

OMB FINAL SEQUESTRATION REPORT FOR
FISCAL YEAR 2000

COMMUNICATION

FROM

THE DIRECTOR, THE OFFICE OF
MANAGEMENT AND BUDGET

TRANSMITTING

THE FINAL OMB SEQUESTRATION REPORT TO THE PRESIDENT
AND CONGRESS FOR FISCAL YEAR 2000, PURSUANT TO 2 U.S.C.
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EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF MANAGEMENT AND BUDGET,
Washington, DC, January 25, 2000.

Hon. J. DENNIS HASTERT,
Speaker of the House of Representatives,
Washington, DC.

DEAR MR. SPEAKER: Enclosed please find the OMB Final Sequestration Report to the President and Congress for fiscal year 2000, as required by the Budget Enforcement Act of 1990, as amended.

The report provides current estimates of the status of discretionary spending and the discretionary limits. It also provides the status of pay-as-you-go legislation. Comparisons with the estimates provided by the Director of the Congressional Budget Office in his report are also included.

Based on the estimates contained in this report, neither discretionary nor pay-as-you-go sequesters are required.

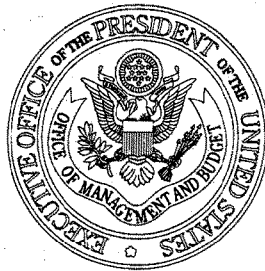
Sincerely,

JACOB J. LEW, *Director.*

Enclosure.

Identical Letter Sent to The President and The Honorable Albert Gore.

OMB FINAL SEQUESTRATION REPORT
TO THE PRESIDENT AND CONGRESS
FOR FISCAL YEAR 2000



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

January 25, 2000

The President
The White House
Washington, DC 20500

Dear Mr. President:

Enclosed please find the *OMB Final Sequestration Report to the President and Congress for fiscal year 2000*, as required by the Budget Enforcement Act of 1990, as amended.

The report provides current estimates of the status of discretionary spending and the discretionary limits. It also provides the status of pay-as-you-go legislation. Comparisons with the estimates provided by the Director of the Congressional Budget Office in his report are also included.

Based on the estimates contained in this report, neither discretionary nor pay-as-you-go sequesters are required.

Sincerely,

A handwritten signature in black ink, appearing to read "Jacob J. Lew". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Jacob J. Lew
Director

Enclosure

Identical Letter Sent to The Honorable Albert Gore
and The Honorable J. Dennis Hastert

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GENERAL NOTES

1. All years referred to are fiscal years unless otherwise noted.
2. Details in the tables and text may not add to totals due to rounding.

I. OVERVIEW

The Budget Enforcement Act of 1997 (BEA of 1997) extended and modified the expiring enforcement requirements of the Budget Enforcement Act of 1990 (BEA of 1990). The BEA of 1997 established new limits, or “caps,” for discretionary spending through 2002. It also extended the requirement that legislation affecting direct spending or receipts not result in net costs to the Federal Government. The Transportation Equity Act for the 21st century (TEA-21) further modified the discretionary spending limits and created new limits for highway and mass transit spending. An across-the-board reduction of non-exempt spending, known as “sequestra-

tion”, enforces compliance with these constraints.

The BEA requires that OMB issue reports on the overall status of discretionary and pay-as-you-go legislation. The end-of-session report, which OMB is required to issue after Congress adjourns *sine die*, determines whether or not a sequester is required. This report, which covers legislation enacted in the first session of the 106th Congress, indicates that no sequester is required for either mandatory or discretionary programs. As required by the Consolidated Appropriations Act, the pay-as-you-go balances for all years were reset to zero on January 3, 2000.

II. DISCRETIONARY SEQUESTRATION REPORT

Discretionary programs are funded annually through the appropriations process. The scorekeeping guidelines accompanying the Budget Enforcement Act of 1990 (BEA), as amended by the Omnibus Budget and Reconciliation Act of 1993 (OBRA) and the Budget Enforcement Act of 1997, identify accounts with discretionary resources. The Balanced Budget Act of 1997 (BBA) limited budget authority and outlays available for discretionary programs each year through 2002. For fiscal years 1998 and 1999, the BBA of 1997 established three separate categories of discretionary spending: defense, non-defense (excluding violent crime reduction spending), and violent crime reduction spending. For fiscal year 2000, the law divided discretionary spending into two categories: violent crime reduction spending and all other discretionary spending. For fiscal years 2001 and 2002, a single category for all discretionary spending was established. The Transportation Act for the 21st Century (TEA-21), which was enacted in June 1998, modified these categories by establishing two additional categories for highway and mass transit outlays for fiscal years 1999 through 2003.

OMB monitors compliance with the discretionary spending limits throughout the fiscal year. Appropriations that cause a breach in the budget authority or outlay limits trigger a sequester to eliminate that breach. The law, however, does not require that

Congress appropriate the full amount available under the discretionary limits.

The discretionary spending limits established in the various amendments to the BEA have worked in an environment of budget deficits to constrain the growth of discretionary spending. These limits were extended in the BBA and were based on an overall budget architecture that was intended to achieve balance by fiscal year 2002. The original BBA discretionary limit for fiscal year 2002 is \$3.5 billion less than the limit set for fiscal year 2000.

In fiscal year 1998, discretionary appropriations were enacted that complied with the limits set in law. Using the scoring rules required by the BEA, both OMB and CBO estimated that fiscal year 1999 appropriations complied with the statutory limits, although spending was expanded beyond the limits through several means. In particular, the emergency designation, which exempts spending from the spending limits, was used to fund roughly \$15.5 billion of fiscal year 1999 discretionary spending. In addition, reductions to mandatory programs and expanded use of advance appropriations were relied on to expand program levels and to fit fiscal year 1999 discretionary spending within the statutory limit. This trend continued in fiscal year 2000. Table 1 highlights the trend in the use of these mechanisms that expand discretionary spending between fiscal years 1998 and 2001.

Table 1. DISCRETIONARY SPENDING LEVELS
(In millions of dollars)

	1998	1999	2000	2001
Original Balanced Budget Act Limits				
BA	526,857	532,999	537,193	542,032
OL	553,268	559,321	564,265	564,396
Year-to-year percentage change:				
BA		1.2%	0.8%	0.9%
OL		1.1%	0.9%	0.0%
Spending Funded by Alternative Mechanisms:				
BA	2,981	26,424	49,290	.....
OL	1,017	13,483	29,750	.....
Discretionary Program Levels				
BA	529,838	559,423	586,483	542,032
OL	554,285	572,804	594,015	564,396
Year-to-year percentage change:				
BA		5.6%	4.8%	-7.6%
OL		3.3%	3.7%	-5.0%

The enacted BBA outlay limit for fiscal year 2000 allowed only 0.9 percent growth in discretionary outlays over the original limit for fiscal year 1999. The fiscal year 2000 appropriations included \$23.7 billion in emergency designations, additional advance appropriations, and several obligation delays. As can be seen in Table 2 of this section, the official scoring of fiscal year 2000 appropriations was \$537 billion in budget authority and \$569 billion in outlays. Adding spending supported by the financing mechanisms listed below, discretionary budget authority will be closer to \$586 billion and discretionary

outlays will be about \$599 billion for FY 2000, differences of \$49 billion (9 percent) and nearly \$30 billion (5 percent), respectively, greater than what was recorded under BEA scoring.

Table 2 shows the difference between the BEA scoring of fiscal year 2000 appropriations and the program level provided by designating funding as emergencies, expanding programs with advance appropriations, and offsetting spending with mandatory savings, rescissions, and obligation delays. Table 3 summarizes changes to the caps since 1990.

Table 2. FY 2000 DISCRETIONARY SPENDING SUMMARY
(In millions of dollars)

	2000	
	BA	Outlays
OMB Scoring of FY 2000 Appropriations Action, Excluding		
Emergency Spending	536,773	568,791
Spending Designated as Emergency:		
Decennial Census	4,476	3,790
DoD Military Operations and Maintenance Costs	7,200	5,345
DoD Military Pay Raise	1,838	1,794
Farm Service Agency	229	157
Head Start	1,700	861
Low Income Home Energy Assistance	1,100	814
Natural Resources Conservation Service/Rural Housing Service	105	39

Table 2. FY 2000 DISCRETIONARY SPENDING SUMMARY—Continued
(In millions of dollars)

	2000	
	BA	Outlays
Public Health and Social Services Emergency Fund	584	304
Student Financial Assistance	10	2
Rural Development	2	2
Refugee and Entrant Assistance	427	128
Wye River Memorandum	1,825	311
United Mine Workers Consolidated Benefit Fund	68	68
Unreleased Contingent Emergency Spending in FY 2000 Consoli- dated Bill	2,870	.....
Releases of Emergency Spending Provided in Past Appropriations Bills	1,268	723
Subtotal, Spending Designated as Emergency	23,702	14,338
Spending Offset by Mandatory Savings:		
Federal Reserve Balance Transfer	3,752	3,752
Acceleration of Spectrum Auction Receipts	2,600	2,600
Delay of Crime Victims Fund Spending	525	525
National Database of New Hires	878	876
SSBG	605	927
Cooperative State Research Education and Extension Activities	120	12
Fund for Rural America	60	33
Wetlands Reserve	46	18
Environmental Quality Incentive Program	26	5
Conservation Farm Option	38	3
Food Stamp Program	11	11
Child Nutrition	57	58
Subtotal, Spending Offset by Mandatory Savings	8,718	8,820
Additional FY 2000 Program Funded by FY 2001 Advance Ap- propriations:		
Reading Excellence	195	.....
School Improvement Programs	1,530	.....
Vocational and Adult Education	791	.....
Special Education	3,742	.....
Administration for Children and Families	1,400	.....
Housing Certificate Fund	4,200	.....
Training and Employment Services	2,463	.....
Postal Service	64	.....
Subtotal, Additional FY 2000 Program Funded by FY 2001 Advance Appropriations	14,385	.....
Spending Offset by Rescissions:		
Assisted Housing	2,319	.....
Army Corps of Engineers General Investigations	1	1
Army Corps of Engineers Construction General	13	7
Broadcasting Board of Governors International Broadcasting Op- erations	16	13
Corporation for National and Community Service	80	.....
Drug Enforcement Administration Diversion Control Fee Account Fund	35	28
Immigration and Naturalization Service Immigration Emergency Fund	1	.....
Operation and Maintenance, Southeastern Power Administration ...	3	3

Table 2. FY 2000 DISCRETIONARY SPENDING SUMMARY—Continued
(In millions of dollars)

	2000	
	BA	Outlays
Small Business Administration Business Loan Program Account ..	13	.....
Nuclear Waste Disposal	4	.....
Subtotal, Spending Offset by Rescissions	2,485	52
Spending Offset by Timing Shifts and Obligation Delays:		
Pay Delay		3,589
Defense Progress Payments		1,250
National Institutes of Health		900
Health Research and Services Administration		171
Centers for Disease Control		175
Administration for Children and Families		216
Social Services Block Grant		149
Substance Abuse & Mental Health Services Administration		90
Subtotal, Spending Offset by Timing Shifts and Obliga- tion Delays		6,540
Subtotal, Adjustments	49,290	29,750
FY 2000 Program Level	586,063	598,541
Memorandum:		
Technical Adjustments for Bridge Between Original BBA Limits and End-of-		
Session Scoring, Excluding Emergencies.		
Amounts Not Appropriated Under Cap	1,558	3,463
Adjustments for Arrearages, CDR's, Adoption Payments, and EITC	-995	-684
Adjustments for Previously Enacted Emergency Spending		-3,814
Changes in concepts and definitions	63	-60
Rounding Adjustment (pursuant to section 307 of P.L. 106-113)	-1,065	
Special Outlay Adjustment		-790
Adjustments for TEA-21	859	-2,640
Subtotal, Technical Adjustments	420	-4,525
FY 2000 Program Level Starting from BBA Cap	586,483	594,015

Table 3. HISTORICAL SUMMARY OF CHANGES TO DISCRETIONARY SPENDING LIMITS
(In billions of dollars)

[illegible]

Table 3. 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 special allowances:													
Adjustment for rounding	BA	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Outlay adjustment	OL	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
TEA-21 Adjustment (Net) **	BA	N/A	N/A	N/A	N/A	N/A	N/A	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	N/A	N/A	N/A	N/A	N/A	N/A
	BA	N/A	N/A	N/A	N/A	N/A	N/A	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	N/A	N/A	N/A	N/A	N/A	N/A
Final Sequestration Report spending limits *	BA	537.1	536.6	535.7	535.1	511.0	526.7	539.7	533.5	568.1	541.3	550.4	
	OL	551.6	546.7	550.4	547.6	548.6	552.7	553.7	560.2	599.9	578.6	569.3	

* 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. P.L. 104-15, Emergency Supplemental Appropriations for Additional Disaster Assistance, for Anti-Terrorism Initiatives, for Assistance in the Recovery from the Trade Act 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 1996-1998 by the aggregate estimate by the amount of reductions in new budget authority and outlays for discretionary spending for that year in the emergency appropriations.

³ Reflects combined Defense Discretionary, Non-Defense Discretionary and Violent Crime Reduction Discretionary spending limits.

⁴ Reflects combined Defense Discretionary, Non-Defense Discretionary (Excluding Crime), Violent Crime Reduction, Highway Category, and Mass Transit Category spending limits.

Adjustments to discretionary limits.—Section 251(b)(2) authorizes certain adjustments after the enactment of appropriations. Table 4 includes those adjustments that can be made now due to legislation enacted to date. The section 251(b)(2) adjustments include:

- **Emergency Appropriations.**—Funding for amounts that the President designates as “emergency requirements” and that Congress so designates in law. Fiscal year 2000 appropriations acts included over \$31 billion in emergency funding, including over \$9 billion for emergency assistance to farmers and \$1.8 billion in advance appropriations for the 2000 military pay raise. As of January 19th, the President has authorized the release of \$28.6 billion of this funding, which was provided for

the 2000 decennial census, operations and maintenance activities of the Department of Defense, the fiscal year 2000 military pay raise, agricultural disasters within the United States, Head Start, the Low-income Home Energy Assistance program, the implementation of the Wye River peace accord, and other activities.

Further, since the August Update Report, the President has also authorized the release of \$1.3 billion in emergency appropriations that were previously enacted to support the Administration’s efforts in addressing the year-2000 computer conversion problem, natural disasters, the fiscal year 2000 military pay raise, operations and maintenance activities of the Department of Defense, and to support the needs of States that have experienced extremely hot weather conditions.

