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**BUDGET ENFORCEMENT ACT  
PREVIEW REPORT**

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## 13. PREVIEW REPORT

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

The BEA requires that OMB issue a report on the impact of each piece of legislation that affects spending or receipts. It requires three additional reports throughout the year on the overall status of discretionary and PAYGO legislation. This Preview Report, the first of the three required overall status reports, provides the status of discretionary appropriations and PAYGO legislation based on laws enacted as of the end of the second session of the 106th Congress. In addition, it explains the differences between the OMB and Congressional Budget Office (CBO) estimates of the discretionary caps.

OMB estimates use the economic and technical assumptions underlying the President’s 2002 Budget submission as required by the BEA. The OMB Update Report that will be issued in August and the Final Report that will be issued after the end of the Congressional session must also use these economic and technical assumptions. Estimates in the Update Report and the Final Report will be revised only to reflect laws enacted after the Preview Report.

### The President’s Budget Proposals

#### *Discretionary Caps and PAYGO*

With the arrival of budget surpluses in 1998, Congress and the previous Administration began to skirt the budget enforcement mechanisms. In 2001 alone, appropriations exceeded the discretionary spending levels set in the BEA, requiring a \$95.5 billion increase in the cap for that year to accommodate the increase. In 2001, PAYGO requirements for \$17 billion in spending were also waived.

Beginning in 2002, the Administration proposes to raise and extend the discretionary spending caps through 2005 to maintain their viability as a tool for fiscal discipline. This will allow for the continued reduction of the national debt, and at the same time provide enough growth for discretionary programs to keep pace with inflation over the next five years. The budget also proposes to change the scoring rules for advance appropriations and includes an allowance for a national emergency reserve. These changes will restore dis-

cipline to the budget process by making it more difficult to skirt the discretionary caps. Table 13–1 shows the Administration’s proposals for discretionary spending limits through 2005. The budget also proposes to extend the PAYGO requirement for entitlement spending and tax legislation.

#### *National Emergency Reserve*

The budget includes a national emergency reserve allowance to ensure adequate funding for emergencies in the annual budget and appropriations process to respond to natural disasters. By setting aside a reserve for emergency needs, emergency supplementals should be limited to extremely rare events.

Four programs make up a large part of the Government’s response to natural disasters: the Federal Emergency Management Agency’s disaster relief fund; the Department of Agriculture’s fire fighting program; the Department of the Interior’s fire fighting program; and the Small Business Administration’s disaster loan program. The budget requests appropriations to provide adequate funding for these programs, based on historical funding levels and unobligated balances of appropriations provided in previous years. In addition, the budget includes an emergency reserve allowance (not a specific appropriation request) of budget authority and outlays, for 2002 and each year thereafter, based on the average annual spending over the last five years for extraordinarily large events, such as Hurricane Georges and the Midwest floods. In 2002, the reserve is \$5.6 billion. It grows with inflation thereafter.

To implement this proposal, the Budget Committees are asked to establish a reserve in the budget resolution. The reserve would be allocated to the appropriations committees upon a Presidential request designating the proposed funding as an emergency and the Committees’ determination that the following criteria have been met: funding is for events that are sudden, urgent, unforeseen, and not permanent; and, adequate funding for a normal year has been provided for the applicable program by the Appropriations Committees.

The reserve could be used for programs other than the four listed above if the same criteria are met. If the reserve is not all allocated in a given year, the following year’s emergency reserve would be increased by the unused amount.

#### *Advance Appropriations*

An advance appropriation becomes available one year or more beyond the year for which the appropriations act is passed. From 1993 to 1999, an average of \$2.3 billion in discretionary budget authority was advance appropriated each year. In 1999, advance appropriations funding totaled \$8.9 billion, an increase of \$5.8

**Table 13-1. PROPOSED SPENDING LIMITS BY CATEGORY**  
(In billions of dollars)

	2001 <sup>1</sup>	2002	2003	2004	2005	2006
Original Balanced Budget Act Limits						
BA .....	542.0	552.8	1.9	2.1	2.2	2.4
OL .....	595.8	594.7	35.9	2.0	2.2	2.4
Spending in Excess of Original Caps						
BA .....	92.9	107.8				
OL .....	53.6	97.0				
Proposed Discretionary Spending Limits						
BA .....	634.9	660.6	685.1	702.7	720.1	737.9
OL .....	649.4	691.7	711.8	731.2	754.5	770.4

<sup>1</sup> Data for 2001 is a current estimate and is not a proposed discretionary spending limit.

billion from the previous year. In 2000, advance appropriations increased by \$14.6 billion to over \$23.4 billion. Increases in advance appropriations from the previous year included the following: Department of Education (\$6.2 billion); Department of Housing and Urban Development (\$4.2 billion); Department of Labor (\$2.5 billion); and Department of Health and Human Services (\$1.4 billion).

