
BUDGET ENFORCEMENT ACT PREVIEW REPORT

13. PREVIEW REPORT

The Budget Enforcement Act of 1990 (BEA) was enacted as part of the Omnibus Budget Reconciliation Act of 1990. The BEA established, through 1995, annual limits, or “caps,” on discretionary spending, and a pay-as-you-go (PAYGO) requirement that legislation affecting direct spending or receipts not result in a net cost. An across-the-board reduction of non-exempt spending, known as “sequestration,” enforces compliance with these constraints. The BEA has been extended several times, most recently by the Balanced Budget Act of 1997 (BBA), which extended the caps and PAYGO requirements through 2002.

The BEA requires that OMB issue a report on the impact of each piece of enacted legislation. It requires three additional reports throughout the year on the overall status of discretionary and PAYGO legislation. This Preview Report, the first of the three required overall status reports, provides the status of discretionary appropriations and PAYGO legislation based on laws enacted as of the end of the first session of the 106th Congress. In addition, it explains the differences between the OMB and CBO estimates of the discretionary caps. The Consolidated Appropriations Act, 2000, eliminated the PAYGO balances for all years as of January 3, 2000.

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.

The President’s Budget Proposals and the Budget Process

Changes to the Budget Enforcement Act

Since 1993 when President Clinton took office, one of the Administration’s highest priorities has been to reverse record budget deficits as part of a plan to build the economy and restore prosperity. The passage of the Omnibus Budget and Reconciliation Act of 1993 established a deficit reduction plan and a framework for budget discipline—relying on the BEA—intended to cut the deficit in half in five years. The BBA finished the job and returned the budget to surplus ahead of schedule in 1998.

Budget deficits have been eliminated, but the Administration’s emphasis on BEA budget restraint and discipline will continue, through an extension of caps and PAYGO. The return to budget surplus means that we must consider how the surplus should be allocated to complement BEA restraints. The Administration’s 2001

Budget proposes that the following new framework be the basis for consideration of 2001 and future budgets.

The budget proposes that Social Security be protected and the solvency of the Social Security and Medicare trust funds extended. With enactment of these reforms, as well as the strengthening of Medicare, additional resources would be made available for national needs, including health care initiatives and a tax cut.

Social Security. The Administration proposes a Social Security Solvency Lockbox to ensure that Social Security surpluses are not used for other purposes. The President’s plan will ensure that the off-budget surplus is locked away for Social Security. In addition, the solvency of Social Security would be extended by allocating, beginning in 2011, general funds to Social Security from the on-budget surplus to reflect savings in interest costs resulting from reduction in Federal debt held by the public, and by investing a limited share of the general funds transferred to Social Security in corporate equities to earn a higher return.

Medicare. The framework would provide additional resources to extend the solvency of the Hospital Insurance trust fund by ten years, from 2015 to 2025. In addition, the budget would allocate a portion of the on-budget surplus to a new reserve for catastrophic prescription drug coverage. These reserves would make up a new budget category parallel to the existing on-budget and off-budget categories, the Medicare Solvency debt reduction reserve. Amounts in this category would not be available for spending under the budget resolution or on the PAYGO scorecard. This reserve would be available only for debt reduction, pending its use for Medicare or a catastrophic prescription drug program.

The framework would provide a new prescription drug benefit that would modernize Medicare, increase the efficiency of the overall health care system, and relieve a significant out-of-pocket burden on much of the senior population.

Debt reduction. The Administration’s budget framework reserves the off-budget surplus for Social Security through a lockbox mechanism that ensures that the off-budget surplus is used to reduce publicly-held debt. Transfers of a part of the on-budget surplus for Medicare solvency and the reserve for catastrophic prescription drug coverage will contribute to further reduction in the public debt, as will the remainder of the on-budget surplus. Reducing publicly-held debt reduces future interest costs on that debt. Reducing interest payments creates on-budget resources that can be transferred to Social Security to extend its solvency.

Other Uses of the On-budget Surplus. Once Social Security and Medicare are strengthened and protected, the budget allocates the on-budget surpluses to other

high priority national needs: an expansion of health coverage, the farm safety net, and a tax cut.

