Spending¹						
Estimated Limits	BA	N/A	N/A	494,889	N/A	N/A
	OL	N/A	N/A	495,275	N/A	N/A
President's Proposals	BA	N/A	N/A	493,981	N/A	N/A
	OL	N/A	N/A	495,062	N/A	N/A
President's Proposals Compared to the Limits	BA	N/A	N/A	-908	N/A	N/A
	OL	N/A	N/A	-213	N/A	N/A
Total Discretionary Spending, Excluding Funds for America¹						
Estimated Limits	BA	N/A	N/A	N/A	503,998	516,476
	OL	N/A	N/A	N/A	498,880	498,019
President's Proposals	BA	N/A	N/A	N/A	503,878	507,683
	OL	N/A	N/A	N/A	498,658	498,019
President's Proposals Compared to the Limits	BA	N/A	N/A	N/A	-120	-8,793
	OL	N/A	N/A	N/A	-222	.....
Total Discretionary Spending—All Categories						
Estimated Limits Plus Funds for America Spending	BA	528,006	570,606	575,946	582,606	597,373
	OL	557,643	569,693	574,711	575,369	576,780
President's Proposals ⁴	BA	526,115	570,606	575,038	582,486	588,580
	OL	552,057	566,237	573,839	575,147	576,780
President's Proposals Compared to the Limits Plus Funds for America Spending	BA	-1,891	.....	-908	-120	-8,793
	OL	-5,586	-3,456	-872	-222	.....
MEMORANDUM:						
Total Non-defense Discretionary Spending						
Estimated Limits Plus Funds for America Spending	BA	259,006	298,963	298,989	297,820	309,283
	OL	290,519	303,138	305,008	304,599	303,646
President's Proposals	BA	257,624	298,963	298,081	297,700	300,490
	OL	289,666	299,682	304,136	304,377	303,646
President's Proposals Compared to the Limits Plus Funds for America Spending	BA	-1,382	.....	-908	-120	-8,793
	OL	-853	-3,456	-872	-222	.....

¹The Balanced Budget Agreement of 1997 included: Separate spending limits for Non-defense Discretionary (Excluding Violent Crime Reduction) Spending, Violent Crime Reduction Spending, and Defense Discretionary Spending for 1998 and 1999; separate spending limits for Discretionary (Excluding Violent Crime Reduction) Spending, Violent Crime Reduction Spending, and Defense Discretionary Spending for 1998 and 1999; separate spending limits for Discretionary (Excluding Violent Crime Reduction) Spending and Violent Crime Reduction spending for 2000; and a single spending limit for total discretionary spending in 2001 and 2002.

²Includes \$3,250 million in budget authority and outlays as an allowance for emergencies, including unforeseen defense and non-defense costs, natural disasters, and unanticipated non-emergency expenses of the year 2000 computer conversion.

³1998 adjustment displayed for comparability purposes (non-add).

⁴1999 budget authority and outlays exclude mandatory offsets of \$2,424 thousand.

Sequester determinations.—Seven days after enactment of an appropriations act, OMB must submit a report to Congress estimating the budget authority and outlays provided by the legislation for the current year and the budget year. These estimates must be based on the economic and technical assumptions used in the most recent President's budget. In addition, the report must include CBO estimates and explain the differences between the OMB and CBO estimates. The OMB estimates are used in all subsequent calculations to determine whether a breach of any of the budget authority or outlay caps has occurred and whether a sequester is required.

Compliance with the discretionary caps is monitored throughout the year. The first determination of whether a sequester is necessary for a given fiscal year occurs when OMB issues its Final Sequestration Report after Congress adjourns to end a session—near the beginning of the fiscal year. The monitoring process continues when Congress reconvenes for a new session. Appropriations for the fiscal year in progress that cause a breach in the caps would, if enacted before July 1st, trigger a sequester. If such a breach is estimated, a “within-session” sequestration report and Presidential sequestration order would be issued. For a breach that results from appropriations enacted on or after July

1st, reductions necessary to eliminate the breach are not applied to the budgetary resources available in the current year. Instead, the corresponding caps for the following fiscal year are reduced by the amount of the breach. A within-session sequester can only be caused by newly enacted appropriations. Reestimates of budget authority and outlays for already enacted funds cannot trigger a sequester.