Table 4. FINAL SEQUESTRATION REPORT ADJUSTMENTS TO DISCRETIONARY SPENDING LIMITS

(In millions of dollars)

		1998	1999	2000	2001	2002
NON-DEFENSE DISCRETIONARY SPENDING, EXCLUDING VIOLENT CRIME REDUCTION SPENDING						
Update Report Non-Defense Discretionary Spending Limits	BA	256,148	289,735	N/A	N/A	N/A
	OL	286,325	276,815	N/A	N/A	N/A
Adjustments for the Final Sequestration Report:						
Contingent Emergency Appropriations Released	BA		827	N/A	N/A	N/A
	OL		282	N/A	N/A	N/A
Subtotal, Adjustments for the Final Sequestration Report	BA		827	N/A	N/A	N/A
	OL		282	N/A	N/A	N/A
Final Sequestration Report Spending Limits	BA	256,148	290,562	N/A	N/A	N/A
	OL	286,325	277,097	N/A	N/A	N/A
DEFENSE DISCRETIONARY SPENDING						
Update Report Defense Discretionary Spending Limits	BA	271,832	286,578	N/A	N/A	N/A
	OL	269,079	275,732	N/A	N/A	N/A
Adjustments for the Final Sequestration Report:						
Contingent Emergency Appropriations Released	BA		272	N/A	N/A	N/A
	OL			N/A	N/A	N/A
Subtotal, Adjustments for the Final Sequestration Report	BA		272	N/A	N/A	N/A
	OL			N/A	N/A	N/A
Final Sequestration Report Spending Limits	BA	271,832	286,850	N/A	N/A	N/A
	OL	269,079	275,732	N/A	N/A	N/A

**Table 4. FINAL SEQUESTRATION REPORT ADJUSTMENTS TO
DISCRETIONARY SPENDING LIMITS—Continued**
(In millions of dollars)

		1998	1999	2000	2001	2002
VIOLENT CRIME REDUCTION SPENDING						
Update Report Violent Crime Reduction Spending Limits	BA	5,500	5,800	4,500	N/A	N/A
	OL	4,833	4,953	5,554	N/A	N/A
Adjustments for the Final Sequestration Report:						
Special Outlay Allowance	BA				N/A	N/A
	OL			790	N/A	N/A
Subtotal, Adjustments for the Final Sequestration Report	BA				N/A	N/A
	OL			790	N/A	N/A
Final Sequestration Report Spending Limits	BA	5,500	5,800	4,500	N/A	N/A
	OL	4,833	4,953	6,344	N/A	N/A
HIGHWAY CATEGORY						
Update Report Highway Category Spending Limits	BA	N/A				
	OL	N/A	21,991	24,574	26,219	26,663
Adjustments for the Final Sequestration Report:						
No Adjustments	BA	N/A				
	OL	N/A				
Final Sequestration Report Spending Limits	BA	N/A				
	OL	N/A	21,991	24,574	26,219	26,663
MASS TRANSIT CATEGORY						
Update Report Mass Transit Category Spending Limits	BA	N/A				
	OL	N/A	4,401	4,117	4,888	5,384
Adjustments for the Final Sequestration Report:						
No adjustments	BA	N/A				
	OL	N/A				
Final Sequestration Report Spending Limits	BA	N/A				
	OL	N/A	4,401	4,117	4,888	5,384
OTHER DISCRETIONARY SPENDING						
Update Report Other Discretionary Spending Limits	BA	N/A	N/A	531,771	541,324	550,382
	OL	N/A	N/A	541,574	541,835	535,753
Adjustments for the Final Sequestration Report:						
Emergency Appropriations Enacted and Released	BA	N/A	N/A	29,772		
	OL	N/A	N/A	22,777	5,218	1,519
EITC Tax Compliance Initiative	BA	N/A	N/A	144		
	OL	N/A	N/A	144		
Continuing Disability Reviews (CDRs)	BA	N/A	N/A	405		
	OL	N/A	N/A	373	32	
MDB Arrearage Payments (Foreign Operations bill)	BA	N/A	N/A	75		
	OL	N/A	N/A		75	
UN Arrearage Payments (Commerce/Justice/State bill)	BA	N/A	N/A	351		
	OL	N/A	N/A		351	
Adoption Incentive Payments	BA	N/A	N/A	20		
	OL	N/A	N/A	2	11	7
Special Budget Authority for Rounding	BA	N/A	N/A	1,065		
	OL	N/A	N/A			
Subtotal, Adjustments for the Final Sequestration Report	BA	N/A	N/A	31,832		
	OL	N/A	N/A	23,296	5,687	1,526
Final Sequestration Report Spending Limits	BA	N/A	N/A	563,602	541,324	550,382
	OL	N/A	N/A	564,870	547,522	537,279

Table 4. FINAL SEQUESTRATION REPORT ADJUSTMENTS TO DISCRETIONARY SPENDING LIMITS—Continued
(In millions of dollars)

		1996	1999	2000	2001	2002
TOTAL DISCRETIONARY SPENDING						
Preview Report Total Discretionary Spending Limits	BA	533,480	566,380	536,271	541,324	550,382
	OL	560,237	576,089	570,945	571,047	567,800
Update Report Total Discretionary Spending Limits	BA	533,480	582,113	536,271	541,324	550,382
	OL	560,237	583,892	575,819	572,942	567,800
Final Sequestration Report Spending Limits	BA	533,480	583,212	568,102	541,324	550,382
	OL	560,237	584,174	599,905	578,629	569,326

- *Continuing Disability Reviews.*—Funding for additional continuing disability reviews (CDRs) under the heading, "Limitation on Administrative Expenses," for the Social Security Administration. The law limits adjustments to the budget authority and outlay estimates authorized in P.L. 105–33, the Balanced Budget Act 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 fiscal year 2000 Labor, Health and Human Services, Education, and Related Agencies Appropriations Act provided \$405 million for CDRs.

- *Allowance for International Arrearages funding.*—Funding for arrearages for international organizations, international peacekeeping, and multilateral development banks. The amount of the cap adjustment is limited to \$1.884 billion for fiscal years 1998 through 2000 in P.L. 105–33. A total of \$426 million was provided for international arrearage payments in fiscal year 2000 appropriations bills, bringing the total adjustments made for arrearage payments to the authorized limit of \$1.884 billion.

- *Earned Income Tax Credit (EITC) Compliance Initiative.*—Funding for EITC compliance initiatives, including the detection and enforcement of EITC eligibility rules in order to reduce EITC overclaims. Adjustments are limited to the budget authority and outlay estimates authorized in P.L. 105–33. The fiscal year 2000 Treasury

and General Government Appropriations Act provided \$144 for EITC compliance.

- *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. The Act provides for a discretionary cap adjustment for appropriations up to \$20 million annually in fiscal years 1999 through 2003. It is assumed that the cost of adoption bonuses will be offset by reductions in mandatory foster care costs. The \$20 million requested was included in the fiscal year 2000 Labor, Health and Human Services, Education, and Related Agencies Appropriations Act.

- *Special Outlay Allowance.*—This allowance was included in the BEA to cover technical scoring differences that result when OMB scoring exceeds CBO scoring. If, in any year, outlays for a discretionary spending category exceed the spending limit for the category, but new budget authority does not exceed the limit for that category, the special outlay allowance may be used. The outlay adjustment is the amount of the excess spending over the limit. The adjustment can not exceed 0.5 percent of the sum of the adjusted discretionary spending limits on outlays for that fiscal year.

OMB's final estimate of fiscal year 2000 crime category spending indicates that a special outlay allowance adjustment of \$790 million is required to cover the outlay breach in this category.

- *Adjustment for Rounding.*—Public law 106–113, the FY 2000 Consolidated Appro-

priations Act, included a provision requiring OMB to adjust the FY 2000 limit on budget authority for the discretionary category upward by 0.2 percent, resulting in an increase of \$1.1 billion.

Status of FY 1999 discretionary appropriations.—Table 5 summarizes the status of enacted fiscal year 1999 discretionary appropriations, relative to the discretionary caps. Enacted budget authority and outlays are within the discretionary caps.

Table 5. STATUS OF FY 1999 DISCRETIONARY APPROPRIATIONS
(In millions of dollars)

	BA	Outlays
Non-Defense Discretionary Spending, Excluding Violent Crime Reduction Spending		
Adjusted discretionary spending limits	290,562	277,097
Total enacted	290,125	275,246
Spending over/under (–) limits	–437	–1,851
Defense Discretionary Spending		
Adjusted discretionary spending limits	286,850	275,732
Total enacted	286,844	274,475
Spending over/under (–) limits	–6	–1,257
Violent Crime Reduction Spending		
Adjusted discretionary spending limits	5,800	4,953
Total enacted	5,797	4,946
Spending over/under (–) limits	–3	–7
Highway Category		
Adjusted discretionary spending limits		21,991
Total enacted		21,568
Spending over/under (–) limits		–423
Mass Transit Category		
Adjusted discretionary spending limits		4,401
Total enacted		3,942
Spending over/under (–) limits		–459
Total Discretionary Spending All Categories		
Adjusted discretionary spending limits	583,212	584,174
Total enacted	582,766	580,177
Spending over/under (–) limits	–446	–3,997

Status of FY 2000 discretionary appropriations.—Table 6 summarizes OMB scoring of the fiscal year 2000 appropriations bills.

OMB estimates that spending in the highway, mass transit, and other discretionary categories are within the budget authority

and outlay limits set in the BBA. Spending in the violent crime reduction category is within the budget authority limit but exceeds the outlay limit by \$790 million. As a result, OMB will use the special outlay allowance

provided under section 251(b)(2) to adjust the limit to cover the breach. With this adjustment, OMB estimates that a sequester will not be required for any of the discretionary categories.

Table 6. STATUS OF 2000 APPROPRIATIONS ACTION
(In millions of dollars)

	BA	Outlays
OTHER DISCRETIONARY		
Agriculture and Rural Development	13,982	14,387
Commerce, Justice, State and the Judiciary	29,427	27,306 ¹
Defense	257,669	246,485
District of Columbia	436	382
Energy and Water Development	21,221	21,166
Foreign Operations	13,539	12,226 ²
Interior and Related Agencies	14,800	14,951
Labor, HHS, and Education	81,795	84,256 ³
Legislative	2,455	2,566
Military Construction	8,373	8,626
Transportation and Related Agencies	12,481	14,546
Treasury and General Government	13,566	13,954 ⁴
Veterans Affairs, HUD, Independent Agencies	69,356	82,370
Miscellaneous Provisions	-6,827	-9,465
Emergency Appropriations Enacted/Released Since February Budget	29,772	27,651
Total, Other Discretionary	562,045	561,407
Final Sequestration Report Other Discretionary Limits	563,602	564,870
CONGRESSIONAL ACTION OVER/UNDER(-) LIMITS	-1,558	-3,463
VIOLENT CRIME REDUCTION		
Commerce, Justice, State and the Judiciary	4,216	6,044
Labor, HHS, and Education	152	172
Treasury, Postal Service, and General Gov't	132	128
Total, Violent Crime Reduction	4,500	6,344
Final Sequestration Report Violent Crime Reduction Limits	4,500	6,344
CONGRESSIONAL ACTION OVER/UNDER(-) LIMITS		
HIGHWAY CATEGORY		
Transportation and Related Agencies		24,574
Total, Highway Category		24,574
Final Sequestration Report Highway Category Limits		24,574
CONGRESSIONAL ACTION OVER/UNDER(-) LIMITS		

Table 6. STATUS OF 2000 APPROPRIATIONS ACTION—Continued
(In millions of dollars)

	BA	Outlays
MASS TRANSIT CATEGORY		
Transportation and Related Agencies		4,117
Total, Mass Transit Category		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	566,545	596,442
Final Sequestration Report Discretionary Limits	568,102	599,905
CONGRESSIONAL ACTION OVER/UNDER(–) LIMITS		
	–1,558	–3,463

NOTES:

¹ Estimates include \$351 million in BA for the funding provided for international arrearage payments.

² Estimates include \$75 million in BA for funding provided for international arrearage payments.

³ Estimates include \$405 million in BA and \$373 million in outlays provided for funding for Continuing Disability Reviews (CDRs), and \$20 million in BA and \$2 million in outlays for adoption incentive payments.

⁴ Estimates include \$144 million in BA and outlays for the Earned Income Tax Credit Initiative (EITC).

Comparison of OMB and CBO discretionary limits.—Section 254(d)(5) of the BEA requires this report to explain the differences between OMB and CBO estimates for discretionary spending limits. Table 7 compares OMB and CBO limits for fiscal years 1998 through 2002. CBO uses the discretionary limits from OMB's sequestration update report as a starting point for adjustments in its end-of-session sequestration report. Therefore, the differences between the OMB and CBO esti-

mates reflect \$272 million in contingent emergency funds for the military construction transfer fund that were released by the President on September 21, 1999, and \$827 million in contingent emergency appropriations for natural disasters, wildland firefighting, and for the year-2000 computer conversion problem that were released by the President subsequent to the issue of the August Update Report.

Table 7. 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	256,048	289,735	N/A	N/A	N/A
OL	286,265	276,814	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	100	827	N/A	N/A	N/A
OL	60	283	N/A	N/A	N/A
Defense Discretionary					
CBO Final Sequestration Report limits:					
BA	271,832	286,578	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		272	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	5,554	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			790	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	26,219	26,663
Difference:					
BA	N/A				
OL	N/A				
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	4,888	5,384
Difference:					
BA	N/A				
OL	N/A				

Table 7. COMPARISON OF OMB AND CBO DISCRETIONARY SPENDING LIMITS—Continued
(In millions of dollars)

	1998	1999	2000	2001	2002
Other Discretionary					
CBO Final Sequestration Report limits:					
BA	N/A	N/A	563,714	541,751	550,473
OL	N/A	N/A	562,429	548,304	537,926
OMB 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
Difference:					
BA	N/A	N/A	-112	-427	-91
OL	N/A	N/A	2,441	-782	-647
Total Discretionary Spending Limits					
CBO Final Sequestration Report limits:					
BA	533,380	582,113	568,214	541,751	550,473
OL	560,177	583,891	596,674	579,411	569,973
OMB 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
Difference:					
BA	100	1,099	-112	-427	-91
OL	60	283	3,231	-782	-647

OMB and CBO have different approaches to scoring emergency appropriations. CBO scores budget authority for contingent emergency appropriations in the fiscal year in which it is appropriated; OMB scores budget authority only for those contingent appropriations officially released by the President and designated by the President as emergency requirements.

On November 29, 1999, the President signed the Fiscal Year 2000 Consolidated Appropriations Act (P.L. 106-113) into law. The Act provides over \$10.5 billion in contingent emergency appropriations for non-defense discretionary activities, including \$4.5 billion for the decennial census, \$1.8 billion for the Wye River accord, \$1.7 billion for Head Start, and \$2.5 billion for other activities. In addition, the following bills also include

contingent emergency appropriations: the Fiscal Year 2000 Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Act includes over \$8 billion in contingent emergency appropriations for emergency assistance to farmers; the Fiscal Year 2000 Department of Defense Appropriations Act includes \$7.2 billion contingent emergency appropriation for operations and maintenance; and, the Fiscal Year 2000 Veterans Affairs, Housing and Urban Development, and Independent Agencies Appropriations Act includes a \$2.5 billion contingent emergency appropriation for the Disaster Relief Fund. CBO has included the full amount of this funding in its adjustment. OMB has adjusted the caps upward for the amounts that have been designated by the President as of January 19, 1999.

III. PAY-AS-YOU-GO SEQUESTRATION REPORT

Pay-as-you-go enforcement covers direct spending and receipts legislation. 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 the pay-as-you-go scorecard: 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, in total, receipts and direct spending legislation not result in a net cost. If such legislation yields a net cost, and if the President and Congress do not fully offset it by other legislative savings, the law requires that a sequester of non-exempt direct spending programs offset the net cost.

The BEA requires that OMB submit a report to Congress that estimates the resulting change in outlays or receipts for the current year, the budget year, and the following four fiscal years for enacted direct spending and receipts legislation. The estimates, which

must rely on the economic and technical assumptions underlying the most recent President's budget, determine whether the pay-as-you-go requirement is met. The pay-as-you-go process requires that OMB maintain a "scorecard" that shows the cumulative net cost of such legislation.

Table 8 presents OMB estimates of pay-as-you-go legislation included in the individual bill reports. In total, these bills have resulted in a net cost of \$58 million for 1999 and a net savings of \$3,072 million in 2000. (As required by the BEA, the 1999 total reflects only Acts added to the scorecard after the 1999 final sequestration report was issued.) Under the BEA, the 1999 and 2000 totals are combined when determining the need for sequestration. Because the combined two year total is a net savings, no sequestration of direct spending programs is required for 2000. As required by the Consolidated Appropriations Act, the pay-as-you-go scorecard for all years was reset to zero on January 3, 2000. The table also shows the CBO estimate for each Act as it was reported in CBO's pay-as-you-go bill reports.