Discretionary Caps. Beginning in 2001, the Administration proposes to revise the discretionary caps to reflect the cost of maintaining the operation of the Federal Government at currently enacted levels into the future. The framework provides for raising and extending the discretionary spending caps through 2010, to maintain their viability as a tool for fiscal discipline. The existing highway and transit caps would expire as provided in current law, but there would be a new separate cap for the Lands Legacy initiative. The proposed changes would increase discretionary spending at about the same pace as inflation. The proposals would also reinstate the adjustment included in the original BEA of 1990 for changes in inflation estimates, so that higher-than-expected inflation cannot be used as a reason to abandon the caps in the future. In addition, the Administration proposes a new technical cap adjustment for section 8 housing contract renewals, consistent with the existing BEA adjustment to the discretionary baseline.

Table 1 shows the expansion of discretionary spending enacted over the past three years and the Adminis-

tration's proposals for discretionary spending caps through 2010 necessary to maintain the existing operations of government.

Restoring Budgetary Conventions. The Administration proposes to replace 2001 advance appropriations, where such appropriations departed from budgetary conventions, with full, up-front funding in 2000. This proposal would not affect advance appropriations that were enacted for programmatic reasons, such as the advance appropriations for the Corporation for Public Broadcasting or those funding multi-year construction programs. The Administration is also proposing to reverse a number of obligation delays and timing shifts and thereby restore traditional budgetary treatment of these items.

PAYGO Enforcement. The budget also proposes to extend the PAYGO enforcement system to 2010.

Other Budget Process Tools

The Administration anticipates that Congress will continue its efforts to reform the budget process during the coming months and urges Congress to consider two budget process changes in particular—biennial budg-

Table 13-1. PROPOSED DISCRETIONARY SPENDING LIMITS

(In millions of dollars)

			2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Original Balanced Budget Act Limits:													
BA	526,857	532,999	537,193	542,032	551,074	.....	.....	.....	.....	.....	.....	.....	.....
OL	553,268	559,321	564,265	564,396	560,799	.....	.....	.....	.....	.....	.....	.....	.....
Spending Funded by Alternative Mechanisms:													
BA	8,455	37,014	49,290	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
OL	3,611	19,186	29,750	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Adjustments for Changes in Concepts and Definitions: ¹													
BA	-1,110	1,456	5,060	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
OL	-2,188	-3,407	23,554	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Current Services: ²													
BA	534,202	571,469	591,543	606,983	625,040	640,939	657,091	673,692	690,397	709,171	727,167	745,249	763,777
OL	554,691	575,100	617,569	635,491	648,414	665,380	682,750	698,846	712,234	729,896	748,053	765,833	784,582
Proposed Discretionary Limits By Category:													
Other Discretionary:													
BA .....	.....	.....	584,843	612,942	624,080	634,118	648,636	663,936	681,614	699,638	718,146	737,046	756,026
OL .....	.....	.....	573,113	593,863	614,222	628,126	677,292	697,697	707,567	721,455	741,629	759,922	778,493
Lands Legacy: ³													
BA .....	.....	.....	[727]	1,400	1,400	1,416	1,451	1,484	1,522	1,560	1,599	1,641	1,684
OL .....	.....	.....	[603]	1,004	1,227	1,375	1,410	1,457	1,493	1,533	1,569	1,609	1,652
Violent Crime Reduction:													
BA .....	.....	.....	4,500	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
OL .....	.....	.....	6,344	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Highway Category:													
BA .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
OL .....	.....	.....	24,574	26,956	27,994	27,817	.....	.....	.....	.....	.....	.....	.....
Mass Transit Category:													
BA .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
OL .....	.....	.....	4,117	4,595	5,431	5,933	.....	.....	.....	.....	.....	.....	.....
Total Discretionary:													
BA .....	.....	.....	589,343	614,342	625,480	635,534	650,087	665,420	683,136	701,198	719,745	738,687	757,710
OL .....	.....	.....	608,148	626,418	648,874	663,251	678,702	699,154	709,060	722,988	743,198	761,531	780,145

¹ This line includes reestimates, the second and third year effects of emergency appropriations, and changes in concepts and definitions that are not included in the original BBA limits, or in the alternative funding mechanisms.