OMB reported in its Final Sequestration Report to the President and the Congress that discretionary appropriations enacted for 1998 were within the prescribed spending limits.

Sequester calculations.—If either the discretionary budget authority or outlay caps are exceeded, an across-the-board reduction of sequestrable budgetary resources is required to eliminate the breach. The percentage reduction for certain special-rule programs is limited to two percent. Once this limit is reached, the uniform percentage reduction for all other discretionary sequestrable resources is increased to a level sufficient to achieve the required reduction. If both the budget authority and outlay caps are exceeded, a sequester would first be calculated to eliminate the budget authority breach. If estimated outlays remain above the cap, after applying the available outlay allowance, further reductions in budgetary resources to eliminate the outlay breach would be required.

Comparison between OMB and CBO discretionary limits.—Section 254(d)(5) of the BEA requires an explanation of differences between OMB and CBO estimates for the discretionary spending limits. Table 14–4 compares OMB and CBO limits for 1998 through 2002. This table excludes Presidential proposals.

CBO and OMB also differed in their estimates of the effect of discretionary changes made to mandatory accounts in 1998 appropriations bills, and thus, the effect of those changes in the 1999 discretionary spending caps. The largest difference in this category is due to the difference between OMB and CBO scoring for the CSRS/FERS “open season” provision that was contained in the 1998 Treasury and General Government appropriations bill.

In addition, CBO did not include the functional reclassification of the FUSRAP program in their report. CBO has indicated that it will make this adjustment at a later date. Finally, CBO did not make an adjustment for the conversion of Transportation Department obligation limitations to discretionary budget authority. OMB adjusted the 1999 through 2002 caps upward for this conceptual change.

Pay-As-You-Go Sequestration Report

This section of the Preview Report discusses the enforcement procedures that apply to direct spending and

receipts. The BEA defines direct spending as budget authority provided by law other than appropriations acts, entitlement authority, and the food stamp program. Social Security and the Postal Service are not subject to pay-as-you-go enforcement. Legislation specifically designated as an emergency requirement and legislation fully funding the Government’s commitment to protect insured deposits are also exempt from pay-as-you-go enforcement.

The BEA of 1997 requires that direct spending and receipts legislation should not increase the deficit in the current year, the budget year, and the following four fiscal years. If legislation does increase the deficit for the budget year, and if it is not fully offset by other legislative savings, the increase must be offset by sequestration of non-exempt direct spending programs. For this Preview Report, the pay-as-you-go calculation to determine if a sequester is required for FY 1999 also includes the FY 1998 deficit impacts of legislation for which the pay-as-you-go report was issued after OMB’s Final Sequester Report was issued in November.

Sequester determinations.—Within seven days after enactment of direct spending or receipts legislation, OMB is required to submit a report to Congress estimating the change in outlays or receipts for each fiscal year through 2003 resulting from that legislation. The estimates must use the economic and technical assumptions underlying the most recent President’s budget. These OMB estimates are used to determine whether the pay-as-you-go requirements have been met.

The cumulative nature of the pay-as-you-go process requires maintaining a “scorecard” that shows, beginning with the 102nd Congress, the deficit impact of enacted direct spending and receipts legislation and required pay-as-you-go sequesters, if any. This Report shows how these past actions affect the upcoming fiscal year.

As of December 31, 1997, OMB had issued 437 reports on legislation affecting direct spending and receipts. Most of these (82 percent) either had no effect on the deficit or changed it by less than \$10 million in each year. Less than ten percent of the pay-as-you-go legislation had a deficit impact greater than \$50 million in any one year.

Table 14–5 shows OMB and CBO estimates for legislation enacted through December 16, 1997. The sum of the 1998 impact of pay-as-you-go legislation scored after OMB’s Final Sequester Report and the 1999 impact of all legislation enacted since the balances were eliminated is savings of \$142 million. Therefore, no sequester is projected at this time.