Table 8. NET COST OF PAY-AS-YOU-GO LEGISLATION¹
(In millions of dollars)

Report Number	Act Number	Act Title	1999	2000	2001	2002	2003	2004	1999-2004
Legislation enacted since the Balanced Budget Act of 1987:									
Balances shown in FY2000 Preview Report									
		OMB estimate	0	-2,927	-833	-164	-1,092	0	-5,016
		CBO estimate	0	587	337	2,759	2,426	0	6,109
Legislation enacted in the 1st session of the 106th Congress:									
NA	P.L. 106-25	Education Flexibility Partnership Act	OMB does not consider this bill to be PAYGO						
	H.R. 800	OMB estimate	0	32	-11	-16	-5	0	0
		CBO estimate	0						
489	P.L. 106-36	Miscellaneous Trade and Technical Corrections Act of 1999	5	37	-1	-16	-27	-37	-38
	H.R. 435	OMB estimate	-5	17	-3	-4	-6	-7	-8
		CBO estimate							
490	P.L. 106-50	Veterans Entrepreneurship and Small Business Development Act of 1999	1	0	0	0	0	0	1
	H.R. 1568	OMB estimate	1	0	0	0	0	0	1
		CBO estimate							
491	P.L. 106-53	Water Resources Development Act of 1999	0	-21	4	4	4	2	-7
	S. 307	OMB estimate	0	-19	6	6	6	3	2
		CBO estimate							
492	P.L. 106-54	Kerr-McGee and Menominee Indian Relief Payments	52	0	0	0	0	0	52
	S. 606	OMB estimate	52	0	0	0	0	0	52
		CBO estimate							
493	P.L. 106-45	National Defense Authorization Act for FY 2000	0	-18	112	87	96	16	233
	S. 1029	OMB estimate	0	-97	-10	29	-25	-36	-139
		CBO estimate							
NA	P.L. 106-79	Department of Defense Appropriations Act for FY 2000	OMB does not consider this bill to be PAYGO						
	H.R. 2561	OMB estimate	0	-13	0	0	0	0	-13
		CBO estimate							
494	P.L. 106-82	Conveyance of the Ames Research Center's Crows Landing Facility to Stanislaus County, California	0	0	0	0	0	0	0
	H.R. 356	OMB estimate	0	0	0	0	0	0	0
		CBO estimate							
495	P.L. 106-102	Gramm Leach-Bliley Act to enhance competition in the financial services industry	0	-15	-106	-106	-106	-106	-439
	S. 900	OMB estimate	0	-35	-41	-31	-28	-31	-166
		CBO estimate							
496	P.L. 106-113	Consolidated Appropriations Act?	0	0	0	0	0	0	0
	H.R. 3194	OMB estimate	0	0	0	0	0	0	0
		CBO estimate							
497	P.L. 106-117	Veterans Millennium Health Care and Benefits Act	0	10	12	28	15	31	96
	H.R. 2116	OMB estimate	0	-4	289	343	414	137	1,179
		CBO estimate							

Table 8. NET COST OF PAY-AS-YOU-GO LEGISLATION¹—Continued
(In millions of dollars)

Report Number	Act Number	Act Title	1999	2000	2001	2002	2003	2004	1999–2004
498	P.L. 106-126 H.R. 3373	Self-Employed Millennium Can Act OMB estimate	0	-2	-4	0	3	2	-1
		CBO estimate	0	-1	-5	0	2	1	-3
499	P.L. 106-144 S. 416	Secure Oregon Land Transfer Act OMB estimate	0	0	0	0	0	0	0
		CBO estimate	0	1	0	0	0	0	1
500	P.L. 106-169 H.R. 3443	Foster Care Independence Act of 1999 OMB estimate	0	-56	-3	-6	-4	26	-43
		CBO estimate	0	-22	24	-15	-1	14	0
501	P.L. 106-170 H.R. 1180	Ticket to Work and Work Incentives Improvement Act OMB estimate	0	-80	4,874	7,550	2,933	2,628	17,905
		CBO estimate	0	-97	2,899	8,089	2,404	2,210	15,005
Subtotal, legislation enacted in the 1st session of the 106th Congress:									
		OMB estimate	58	-145	4,869	7,540	2,934	2,562	17,765
		CBO estimate	48	-238	3,148	8,406	2,761	2,291	16,116
Total, balances on January 3, 2000:									
		OMB estimate	58	-3,072	4,655	7,384	1,762	2,562	12,749
		CBO estimate	48	349	3,485	11,165	5,187	2,291	22,525
Remove balances pursuant to P.L. 106-118:									
		OMB estimate	-58	3,072	-4,655	-7,384	-1,762	-2,562	-12,749
		CBO estimate	-48	-349	-3,485	-11,165	-5,187	-2,291	-22,525
Current balances:									
		OMB estimate	0	0	0	0	0	0	0
		CBO estimate	0	0	0	0	0	0	0
¹ Excludes bills with impact of \$500,000 or less in each fiscal year 1999 through 2004 under both OMB and CBO scoring.									
² Provisions of this Act defined certain portions of the Act as subject to pay-as-you-go and required that no estimates be added to the pay-as-you-go scorecard for it. Provisions identified as pay-as-you-go had the following net cost:									
		OMB estimate	0	1,552	5,504	4,581	2,398	1,288	15,193
		CBO estimate	0	-6,563	12,244	3,916	2,786	1,943	14,326

**Table 9. PAY-AS-YOU-GO LEGISLATION WITH IMPACT OF \$500,000 OR LESS
ENACTED IN THE FIRST SESSION OF THE 106th CONGRESS**

Public Law Number	Act Number	Act Title
P.L. 106-4	H.R. 540	Nursing Home Resident Protection Amendments of 1999 ¹
P.L. 106-5	H.R. 808	Family Farmer Bankruptcy Extension Act
P.L. 106-6	S. 643	Interim Federal Aviation Administration Authorization Act
P.L. 106-7	H.R. 1212	Crop Insurance Application Deadline Extension
P.L. 106-21	H.R. 1376	Tax Relief for Personnel Involved in Operation Allied Force
P.L. 106-26	S. 531	Congressional Gold Medal for Rosa Parks
P.L. 106-32	H.R. 1034	Act to Declare a Portion of the James River and Kanawha Canal Nonnavigable waters ²
P.L. 106-37	H.R. 775	Y2K Act
P.L. 106-40	S. 880	Chemical Safety Inspection, Site Security and Fuels Regulatory Relief Act
P.L. 106-41	S. 604	Lake Oconee Land Exchange Act
P.L. 106-43	S. 1259	Trademark Amendments of 1999
P.L. 106-45	H.R. 66	Act to Preserve Cultural Resources of the Route 66 Corridor
P.L. 106-47	S. 1543	Tobacco Production and Marketing Information Act
P.L. 106-59	S. 1637	Extension of Certain Expiring FAA Authorizations ²
P.L. 106-63	S. 380	Congressional Award Act Amendments of 1999
P.L. 106-66	S. 293	Act to direct the Secretaries of Agriculture and Interior to convey certain lands to San Juan College
P.L. 106-70	S. 1606	Family Farmer Bankruptcy Act Extension
P.L. 106-84	H.R. 2841	To amend the Revised Organic Act of the Virgin Islands
P.L. 106-95	H.R. 441	Nursing Relief for Disadvantaged Areas Act
P.L. 106-96	H.R. 609	To amend the Export Apple and Pear Act to limit the applicability of the Act to apples
P.L. 106-99	H.R. 2303	History of the House Awareness and Preservation Act
P.L. 106-100	H.R. 3122	To permit enrollment in the House Child Care Center of children of Federal employees
P.L. 106-104	H.R. 3061	S Visa and Refugee Assistance Authorization
P.L. 106-107	S. 468	Federal Financial Assistance Management Improvement Act of 1999 ²
P.L. 106-114	S. 278	Rio Arriba County Land Transfer Act
P.L. 106-116	S. 1398	Coastal Barrier Resources System Map Corrections
P.L. 106-118	H.R. 2280	Veterans' Compensation Cost-of-Living Adjustment Act
P.L. 106-120	H.R. 1555	Intelligence Authorization Act
Pvt.L. 106-3	H.R. 322	For the relief of Suchada Kwong ²
P.L. 106-128	S. 574	Delaware Coastal Barrier Map Correction
P.L. 106-138	H.R. 2079	Terry Peak Land Transfer Act
P.L. 106-139	H.R. 2886	Amendments to Immigration and Nationality Act
P.L. 106-143	S. 28	Four Corners Interpretive Center Act
P.L. 106-152	H.R. 1887	To punish the depiction of animal cruelty
P.L. 106-153	H.R. 1932	Gold Medal for Father Theodore M. Hesburgh
P.L. 106-154	H.R. 2140	Chattahoochee River National Recreation Area Act
P.L. 106-158	H.R. 3381	Export Enhancement Act
P.L. 106-159	H.R. 3419	Motor Carrier Safety Improvement Act
P.L. 106-160	H.R. 3456	Digital Theft Deterrence and Copyright Damages Act
P.L. 106-164	S. 438	Chippewa Cree Tribe Water Rights Settlement ²
P.L. 106-168	S. 335	Deceptive Mail Prevention and Enforcement Act

¹ CBO does not score this bill as subject to pay-as-you-go requirements.

² OMB does not score this bill as subject to pay-as-you-go requirements.

Comparison with CBO estimates.—The BEA requires that OMB explain differences with CBO estimates of enacted pay-as-you-go legislation. The largest differences between OMB and CBO estimates for legislation enacted in the first session of the 106th Congress are for the Veterans Millennium Health Care

and Benefits Act and the Ticket to Work and Work Incentives Improvement Act.

For the Veterans Millennium Health Care and Benefits Act, OMB scores net costs of \$0.1 billion over the period 1999 through 2004, while CBO scores costs of \$1.2 billion. This difference is primarily due to different

interpretations of a requirement providing nursing home care to certain veterans. CBO believes the Act creates an entitlement to nursing home care for these veterans and thus scores direct spending. OMB views the Act as directing the Department of Veterans Affairs to give a higher priority to these veterans when they are seeking nursing home care. The benefits will be funded from the veterans medical care account, which is subject to annual appropriations.

OMB scores net costs of \$17.9 billion over the period 1999 through 2004 for the Ticket to Work and Work Incentives Improvement Act, \$ 2.4 billion more than CBO's estimate of \$15.5 billion. Much of the difference is the result of different scoring of tax provisions, primarily for extensions of the research and experimentation tax credit and Subpart F for active financing income.

These differences are the result of different baselines and estimating models.

OMB and CBO also have significant differences in the pay-as-you-go scoring of the Consolidated Appropriations Act. OMB scores net costs of \$1.6 billion in 2000; while CBO scores net savings of \$6.6 billion. This is largely the result of a different interpretation of which provisions are covered as pay-as-you-go under the Act's requirements. This Act also included a requirement that OMB and CBO not adjust their pay-as-you-go scorecards for any provisions of the Act. Thus, this difference does not affect the total difference between the OMB and CBO scorecards.

More detail on these differences, as well as smaller differences in other bills, is available in the separate reports issued subsequent to enactment of each bill.

OMB FINAL SEQUESTRATION REPORT
TO THE PRESIDENT AND CONGRESS
FOR FISCAL YEAR 2000



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

January 25, 2000

The President
The White House
Washington, DC 20500

Dear Mr. President:

Enclosed please find the *OMB Final Sequestration Report to the President and Congress for fiscal year 2000*, as required by the Budget Enforcement Act of 1990, as amended.

The report provides current estimates of the status of discretionary spending and the discretionary limits. It also provides the status of pay-as-you-go legislation. Comparisons with the estimates provided by the Director of the Congressional Budget Office in his report are also included.

Based on the estimates contained in this report, neither discretionary nor pay-as-you-go sequestrations are required.

Sincerely,

A handwritten signature in black ink, appearing to read "Jacob J. Lew".

Jacob J. Lew
Director

Enclosure

Identical Letter Sent to The Honorable Albert Gore
and The Honorable J. Dennis Hastert

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GENERAL NOTES

1. All years referred to are fiscal years unless otherwise noted.
2. Details in the tables and text may not add to totals due to rounding.

I. OVERVIEW

The Budget Enforcement Act of 1997 (BEA of 1997) extended and modified the expiring enforcement requirements of the Budget Enforcement Act of 1990 (BEA of 1990). The BEA of 1997 established new limits, or “caps,” for discretionary spending through 2002. It also extended the requirement that legislation affecting direct spending or receipts not result in net costs to the Federal Government. The Transportation Equity Act for the 21st century (TEA-21) further modified the discretionary spending limits and created new limits for highway and mass transit spending. An across-the-board reduction of non-exempt spending, known as “sequestra-

tion”, enforces compliance with these constraints.

The BEA requires that OMB issue reports on the overall status of discretionary and pay-as-you-go legislation. The end-of-session report, which OMB is required to issue after Congress adjourns *sine die*, determines whether or not a sequester is required. This report, which covers legislation enacted in the first session of the 106th Congress, indicates that no sequester is required for either mandatory or discretionary programs. As required by the Consolidated Appropriations Act, the pay-as-you-go balances for all years were reset to zero on January 3, 2000.

II. DISCRETIONARY SEQUESTRATION REPORT

Discretionary programs are funded annually through the appropriations process. The scorekeeping guidelines accompanying the Budget Enforcement Act of 1990 (BEA), as amended by the Omnibus Budget and Reconciliation Act of 1993 (OBRA) and the Budget Enforcement Act of 1997, identify accounts with discretionary resources. The Balanced Budget Act of 1997 (BBA) limited budget authority and outlays available for discretionary programs each year through 2002. For fiscal years 1998 and 1999, the BBA of 1997 established three separate categories of discretionary spending: defense, non-defense (excluding violent crime reduction spending), and violent crime reduction spending. For fiscal year 2000, the law divided discretionary spending into two categories: violent crime reduction spending and all other discretionary spending. For fiscal years 2001 and 2002, a single category for all discretionary spending was established. The Transportation Act for the 21st Century (TEA-21), which was enacted in June 1998, modified these categories by establishing two additional categories for highway and mass transit outlays for fiscal years 1999 through 2003.

OMB monitors compliance with the discretionary spending limits throughout the fiscal year. Appropriations that cause a breach in the budget authority or outlay limits trigger a sequester to eliminate that breach. The law, however, does not require that

Congress appropriate the full amount available under the discretionary limits.

The discretionary spending limits established in the various amendments to the BEA have worked in an environment of budget deficits to constrain the growth of discretionary spending. These limits were extended in the BBA and were based on an overall budget architecture that was intended to achieve balance by fiscal year 2002. The original BBA discretionary limit for fiscal year 2002 is \$3.5 billion less than the limit set for fiscal year 2000.

In fiscal year 1998, discretionary appropriations were enacted that complied with the limits set in law. Using the scoring rules required by the BEA, both OMB and CBO estimated that fiscal year 1999 appropriations complied with the statutory limits, although spending was expanded beyond the limits through several means. In particular, the emergency designation, which exempts spending from the spending limits, was used to fund roughly \$15.5 billion of fiscal year 1999 discretionary spending. In addition, reductions to mandatory programs and expanded use of advance appropriations were relied on to expand program levels and to fit fiscal year 1999 discretionary spending within the statutory limit. This trend continued in fiscal year 2000. Table 1 highlights the trend in the use of these mechanisms that expand discretionary spending between fiscal years 1998 and 2001.

Table 1. DISCRETIONARY SPENDING LEVELS
(In millions of dollars)

	1998	1999	2000	2001
Original Balanced Budget Act Limits				
BA	526,857	532,999	537,193	542,032
OL	553,268	559,321	564,265	564,396
Year-to-year percentage change:				
BA		1.2%	0.8%	0.9%
OL		1.1%	0.9%	0.0%
Spending Funded by Alternative Mechanisms:				
BA	2,981	26,424	49,290	
OL	1,017	13,453	29,750	
Discretionary Program Levels:				
BA	529,838	559,423	586,483	542,032
OL	554,285	572,804	594,015	564,396
Year-to-year percentage change:				
BA		5.6%	4.8%	-7.6%
OL		3.3%	3.7%	-5.0%

The enacted BBA outlay limit for fiscal year 2000 allowed only 0.9 percent growth in discretionary outlays over the original limit for fiscal year 1999. The fiscal year 2000 appropriations included \$23.7 billion in emergency designations, additional advance appropriations, and several obligation delays. As can be seen in Table 2 of this section, the official scoring of fiscal year 2000 appropriations was \$537 billion in budget authority and \$569 billion in outlays. Adding spending supported by the financing mechanisms listed below, discretionary budget authority will be closer to \$586 billion and discretionary

outlays will be about \$599 billion for FY 2000, differences of \$49 billion (9 percent) and nearly \$30 billion (5 percent), respectively, greater than what was recorded under BEA scoring.

Table 2 shows the difference between the BEA scoring of fiscal year 2000 appropriations and the program level provided by designating funding as emergencies, expanding programs with advance appropriations, and offsetting spending with mandatory savings, rescissions, and obligation delays. Table 3 summarizes changes to the caps since 1990.