Too often in recent years advance appropriations have been used to hide true funding levels by crediting certain appropriations to other years. This budget practice distorts the debate over Government spending and misleads the public about spending levels in specific accounts.

The 2001 Congressional Budget Resolution attempted to address this misuse of advance funding by including a cap on advance appropriations equal to the amount advanced in the previous year. In order to expand discretionary spending in 2001, certain advance appropriations were reduced and other advances were increased. This did not change the total amount that was advance funded, but did allow for growth in 2001.

The Administration proposes to reverse the misleading budget practice of using advance appropriations simply to avoid spending limitations. However, this proposal would not affect advance appropriations enacted for programmatic reasons. The budget proposes reforms where such appropriations were made in 2001 for 2002.

### Discretionary Sequestration Report

Discretionary programs are funded annually through the appropriations process. The scorekeeping guidelines accompanying the BEA identify accounts with discretionary resources. The BEA limits, or caps, budget authority and outlays available for discretionary programs each year through 2002. For 2000, the BEA divided discretionary spending into two categories: violent crime reduction spending and all other discretionary

spending. For 2001 and 2002, the BEA specified a single category for all discretionary spending. The Transportation Equity Act for the 21st Century (TEA-21) (P.L. 105-178) established two additional categories for highway and mass transit outlays for 1999 through 2003. The Interior and Related Agencies Appropriations Act, 2001, (P.L. 106-291) added a new category for conservation spending with limits on budget authority and outlays for 2002-2006. In addition to specifying overall limits for the conservation category, the Act also specifies levels of spending for six subcategories

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 does not require that Congress appropriate the full amount available under the discretionary limits, although it generally has appropriated at least the full amount. In recent years various means, such as emergency designations and advance appropriations, have been used to skirt the discretionary limits.

Table 13-2 summarizes changes to the caps since 1990, and includes the new limits established for 2002-2006 by P.L. 106-291.

**Adjustments to discretionary limits.**—The BEA permits certain adjustments to the discretionary limits. On January 16, 2001, OMB submitted the Final Sequestration Report for 2001 required by the BEA. This report describes adjustments permitted by the BEA as of the time the report was issued. The limits resulting from these adjustments are the starting points for this Preview Report. Included in the Preview Report are adjustments for changes in concepts and definitions, estimates of emergency spending released subsequent to the Final Sequestration Report, and adjustments to the highway and mass transit categories. Table 13-2 summarizes changes to the caps since 1990. Table 13-3 shows the adjustments made in this Preview Report.

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

(In billions of dollars)