² Enacted program levels are shown for 1998, 1999, and 2000; current services for 2001–2010.

³ This category is proposed for 2001. Amounts shown in 2000 are for comparability purposes only.

eting and expedited rescission authority—for the reasons given below.

Biennial budgeting. Reaching agreement on budget priorities for two years would provide greater predictability and planning certainty to program administrators and beneficiaries. Making appropriations that cover two fiscal years would also permit congressional committees to perform their oversight functions in the off-year with less distraction.

Expedited rescission authority. The Supreme Court has ruled the Line Item Veto Act unconstitutional, thereby eliminating the President's authority to cancel wasteful items in spending bills. However, under the Impoundment Control Act, the President continues to have authority to propose rescissions of spending to the Congress. Some members of Congress have proposed to strengthen this rescission process, requiring the Congress to vote on all rescission items proposed by the President. Such "expedited rescission" authority would be a useful tool for the President and Congress in their efforts to ensure the effective use of taxpayer dollars.

Budgeting for insurance. The Congress has drafted legislation that would reform the way the Government budgets for insurance. Part of this proposal involves budgeting for insurance programs on an accrual basis. The Administration supports the objective, but more time is needed to develop a satisfactory framework for moving to budgeting for insurance on an accrual basis.

Discretionary Sequestration Report

Discretionary programs are funded annually through the appropriations process. The scorekeeping guidelines accompanying the BEA identify accounts with discretionary resources. The BEA limits budget authority and outlays available for discretionary programs each year through 2002. For 2000, the BEA divided discretionary spending into two categories: violent crime reduction spending and all other discretionary spending. For 2001 and 2002, the BEA specified a single category for all discretionary spending. The Transportation Act for the 21st Century (TEA-21) established two additional categories for highway and mass transit outlays for 1999 through 2003.

OMB monitors compliance with the discretionary spending caps throughout the year. Appropriations that cause a breach in the budget authority or outlay caps trigger an across-the-board reduction (sequester) in discretionary spending to eliminate that breach. The BEA, however, does not require that Congress appropriate the full amount available under the discretionary caps.

Adjustments to discretionary caps.—The BEA permits certain adjustments to the discretionary caps. On January 25, 2000, OMB submitted the Final Sequestration Report for 2000. The report describes 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 adjustments for changes in concepts and definitions, estimates of emergency spending, and adjustments to the highway and mass transit categories. Table 2 summarizes changes to the caps since 1990. Table 3 shows the adjustments made in this Preview Report.

Table 13-2. 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	.....	.....	.....	.....
	OL	514.4	524.9	534.0	534.8	540.8	547.3	547.3	547.9	.....	.....	.....	.....
Adjustments for changes in concepts and definitions	BA	.....	7.7	8.2	8.2	8.8	-0.6	-0.4	3.1	.....	.....	.....	.....
	OL	.....	1.0	2.4	2.3	3.0	-0.5	-2.6	-2.8	.....	.....	.....	.....
Adjustments for changes in inflation	BA	.....	-0.5	-5.1	-9.5	-11.8	3.0	2.6	.....	.....	.....	.....	.....
	OL	.....	-0.3	-2.5	-5.8	-8.8	1.8	2.3	0.9	.....	.....	.....	.....
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	.....	.....	.....	.....
	OL	0.3	0.3	0.8	0.8	0.9	0.1	0.3	0.1	.....	.....	.....	.....
Adjustments for emergency requirements	BA	0.9	8.3	4.6	12.2	7.7	5.1	1.6	.....	.....	.....	.....	.....
	OL	1.1	1.8	5.4	9.0	10.1	6.4	5.4	1.7	.....	.....	.....	.....
Adjustment pursuant to Sec. 2003 of P.L. 104-19 ¹	BA	.....	.....	.....	.....	-15.0	-0.1	-0.1	.....	.....	.....	.....	.....
	OL	.....	.....	.....	.....	-1.1	-3.5	-2.4	-1.5	.....	.....	.....	.....
Adjustments for special allowances:													
Discretionary new budget authority	BA	.....	3.5	2.9	2.9	2.9	.....	.....	.....	.....	.....	.....	.....
	OL	.....	1.4	2.2	2.6	2.7	1.1	0.5	0.1	.....	.....	.....	.....
Outlay allowance	BA	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
	OL	2.6	1.7	0.5	1.0	.....	.....	.....	.....	.....	.....	.....	.....
Subtotal, adjustments excluding Desert Shield/Desert Storm	BA	1.1	19.2	23.6	14.3	-6.7	7.5	4.0	3.1	.....	.....	.....	.....
	OL	3.9	5.9	8.8	10.0	6.8	5.5	3.7	-1.5	.....	.....	.....	.....