Table 14-4. COMPARISON OF OMB AND CBO DISCRETIONARY SPENDING LIMITS
(In millions of dollars)

	1998	1999	2000	2001	2002
Non-defense Discretionary, Excluding Violent Crime Reduction					
CBO Preview Report limits:					
BA	253,506	255,704	N/A	N/A	N/A
OL	285,686	289,594	N/A	N/A	N/A
OMB Preview Report limits:					
BA	253,506	283,737	N/A	N/A	N/A
OL	285,686	289,297	N/A	N/A	N/A
Difference:					
BA		28,033	N/A	N/A	N/A
OL		-297	N/A	N/A	N/A
Violent Crime Reduction					
CBO Preview Report limits:					
BA	5,500	5,800	4,500	N/A	N/A
OL	4,833	4,953	5,554	N/A	N/A
OMB Preview Report limits:					
BA	5,500	5,800	4,500	N/A	N/A
OL	4,833	4,953	5,554	N/A	N/A
Difference:					
BA				N/A	N/A
OL				N/A	N/A
Defense Discretionary					
CBO Preview Report limits:					
BA	269,000	271,502	N/A	N/A	N/A
OL	267,124	266,568	N/A	N/A	N/A
OMB Preview Report limits:					
BA	269,000	271,570	N/A	N/A	N/A
OL	267,124	266,635	N/A	N/A	N/A
Difference:					
BA		68	N/A	N/A	N/A
OL		67	N/A	N/A	N/A
Discretionary Spending, Excluding Violent Crime Reduction Spending					
CBO Preview Report limits:					
BA	N/A	N/A	532,656	N/A	N/A
OL	N/A	N/A	559,240	N/A	N/A
OMB Preview Report limits:					
BA	N/A	N/A	561,366	N/A	N/A
OL	N/A	N/A	559,129	N/A	N/A
Difference:					
BA	N/A	N/A	28,710	N/A	N/A
OL	N/A	N/A	-111	N/A	N/A
Total Discretionary Spending					
CBO Preview Report limits:					
BA	528,006	533,006	537,156	541,989	551,023
OL	557,643	561,115	564,794	564,198	560,479
OMB Preview Report limits:					
BA	528,006	561,107	565,866	571,326	581,005
OL	557,643	560,885	564,683	564,073	560,346
Difference:					
BA		28,101	28,710	29,337	29,982
OL		-230	-111	-125	-133

Table 14-5. DEFICIT IMPACT OF PAY-AS-YOU-GO LEGISLATION ENACTED AS OF DECEMBER 16, 1997
(In millions of dollars)