		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
<b>TOTAL DISCRETIONARY</b>													
<b>Statutory Caps as set in OBRA 1990, OBRA 1993, and 1997 Bipartisan Budget Agreement</b> .....	BA	491.7	503.4	511.5	510.8	517.7	519.1	528.1	530.6	533.0	537.2	542.0	551.1
	OL	514.4	524.9	534.0	534.8	540.8	547.3	547.3	547.9	559.3	564.3	564.4	560.8
Adjustment to 1998 OBRA limits to reach discretionary spending limits included in the 1997 Bipartisan Budget Agreement ...	BA	.....	.....	.....	.....	.....	.....	.....	-6.9	.....	.....	.....	.....
	OL	.....	.....	.....	.....	.....	.....	.....	6.8	.....	.....	.....	.....
Adjustments for changes in concepts and definitions.	BA	.....	7.7	8.2	8.2	8.8	-0.6	-0.4	3.1	-0.2	2.8	-0.1	-3.3
	OL	.....	1.0	2.4	2.3	3.0	-0.5	-2.6	-2.8	-0.3	0.1	-0.1	-3.3
Adjustments for changes in inflation .....	BA	.....	-0.5	-5.1	-9.5	-11.8	3.0	2.6	0.0	.....	.....	.....	.....
	OL	.....	-0.3	-2.5	-5.8	-8.8	1.8	2.3	0.9	.....	.....	.....	.....
Adjustments for credit reestimates, IRS funding, debt forgiveness, Arrearages, EITC, IMF, and CDRs .....	BA	0.2	0.2	13.0	0.6	0.7	0.1	0.2	1.0	19.4	1.0	0.6	.....
	OL	0.3	0.3	0.8	0.8	0.9	0.1	0.3	0.6	1.1	0.7	1.2	0.2
Adjustments for emergency requirements ...	BA	0.9	8.3	4.6	12.2	7.7	5.1	9.3	5.7	31.9	43.6	0.0	0.0
	OL	1.1	1.8	5.4	9.0	10.1	6.4	8.1	7.0	22.9	35.8	19.8	6.0
Adjustment pursuant to Sec. 2003 of P.L. 104-19 <sup>1</sup> .....	BA	.....	.....	.....	.....	-15.0	-0.1	-0.1	.....	.....	.....	.....	.....
	OL	.....	.....	.....	.....	-1.1	-3.5	-2.4	-1.5	.....	.....	.....	.....
Adjustments for special allowances:													
Discretionary new budget authority .....	BA	.....	3.5	2.9	2.9	2.9	.....	.....	.....	.....	.....	.....	.....
	OL	.....	1.4	2.2	2.6	2.7	1.1	0.5	0.1	.....	.....	.....	.....
Outlay allowance .....	BA	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
	OL	2.6	1.7	0.5	1.0	.....	.....	.....	1.2	.....	0.8	.....	.....
Subtotal, adjustments excluding Desert Shield/Desert Storm .....	BA	1.1	19.3	23.6	14.3	-6.7	7.5	11.6	2.9	51.1	47.4	0.5	-3.3
	OL	3.9	5.9	8.8	10.0	6.8	5.4	6.3	12.3	23.7	37.3	20.9	3.0
Adjustments for Operation Desert Shield/Desert Storm .....	BA	44.2	14.0	0.6	*	*	.....	.....	.....	.....	.....	.....	.....
	OL	33.3	14.9	7.6	2.8	1.1	.....	.....	.....	.....	.....	.....	.....
Rounding Adjustment .....	BA	.....	.....	.....	.....	.....	.....	.....	.....	.....	1.1	3.2	.....
	OL	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
TEA-21 Adjustment (Net) <sup>2</sup> .....	BA	.....	.....	.....	.....	.....	.....	.....	.....	-0.9	-0.9	-0.9	-0.9
	OL	.....	.....	.....	.....	.....	.....	.....	.....	1.1	2.6	5.2	7.1
Adjustment to reach spending limits mandated in P.L. 106-429 <sup>3</sup> .....	BA	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	95.9	.....
	OL	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	58.6	.....
Adjustment for conservation limits established by P.L. 106-291 <sup>4</sup> .....	BA	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	1.8
	OL	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	1.2
Total adjustments .....	BA	45.3	33.2	24.2	14.3	-6.7	7.5	11.6	2.9	50.2	47.6	98.8	-2.4
	OL	37.2	20.8	16.4	12.8	7.9	5.4	6.3	12.3	24.9	40.0	84.7	11.3
<b>Preview Report spending limits<sup>5</sup></b> .....	BA	537.0	536.6	535.7	525.1	511.0	526.6	539.7	533.5	583.2	584.8	640.8	548.7
	OL	551.6	545.7	550.4	547.6	548.7	552.7	553.6	560.2	584.2	604.2	649.1	572.1

\* \$50 million or less.

<sup>1</sup> 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 equal to the aggregate amount of reductions in new budget authority and outlays for discretionary programs resulting from the provisions of the bill, other than emergency appropriations.

<sup>2</sup> 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.

<sup>3</sup> Sec. 701 of P.L. 106-429, the Foreign Operations and Related Agencies Appropriations Act, FY 2001, included revised budget authority and outlay caps for FY 2001. In addition, this section provided for a budget authority rounding adjustment of 0.5 percent, and also prohibited OMB from making adjustments in the Final Sequestration Report for emergency requirements.

<sup>4</sup> Title VIII of P.L. 106-291, the Interior and Related Agencies Appropriations Act, FY 2001, created a new conservation category with limits on budget authority and outlays for FY 2002-FY 2006.

<sup>5</sup> Reflects combined Defense Discretionary, Non-Defense Discretionary, Violent Crime Reduction, Highway Category, Mass Transit Category, and Conservation Category spending limits.