Table 13-2. HISTORICAL SUMMARY OF CHANGES TO DISCRETIONARY SPENDING LIMITS—Continued

(In billions of dollars)

		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Adjustments for Operation Desert Shield/Desert Storm	BA OL	44.2 33.3	14.0 14.9	0.6 7.6	* 2.8	* 1.1	..........	..........	..........	..........	..........	..........	..........
Total adjustments	BA OL	45.4 37.2	33.2 20.8	24.2 16.4	14.3 12.8	-6.7 7.8	7.5 5.5	4.0 3.7	3.1 -1.5	..........	..........	..........	..........
Spending limits as of 2/6/97 ²	BA OL	537.1 551.6	536.6 545.7	535.7 550.4	525.1 547.6	511.0 548.6	526.7 552.7	532.0 551.0	533.8 546.4	..........	..........	..........	..........
Adjustment to reach discretionary spending limits included in the 1997 Bipartisan Budget Agreement	BA OL	..... .....	..... .....	..... .....	..... .....	..... .....	..... .....	..... .....	-6.9 6.9	..........	..........	..........	..........
Statutory Caps as set in 1997 Bipartisan Budget Agreement ³	BA OL	..... .....	..... .....	..... .....	..... .....	..... .....	..... .....	..... .....	526.9 553.3	533.0 559.3	537.2 564.3	542.0 564.4	551.1 560.8
Adjustments for changes in concepts and definitions	BA OL	..... .....	..... .....	..... .....	..... .....	..... .....	..... .....	..... .....	..... .....	-0.2 -0.3	2.8 0.1	-0.1 -0.4	0.1 -0.3
Adjustments for emergency requirements	BA OL	..... .....	..... .....	..... .....	..... .....	..... .....	..... .....	7.7 2.7	5.7 5.2	31.9 22.9	29.8 31.5	..... 9.0	..... 3.2
Adjustments for CDRs, Arrearages, EITC	BA OL	..... .....	..... .....	..... .....	..... .....	..... .....	..... .....	..... .....	0.9 0.5	19.4 1.1	1.0 0.7	..... 0.6	..... 0.2
Adjustments for special allowances:													
Adjustment for rounding	BA OL	..... .....	..... .....	..... .....	..... .....	..... .....	..... .....	..... .....	..... .....	..... .....	1.1.....	..........	..........
Outlay adjustment	BA OL	..... .....	..... .....	..... .....	..... .....	..... .....	..... .....	..... .....	..... 1.2	..... .....	..... 0.8	..........	..........
TEA-21 Adjustment (Net)	BA OL	..... .....	..... .....	..... .....	..... .....	..... .....	..... .....	..... .....	..... .....	-0.9 1.1	-0.9 2.6	-0.9 5.2	-0.9 6.7
Final Sequestration Report spending limits ³	BA OL	537.1 551.6	536.6 545.7	535.7 550.4	525.1 547.6	511.0 548.6	526.7 552.7	539.7 553.7	533.5 560.2	583.2 584.1	571.0 599.9	541.0 578.8	550.3 570.6

* Less than \$50 million.

** Sec. 8101(a) of P.L. 105-178, the Transportation Equity Act for the 21st Century (TEA-21), which was signed by the President on June 6, 1998, established two new discretionary spending categories: Highway and Mass Transit. Sec. 8101(b) of TEA-21 provided for an offsetting adjustment in the existing discretionary spending limits.

¹ P.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 estimate by the amount of reductions in new budget authority and outlays for discretionary programs resulting from the provisions of the bill, other than emergencies appropriations.