Table 2. FY 2000 DISCRETIONARY SPENDING SUMMARY
(In millions of dollars)

	2000	
	BA	Outlays
OMB Scoring of FY 2000 Appropriations Action, Excluding		
Emergency Spending	536,773	568,791
Spending Designated as Emergency:		
Decennial Census	4,476	3,790
DoD Military Operations and Maintenance Costs	7,200	5,345
DoD Military Pay Raise	1,838	1,794
Farm Service Agency	229	157
Head Start	1,700	861
Low Income Home Energy Assistance	1,100	814
Natural Resources Conservation Service/Rural Housing Service	105	39

Table 2. FY 2000 DISCRETIONARY SPENDING SUMMARY—Continued
(In millions of dollars)

	2000	
	BA	Outlays
Public Health and Social Services Emergency Fund	584	304
Student Financial Assistance	10	2
Rural Development	2	2
Refugee and Entrant Assistance	427	128
Wye River Memorandum	1,825	311
United Mine Workers Consolidated Benefit Fund	68	68
Unreleased Contingent Emergency Spending in FY 2000 Consol- dated Bill	2,870	.....
Releases of Emergency Spending Provided in Past Appropriations Bills	1,268	723
Subtotal, Spending Designated as Emergency	23,702	14,338
Spending Offset by Mandatory Savings:		
Federal Reserve Balance Transfer	3,752	3,752
Acceleration of Spectrum Auction Receipts	2,600	2,600
Delay of Crime Victims Fund Spending	525	525
National Database of New Hires	878	876
SSBG	605	927
Cooperative State Research Education and Extension Activities	120	12
Fund for Rural America	60	33
Wetlands Reserve	46	18
Environmental Quality Incentive Program	26	5
Conservation Farm Option	38	3
Food Stamp Program	11	11
Child Nutrition	57	58
Subtotal, Spending Offset by Mandatory Savings	8,718	8,820
Additional FY 2000 Program Funded by FY 2001 Advance Ap- propriations:		
Reading Excellence	195	.....
School Improvement Programs	1,530	.....
Vocational and Adult Education	791	.....
Special Education	3,742	.....
Administration for Children and Families	1,400	.....
Housing Certificate Fund	4,200	.....
Training and Employment Services	2,463	.....
Postal Service	64	.....
Subtotal, Additional FY 2000 Program Funded by FY 2001 Advance Appropriations	14,385	.....
Spending Offset by Rescissions:		
Assisted Housing	2,319	.....
Army Corps of Engineers General Investigations	1	1
Army Corps of Engineers Construction General	13	7
Broadcasting Board of Governors International Broadcasting Op- erations	16	13
Corporation for National and Community Service	80	.....
Drug Enforcement Administration Diversion Control Fee Account Immigration and Naturalization Service Immigration Emergency Fund	35	28
.....	1	.....
Operation and Maintenance, Southeastern Power Administration ...	3	3

Table 2. FY 2000 DISCRETIONARY SPENDING SUMMARY—Continued
(In millions of dollars)

	2000	
	BA	Outlays
Small Business Administration Business Loan Program Account ..	13	.....
Nuclear Waste Disposal	4	.....
Subtotal, Spending Offset by Rescissions	2,485	52
Spending Offset by Timing Shifts and Obligation Delays:		
Pay Delay		3,589
Defense Progress Payments		1,250
National Institutes of Health		900
Health Research and Services Administration		171
Centers for Disease Control		175
Administration for Children and Families		216
Social Services Block Grant		149
Substance Abuse & Mental Health Services Administration		90
Subtotal, Spending Offset by Timing Shifts and Obliga- tion Delays		6,540
Subtotal, Adjustments	49,290	29,750
FY 2000 Program Level	586,063	598,541
Memorandum:		
Technical Adjustments for Bridge Between Original BBA Limits and End-of- Session Scoring, Excluding Emergencies		
Amounts Not Appropriated Under Cap	1,558	3,463
Adjustments for Arrearages, CDR's, Adoption Payments, and EITC	-995	-684
Adjustments for Previously Enacted Emergency Spending		-3,814
Changes in concepts and definitions	63	-60
Rounding Adjustment (pursuant to section 307 of P.L. 106-113)	-1,065	.....
Special Outlay Adjustment		-790
Adjustments for TEA-21	859	-2,640
Subtotal, Technical Adjustments	420	-4,525
FY 2000 Program Level Starting from BBA Cap	586,483	594,015

II. DISCRETIONARY SEQUESTRATION REPORT

7

Table 3. 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	0.0	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	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	0.9	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	1.7	N/A	N/A	N/A	N/A
Adjustment pursuant to Sec. 2003 of P.L. 104-191	BA .....	.....	.....	.....	-15.0	-1.1	-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:	BA	3.5	2.9	2.9	2.9	.....	.....	.....	N/A	N/A	N/A	N/A
Discretionary new budget authority	OL	1.4	2.2	2.6	2.7	1.1	0.5	0.1	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
Outlay allowance	OL .....	.....	.....	.....	.....	.....	.....	.....	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	3.9	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 2/9/97	BA 537.1	536.6	535.7	525.1	511.0	528.7	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	N/A	N/A	N/A	N/A
	OL	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Statutory Caps as set in 1997 Bipartisan Budget Agreement	BA	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	6.9	N/A	N/A	N/A	N/A
Adjustments for changes in concepts and definitions	BA	N/A	N/A	N/A	N/A	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	.....	N/A	N/A	N/A	N/A
Adjustments for emergency requirements	BA	N/A	N/A	N/A	N/A	N/A	N/A	.....	-0.2	-0.1	0.2	0.2
	OL	N/A	N/A	N/A	N/A	N/A	N/A	.....	0.3	0.1	-0.2	-0.2
Adjustments for CDRs, Arrearages, EITC	BA	N/A	N/A	N/A	N/A	N/A	N/A	.....	5.7	22.9	31.5	9.0
	OL	N/A	N/A	N/A	N/A	N/A	N/A	.....	0.9	19.4	1.0	0.6
	OL	N/A	N/A	N/A	N/A	N/A	N/A	.....	0.5	1.1	0.7	0.2

Table 3. 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 special allowances:													
Adjustment for rounding	BA	N/A	N/A	N/A	N/A	N/A	N/A	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	N/A	N/A	N/A	1.1	N/A	N/A
Outlay adjustment	BA	N/A	N/A	N/A	N/A	N/A	N/A	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	N/A	1.2	-0.9	0.8	-0.9	-0.9
TEA-21 Adjustment (Net) **	BA	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-0.9	-0.9	4.3	8.4
	OL	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.1	2.6	4.3	8.4
Final Sequestration Report spending limits ³													
	BA	537.1	536.6	535.7	525.1	511.0	526.7	535.7	533.5	583.2	568.1	541.3	550.4
	OL	551.6	546.7	550.4	547.6	546.6	552.7	553.7	560.2	584.2	599.9	578.6	560.3

* 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.

† 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 disaster relief programs and for emergency disaster relief appropriations.

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

§ Reflects combined Defense Discretionary, Non-Defense Discretionary (Excluding Crime), Violent Crime Reduction, Highway Category, and Mass Transit Category spending limits.

Adjustments to discretionary limits.—Section 251(b)(2) authorizes certain adjustments after the enactment of appropriations. Table 4 includes those adjustments that can be made now due to legislation enacted to date. The section 251(b)(2) adjustments include:

- **Emergency Appropriations.**—Funding for amounts that the President designates as “emergency requirements” and that Congress so designates in law. Fiscal year 2000 appropriations acts included over \$31 billion in emergency funding, including over \$9 billion for emergency assistance to farmers and \$1.8 billion in advance appropriations for the 2000 military pay raise. As of January 19th, the President has authorized the release of \$28.6 billion of this funding, which was provided for

the 2000 decennial census, operations and maintenance activities of the Department of Defense, the fiscal year 2000 military pay raise, agricultural disasters within the United States, Head Start, the Low-income Home Energy Assistance program, the implementation of the Wye River peace accord, and other activities.

Further, since the August Update Report, the President has also authorized the release of \$1.3 billion in emergency appropriations that were previously enacted to support the Administration's efforts in addressing the year-2000 computer conversion problem, natural disasters, the fiscal year 2000 military pay raise, operations and maintenance activities of the Department of Defense, and to support the needs of States that have experienced extremely hot weather conditions.

Table 4. FINAL SEQUESTRATION REPORT ADJUSTMENTS TO DISCRETIONARY SPENDING LIMITS
(In millions of dollars)

		1998	1999	2000	2001	2002
NON-DEFENSE DISCRETIONARY SPENDING, EXCLUDING VIOLENT CRIME REDUCTION SPENDING						
Update Report Non-Defense Discretionary Spending Limits	BA	256,146	289,735	N/A	N/A	N/A
	OL	286,325	276,815	N/A	N/A	N/A
Adjustments for the Final Sequestration Report:						
Contingent Emergency Appropriations Released	BA		827	N/A	N/A	N/A
	OL		282	N/A	N/A	N/A
Subtotal, Adjustments for the Final Sequestration Report	BA		827	N/A	N/A	N/A
	OL		282	N/A	N/A	N/A
Final Sequestration Report Spending Limits	BA	256,146	290,562	N/A	N/A	N/A
	OL	286,325	277,097	N/A	N/A	N/A
DEFENSE DISCRETIONARY SPENDING						
Update Report Defense Discretionary Spending Limits	BA	271,832	286,578	N/A	N/A	N/A
	OL	269,079	275,732	N/A	N/A	N/A
Adjustments for the Final Sequestration Report:						
Contingent Emergency Appropriations Released	BA		272	N/A	N/A	N/A
	OL			N/A	N/A	N/A
Subtotal, Adjustments for the Final Sequestration Report	BA		272	N/A	N/A	N/A
	OL			N/A	N/A	N/A
Final Sequestration Report Spending Limits	BA	271,832	286,850	N/A	N/A	N/A
	OL	269,079	275,732	N/A	N/A	N/A

**Table 4. FINAL SEQUESTRATION REPORT ADJUSTMENTS TO
DISCRETIONARY SPENDING LIMITS—Continued**
(In millions of dollars)

		1998	1999	2000	2001	2002
VIOLENT CRIME REDUCTION SPENDING						
Update Report Violent Crime Reduction Spending Limits	BA	5,500	5,800	4,500	N/A	N/A
	OL	4,833	4,953	5,554	N/A	N/A
Adjustments for the Final Sequestration Report:						
Special Outlay Allowance	BA				N/A	N/A
	OL			790	N/A	N/A
Subtotal, Adjustments for the Final Sequestration Report	BA				N/A	N/A
	OL			790	N/A	N/A
Final Sequestration Report Spending Limits	BA	5,500	5,800	4,500	N/A	N/A
	OL	4,833	4,953	6,344	N/A	N/A
HIGHWAY CATEGORY						
Update Report Highway Category Spending Limits	BA	N/A				
	OL	N/A	21,991	24,574	26,219	26,663
Adjustments for the Final Sequestration Report:						
No Adjustments	BA	N/A				
	OL	N/A				
Final Sequestration Report Spending Limits	BA	N/A				
	OL	N/A	21,991	24,574	26,219	26,663
MASS TRANSIT CATEGORY						
Update Report Mass Transit Category Spending Limits	BA	N/A				
	OL	N/A	4,401	4,117	4,888	5,384
Adjustments for the Final Sequestration Report:						
No adjustments	BA	N/A				
	OL	N/A				
Final Sequestration Report Spending Limits	BA	N/A				
	OL	N/A	4,401	4,117	4,888	5,384
OTHER DISCRETIONARY SPENDING						
Update Report Other Discretionary Spending Limits	BA	N/A	N/A	531,771	541,324	550,382
	OL	N/A	N/A	541,574	541,835	535,753
Adjustments for the Final Sequestration Report:						
Emergency Appropriations Enacted and Released	BA	N/A	N/A	29,772		
	OL	N/A	N/A	22,777	5,218	1,519
EITC Tax Compliance Initiative	BA	N/A	N/A	144		
	OL	N/A	N/A	144		
Continuing Disability Reviews (CDRs)	BA	N/A	N/A	405		
	OL	N/A	N/A	373	32	
MDB Arrearage Payments (Foreign Operations bill)	BA	N/A	N/A	75		
	OL	N/A	N/A		75	
UN Arrearage Payments (Commerce/Justice/State bill)	BA	N/A	N/A	351		
	OL	N/A	N/A		351	
Adoption Incentive Payments	BA	N/A	N/A	20		
	OL	N/A	N/A	2	11	7
Special Budget Authority for Rounding	BA	N/A	N/A	1,065		
	OL	N/A	N/A			
Subtotal, Adjustments for the Final Sequestration Report	BA	N/A	N/A	31,832		
	OL	N/A	N/A	23,296	5,657	1,526
Final Sequestration Report Spending Limits	BA	N/A	N/A	563,602	541,324	550,382
	OL	N/A	N/A	564,870	547,522	537,279

Table 4. FINAL SEQUESTRATION REPORT ADJUSTMENTS TO DISCRETIONARY SPENDING LIMITS—Continued
(In millions of dollars)

		1998	1999	2000	2001	2002
TOTAL DISCRETIONARY SPENDING						
Preview Report Total Discretionary Spending Limits	BA	533,480	566,380	536,271	541,324	550,382
	OL	560,237	576,089	570,945	571,047	567,800
Update Report Total Discretionary Spending Limits	BA	533,480	582,113	536,271	541,324	550,382
	OL	560,237	583,892	575,819	572,942	567,800
Final Sequestration Report Spending Limits	BA	533,480	583,212	568,102	541,324	550,382
	OL	560,237	584,174	599,905	578,629	569,326

- *Continuing Disability Reviews.*—Funding for additional continuing disability reviews (CDRs) under the heading, "Limitation on Administrative Expenses," for the Social Security Administration. The law limits adjustments to the budget authority and outlay estimates authorized in P.L. 105-33, the Balanced Budget Act 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 fiscal year 2000 Labor, Health and Human Services, Education, and Related Agencies Appropriations Act provided \$405 million for CDRs.
- *Allowance for International Arrearages funding.*—Funding for arrearages for international organizations, international peacekeeping, and multilateral development banks. The amount of the cap adjustment is limited to \$1.884 billion for fiscal years 1998 through 2000 in P.L. 105-33. A total of \$426 million was provided for international arrearage payments in fiscal year 2000 appropriations bills, bringing the total adjustments made for arrearage payments to the authorized limit of \$1.884 billion.
- *Earned Income Tax Credit (EITC) Compliance Initiative.*—Funding for EITC compliance initiatives, including the detection and enforcement of EITC eligibility rules in order to reduce EITC overclaims. Adjustments are limited to the budget authority and outlay estimates authorized in P.L. 105-33. The fiscal year 2000 Treasury and General Government Appropriations Act provided \$144 for EITC compliance.
- *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. The Act provides for a discretionary cap adjustment for appropriations up to \$20 million annually in fiscal years 1999 through 2003. It is assumed that the cost of adoption bonuses will be offset by reductions in mandatory foster care costs. The \$20 million requested was included in the fiscal year 2000 Labor, Health and Human Services, Education, and Related Agencies Appropriations Act.
- *Special Outlay Allowance.*—This allowance was included in the BEA to cover technical scoring differences that result when OMB scoring exceeds CBO scoring. If, in any year, outlays for a discretionary spending category exceed the spending limit for the category, but new budget authority does not exceed the limit for that category, the special outlay allowance may be used. The outlay adjustment is the amount of the excess spending over the limit. The adjustment can not exceed 0.5 percent of the sum of the adjusted discretionary spending limits on outlays for that fiscal year.
- *Adjustment for Rounding.*—Public law 106-113, the FY 2000 Consolidated Appropriations Act, provides that OMB's final estimate of fiscal year 2000 crime category spending indicates that a special outlay allowance adjustment of \$790 million is required to cover the outlay breach in this category.

priations Act, included a provision requiring OMB to adjust the FY 2000 limit on budget authority for the discretionary category upward by 0.2 percent, resulting in an increase of \$1.1 billion.

Status of FY 1999 discretionary appropriations.—Table 5 summarizes the status of enacted fiscal year 1999 discretionary appropriations, relative to the discretionary caps. Enacted budget authority and outlays are within the discretionary caps.