**Table 13-3. DISCRETIONARY SPENDING LIMITS**  
(In millions of dollars)

		2000	2001	2002
<b>VIOLENT CRIME REDUCTION SPENDING</b>				
Final Sequestration Report Violent Crime Reduction Spending Limits .....	BA	4,500		
	OL	6,344		
Adjustments for the Preview Report:				
No Adjustments .....	BA			
	OL			
Preview Report Spending Limits .....	BA	4,500		
	OL	6,344		
<b>HIGHWAY CATEGORY</b>				
Final Sequestration Report Highway Category Spending Limits .....	BA			
	OL	24,574	26,920	27,925
Adjustments for the Preview Report:				
Technical outlay adjustment .....	BA			
	OL			-663
Adjustment for revenue aligned budget authority .....	BA			
	OL			1,227
Subtotal, Adjustments for the Preview Report .....	BA			
	OL			564
Preview Report Highway Category Spending Limits .....	BA			
	OL	24,574	26,920	28,489
<b>MASS TRANSIT CATEGORY</b>				
Final Sequestration Report Mass Transit Category Spending Limits .....	BA			
	OL	4,117	4,639	5,419
Adjustments for the Preview Report:				
Technical outlay adjustment .....	BA			
	OL			-144
Subtotal, Adjustments for the Preview Report .....	BA			
	OL			-144
Preview Report Mass Transit Category Spending Limits .....	BA			
	OL	4,117	4,639	5,275
<b>CONSERVATION CATEGORY</b>				
Final Sequestration Report Conservation Category Spending Limits .....	BA			1,760
	OL			1,232
Federal and State Land and Water Conservation Fund subcategory .....	BA			540
	OL			
State and Other Conservation subcategory .....	BA			300
	OL			
Urban and Historic Preservation subcategory .....	BA			160
	OL			
Payments in Lieu of Taxes subcategory .....	BA			50
	OL			
Federal Deferred Maintenance subcategory .....	BA			150
	OL			
Coastal Assistance subcategory .....	BA			440
	OL			
Unallocated .....	BA			120
	OL			
Adjustments for the Preview Report:				
No Adjustments .....	BA			
	OL			
Preview Report Conservation Category Spending Limits .....	BA			1,760
	OL			1,232

**Table 13-3. DISCRETIONARY SPENDING LIMITS—Continued**  
(In millions of dollars)

		2000	2001	2002
<b>OTHER DISCRETIONARY SPENDING</b>				
Final Sequestration Report Other Discretionary Spending Limits .....	BA	580,289	640,803	550,333
	OL	569,224	613,247	539,513
<b>Adjustments for the Preview Report:</b>				
Changes in concepts and definitions .....	BA			-2,359
	OL		275	-2,064
Discretionary changes in mandatory accounts .....	BA			-1,029
	OL			-889
Release of contingent emergency appropriations .....	BA			
	OL		3,985	531
<b>Subtotal, Adjustments for the Preview Report .....</b>	<b>BA</b>			<b>-3,388</b>
	<b>OL</b>		<b>4,260</b>	<b>-2,422</b>
Preview Report Other Discretionary Spending Limits .....	BA	580,289	640,803	546,945
	OL	569,224	617,507	537,091
<b>TOTAL DISCRETIONARY SPENDING</b>				
Final Sequestration Report Total Discretionary Spending Limits .....	BA	584,789	640,803	552,093
	OL	604,259	644,806	574,089
Adjustments for the Preview Report .....	BA			-3,388
	OL		4,260	-2,002
Preview Report Total Discretionary Spending Limits .....	BA	584,789	640,803	548,705
	OL	604,259	649,066	572,087

After consultation with the Congressional Budget Committees and CBO, OMB has agreed to several changes to budget classification of spending. First, OMB and CBO have agreed to reclassify the negative subsidy receipts generated by the Federal Housing Administration's mutual mortgage insurance program and pipeline safety fees collected by the Department of Transportation as discretionary. In addition, the administrative expenses of the national flood insurance program and the flood mitigation fund within the Federal Emergency Management Agency have also been reclassified as discretionary. In addition, certain benefit payments to severely disabled military personnel have been reclassified as mandatory.