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

Table 13-3. PREVIEW REPORT ADJUSTMENTS TO DISCRETIONARY SPENDING LIMITS
(In millions of dollars)

		2000	2001	2002
VIOLENT CRIME REDUCTION SPENDING				
Final Sequestration Report Spending Limits	BA	4,500		
	OL	6,344		
Adjustments for the Preview Report:				
No Adjustments	BA			
	OL			
Preview Report Spending Limits	BA	4,500		
	OL	6,344		
HIGHWAY CATEGORY				
Final Sequestration Report Spending Limits	BA			
	OL	24,574	26,219	26,663
Adjustments for the Preview Report:				
Technical Outlay Adjustment	BA			
	OL		-125	8
Adjustment for Revenue Aligned Budget Authority	BA			
	OL		826	1,254
Subtotal, Adjustments for the Preview Report	BA			
	OL		701	1,262
Preview Report Spending Limits	BA			
	OL	24,574	26,920	27,925
MASS TRANSIT CATEGORY				
Final Sequestration Report Spending Limits	BA			
	OL	4,117	4,888	5,384
Adjustments for the Preview Report:				
Technical Outlay Adjustment	BA			
	OL		-249	35
Subtotal, Adjustments for the Preview Report	BA			
	OL		-249	35
Preview Report Spending Limits	BA			
	OL	4,117	4,639	5,419
OTHER DISCRETIONARY SPENDING				
Final Sequestration Report Spending Limits	BA	563,603	541,324	550,382
	OL	564,870	547,522	537,279
Adjustments for the Preview Report:				
Changes in Concepts and Definitions	BA	2,859	-59	-59
	OL		-59	-59
Discretionary Changes in Mandatory Programs	BA		-180	
	OL		-206	1
Contingent Emergency Appropriations Released	BA	10	10	10
	OL	43	22	10
Subtotal, Adjustments for the Preview Report	BA	2,869	-229	-49
	OL	43	-243	-48
Preview Report Spending Limits	BA	566,472	541,095	550,333
	OL	564,913	547,279	537,231
Anticipated Other Adjustments:				
Adjustment for Repealing FY 2000 Pay Delay	BA			
	OL	4,297		
Adjustment for Repealing FY 2000 Obligation Delays	BA			
	OL	1,749		
Adjustment for Repealing Certain Advance Appropriations	BA	14,385		
	OL			
Kosovo, Plan Colombia, and Other Emergency Supplemental Requests	BA	3,986		
	OL	2,154	979	309

Table 13-3. PREVIEW REPORT ADJUSTMENTS TO DISCRETIONARY SPENDING LIMITS—
Continued
(In millions of dollars)

		2000	2001	2002
Subtotal, Anticipated Other Adjustments	BA	18,371	.....	.....
	OL	8,200	979	309
Preview Report Spending Limits, Including Anticipated Adjustments	BA	584,843	541,095	550,333
	OL	573,113	548,258	537,540
TOTAL DISCRETIONARY SPENDING				
Update Report Total Discretionary Spending Limits	BA	536,271	541,324	550,382
	OL	570,945	571,047	567,019
Final Sequestration Report Spending Limits	BA	568,103	541,324	550,382
	OL	599,905	578,629	569,326
Preview Report Spending Limits	BA	570,972	541,095	550,333
	OL	599,948	578,838	570,575
Preview Report Including Anticipated Adjustments	BA	589,343	541,095	550,333
	OL	608,148	579,817	570,884

After consultation with the Congressional Budget Committees and the Congressional Budget Office, OMB has agreed to make two changes to budget scoring and to adjust the discretionary caps accordingly. First, receipts from purchase power and wheeling activities associated with the Department of Energy's Power Marketing Administrations have been reclassified as discretionary. Since these receipts reduce net discretionary budget authority and outlays, the caps are reduced by approximately \$60 million in 2001 and 2002. Second, OMB has changed its scoring of budget authority for contingent emergency appropriations (funding for amounts that the President and the Congress designate as "emergency requirements"), to be consistent with congressional scoring practice. In prior years, OMB waited to score contingent emergency appropriations until the President designated them as "emergency requirements," and then increased the discretionary caps by the budget authority made available and the estimated outlays. Beginning with 2000, OMB will score emergency budget authority in its seven-day cost estimate of the bill. OMB will estimate outlays when the funds are actually released by the President, and will reflect the estimates in the subsequent sequestration report. Table 4 shows the effect of this change on OMB's scoring of the 2000 appropriations acts.