Table 5. STATUS OF FY 1999 DISCRETIONARY APPROPRIATIONS
(In millions of dollars)

	BA	Outlays
Non-Defense Discretionary Spending, Excluding Violent Crime Reduction Spending		
Adjusted discretionary spending limits	290,562	277,097
Total enacted	290,125	275,246
Spending over/under (-) limits	-437	-1,851
Defense Discretionary Spending		
Adjusted discretionary spending limits	286,850	275,732
Total enacted	286,844	274,475
Spending over/under (-) limits	-6	-1,257
Violent Crime Reduction Spending		
Adjusted discretionary spending limits	5,800	4,953
Total enacted	5,797	4,946
Spending over/under (-) limits	-3	-7
Highway Category		
Adjusted discretionary spending limits		21,991
Total enacted		21,568
Spending over/under (-) limits		-423
Mass Transit Category		
Adjusted discretionary spending limits		4,401
Total enacted		3,942
Spending over/under (-) limits		-459
Total Discretionary Spending All Categories		
Adjusted discretionary spending limits	583,212	584,174
Total enacted	582,766	580,177
Spending over/under (-) limits	-446	-3,997

Status of FY 2000 discretionary appropriations.—Table 6 summarizes OMB scoring of the fiscal year 2000 appropriations bills.

OMB estimates that spending in the highway, mass transit, and other discretionary categories are within the budget authority

and outlay limits set in the BBA. Spending in the violent crime reduction category is within the budget authority limit but exceeds the outlay limit by \$790 million. As a result, OMB will use the special outlay allowance

provided under section 251(b)(2) to adjust the limit to cover the breach. With this adjustment, OMB estimates that a sequester will not be required for any of the discretionary categories.

Table 6. STATUS OF 2000 APPROPRIATIONS ACTION

(In millions of dollars)

	BA	Outlays
OTHER DISCRETIONARY		
Agriculture and Rural Development	13,982	14,387
Commerce, Justice, State and the Judiciary	29,427	27,306 ¹
Defense	257,669	246,485
District of Columbia	436	382
Energy and Water Development	21,221	21,166
Foreign Operations	13,539	12,226 ²
Interior and Related Agencies	14,800	14,951
Labor, HHS, and Education	81,795	84,256 ³
Legislative	2,455	2,566
Military Construction	8,373	8,626
Transportation and Related Agencies	12,481	14,546
Treasury and General Government	13,566	13,954 ⁴
Veterans Affairs, HUD, Independent Agencies	69,356	82,370
Miscellaneous Provisions	-6,827	-9,465
Emergency Appropriations Enacted/Released Since February Budget	29,772	27,651
Total, Other Discretionary	562,045	561,407
Final Sequestration Report Other Discretionary Limits	563,602	564,870
CONGRESSIONAL ACTION OVER/UNDER(-) LIMITS	-1,558	-3,463
VIOLENT CRIME REDUCTION		
Commerce, Justice, State and the Judiciary	4,216	6,044
Labor, HHS, and Education	152	172
Treasury, Postal Service, and General Gov't	132	128
Total, Violent Crime Reduction	4,500	6,344
Final Sequestration Report Violent Crime Reduction Limits	4,500	6,344
CONGRESSIONAL ACTION OVER/UNDER(-) LIMITS		
HIGHWAY CATEGORY		
Transportation and Related Agencies		24,574
Total, Highway Category		24,574
Final Sequestration Report Highway Category Limits		24,574
CONGRESSIONAL ACTION OVER/UNDER(-) LIMITS		

Table 6. STATUS OF 2000 APPROPRIATIONS ACTION—Continued
(In millions of dollars)

	BA	Outlays
MASS TRANSIT CATEGORY		
Transportation and Related Agencies		4,117
Total, Mass Transit Category		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	566,545	596,442
Final Sequestration Report Discretionary Limits	568,102	599,905
CONGRESSIONAL ACTION OVER/UNDER(–) LIMITS		
	–1,558	–3,463

NOTES:

¹Estimates include \$351 million in BA for the funding provided for international arrearage payments.

²Estimates include \$75 million in BA for funding provided for international arrearage payments.

³Estimates include \$405 million in BA and \$373 million in outlays provided for funding for Continuing Disability Reviews (CDRs), and \$20 million in BA and \$2 million in outlays for adoption incentive payments.

⁴Estimates include \$144 million in BA and outlays for the Earned Income Tax Credit Initiative (EITC).

Comparison of OMB and CBO discretionary limits.—Section 254(d)(5) of the BEA requires this report to explain the differences between OMB and CBO estimates for discretionary spending limits. Table 7 compares OMB and CBO limits for fiscal years 1998 through 2002. CBO uses the discretionary limits from OMB's sequestration update report as a starting point for adjustments in its end-of-session sequestration report. Therefore, the differences between the OMB and CBO esti-

mates reflect \$272 million in contingent emergency funds for the military construction transfer fund that were released by the President on September 21, 1999, and \$827 million in contingent emergency appropriations for natural disasters, wildland firefighting, and for the year-2000 computer conversion problem that were released by the President subsequent to the issue of the August Update Report.

Table 7. 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	256,048	289,735	N/A	N/A	N/A
OL	286,265	276,814	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	100	827	N/A	N/A	N/A
OL	60	283	N/A	N/A	N/A
Defense Discretionary					
CBO Final Sequestration Report limits:					
BA	271,832	286,578	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		272	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	5,554	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			790	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	26,219	26,663
Difference:					
BA	N/A				
OL	N/A				
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	4,888	5,384
Difference:					
BA	N/A				
OL	N/A				

Table 7. COMPARISON OF OMB AND CBO DISCRETIONARY SPENDING LIMITS—Continued
(In millions of dollars)

	1998	1999	2000	2001	2002
Other Discretionary					
CBO Final Sequestration Report limits:					
BA	N/A	N/A	563,714	541,751	550,473
OL	N/A	N/A	562,429	548,304	537,926
OMB 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
Difference:					
BA	N/A	N/A	-112	-427	-91
OL	N/A	N/A	2,441	-782	-647
Total Discretionary Spending Limits					
CBO Final Sequestration Report limits:					
BA	533,380	582,113	568,214	541,751	550,473
OL	560,177	583,891	596,674	579,411	569,973
OMB 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
Difference:					
BA	100	1,099	-112	-427	-91
OL	60	283	3,231	-782	-647

OMB and CBO have different approaches to scoring emergency appropriations. CBO scores budget authority for contingent emergency appropriations in the fiscal year in which it is appropriated; OMB scores budget authority only for those contingent appropriations officially released by the President and designated by the President as emergency requirements.

On November 29, 1999, the President signed the Fiscal Year 2000 Consolidated Appropriations Act (P.L. 106-113) into law. The Act provides over \$10.5 billion in contingent emergency appropriations for non-defense discretionary activities, including \$4.5 billion for the decennial census, \$1.8 billion for the Wye River accord, \$1.7 billion for Head Start, and \$2.5 billion for other activities. In addition, the following bills also include

contingent emergency appropriations: the Fiscal Year 2000 Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Act includes over \$8 billion in contingent emergency appropriations for emergency assistance to farmers; the Fiscal Year 2000 Department of Defense Appropriations Act includes \$7.2 billion contingent emergency appropriation for operations and maintenance; and, the Fiscal Year 2000 Veterans Affairs, Housing and Urban Development, and Independent Agencies Appropriations Act includes a \$2.5 billion contingent emergency appropriation for the Disaster Relief Fund. CBO has included the full amount of this funding in its adjustment. OMB has adjusted the caps upward for the amounts that have been designated by the President as of January 19, 1999.

III. PAY-AS-YOU-GO SEQUESTRATION REPORT

Pay-as-you-go enforcement covers direct spending and receipts legislation. 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 the pay-as-you-go scorecard: 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, in total, receipts and direct spending legislation not result in a net cost. If such legislation yields a net cost, and if the President and Congress do not fully offset it by other legislative savings, the law requires that a sequester of non-exempt direct spending programs offset the net cost.

The BEA requires that OMB submit a report to Congress that estimates the resulting change in outlays or receipts for the current year, the budget year, and the following four fiscal years for enacted direct spending and receipts legislation. The estimates, which

must rely on the economic and technical assumptions underlying the most recent President's budget, determine whether the pay-as-you-go requirement is met. The pay-as-you-go process requires that OMB maintain a "scorecard" that shows the cumulative net cost of such legislation.

Table 8 presents OMB estimates of pay-as-you-go legislation included in the individual bill reports. In total, these bills have resulted in a net cost of \$58 million for 1999 and a net savings of \$3,072 million in 2000. (As required by the BEA, the 1999 total reflects only Acts added to the scorecard after the 1999 final sequestration report was issued.) Under the BEA, the 1999 and 2000 totals are combined when determining the need for sequestration. Because the combined two year total is a net savings, no sequestration of direct spending programs is required for 2000. As required by the Consolidated Appropriations Act, the pay-as-you-go scorecard for all years was reset to zero on January 3, 2000. The table also shows the CBO estimate for each Act as it was reported in CBO's pay-as-you-go bill reports.

Table 8. NET COST OF PAY-AS-YOU-GO LEGISLATION¹
(In millions of dollars)

Report Number	Act Number	Act Title	1999	2000	2001	2002	2003	2004	1999-2004
Legislation enacted since the Balanced Budget Act of 1997:									
Balances shown in FY2000 Preview Report									
		OMB estimate	0	-2,927	-633	-164	-1,092	0	-6,016
		CBO estimate	0	587	337	2,759	2,426	0	6,109
Legislation enacted in the 1st session of the 106th Congress:									
NA	P.L. 106-25 H.R. 800	Education Flexibility Partnership Act	0	32	-11	-16	-5	0	0
		OMB estimate	0	32	-11	-16	-5	0	0
		CBO estimate	0	32	-11	-16	-5	0	0
489	P.L. 106-36 H.R. 435	Miscellaneous Trade and Technical Corrections Act of 1999	5	37	-1	-15	-27	-37	-38
		OMB estimate	5	37	-1	-15	-27	-37	-38
		CBO estimate	-3	17	-3	-4	-6	-7	-8
490	P.L. 106-50 H.R. 1586	Veterans Entrepreneurship and Small Business Development Act of 1999	1	0	0	0	0	0	1
		OMB estimate	1	0	0	0	0	0	1
		CBO estimate	1	0	0	0	0	0	1
491	P.L. 106-53 S. 307	Water Resources Development Act of 1999	0	-31	4	4	4	2	-7
		OMB estimate	0	-31	4	4	4	2	-7
		CBO estimate	0	-19	6	6	6	3	2
492	P.L. 106-54 S. 665	Kerr-McGee and Menominee Indian Relief Payments	52	0	0	0	0	0	52
		OMB estimate	52	0	0	0	0	0	52
		CBO estimate	52	0	0	0	0	0	52
493	P.L. 106-65 S. 1059	National Defense Authorization Act for FY 2000	0	-18	112	87	36	16	233
		OMB estimate	0	-18	112	87	36	16	233
		CBO estimate	0	-97	-10	29	-25	-36	-139
NA	P.L. 106-79 H.R. 2651	Department of Defense Appropriations Act for FY 2000	0	-13	0	0	0	0	-13
		OMB estimate	0	-13	0	0	0	0	-13
		CBO estimate	0	-13	0	0	0	0	-13
494	P.L. 106-82 H.R. 356	Conveyance of the Ames Research Center's Crows Landing Facility to Stanislaus County, California	0	0	0	0	0	0	0
		OMB estimate	0	0	0	0	0	0	0
		CBO estimate	0	0	0	0	0	0	0
495	P.L. 106-102 S. 900	Gramm-Leach-Bliley Act to enhance competition in the financial services industry	0	-15	-106	-106	-106	-106	-439
		OMB estimate	0	-15	-106	-106	-106	-106	-439
		CBO estimate	0	-35	-41	-31	-28	-31	-166
496	P.L. 106-113 H.R. 3194	Consolidated Appropriations Act ²	0	0	0	0	0	0	0
		OMB estimate	0	0	0	0	0	0	0
		CBO estimate	0	0	0	0	0	0	0
497	P.L. 106-117 H.R. 2116	Veterans Millennium Health Care and Benefits Act	0	10	12	28	15	31	96
		OMB estimate	0	10	12	28	15	31	96
		CBO estimate	0	-4	289	343	414	137	1,179

Table 8. NET COST OF PAY-AS-YOU-GO LEGISLATION¹—Continued

Report Number	Act Number	Act Title	1999	2000	2001	2002	2003	2004	1999-2004
(In millions of dollars)									
498	P.L. 106-126 H.R. 3373	Leif Ericson Millennium Coin Act	0	-2	-4	0	3	2	-1
		OMB estimate	0	-1	-5	0	2	1	-3
		CBO estimate	0	0	0	0	0	0	0
499	P.L. 106-144 S. 416	Secure Oregon Land Transfer Act	0	1	0	0	0	0	1
		OMB estimate	0	1	0	0	0	0	1
		CBO estimate	0	0	0	0	0	0	0
500	P.L. 106-169 H.R. 3443	Foster Care Independence Act of 1999	0	-56	-3	-6	-4	26	-43
		OMB estimate	0	-22	24	-15	-1	14	0
		CBO estimate	0	-80	4,874	7,550	2,533	2,628	17,905
501	P.L. 106-170 H.R. 1180	Ticket to Work and Work Incentives Improvement Act	0	-80	4,874	7,550	2,533	2,628	17,905
		OMB estimate	0	-97	2,899	8,089	2,404	2,210	15,505
		CBO estimate	0	-97	2,899	8,089	2,404	2,210	15,505
Subtotal legislation enacted in the 1st session of the 106th Congress									
		OMB estimate	58	-145	4,898	7,548	2,554	2,562	17,765
		CBO estimate	48	-238	3,148	8,406	2,761	2,291	16,416
Total balances on January 3, 2000:									
		OMB estimate	58	-3,072	4,055	7,384	1,782	2,562	12,749
		CBO estimate	48	-349	3,485	11,165	5,187	2,291	22,525
Remove balances pursuant to P.L. 106-113:									
		OMB estimate	-58	3,072	-4,055	-7,384	-1,782	-2,562	-12,749
		CBO estimate	-48	-349	-3,485	-11,165	-5,187	-2,291	-32,525
Current balances:									
		OMB estimate	0	0	0	0	0	0	0
		CBO estimate	0	0	0	0	0	0	0
¹ Excludes bills with impact of \$500,000 or less in each fiscal year 1999 through 2004 under both OMB and CBO scoring.									
² Provisions of this Act defined certain portions of the Act as subject to pay-as-you-go and required that no estimates be added to the pay-as-you-go scorecard for it. Provisions identified as pay-as-you-go had the following net cost:									
		OMB estimate	0	1,529	5,504	4,581	2,958	1,958	15,103
		CBO estimate	0	-6,563	12,244	3,916	2,786	1,943	14,326

**Table 9. PAY-AS-YOU-GO LEGISLATION WITH IMPACT OF \$500,000 OR LESS
ENACTED IN THE FIRST SESSION OF THE 106th CONGRESS**

Public Law Number	Act Number	Act Title
P.L. 106-4	H.R. 540	Nursing Home Resident Protection Amendments of 1999 ¹
P.L. 106-5	H.R. 808	Family Farmer Bankruptcy Extension Act
P.L. 106-6	S. 643	Interim Federal Aviation Administration Authorization Act
P.L. 106-7	H.R. 1212	Crop Insurance Application Deadline Extension
P.L. 106-21	H.R. 1376	Tax Relief for Personnel Involved in Operation Allied Force
P.L. 106-26	S. 531	Congressional Gold Medal for Rosa Parks
P.L. 106-32	H.R. 1034	Act to Declare a Portion of the James River and Kanawha Canal Nonnavigable waters ²
P.L. 106-37	H.R. 775	Y2K Act
P.L. 106-40	S. 880	Chemical Safety Inspection, Site Security and Fuels Regulatory Relief Act
P.L. 106-41	S. 604	Lake Oconee Land Exchange Act
P.L. 106-43	S. 1259	Trademark Amendments of 1999
P.L. 106-45	H.R. 66	Act to Preserve Cultural Resources of the Route 66 Corridor
P.L. 106-47	S. 1543	Tobacco Production and Marketing Information Act
P.L. 106-59	S. 1637	Extension of Certain Expiring FAA Authorizations ²
P.L. 106-63	S. 380	Congressional Award Act Amendments of 1999
P.L. 106-66	S. 293	Act to direct the Secretaries of Agriculture and Interior to convey certain lands to San Juan College
P.L. 106-70	S. 1606	Family Farmer Bankruptcy Act Extension
P.L. 106-84	H.R. 2841	To amend the Revised Organic Act of the Virgin Islands
P.L. 106-95	H.R. 441	Nursing Relief for Disadvantaged Areas Act
P.L. 106-96	H.R. 609	To amend the Export Apple and Pear Act to limit the applicability of the Act to apples
P.L. 106-99	H.R. 2303	History of the House Awareness and Preservation Act
P.L. 106-100	H.R. 3122	To permit enrollment in the House Child Care Center of children of Federal employees
P.L. 106-104	H.R. 3061	S Visa and Refugee Assistance Authorization
P.L. 106-107	S. 468	Federal Financial Assistance Management Improvement Act of 1999 ²
P.L. 106-114	S. 278	Rio Arriba County Land Transfer Act
P.L. 106-116	S. 1398	Coastal Barrier Resources System Map Corrections
P.L. 106-118	H.R. 2280	Veterans' Compensation Cost-of-Living Adjustment Act
P.L. 106-120	H.R. 1555	Intelligence Authorization Act
Pvt.L. 106-3	H.R. 322	For the relief of Suchada Kwong ²
P.L. 106-128	S. 574	Delaware Coastal Barrier Map Correction
P.L. 106-138	H.R. 2079	Terry Peak Land Transfer Act
P.L. 106-139	H.R. 2886	Amendments to Immigration and Nationality Act
P.L. 106-143	S. 28	Four Corners Interpretive Center Act
P.L. 106-152	H.R. 1887	To punish the depiction of animal cruelty
P.L. 106-153	H.R. 1932	Gold Medal for Father Theodore M. Hesburgh
P.L. 106-154	H.R. 2140	Chattahoochee River National Recreation Area Act
P.L. 106-155	H.R. 3381	Export Enhancement Act
P.L. 106-159	H.R. 3419	Motor Carrier Safety Improvement Act
P.L. 106-160	H.R. 3466	Digital Theft Deterrence and Copyright Damages Act
P.L. 106-164	S. 438	Chippewa Cree Tribe Water Rights Settlement ²
P.L. 106-168	S. 335	Deceptive Mail Prevention and Enforcement Act

¹ CBO does not score this bill as subject to pay-as-you-go requirements.