Report Number	Act Number	Act Title	1998	1999	2000	2001	2002	2003
Legislation enacted in the 1st session—105th Congress (reflected in Final Sequester Report):								
		Enacted after the BBA and included in Final Sequester Report:						
		OMB estimate	(-11)	6	6	3	1	NA
		CBO estimate	(-7)	41	43	40	39	NA
Legislation enacted in the 1st session—Reports issued after 11/21/97 (not reflected in Final Report):								
417	P.L. 105-85 H.R. 1119	National Defense Authorization Act for Fiscal Year 1998:						
		OMB estimate	-156	3	10	15	-4	-24
		CBO estimate	-159	9	17	19	-13	-35
418	P.L. 105-89 H.R. 867	Adoption and Safe Families Act of 1997:						
		OMB estimate	-1		3	11	40	76
		CBO estimate	-1					7
419	P.L. 105-92 H.R. 1377	Savings are Vital to Everyone's Retirement (SAVER) Act of 1997:						
		OMB estimate						
		CBO estimate						
420	P.L. 105-96 H.R. 1787	Asian Elephant Conservation Act of 1997:						
		OMB estimate		*	*	*	*	*
		CBO estimate						
421	P.L. 105-98 H.R. 2367	Veterans' Compensation Rate Amendments of 1997:						
		OMB estimate						
		CBO estimate						
422	P.L. 105-101 S. 813	Veterans' Cemetery Protection Act of 1997:						
		OMB estimate	*	*	*	*	*	*
		CBO estimate						
423	P.L. 105-103 H.R. 2813	Congressional Medal of Honor to Robert R. Ingram:						
		OMB estimate	*	*	*	*	*	*
		CBO estimate						
424	P.L. 105-104 H.J.R. 91	Apalachicola-Chattahoochee-Flint River Basin Compact:						
		OMB estimate						
		CBO estimate						
425	P.L. 105-105 H.J.R. 92	Alabama-Coosa-Tallapoosa River Basin Compact:						
		OMB estimate						
		CBO estimate						
426	P.L. 105-111 H.R. 1090	Revisions of Veterans Benefits Decisions Based on Clear and Unmistakable Error:						
		OMB estimate	*	*	*	*	*	*
		CBO estimate						
427	P.L. 105-114 S. 714	Veterans' Benefits Act of 1997:						
		OMB estimate						
		CBO estimate	1	1	1			
NA	P.L. 105-115 S. 830	Food and Drug Administration Modernization Act of 1997:						
		OMB estimate	OMB does not consider this bill to be subject to pay-as-you-go.					
		CBO estimate		12	33	54	28	7
428	P.L. 105-116 S. 923	To Prohibit Interment or Memorial in Certain Veterans Cemeteries:						
		OMB estimate	-*	-*	-*	-*	-*	-*
		CBO estimate						
429	P.L. 105-124 S. 1228	50 States Commemorative Coin Program Act:						
		OMB estimate	1	-3	-1	-3	-4	-4
		CBO estimate	1	-5	-2	-4	-5	-5
NA	P.L. 105-127 S. 1417	Hispanic Cultural Center Act of 1997:						
		OMB estimate	OMB does not consider this bill to be subject to pay-as-you-go.					
		CBO estimate		6	6	1		
430	P.L. 105-130 S. 1519	Surface Transportation Extension Act of 1997:						
		OMB estimate		-1	-7	-18	-30	-45
		CBO estimate		-2	-8	-19	-33	-47
431	P.L. 105-132 S. 156	Lower Brule Sioux Tribe Infrastructure Development Trust Fund Act of 1997:						
		OMB estimate			1	2	3	3
		CBO estimate			1	2	3	3
432	P.L. 105-135 S. 1139	Small Business Reauthorization Act of 1997:						
		OMB estimate	3	4	4	4	4	3
		CBO estimate	2	4	4	3	3	2
433	P.L. 105-136 S. 1193	Aviation Insurance Reauthorization Act:						
		OMB estimate		*	*	*	*	*
		CBO estimate						

Table 14-5. DEFICIT IMPACT OF PAY-AS-YOU-GO LEGISLATION ENACTED AS OF DECEMBER 16, 1997—Continued
(In millions of dollars)

Report Number	Act Number	Act Title	1998	1999	2000	2001	2002	2003
434	P.L. 105-144 H.R. 2979	Acquisition of Property for the Library of Congress:						
		OMB estimate	-2	2				
		CBO estimate	-2	2				
435	P.L. 105-146 H.R. 1658	Atlantic Striped Bass Conservation Act:						
		OMB estimate	*	*	*	*	*	*
		CBO estimate						
436	P.L. 105-147 H.R. 2265	No Electronic Theft (NET) Act:						
		OMB estimate	*	*	*	*	*	*
		CBO estimate						
437	P.L. 105-150 H.R. 3034	Authorization to Use Customs User Fees to Provide Inspectors in Florida:						
		OMB estimate	2					
		CBO estimate	2					
		Subtotal, reports issued after 11/21/97:						
		OMB estimate	-153	5	10	11	9	9
		CBO estimate	-156	27	52	56	-17	-68
		Total, new balances (excluding Final Sequester Report FY 1998 amount):						
		OMB estimate	-153	11	16	14	10	9
		CBO estimate	-156	68	95	96	22	-68
		MEMORANDUM						
		OMB estimate of balances available for 1999		-142				

NA = Not available.
* Less than \$500,000.