Included in the adjustment for changes in concepts and definitions is a reduction of \$180 million in budget authority and \$206 million in outlays in 2001, for the second year effect of provisions in the 2000 appropriations bills that modified mandatory programs. Under the BEA, the discretionary caps are adjusted by the amount of the savings or costs of these modifications.

The outlay caps have also been increased for contingent emergency appropriations that have been released since the transmittal of the Final Sequestration Report. This adjustment includes funds for the Low Income Home Energy Assistance Program, which will help ad-

dress the needs of Alaska and 10 New England and Mid-Atlantic States experiencing recent increases in home heating fuel costs.

In addition, TEA-21 requires two adjustments to the discretionary outlay caps for the highway and transit categories. The outlay cap for highways has been increased by \$826 million in 2001 because of higher than anticipated receipts in 1999 and higher estimated receipts in 2001. A downward adjustment of \$125 million has also been made to reflect changes in technical assumptions since last year's Preview Report. Adjustments for the same reasons have been made in 2002 and 2003. The mass transit outlay caps have been decreased due to revised technical assumptions. Table 5 shows how the adjustments to the highway and transit categories have been calculated.

In addition to the adjustments outlined above, the Administration has included several proposals in the budget that would result in cap adjustments upon their enactment. They are described below.

Adjustments Included in Proposed Limits That Would be Made Under Existing Authority:

- *Earned Income Tax Credit (EITC) Compliance Initiative.*—The budget contains funding for EITC compliance initiatives, including the detection and enforcement of EITC eligibility rules in order to reduce the number of erroneous EITC claims. Adjustments are limited to the budget authority and outlay estimates authorized in P.L. 105-33. The 2000 Treasury and General Government Appropriations Act provided \$144 million for EITC compliance. Funding for these payments in 2001 through 2010 is included in the proposed caps in Table 1.
- *Continuing Disability Reviews.*—The budget includes funding for additional continuing disability reviews (CDRs) under the heading, "Limitation on Administrative Expenses" for the Social Security

**Table 13-4. ADJUSTMENTS TO SCORING OF FY 2000 APPROPRIATIONS
ACTION FOR CHANGES IN SCORING CONVENTIONS**

(In millions of dollars)

	BA	Outlays
OTHER DISCRETIONARY		
Total Enacted	562,045	561,407
Change in Treatment of Contingent Emergency Spending ¹	2,870	.....
Total Enacted, Adjusted for Changes in Treatment of Contingent Emergency Spending	564,915	561,407
Final Sequestration Report Other Discretionary Limits ¹	566,461	563,602
CONGRESSIONAL ACTION OVER/UNDER(-) LIMITS	-1,546	-2,195
VIOLENT CRIME REDUCTION		
Total Enacted	4,500	6,344
Final Sequestration Report Violent Crime Reduction Limits	4,500	6,344
CONGRESSIONAL ACTION OVER/UNDER(-) LIMITS .....	.....	.....
HIGHWAY CATEGORY		
Total Enacted .....	.....	24,574
Final Sequestration Report Highway Category Limits .....	.....	24,574
CONGRESSIONAL ACTION OVER/UNDER(-) LIMITS .....	.....	.....
MASS TRANSIT CATEGORY		
Total Enacted .....	.....	4,117
Final Sequestration Report Mass Transit Category Limits .....	.....	4,117
CONGRESSIONAL ACTION OVER/UNDER(-) LIMITS .....	.....	.....
TOTAL DISCRETIONARY SPENDING—ALL CATEGORIES		
Total Enacted Discretionary Spending	569,415	596,442
Final Sequestration Report Discretionary Limits	570,961	598,637
CONGRESSIONAL ACTION OVER/UNDER(-) LIMITS	-1,546	-2,195

¹ Beginning with FY 2000 Appropriations Acts, OMB will change its scoring of contingent emergency appropriations. When appropriations acts include contingent emergency funds, OMB will score budget authority with that act. Outlays will be estimated when the funds are actually released by the President, and will be reflected in the next sequestration report. This table shows the effect of scoring, as emergency appropriations, the remaining unreleased FY 2000 contingent emergency appropriations.