² OMB does not score this bill as subject to pay-as-you-go requirements.

Comparison with CBO estimates.—The BEA requires that OMB explain differences with CBO estimates of enacted pay-as-you-go legislation. The largest differences between OMB and CBO estimates for legislation enacted in the first session of the 106th Congress are for the Veterans Millennium Health Care

and Benefits Act and the Ticket to Work and Work Incentives Improvement Act.

For the Veterans Millennium Health Care and Benefits Act, OMB scores net costs of \$0.1 billion over the period 1999 through 2004, while CBO scores costs of \$1.2 billion. This difference is primarily due to different

interpretations of a requirement providing nursing home care to certain veterans. CBO believes the Act creates an entitlement to nursing home care for these veterans and thus scores direct spending. OMB views the Act as directing the Department of Veterans Affairs to give a higher priority to these veterans when they are seeking nursing home care. The benefits will be funded from the veterans medical care account, which is subject to annual appropriations.

OMB scores net costs of \$17.9 billion over the period 1999 through 2004 for the Ticket to Work and Work Incentives Improvement Act, \$ 2.4 billion more than CBO's estimate of \$15.5 billion. Much of the difference is the result of different scoring of tax provisions, primarily for extensions of the research and experimentation tax credit and Subpart F for active financing income.

These differences are the result of different baselines and estimating models.

OMB and CBO also have significant differences in the pay-as-you-go scoring of the Consolidated Appropriations Act. OMB scores net costs of \$1.6 billion in 2000; while CBO scores net savings of \$6.6 billion. This is largely the result of a different interpretation of which provisions are covered as pay-as-you-go under the Act's requirements. This Act also included a requirement that OMB and CBO not adjust their pay-as-you-go scorecards for any provisions of the Act. Thus, this difference does not affect the total difference between the OMB and CBO scorecards.

More detail on these differences, as well as smaller differences in other bills, is available in the separate reports issued subsequent to enactment of each bill.

OMB FINAL SEQUESTRATION REPORT
TO THE PRESIDENT AND CONGRESS
FOR FISCAL YEAR 2000



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

January 25, 2000

The President
The White House
Washington, DC 20500

Dear Mr. President:

Enclosed please find the *OMB Final Sequestration Report to the President and Congress for fiscal year 2000*, as required by the Budget Enforcement Act of 1990, as amended.

The report provides current estimates of the status of discretionary spending and the discretionary limits. It also provides the status of pay-as-you-go legislation. Comparisons with the estimates provided by the Director of the Congressional Budget Office in his report are also included.

Based on the estimates contained in this report, neither discretionary nor pay-as-you-go sequesters are required.

Sincerely,

A handwritten signature in black ink, appearing to read "Jacob J. Lew". The signature is fluid and cursive, with a large loop at the end.

Jacob J. Lew
Director

Enclosure

Identical Letter Sent to The Honorable Albert Gore
and The Honorable J. Dennis Hastert

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GENERAL NOTES

1. All years referred to are fiscal years unless otherwise noted.
2. Details in the tables and text may not add to totals due to rounding.

I. OVERVIEW

The Budget Enforcement Act of 1997 (BEA of 1997) extended and modified the expiring enforcement requirements of the Budget Enforcement Act of 1990 (BEA of 1990). The BEA of 1997 established new limits, or "caps," for discretionary spending through 2002. It also extended the requirement that legislation affecting direct spending or receipts not result in net costs to the Federal Government. The Transportation Equity Act for the 21st century (TEA-21) further modified the discretionary spending limits and created new limits for highway and mass transit spending. An across-the-board reduction of non-exempt spending, known as "sequestra-

tion", enforces compliance with these constraints.

The BEA requires that OMB issue reports on the overall status of discretionary and pay-as-you-go legislation. The end-of-session report, which OMB is required to issue after Congress adjourns *sine die*, determines whether or not a sequester is required. This report, which covers legislation enacted in the first session of the 106th Congress, indicates that no sequester is required for either mandatory or discretionary programs. As required by the Consolidated Appropriations Act, the pay-as-you-go balances for all years were reset to zero on January 3, 2000.

II. DISCRETIONARY SEQUESTRATION REPORT

Discretionary programs are funded annually through the appropriations process. The scorekeeping guidelines accompanying the Budget Enforcement Act of 1990 (BEA), as amended by the Omnibus Budget and Reconciliation Act of 1993 (OBRA) and the Budget Enforcement Act of 1997, identify accounts with discretionary resources. The Balanced Budget Act of 1997 (BBA) limited budget authority and outlays available for discretionary programs each year through 2002. For fiscal years 1998 and 1999, the BBA of 1997 established three separate categories of discretionary spending: defense, non-defense (excluding violent crime reduction spending), and violent crime reduction spending. For fiscal year 2000, the law divided discretionary spending into two categories: violent crime reduction spending and all other discretionary spending. For fiscal years 2001 and 2002, a single category for all discretionary spending was established. The Transportation Act for the 21st Century (TEA-21), which was enacted in June 1998, modified these categories by establishing two additional categories for highway and mass transit outlays for fiscal years 1999 through 2003.

OMB monitors compliance with the discretionary spending limits throughout the fiscal year. Appropriations that cause a breach in the budget authority or outlay limits trigger a sequester to eliminate that breach. The law, however, does not require that

Congress appropriate the full amount available under the discretionary limits.

The discretionary spending limits established in the various amendments to the BEA have worked in an environment of budget deficits to constrain the growth of discretionary spending. These limits were extended in the BBA and were based on an overall budget architecture that was intended to achieve balance by fiscal year 2002. The original BBA discretionary limit for fiscal year 2002 is \$3.5 billion less than the limit set for fiscal year 2000.

In fiscal year 1998, discretionary appropriations were enacted that complied with the limits set in law. Using the scoring rules required by the BEA, both OMB and CBO estimated that fiscal year 1999 appropriations complied with the statutory limits, although spending was expanded beyond the limits through several means. In particular, the emergency designation, which exempts spending from the spending limits, was used to fund roughly \$15.5 billion of fiscal year 1999 discretionary spending. In addition, reductions to mandatory programs and expanded use of advance appropriations were relied on to expand program levels and to fit fiscal year 1999 discretionary spending within the statutory limit. This trend continued in fiscal year 2000. Table 1 highlights the trend in the use of these mechanisms that expand discretionary spending between fiscal years 1998 and 2001.

Table 1. DISCRETIONARY SPENDING LEVELS
(In millions of dollars)

	1998	1999	2000	2001
Original Balanced Budget Act Limits				
BA	526,857	532,999	537,193	542,032
OL	553,268	559,321	564,265	564,396
Year-to-year percentage change:				
BA		1.2%	0.8%	0.9%
OL		1.1%	0.9%	0.0%
Spending Funded by Alternative Mechanisms:				
BA	2,981	26,424	49,290	.....
OL	1,017	13,483	29,750	.....
Discretionary Program Levels:				
BA	529,838	559,423	586,483	542,032
OL	554,285	572,804	594,015	564,396
Year-to-year percentage change:				
BA		5.6%	4.8%	-7.6%
OL		3.3%	3.7%	-5.0%

The enacted BBA outlay limit for fiscal year 2000 allowed only 0.9 percent growth in discretionary outlays over the original limit for fiscal year 1999. The fiscal year 2000 appropriations included \$23.7 billion in emergency designations, additional advance appropriations, and several obligation delays. As can be seen in Table 2 of this section, the official scoring of fiscal year 2000 appropriations was \$537 billion in budget authority and \$569 billion in outlays. Adding spending supported by the financing mechanisms listed below, discretionary budget authority will be closer to \$586 billion and discretionary

outlays will be about \$599 billion for FY 2000, differences of \$49 billion (9 percent) and nearly \$30 billion (5 percent), respectively, greater than what was recorded under BEA scoring.

Table 2 shows the difference between the BEA scoring of fiscal year 2000 appropriations and the program level provided by designating funding as emergencies, expanding programs with advance appropriations, and offsetting spending with mandatory savings, rescissions, and obligation delays. Table 3 summarizes changes to the caps since 1990.

Table 2. FY 2000 DISCRETIONARY SPENDING SUMMARY
(In millions of dollars)

	2000	
	BA	Outlays
OMB Scoring of FY 2000 Appropriations Action, Excluding		
Emergency Spending	536,773	568,791
Spending Designated as Emergency:		
Decennial Census	4,476	3,790
DoD Military Operations and Maintenance Costs	7,200	5,345
DoD Military Pay Raise	1,838	1,794
Farm Service Agency	229	157
Head Start	1,700	861
Low Income Home Energy Assistance	1,100	814
Natural Resources Conservation Service/Rural Housing Service ...	105	39

Table 2. FY 2000 DISCRETIONARY SPENDING SUMMARY—Continued
(In millions of dollars)

	2000	
	BA	Outlays
Public Health and Social Services Emergency Fund	584	304
Student Financial Assistance	10	2
Rural Development	2	2
Refugee and Entrant Assistance	427	128
Wye River Memorandum	1,825	311
United Mine Workers Consolidated Benefit Fund	68	68
Unreleased Contingent Emergency Spending in FY 2000 Consolidated Bill	2,870	
Releases of Emergency Spending Provided in Past Appropriations Bills	1,268	723
Subtotal, Spending Designated as Emergency	23,702	14,338
Spending Offset by Mandatory Savings:		
Federal Reserve Balance Transfer	3,752	3,752
Acceleration of Spectrum Auction Receipts	2,600	2,600
Delay of Crime Victims Fund Spending	525	525
National Database of New Hires	878	876
SSBG	605	927
Cooperative State Research Education and Extension Activities	120	12
Fund for Rural America	60	33
Wetlands Reserve	46	18
Environmental Quality Incentive Program	26	5
Conservation Farm Option	38	3
Food Stamp Program	11	11
Child Nutrition	57	58
Subtotal, Spending Offset by Mandatory Savings	8,718	8,820
Additional FY 2000 Program Funded by FY 2001 Advance Appropriations:		
Reading Excellence	195	
School Improvement Programs	1,530	
Vocational and Adult Education	791	
Special Education	3,742	
Administration for Children and Families	1,400	
Housing Certificate Fund	4,200	
Training and Employment Services	2,463	
Postal Service	64	
Subtotal, Additional FY 2000 Program Funded by FY 2001 Advance Appropriations	14,385	
Spending Offset by Rescissions:		
Assisted Housing	2,319	
Army Corps of Engineers General Investigations	1	1
Army Corps of Engineers Construction General	13	7
Broadcasting Board of Governors International Broadcasting Operations	16	13
Corporation for National and Community Service	80	
Drug Enforcement Administration Diversion Control Fee Account	35	28
Immigration and Naturalization Service Immigration Emergency Fund	1	
Operation and Maintenance, Southeastern Power Administration	3	3

Table 2. FY 2000 DISCRETIONARY SPENDING SUMMARY—Continued
(In millions of dollars)

	2000	
	BA	Outlays
Small Business Administration Business Loan Program Account ..	13	.....
Nuclear Waste Disposal	4	.....
Subtotal, Spending Offset by Rescissions	2,485	52
Spending Offset by Timing Shifts and Obligation Delays:		
Pay Delay		3,589
Defense Progress Payments		1,250
National Institutes of Health		900
Health Research and Services Administration		171
Centers for Disease Control		175
Administration for Children and Families		216
Social Services Block Grant		149
Substance Abuse & Mental Health Services Administration		90
Subtotal, Spending Offset by Timing Shifts and Obligation Delays		6,540
Subtotal, Adjustments	49,290	29,750
FY 2000 Program Level	586,063	598,541
Memorandum:		
Technical Adjustments for Bridge Between Original BBA Limits and End-of-Session Scoring, Excluding Emergencies.		
Amounts Not Appropriated Under Cap	1,558	3,463
Adjustments for Arrearages, CDR's, Adoption Payments, and EITC	-995	-684
Adjustments for Previously Enacted Emergency Spending		-3,814
Changes in concepts and definitions	63	-60
Rounding Adjustment (pursuant to section 307 of P.L. 106-113)	-1,065	
Special Outlay Adjustment		-790
Adjustments for TEA-21	859	-2,640
Subtotal, Technical Adjustments	420	-4,525
FY 2000 Program Level Starting from BBA Cap	586,483	594,015

Table 3. HISTORICAL SUMMARY OF CHANGES TO DISCRETIONARY SPENDING LIMITS

	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	510.3	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	-0.5	-5.1	-3.5	-11.8	3.0	2.6	-2.8	N/A	N/A	N/A	N/A
Adjustments for changes in inflation	BA	-0.3	-2.5	-3.8	-8.8	1.8	2.3	0.9	N/A	N/A	N/A	N/A
	OL	0.2	13.0	0.8	0.7	0.1	0.2	0.1	N/A	N/A	N/A	N/A
Adjustments for credit reestimates, IRS funding, debt forgiveness, IMF, and CDBs	BA 0.2	0.2	0.8	0.7	0.1	0.1	0.1	0.1	N/A	N/A	N/A	N/A
	OL 0.9	8.3	4.6	12.2	7.7	5.1	1.6	0.1	N/A	N/A	N/A	N/A
Adjustments for emergency requirements	BA 0.1	1.8	5.4	9.0	10.1	6.4	5.4	1.7	N/A	N/A	N/A	N/A
	OL .....	.....	.....	.....	-15.0	-0.1	-0.1	-1.5	N/A	N/A	N/A	N/A
Adjustments pursuant to Sec. 2003 of P.L. 104-191	BA .....	.....	.....	.....	-1.1	-3.5	-2.4	.....	N/A	N/A	N/A	N/A
Adjustments for special allowances	OL .....	.....	.....	.....	.....	.....	.....	.....	N/A	N/A	N/A	N/A
Discretionary new budget authority	BA	3.5	2.9	2.9	2.9	1.1	0.5	0.1	N/A	N/A	N/A	N/A
	OL	1.4	2.2	2.8	2.7	1.1	0.5	0.1	N/A	N/A	N/A	N/A
Outlay allowance	BA	2.8	1.7	0.5	1.9	.....	.....	.....	N/A	N/A	N/A	N/A
	OL .....	.....	.....	.....	.....	.....	.....	.....	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	2.3	1	.....	.....	.....	N/A	N/A	N/A	N/A
	OL 33.3	14.9	7.6	.....	.....	.....	.....	.....	N/A	N/A	N/A	N/A
Total adjustments	BA 45.4	33.2	34.2	14.3	-6.7	7.5	4.0	3.1	N/A	N/A	N/A	N/A
	OL 37.2	20.8	15.4	12.8	7.8	5.5	3.7	-1.5	N/A	N/A	N/A	N/A
Spending limits as of 9/6/97 ^{1,2}	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	547.8	548.6	552.7	551.0	546.4	N/A	N/A	N/A	N/A
Adjustment to reach discretionary spending limits used 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	.....	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	N/A	N/A	N/A	N/A	N/A
	OL N/A	N/A	N/A	N/A	N/A	N/A	N/A	.....	N/A	N/A	N/A	N/A
Adjustments for changes in concepts and definitions	BA N/A	N/A	N/A	N/A	N/A	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	N/A	.....	N/A	N/A	N/A	N/A
Adjustments for emergency requirements	BA N/A	N/A	N/A	N/A	N/A	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	N/A	.....	N/A	N/A	N/A	N/A
Adjustments for CDBs, Arrangements, EITC	BA N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.5	1.1	0.7	0.6	0.2
	OL N/A	N/A	N/A	N/A	N/A	N/A	N/A	.....	.....	.....	.....	.....