These reclassifications increase the outlay limits in 2001 by \$0.3 billion and decrease the budget authority limits by \$2.4 billion and the outlay limits by \$2.1 billion in 2002. In addition, OMB has changed its scoring of outlays for contingent emergency appropriations, to be consistent with Congressional scoring practices. OMB used to score outlays from contingent emergency appropriations when the President designated them as "emergency requirements." OMB now scores emergency budget authority and outlays against appropriations acts that include contingent emergency funds. Since the actual outlays flowing from the use of contingent emergency funding is dependent upon a Presidential request, OMB will review the original estimates each year and may make subsequent adjustments based on the most up-to-date information.

Table 13-3 includes a downward adjustment of \$1.0 billion in budget authority and \$0.9 billion in outlays in 2002, for the second year effect of provisions in the 2001 appropriations bills that modified mandatory programs. Under the BEA, the discretionary limits are adjusted by the amount of the savings or costs of these modifications.

The caps have also been adjusted upward for contingent emergency appropriations (i.e., funding for amounts that the President designates as "emergency requirements" and that Congress so designates in law) that have been released since the transmittal of the Final Sequestration Report. This adjustment totals \$4.0 billion in outlays in 2001 and \$0.5 billion in outlays in 2002. Funds designated as an emergency requirement include crop loss payments and costs associated with an above average fire season in the southwestern United States.

TEA-21 requires two adjustments to the discretionary limits based upon changes in outlays within the highway and transit categories. Outlays within the highway category have been adjusted upward by \$1.2 billion in 2002 because of higher-than-anticipated receipts in 2000 and in 2002. This increase is partly offset by a downward adjustment of \$0.7 billion as a result of changes in technical assumptions. The mass transit category outlays have been adjusted downward due to revised technical assumptions. Table 13-4 shows how the adjustments to the highway and transit categories have been calculated.

**Table 13-4. ADJUSTMENTS TO THE HIGHWAY AND MASS TRANSIT CATEGORIES FOR CHANGES IN RECEIPTS AND TECHNICAL ASSUMPTIONS**

(In millions of dollars)

	2001	2002	2003
<b>HIGHWAY CATEGORY</b>			
<b>Obligation Limitation Assumed in FY 2001 Preview Report</b> .....	<b>30,216</b>	<b>27,767</b>	<b>28,233</b>
Adjustments:			
Difference Between Current and Previous Estimate of FY 2002 Highway Tax Receipts .....		2,760	
Difference Between FY 2000 Actual and Estimated Highway Tax Receipts .....		1,783	
Subtotal, Obligation Limitation Adjustment .....		4,543	
<b>FY 2002 Preview Report Obligation Limitation</b> .....	<b>30,216</b>	<b>32,310</b>	<b>28,233</b>
<b>Outlay Limits in FY 2001 Preview Report</b> .....	<b>26,920</b>	<b>27,925</b>	<b>27,621</b>
Adjustments:			
Increase in FY 2002 Obligation Limitation .....		1,227	1,863
Changes in Technical Assumptions:			
Reestimate of Outlays from Obligation Limitation level, Adjusted to Include Outlays from change in Obligation Limitation .....		28,489	29,100
Reestimate of Outlays from Obligation Limitation level, Adjusted to Includes Outlays from change in Obligation Limitation .....		29,152	29,484
Adjustment for Changes in Technical Assumptions .....		-663	-384
Total Adjustments .....		564	1,479
<b>Outlay Limits in FY 2002 Preview Report</b> .....	<b>26,920</b>	<b>28,489</b>	<b>29,100</b>
<b>MASS TRANSIT CATEGORY</b>			
<b>Outlay Limits in FY 2001 Preview Report</b> .....	<b>4,639</b>	<b>5,419</b>	<b>5,910</b>
Adjustment:			
Changes in Technical Assumptions:			
Reestimate of Outlays from Obligation Limitation Using Current Technical Assumptions .....		5,275	5,531
FY 2001 Preview Report Outlays .....		5,419	5,910
Adjustment for Changes in Technical Assumptions .....		-144	-379
<b>Outlay Limits in FY 2002 Preview Report</b> .....	<b>4,639</b>	<b>5,275</b>	<b>5,531</b>

The Administration has included several proposals in the budget that would result in cap adjustments upon their enactment. These adjustments are assumed in the proposed limits in Table 13-1 and are described below.

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

- **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 the BBA. 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 budget includes a request of \$433 million for CDRs in 2002.
- **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 au-

thority and outlay estimates authorized in the BBA. The budget includes a request of \$146 million for EITC compliance in 2002.