Administration. The law limits adjustments to the budget authority and outlay estimates authorized in the BBA of 1997. CDRs are conducted to verify that recipients of Social Security disability insurance benefits and Supplemental Security Income benefits for persons with disabilities are still disabled. The Labor, Health and Human Services, Education, and Related Agencies Appropriations Act for 2000 provided \$405 million for CDRs. Funding for these payments in 2001 through 2010 is included in the proposed caps in Table 1.

- *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. Funding for these payments in 2001 through 2010 is included in the proposed caps in Table 1.

- *Contingent Emergency Appropriations.*—The budget requests over \$3 billion in emergency appropriations for several programs that provide assistance to the victims of natural disasters, manage wildland fires, and provide assistance to States with low-income populations who are adversely affected by large increases in home heating/cooling costs. In addition, the budget includes \$4 billion in emergency supplemental requests to support peacekeeping activities in Kosovo, anti-drug activities in Colombia, and for disaster relief. These amounts are included in the proposed caps in Table 1.

Comparison of OMB and CBO discretionary caps.—Section 254(d)(5) of the BEA requires this report to explain the differences between the OMB and CBO estimates of the discretionary spending caps. CBO uses the discretionary caps included in OMB's Final Seque-

stration Report as the starting point for the adjustments it publishes in its Preview Report. OMB submitted its Final Sequestration Report on January 25th, and CBO did not have time to make its adjustments before OMB's Preview Report went to print.

Table 13-5. ADJUSTMENTS TO THE HIGHWAY AND MASS TRANSIT CATEGORIES FOR CHANGES IN RECEIPTS AND TECHNICAL ASSUMPTIONS

(In millions of dollars)

	2001	2002	2003
HIGHWAY CATEGORY			
Obligation Limitations Assumed in FY 2000 Preview Report	27,158	27,767	28,233
Adjustments:			
Difference Between Current and Previous Estimate of FY 2001 Highway Tax Receipts	1,196		
Difference Between FY 1999 Actual and Estimated Highway Tax Receipts	1,862		
Subtotal, Obligation Limitation Adjustment	3,058		
FY 2001 Preview Report Obligation Limitation	30,216	27,767	28,233
Outlay Limits in FY 2000 Preview Report	26,219	26,663	27,043
Adjustments:			
Increase in FY 2001 Obligation Limitation	826	1,254	489
Change in Technical Assumptions:			
Reestimate of Outlays from Obligation Limitation, Using Current Technical Assumptions	26,920	27,925	27,621
FY 2000 Preview Report Outlays from Obligation Level, Adjusted to Include Outlays from change in Obligation Limitation	27,045	27,917	27,532
Adjustment for Changes in Technical Assumptions	-125	8	89
Total Adjustments	701	1,262	578
Outlay Limits in FY 2001 Preview Report	26,920	27,925	27,621
MASS TRANSIT CATEGORY			
Outlay Limits in FY 2000 Preview Report	4,888	5,384	6,124
Adjustment:			
Change in Technical Assumptions:			
Reestimate of Outlays from Obligation Limitation, Using Current Technical Assumptions	4,639	5,419	5,910
FY 2000 Preview Report Outlays	4,888	5,384	6,124
Adjustment for Changes in Technical Assumptions	-249	35	-214
Total Adjustment	-249	35	-214
Outlay Limits in FY 2001 Preview Report	4,639	5,419	5,910

Table 13–6. COMPARISON OF OMB AND CBO DISCRETIONARY SPENDING LIMITS
(In millions of dollars)