(In billions of dollars)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Adjustments for special allowances:												
Adjustment for rentling	BA	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.1	N/A	N/A
Outlay adjustment	OL	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.8	N/A	N/A
TEA-21 Adjustment (Net) **	OL	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-0.9	-0.9	-0.9	-0.9
Final Sequestration Report spending limits ^a	BA	537.1	536.6	525.1	511.0	526.7	539.7	533.5	583.2	568.1	541.3	550.4
	OL	551.6	545.7	550.4	547.8	548.6	552.7	553.7	560.2	559.9	578.6	569.3

* Less than \$50 million.

²² See, e.g., 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. 801(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 and Emergency Assistance in the Recovery from the Tragic Events of September 11, 2001, was signed into law on July 27, 2001. Section 303 of that bill directed the OMB to estimate the amount of reductions in new budget authority and outlays for 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 provision of the bill, other than emergency appropriations.

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

³ Reflects combined Defense Discretionary, Non-Defense Discretionary (Excluding Crime), Violent Crime Reduction, Highway Category, and Mass Transit Category spending limits.

Adjustments to discretionary limits.—Section 251(b)(2) authorizes certain adjustments after the enactment of appropriations. Table 4 includes those adjustments that can be made now due to legislation enacted to date. The section 251(b)(2) adjustments include:

- **Emergency Appropriations.**—Funding for amounts that the President designates as “emergency requirements” and that Congress so designates in law. Fiscal year 2000 appropriations acts included over \$31 billion in emergency funding, including over \$9 billion for emergency assistance to farmers and \$1.8 billion in advance appropriations for the 2000 military pay raise. As of January 19th, the President has authorized the release of \$28.6 billion of this funding, which was provided for

the 2000 decennial census, operations and maintenance activities of the Department of Defense, the fiscal year 2000 military pay raise, agricultural disasters within the United States, Head Start, the Low-income Home Energy Assistance program, the implementation of the Wye River peace accord, and other activities.

Further, since the August Update Report, the President has also authorized the release of \$1.3 billion in emergency appropriations that were previously enacted to support the Administration’s efforts in addressing the year-2000 computer conversion problem, natural disasters, the fiscal year 2000 military pay raise, operations and maintenance activities of the Department of Defense, and to support the needs of States that have experienced extremely hot weather conditions.

Table 4. FINAL SEQUESTRATION REPORT ADJUSTMENTS TO DISCRETIONARY SPENDING LIMITS
(In millions of dollars)

		1998	1999	2000	2001	2002
NON-DEFENSE DISCRETIONARY SPENDING, EXCLUDING VIOLENT CRIME REDUCTION SPENDING						
Update Report Non-Defense Discretionary Spending Limits	BA	256,148	289,735	N/A	N/A	N/A
	OL	286,325	276,815	N/A	N/A	N/A
Adjustments for the Final Sequestration Report:						
Contingent Emergency Appropriations Released	BA		827	N/A	N/A	N/A
	OL		282	N/A	N/A	N/A
Subtotal, Adjustments for the Final Sequestration Report	BA		827	N/A	N/A	N/A
	OL		282	N/A	N/A	N/A
Final Sequestration Report Spending Limits	BA	256,148	290,562	N/A	N/A	N/A
	OL	286,325	277,097	N/A	N/A	N/A
DEFENSE DISCRETIONARY SPENDING						
Update Report Defense Discretionary Spending Limits	BA	271,832	286,576	N/A	N/A	N/A
	OL	269,079	275,732	N/A	N/A	N/A
Adjustments for the Final Sequestration Report:						
Contingent Emergency Appropriations Released	BA		272	N/A	N/A	N/A
	OL			N/A	N/A	N/A
Subtotal, Adjustments for the Final Sequestration Report	BA		272	N/A	N/A	N/A
	OL			N/A	N/A	N/A
Final Sequestration Report Spending Limits	BA	271,832	286,850	N/A	N/A	N/A
	OL	269,079	275,732	N/A	N/A	N/A

**Table 4. FINAL SEQUESTRATION REPORT ADJUSTMENTS TO
DISCRETIONARY SPENDING LIMITS—Continued**
(In millions of dollars)

		1998	1999	2000	2001	2002
VIOLENT CRIME REDUCTION SPENDING						
Update Report Violent Crime Reduction Spending Limits	BA	5,500	5,800	4,500	N/A	N/A
	OL	4,833	4,953	5,554	N/A	N/A
Adjustments for the Final Sequestration Report:						
Special Outlay Allowance	BA				N/A	N/A
	OL			790	N/A	N/A
Subtotal, Adjustments for the Final Sequestration Report	BA				N/A	N/A
	OL			790	N/A	N/A
Final Sequestration Report Spending Limits	BA	5,500	5,800	4,500	N/A	N/A
	OL	4,833	4,953	6,344	N/A	N/A
HIGHWAY CATEGORY						
Update Report Highway Category Spending Limits	BA	N/A				
	OL	N/A	21,991	24,574	26,219	26,663
Adjustments for the Final Sequestration Report:						
No Adjustments	BA	N/A				
	OL	N/A				
Final Sequestration Report Spending Limits	BA	N/A				
	OL	N/A	21,991	24,574	26,219	26,663
MASS TRANSIT CATEGORY						
Update Report Mass Transit Category Spending Limits	BA	N/A				
	OL	N/A	4,401	4,117	4,888	5,384
Adjustments for the Final Sequestration Report:						
No adjustments	BA	N/A				
	OL	N/A				
Final Sequestration Report Spending Limits	BA	N/A				
	OL	N/A	4,401	4,117	4,888	5,384
OTHER DISCRETIONARY SPENDING						
Update Report Other Discretionary Spending Limits	BA	N/A	N/A	531,771	541,324	550,382
	OL	N/A	N/A	541,574	541,635	535,753
Adjustments for the Final Sequestration Report:						
Emergency Appropriations Enacted and Released	BA	N/A	N/A	29,772		
	OL	N/A	N/A	22,777	5,218	1,519
EITC Tax Compliance Initiative	BA	N/A	N/A	144		
	OL	N/A	N/A	144		
Continuing Disability Reviews (CDRs)	BA	N/A	N/A	405		
	OL	N/A	N/A	373	32	
MDB Arrearage Payments (Foreign Operations bill)	BA	N/A	N/A	75		
	OL	N/A	N/A		75	
UN Arrearage Payments (Commerce/Justice/State bill)	BA	N/A	N/A	351		
	OL	N/A	N/A		351	
Adoption Incentive Payments	BA	N/A	N/A	20		
	OL	N/A	N/A	2	11	7
Special Budget Authority for Rounding	BA	N/A	N/A	1,065		
	OL	N/A	N/A			
Subtotal, Adjustments for the Final Sequestration Report	BA	N/A	N/A	31,832		
	OL	N/A	N/A	23,296	5,687	1,526
Final Sequestration Report Spending Limits	BA	N/A	N/A	563,602	541,324	550,382
	OL	N/A	N/A	564,870	547,522	537,279

Table 4. FINAL SEQUESTRATION REPORT ADJUSTMENTS TO DISCRETIONARY SPENDING LIMITS—Continued
(In millions of dollars)

		1998	1999	2000	2001	2002
TOTAL DISCRETIONARY SPENDING						
Preview Report Total Discretionary Spending Limits	BA	533,480	566,380	536,271	541,324	550,382
	OL	560,237	576,089	570,945	571,047	567,800
Update Report Total Discretionary Spending Limits	BA	533,480	582,113	536,271	541,324	550,382
	OL	560,237	583,892	575,819	572,942	567,800
Final Sequestration Report Spending Limits	BA	533,480	583,212	568,102	541,324	550,382
	OL	560,237	584,174	599,905	578,629	569,326

- *Continuing Disability Reviews.*—Funding for additional continuing disability reviews (CDRs) under the heading, "Limitation on Administrative Expenses," for the Social Security Administration. The law limits adjustments to the budget authority and outlay estimates authorized in P.L. 105-33, the Balanced Budget Act 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 fiscal year 2000 Labor, Health and Human Services, Education, and Related Agencies Appropriations Act provided \$405 million for CDRs.

- *Allowance for International Arrearages funding.*—Funding for arrearages for international organizations, international peacekeeping, and multilateral development banks. The amount of the cap adjustment is limited to \$1.884 billion for fiscal years 1998 through 2000 in P.L. 105-33. A total of \$426 million was provided for international arrearage payments in fiscal year 2000 appropriations bills, bringing the total adjustments made for arrearage payments to the authorized limit of \$1.884 billion.

- *Earned Income Tax Credit (EITC) Compliance Initiative.*—Funding for EITC compliance initiatives, including the detection and enforcement of EITC eligibility rules in order to reduce EITC overclaims. Adjustments are limited to the budget authority and outlay estimates authorized in P.L. 105-33. The fiscal year 2000 Treasury

and General Government Appropriations Act provided \$144 for EITC compliance.

- *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. The Act provides for a discretionary cap adjustment for appropriations up to \$20 million annually in fiscal years 1999 through 2003. It is assumed that the cost of adoption bonuses will be offset by reductions in mandatory foster care costs. The \$20 million requested was included in the fiscal year 2000 Labor, Health and Human Services, Education, and Related Agencies Appropriations Act.

- *Special Outlay Allowance.*—This allowance was included in the BEA to cover technical scoring differences that result when OMB scoring exceeds CBO scoring. If, in any year, outlays for a discretionary spending category exceed the spending limit for the category, but new budget authority does not exceed the limit for that category, the special outlay allowance may be used. The outlay adjustment is the amount of the excess spending over the limit. The adjustment can not exceed 0.5 percent of the sum of the adjusted discretionary spending limits on outlays for that fiscal year.

OMB's final estimate of fiscal year 2000 crime category spending indicates that a special outlay allowance adjustment of \$790 million is required to cover the outlay breach in this category.

- *Adjustment for Rounding.*—Public law 106-113, the FY 2000 Consolidated Appro-

priations Act, included a provision requiring OMB to adjust the FY 2000 limit on budget authority for the discretionary category upward by 0.2 percent, resulting in an increase of \$1.1 billion.

Status of FY 1999 discretionary appropriations.—Table 5 summarizes the status of enacted fiscal year 1999 discretionary appropriations, relative to the discretionary caps. Enacted budget authority and outlays are within the discretionary caps.

Table 5. STATUS OF FY 1999 DISCRETIONARY APPROPRIATIONS
(In millions of dollars)

	BA	Outlays
Non-Defense Discretionary Spending, Excluding Violent Crime Reduction Spending		
Adjusted discretionary spending limits	290,562	277,097
Total enacted	290,125	275,246
Spending over/under (-) limits	-437	-1,851
Defense Discretionary Spending		
Adjusted discretionary spending limits	286,850	275,732
Total enacted	286,844	274,475
Spending over/under (-) limits	-6	-1,257
Violent Crime Reduction Spending		
Adjusted discretionary spending limits	5,800	4,953
Total enacted	5,797	4,946
Spending over/under (-) limits	-3	-7
Highway Category		
Adjusted discretionary spending limits		21,991
Total enacted		21,568
Spending over/under (-) limits		-423
Mass Transit Category		
Adjusted discretionary spending limits		4,401
Total enacted		3,942
Spending over/under (-) limits		-459
Total Discretionary Spending All Categories		
Adjusted discretionary spending limits	583,212	584,174
Total enacted	582,766	580,177
Spending over/under (-) limits	-446	-3,997

Status of FY 2000 discretionary appropriations.—Table 6 summarizes OMB scoring of the fiscal year 2000 appropriations bills.

OMB estimates that spending in the highway, mass transit, and other discretionary categories are within the budget authority

II. DISCRETIONARY SEQUESTRATION REPORT

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and outlay limits set in the BBA. Spending in the violent crime reduction category is within the budget authority limit but exceeds the outlay limit by \$790 million. As a result, OMB will use the special outlay allowance

provided under section 251(b)(2) to adjust the limit to cover the breach. With this adjustment, OMB estimates that a sequester will not be required for any of the discretionary categories.

Table 6. STATUS OF 2000 APPROPRIATIONS ACTION
(In millions of dollars)

	BA	Outlays
OTHER DISCRETIONARY		
Agriculture and Rural Development	13,982	14,387
Commerce, Justice, State and the Judiciary	29,427	27,306 ¹
Defense	257,669	246,485
District of Columbia	436	382
Energy and Water Development	21,221	21,166
Foreign Operations	13,539	12,226 ²
Interior and Related Agencies	14,800	14,951
Labor, HHS, and Education	81,795	84,256 ³
Legislative	2,455	2,566
Military Construction	8,373	8,626
Transportation and Related Agencies	12,481	14,546
Treasury and General Government	13,566	13,954 ⁴
Veterans Affairs, HUD, Independent Agencies	69,356	82,370
Miscellaneous Provisions	-6,827	-9,465
Emergency Appropriations Enacted/Released Since February Budget	29,772	27,651
Total, Other Discretionary	562,045	561,407
Final Sequestration Report Other Discretionary Limits	563,602	564,870
CONGRESSIONAL ACTION OVER/UNDER(-) LIMITS	-1,558	-3,463
VIOLENT CRIME REDUCTION		
Commerce, Justice, State and the Judiciary	4,216	6,044
Labor, HHS, and Education	152	172
Treasury, Postal Service, and General Gov't	132	128
Total, Violent Crime Reduction	4,500	6,344
Final Sequestration Report Violent Crime Reduction Limits	4,500	6,344
CONGRESSIONAL ACTION OVER/UNDER(-) LIMITS		
HIGHWAY CATEGORY		
Transportation and Related Agencies		24,574
Total, Highway Category		24,574
Final Sequestration Report Highway Category Limits		24,574
CONGRESSIONAL ACTION OVER/UNDER(-) LIMITS		

Table 6. STATUS OF 2000 APPROPRIATIONS ACTION—Continued
(In millions of dollars)

	BA	Outlays
MASS TRANSIT CATEGORY		
Transportation and Related Agencies		4,117
Total, Mass Transit Category		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	566,545	596,442
Final Sequestration Report Discretionary Limits	568,102	599,905
CONGRESSIONAL ACTION OVER/UNDER(–) LIMITS		
	–1,558	–3,463

NOTES:

¹ Estimates include \$351 million in BA for the funding provided for international arrearage payments.

² Estimates include \$75 million in BA for funding provided for international arrearage payments.

³ Estimates include \$405 million in BA and \$373 million in outlays provided for funding for Continuing Disability Reviews (CDRs), and \$20 million in BA and \$2 million in outlays for adoption incentive payments.