Funds for America

The budget proposes three deficit neutral Funds for America—the Research Fund for America, the Environmental Resources Fund for America, and the Transportation Fund for America—designed to ensure adequate funding for the high priority programs covered by the Funds. The Funds accommodate a total of \$75.5 billion in budget authority and \$69.7 billion in outlays in 1999. Similar amounts are proposed for each of the outyears through 2002. The Funds include both base levels of funding that are currently included in the nondefense discretionary spending category and increases to be offset by reductions in mandatory spending and increases in revenue. The increase and the accompanying offset in 1999 is \$5.8 billion. Sections II and V of the Budget volume discuss the Funds and the programs covered by them in detail.

Under the Administration’s proposal, the increase in spending is paid for by the enactment of sufficient savings in the form of mandatory spending reductions and revenue increases. The Administration is proposing legislative measures—such as increased revenues from tobacco legislation, reduced tobacco-related spending by the Department of Veterans Affairs, and renewed Superfund taxes—to produce the necessary savings.

These mandatory savings would offset additions to base discretionary spending from the Funds, consistent with the deficit neutrality principles underlying the Budget Enforcement Act. The use of mandatory offsets for discretionary spending is permissible under current scorekeeping rules and precedents, or could be specifically authorized for purposes of the Funds for America. The Administration intends to work with the appro-

priate congressional committees to determine the best approach.

Transportation Obligation Limitations Defined as Discretionary Budget Authority

The Budget Enforcement Act provides that, in the preview report, OMB may adjust the discretionary spending limits for changes in concepts and definitions after consultation with the Committees on Appropriations and the Budget of the House of Representatives and the Senate. The budget includes a redefinition of obligation limitations as budget authority for transportation programs. The change in concepts and definitions with respect to transportation obligation limitations would take effect only upon completion of the statutorily-required consultations.

This change in concepts would be made only for the purposes of the Budget Enforcement Act. The question of whether the concept change should be adopted for purposes of the Congressional Budget Act would be a matter solely within the purview of the Congress.

This change would not affect the legal status of the contract authority authorized for these programs or the obligation limitation. Contract authority would continue to be allocated to States as usual. The appropriation language limiting obligations would not be affected. Absent a limitation on obligations, the contract authority would be fully available for obligation, as it would be now. The contract authority that is not subject to limitation would continue to be scored as direct spending.

Budget authority for highway, transit, highway safety, and airport improvement programs usually has been defined as the contract authority provided in authorizing legislation. However, the levels of contract authority have been, for the most part, controlled by obligation

limitations in appropriations acts. Outlays from the obligation limitations have always been scored as discretionary, but in the past the obligation limitations were not scored as discretionary budget authority. As a result, there has been a large (\$28 billion in 1998 growing to \$30 billion in 2002) gap between the discretionary budget authority cap and the discretionary outlay cap.

A number of non-transportation, discretionary programs are also controlled by obligation limitations in appropriations acts. These programs include the administrative expenses for the Social Security, Medicare, unemployment, civil service, and railroad retirement trust funds. Over the years, OMB, in consultation with the Budget Committees and CBO, has redefined the obligation limitations as budget authority for all of these non-transportation programs. In fact, in the 1998 Budget last year, OMB redefined \$3.7 billion of obligation limitation as budget authority.

The Administration did not propose to redefine obligation limitations as budget authority for the transportation funds in the 1998 Budget because it would have required a large budget authority cap adjustment in the midst of the balanced budget negotiations that were to take place that year. This left obligation limitations for the transportation trust funds as the only obligation limitations not redefined as discretionary budget authority.

This is a conceptual change. As indicated above, OMB adjusts the discretionary spending caps for conceptual changes. For 1998, the budget authority cap would be increased by approximately \$28 billion. Similar budget authority cap adjustments, increasing to \$30 billion in 2002 would be made for each outyear. These adjustments are reflected in Table 14-2. The change would not affect outlays or the deficit or surplus.