	1998	1999	2000	2001	2002
Non-Defense Discretionary					
CBO Final Sequestration Report limits:					
BA	256,148	290,562	N/A	N/A	N/A
OL	286,325	277,097	N/A	N/A	N/A
OMB Final Sequestration Report limits:					
BA	256,148	290,562	N/A	N/A	N/A
OL	286,325	277,097	N/A	N/A	N/A
Difference:					
BA			N/A	N/A	N/A
OL			N/A	N/A	N/A
Defense Discretionary					
CBO Final Sequestration Report limits:					
BA	271,832	286,850	N/A	N/A	N/A
OL	269,079	275,732	N/A	N/A	N/A
OMB Final Sequestration Report limits:					
BA	271,832	286,850	N/A	N/A	N/A
OL	269,079	275,732	N/A	N/A	N/A
Difference:					
BA			N/A	N/A	N/A
OL			N/A	N/A	N/A
Violent Crime Reduction					
CBO Final Sequestration Report limits:					
BA	5,500	5,800	4,500	N/A	N/A
OL	4,833	4,953	6,344	N/A	N/A
OMB Final Sequestration Report limits:					
BA	5,500	5,800	4,500	N/A	N/A
OL	4,833	4,953	6,344	N/A	N/A
Difference:					
BA				N/A	N/A
OL				N/A	N/A
Highway Category					
CBO Final Sequestration Report limits:					
BA	N/A				
OL	N/A	21,991	24,574	26,219	26,663
OMB Final Sequestration Report limits:					
BA	N/A				
OL	N/A	21,991	24,574	26,920	27,925
Difference:					
BA	N/A				
OL	N/A			701	1,262
Mass Transit Category					
CBO Final Sequestration Report limits:					
BA	N/A				
OL	N/A	4,401	4,117	4,888	5,384
OMB Final Sequestration Report limits:					
BA	N/A				
OL	N/A	4,401	4,117	4,639	5,419
Difference:					
BA	N/A				
OL	N/A			-249	35
Other Discretionary					
CBO Final Sequestration Report limits:					
BA	N/A	N/A	563,602	541,324	550,382
OL	N/A	N/A	564,870	547,522	537,279
OMB Final Sequestration Report limits:					
BA	N/A	N/A	566,472	541,095	550,333
OL	N/A	N/A	564,913	547,279	537,231

Table 13–6. COMPARISON OF OMB AND CBO DISCRETIONARY SPENDING LIMITS—Continued
(In millions of dollars)

	1998	1999	2000	2001	2002
Difference:					
BA	N/A	N/A	2,870	–229	–49
OL	N/A	N/A	43	–243	–48
Total Discretionary Spending Limits					
CBO Final Sequestration Report limits:					
BA	533,480	583,212	568,102	541,324	550,382
OL	560,237	584,174	599,905	578,629	569,326
OMB Final Sequestration Report limits:					
BA	533,480	583,212	570,972	541,095	550,333
OL	560,237	584,174	599,948	578,838	570,575
Difference:					
BA			2,870	–229	–49
OL			43	209	1,249

PAYGO 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 entitlement authority, the food stamp program, and budget authority provided by law other than in appropriations acts. The following are exempt from PAYGO enforcement: Social Security, the Postal Service, legislation specifically designated as an emergency requirement, and legislation fully funding the Federal Government's commitment to protect insured deposits.

The BEA requires that any legislation enacted before October 1, 2002, affecting direct spending or receipts that results in a net cost will trigger an offsetting sequestration.

Sequester determinations. The BEA requires OMB to submit a report to Congress estimating the change in outlays or receipts for the current year, the budget year, and the following four fiscal years resulting from enactment of PAYGO legislation. The estimates, which must rely on the economic and technical assumptions underlying the most recent President's budget, determine whether the PAYGO requirement is met. The PAYGO process requires OMB to maintain a "scorecard" that shows the cumulative deficit impact of such legislation. This Report shows how these past actions affect the upcoming fiscal year.

Table 7 shows the OMB PAYGO scorecard as of January 4, 2000. The Consolidated Appropriations Act set the scorecard to zero for all years as of January 3, 2000.

Table 13–7. PAY-AS-YOU-GO SCORECARD

(In millions of dollars)

	2000	2001	2002	2003	2004	Total 2001–2004
Pay-as-you-go scorecard as of January 4, 2000:¹						
Revenue impact of enacted legislation	0	0	0	0	0	0
Outlay impact of enacted legislation	0	0	0	0	0	0
Total deficit impact of enacted legislation	0	0	0	0	0	0

¹ The Consolidated Appropriations Act set the scorecard to zero for all years on January 3, 2000.