⁴ Estimates include \$144 million in BA and outlays for the Earned Income Tax Credit Initiative (EITC).

Comparison of OMB and CBO discretionary limits.—Section 254(d)(5) of the BEA requires this report to explain the differences between OMB and CBO estimates for discretionary spending limits. Table 7 compares OMB and CBO limits for fiscal years 1998 through 2002. CBO uses the discretionary limits from OMB's sequestration update report as a starting point for adjustments in its end-of-session sequestration report. Therefore, the differences between the OMB and CBO esti-

mates reflect \$272 million in contingent emergency funds for the military construction transfer fund that were released by the President on September 21, 1999, and \$827 million in contingent emergency appropriations for natural disasters, wildland firefighting, and for the year-2000 computer conversion problem that were released by the President subsequent to the issue of the August Update Report.

**Table 7. 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	256,048	289,735	N/A	N/A	N/A
OL	286,265	276,814	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	100	827	N/A	N/A	N/A
OL	60	283	N/A	N/A	N/A
Defense Discretionary					
CBO Final Sequestration Report limits:					
BA	271,832	286,578	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		272	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	5,554	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			790	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	26,219	26,663
Difference:					
BA	N/A				
OL	N/A				
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	4,888	5,384
Difference:					
BA	N/A				
OL	N/A				

Table 7. COMPARISON OF OMB AND CBO DISCRETIONARY SPENDING LIMITS—Continued
(In millions of dollars)

	1998	1999	2000	2001	2002
Other Discretionary					
CBO Final Sequestration Report limits:					
BA	N/A	N/A	563,714	541,751	550,473
OL	N/A	N/A	562,429	548,304	537,926
OMB 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
Difference:					
BA	N/A	N/A	-112	-427	-91
OL	N/A	N/A	2,441	-782	-647
Total Discretionary Spending Limits					
CBO Final Sequestration Report limits:					
BA	533,380	582,113	568,214	541,751	550,473
OL	560,177	583,891	596,674	579,411	569,973
OMB 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
Difference:					
BA	100	1,099	-112	-427	-91
OL	60	283	3,231	-782	-647

OMB and CBO have different approaches to scoring emergency appropriations. CBO scores budget authority for contingent emergency appropriations in the fiscal year in which it is appropriated; OMB scores budget authority only for those contingent appropriations officially released by the President and designated by the President as emergency requirements.

On November 29, 1999, the President signed the Fiscal Year 2000 Consolidated Appropriations Act (P.L. 106-113) into law. The Act provides over \$10.5 billion in contingent emergency appropriations for non-defense discretionary activities, including \$4.5 billion for the decennial census, \$1.8 billion for the Wye River accord, \$1.7 billion for Head Start, and \$2.5 billion for other activities. In addition, the following bills also include

contingent emergency appropriations: the Fiscal Year 2000 Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Act includes over \$8 billion in contingent emergency appropriations for emergency assistance to farmers; the Fiscal Year 2000 Department of Defense Appropriations Act includes \$7.2 billion contingent emergency appropriation for operations and maintenance; and, the Fiscal Year 2000 Veterans Affairs, Housing and Urban Development, and Independent Agencies Appropriations Act includes a \$2.5 billion contingent emergency appropriation for the Disaster Relief Fund. CBO has included the full amount of this funding in its adjustment. OMB has adjusted the caps upward for the amounts that have been designated by the President as of January 19, 1999.

III. PAY-AS-YOU-GO SEQUESTRATION REPORT

Pay-as-you-go enforcement covers direct spending and receipts legislation. 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 the pay-as-you-go scorecard: 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, in total, receipts and direct spending legislation not result in a net cost. If such legislation yields a net cost, and if the President and Congress do not fully offset it by other legislative savings, the law requires that a sequester of non-exempt direct spending programs offset the net cost.

The BEA requires that OMB submit a report to Congress that estimates the resulting change in outlays or receipts for the current year, the budget year, and the following four fiscal years for enacted direct spending and receipts legislation. The estimates, which

must rely on the economic and technical assumptions underlying the most recent President's budget, determine whether the pay-as-you-go requirement is met. The pay-as-you-go process requires that OMB maintain a "scorecard" that shows the cumulative net cost of such legislation.

Table 8 presents OMB estimates of pay-as-you-go legislation included in the individual bill reports. In total, these bills have resulted in a net cost of \$58 million for 1999 and a net savings of \$3,072 million in 2000. (As required by the BEA, the 1999 total reflects only Acts added to the scorecard after the 1999 final sequestration report was issued.) Under the BEA, the 1999 and 2000 totals are combined when determining the need for sequestration. Because the combined two year total is a net savings, no sequestration of direct spending programs is required for 2000. As required by the Consolidated Appropriations Act, the pay-as-you-go scorecard for all years was reset to zero on January 3, 2000. The table also shows the CBO estimate for each Act as it was reported in CBO's pay-as-you-go bill reports.

Table 8. NET COST OF PAY-AS-YOU-GO LEGISLATION¹
(In millions of dollars)

Report Number	Act Number	Act Title	1999	2000	2001	2002	2003	2004	1999-2004
Legislation enacted since the Balanced Budget Act of 1997:									
Balances shown in FY2000 Preview Report									
		OMB estimate	0	-2,927	-833	-164	-1,092	0	-5,016
		CBO estimate	0	587	337	2,759	2,455	0	6,109
Legislation enacted in the 1st session of the 106th Congress:									
NA	P.L. 106-25	Education Flexibility Partnership Act	OMB does not consider this bill to be PAYGO						
	H.R. 800	OMB estimate	0	32	-11	-16	-5	0	0
		CBO estimate	0	32	-11	-16	-5	0	0
489	P.L. 106-36	Miscellaneous Trade and Technical Corrections Act of 1999	5	37	-1	-15	-27	-37	-38
	H.R. 435	OMB estimate	-5	17	-3	-4	-6	-7	-8
		CBO estimate	-5	17	-3	-4	-6	-7	-8
490	P.L. 106-50	Veterans Entrepreneurship and Small Business Development Act of 1999	1	0	0	0	0	0	1
	H.R. 1958	OMB estimate	1	0	0	0	0	0	1
		CBO estimate	1	0	0	0	0	0	1
491	P.L. 106-53	Water Resources Development Act of 1999	0	-21	4	4	4	2	-7
	S. 507	OMB estimate	0	-21	4	4	4	2	-7
		CBO estimate	0	-21	4	4	4	2	-7
492	P.L. 106-54	Kerr-McGee and Menominee Indian Relief Payments	52	0	0	0	0	0	52
	S. 666	OMB estimate	52	0	0	0	0	0	52
		CBO estimate	52	0	0	0	0	0	52
493	P.L. 106-55	National Defense Authorization Act for FY 2000	0	-18	112	87	36	16	233
	S. 1059	OMB estimate	0	-87	-10	29	-25	-36	-139
		CBO estimate	0	-87	-10	29	-25	-36	-139
NA	P.L. 106-79	Department of Defense Appropriations Act for FY 2000	OMB does not consider this bill to be PAYGO						
	H.R. 2561	OMB estimate	0	-13	0	0	0	0	-13
		CBO estimate	0	-13	0	0	0	0	-13
494	P.L. 106-82	Conveyance of the Ames Research Center's Crows Landing Facility to Stanislaus County, California	0	0	0	6	0	0	6
	H.R. 356	OMB estimate	0	0	0	5	0	0	5
		CBO estimate	0	0	0	5	0	0	5
495	P.L. 106-102	Gramm-Leach-Bliley Act to enhance competition in the financial services industry	0	-15	-106	-106	-106	-106	-439
	S. 900	OMB estimate	0	-35	-41	-31	-28	-31	-166
		CBO estimate	0	-35	-41	-31	-28	-31	-166
496	P.L. 106-113	Consolidated Appropriations Act ²	0	0	0	0	0	0	0
	H.R. 3194	OMB estimate	0	0	0	0	0	0	0
		CBO estimate	0	0	0	0	0	0	0
497	P.L. 106-117	Veterans Millennium Health Care and Benefits Act	0	10	12	28	15	31	96
	H.R. 2116	OMB estimate	0	-4	289	343	414	137	1,179
		CBO estimate	0	-4	289	343	414	137	1,179

Table 8. NET COST OF PAY-AS-YOU-GO LEGISLATION¹—Continued
(In millions of dollars)

Report Number	Act Number	Act Title	1999	2000	2001	2002	2003	2004	1999-2004
498	P.L. 106-126 H.R. 3373	Leif Erikson Millennium Coin Act OMB estimate	0	-2	-4	0	3	2	-1
		CBO estimate	0	-1	-5	0	2	1	-3
499	P.L. 106-144 S. 416	Sisters Oregon Land Transfer Act OMB estimate	0	0	0	0	0	0	0
		CBO estimate	0	1	0	0	0	0	1
500	P.L. 106-169 H.R. 3443	Foster Care Independence Act of 1999 OMB estimate	0	-56	-3	-6	-4	26	-43
		CBO estimate	0	-22	24	-15	-1	14	0
501	P.L. 106-170 H.R. 1180	Ticket to Work and Work Incentives Improvement Act OMB estimate	0	-80	4,874	7,550	2,933	2,628	17,905
		CBO estimate	0	-97	2,899	8,089	2,404	2,210	15,505
Subtotal, legislation enacted in the 1st session of the 106th Congress:									
		OMB estimate	58	-145	4,989	7,548	2,854	2,552	17,795
		CBO estimate	48	-238	3,148	8,406	2,761	2,291	16,416
Total balances on January 3, 2006:									
		OMB estimate	58	-3,072	4,055	7,384	1,762	2,562	12,749
		CBO estimate	48	349	3,485	11,165	5,187	2,291	22,525
Remove balances pursuant to P.L. 106-113:									
		OMB estimate	-58	3,072	-4,055	-7,384	-1,762	-2,562	-12,749
		CBO estimate	-48	-349	-3,485	-11,166	-5,187	-2,291	-22,525
Current balances:									
		OMB estimate	0	0	0	0	0	0	0
		CBO estimate	0	0	0	0	0	0	0
1 Excludes bills with impact of \$500,000 or less in each fiscal year 1999 through 2004 under both OMB and CBO scoring.									
2 Provisions of this Act defined certain portions of the Act as subject to pay-as-you-go and required that no estimates be added to the pay-as-you-go scorecard for it. Provisions identified as pay-as-you-go had the following net cost:									
		OMB estimate	0	1,552	5,604	4,581	2,258	1,288	15,193
		CBO estimate	0	-6,563	12,244	3,916	2,788	1,943	14,326

**Table 9. PAY-AS-YOU-GO LEGISLATION WITH IMPACT OF \$500,000 OR LESS
ENACTED IN THE FIRST SESSION OF THE 106th CONGRESS**

Public Law Number	Act Number	Act Title
P.L. 106-4	H.R. 540	Nursing Home Resident Protection Amendments of 1999 ¹
P.L. 106-5	H.R. 808	Family Farmer Bankruptcy Extension Act
P.L. 106-6	S. 643	Interim Federal Aviation Administration Authorization Act
P.L. 106-7	H.R. 1212	Crop Insurance Application Deadline Extension
P.L. 106-21	H.R. 1376	Tax Relief for Personnel Involved in Operation Allied Force
P.L. 106-26	S. 531	Congressional Gold Medal for Rosa Parks
P.L. 106-32	H.R. 1034	Act to Declare a Portion of the James River and Kanawha Canal Nonnavigable waters ²
P.L. 106-37	H.R. 775	Y2K Act
P.L. 106-40	S. 880	Chemical Safety Inspection, Site Security and Fuels Regulatory Relief Act
P.L. 106-41	S. 604	Lake Oconee Land Exchange Act
P.L. 106-43	S. 1259	Trademark Amendments of 1999
P.L. 106-45	H.R. 66	Act to Preserve Cultural Resources of the Route 66 Corridor
P.L. 106-47	S. 1543	Tobacco Production and Marketing Information Act
P.L. 106-59	S. 1637	Extension of Certain Expiring FAA Authorizations ²
P.L. 106-63	S. 380	Congressional Award Act Amendments of 1999
P.L. 106-66	S. 293	Act to direct the Secretaries of Agriculture and Interior to convey certain lands to San Juan College
P.L. 106-70	S. 1606	Family Farmer Bankruptcy Act Extension
P.L. 106-84	H.R. 2841	To amend the Revised Organic Act of the Virgin Islands
P.L. 106-95	H.R. 441	Nursing Relief for Disadvantaged Areas Act
P.L. 106-96	H.R. 609	To amend the Export Apple and Pear Act to limit the applicability of the Act to apples
P.L. 106-99	H.R. 2303	History of the House Awareness and Preservation Act
P.L. 106-100	H.R. 3122	To permit enrollment in the House Child Care Center of children of Federal employees
P.L. 106-104	H.R. 3061	S Visa and Refugee Assistance Authorization
P.L. 106-107	S. 468	Federal Financial Assistance Management Improvement Act of 1999 ²
P.L. 106-114	S. 278	Rio Arriba County Land Transfer Act
P.L. 106-116	S. 1398	Coastal Barrier Resources System Map Corrections
P.L. 106-118	H.R. 2280	Veterans' Compensation Cost-of-Living Adjustment Act
P.L. 106-120	H.R. 1555	Intelligence Authorization Act
Pvt.L. 106-3	H.R. 322	For the relief of Suchada Kwong ²
P.L. 106-128	S. 574	Delaware Coastal Barrier Map Correction
P.L. 106-138	H.R. 2079	Terry Peak Land Transfer Act
P.L. 106-139	H.R. 2886	Amendments to Immigration and Nationality Act
P.L. 106-143	S. 28	Four Corners Interpretive Center Act
P.L. 106-152	H.R. 1887	To punish the depiction of animal cruelty
P.L. 106-153	H.R. 1932	Gold Medal for Father Theodore M. Hesburgh
P.L. 106-154	H.R. 2140	Chattahoochee River National Recreation Area Act
P.L. 106-158	H.R. 3381	Export Enhancement Act
P.L. 106-159	H.R. 3419	Motor Carrier Safety Improvement Act
P.L. 106-160	H.R. 3456	Digital Theft Deterrence and Copyright Damages Act
P.L. 106-164	S. 438	Chippewa Cree Tribe Water Rights Settlement ²
P.L. 106-168	S. 335	Deceptive Mail Prevention and Enforcement Act

¹ CBO does not score this bill as subject to pay-as-you-go requirements.

² OMB does not score this bill as subject to pay-as-you-go requirements.

Comparison with CBO estimates.—The BEA requires that OMB explain differences with CBO estimates of enacted pay-as-you-go legislation. The largest differences between OMB and CBO estimates for legislation enacted in the first session of the 106th Congress are for the Veterans Millennium Health Care

and Benefits Act and the Ticket to Work and Work Incentives Improvement Act.

For the Veterans Millennium Health Care and Benefits Act, OMB scores net costs of \$0.1 billion over the period 1999 through 2004, while CBO scores costs of \$1.2 billion. This difference is primarily due to different

interpretations of a requirement providing nursing home care to certain veterans. CBO believes the Act creates an entitlement to nursing home care for these veterans and thus scores direct spending. OMB views the Act as directing the Department of Veterans Affairs to give a higher priority to these veterans when they are seeking nursing home care. The benefits will be funded from the veterans medical care account, which is subject to annual appropriations.

OMB scores net costs of \$17.9 billion over the period 1999 through 2004 for the Ticket to Work and Work Incentives Improvement Act, \$ 2.4 billion more than CBO's estimate of \$15.5 billion. Much of the difference is the result of different scoring of tax provisions, primarily for extensions of the research and experimentation tax credit and Subpart F for active financing income.

These differences are the result of different baselines and estimating models.

OMB and CBO also have significant differences in the pay-as-you-go scoring of the Consolidated Appropriations Act. OMB scores net costs of \$1.6 billion in 2000; while CBO scores net savings of \$6.6 billion. This is largely the result of a different interpretation of which provisions are covered as pay-as-you-go under the Act's requirements. This Act also included a requirement that OMB and CBO not adjust their pay-as-you-go scorecards for any provisions of the Act. Thus, this difference does not affect the total difference between the OMB and CBO scorecards.

More detail on these differences, as well as smaller differences in other bills, is available in the separate reports issued subsequent to enactment of each bill.