- **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 for 1999 through 2003. It is assumed that the cost of adoption bonuses will be offset by reductions in mandatory foster care costs. The budget includes a request of \$20 million for adoption incentive payments in 2002.

**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 13-5 compares OMB and CBO limits for 2000–2002. CBO uses the discretionary limits from OMB’s sequestration update report as a starting point for adjustments in its end-of-session sequestration report.

**Table 13-5. COMPARISON OF OMB AND CBO DISCRETIONARY SPENDING LIMITS**  
(In millions of dollars)

	2000	2001	2002
<b>Violent Crime Reduction</b>			
CBO Preview Report limits:			
BA .....	4,500	.....	.....
OL .....	6,344	.....	.....
OMB Preview Report limits:			
BA .....	4,500	.....	.....
OL .....	6,344	.....	.....
Difference:			
BA .....	.....	.....	.....
OL .....	.....	.....	.....
<b>Highway Category</b>			
CBO Preview Report limits:			
BA .....	.....	.....	.....
OL .....	24,574	26,920	28,889
OMB Preview Report limits:			
BA .....	.....	.....	.....
OL .....	24,574	26,920	28,489
Difference:			
BA .....	.....	.....	.....
OL .....	.....	.....	-400
<b>Mass Transit Category</b>			
CBO Preview Report limits:			
BA .....	.....	.....	.....
OL .....	4,117	4,639	5,490
OMB Preview Report limits:			
BA .....	.....	.....	.....
OL .....	4,117	4,639	5,275
Difference:			
BA .....	.....	.....	.....
OL .....	.....	.....	-215
<b>Conservation Category</b>			
CBO Preview Report limits:			
BA .....	.....	.....	1,760
OL .....	.....	.....	1,232
OMB Preview Report limits:			
BA .....	.....	.....	1,760
OL .....	.....	.....	1,232
Difference:			
BA .....	.....	.....	.....
OL .....	.....	.....	.....
<b>Other Discretionary</b>			
CBO Preview Report limits:			
BA .....	580,289	640,803	550,035
OL .....	569,224	613,883	540,353
OMB Preview Report limits:			
BA .....	580,289	640,803	546,945
OL .....	569,224	617,507	537,091
Difference:			
BA .....	.....	.....	-3,090
OL .....	.....	3,624	-3,262

Table 13-5. COMPARISON OF OMB AND CBO DISCRETIONARY SPENDING LIMITS—  
Continued  
(In millions of dollars)

	2000	2001	2002
<b>Total Discretionary Spending Limits</b>			
CBO Preview Report limits:			
BA .....	584,789	640,803	551,795
OL .....	604,259	645,442	575,964
OMB Preview Report limits:			
BA .....	584,789	640,803	548,705
OL .....	604,259	649,066	572,087
Difference:			
BA .....			-3,090
OL .....		3,624	-3,877

The outlay difference of \$3.6 billion in 2001 is due primarily to the release of contingent emergency spending. CBO estimated \$0.6 billion in outlays associated with the release of over \$4.8 billion in contingent emergency funds provided in 2001 appropriations bills. OMB assumed outlays of \$4.0 billion. In addition, OMB also made an adjustment of \$0.3 billion to reflect the new scoring treatment of unreleased contingent emergency appropriations.

For 2002, the \$3.1 billion difference in budget authority is made up of several components, the largest of which is changes in concepts and definitions agreed to by the scorekeepers. The final decisions on reclassifications were made after CBO issued its report. As a result, the CBO Preview Report caps do not include the reclassifications of FHA negative subsidy, pipeline safety fees, flood insurance administrative expenses, and certain disability benefits for military personnel. OMB and CBO also have slightly different estimates of the second-year effect of discretionary changes to mandatory accounts, and of releases of emergency spending.

The \$3.9 billion difference in outlays is due primarily to the timing issue listed above, but also includes small differences in technical adjustments made to the highway and mass transit categories.

### PAYGO Sequestration Report

This section of the Preview Report discusses the enforcement procedures that apply to direct spending and receipts. The BEA defines direct spending as entitlement authority, the food stamp program, and budget authority provided by law other than in appropriations acts. The following are exempt from PAYGO enforcement: Social Security, the Postal Service, legislation specifically designated as an emergency requirement, and legislation fully funding the Federal Government's commitment to protect insured deposits.

The BEA requires a sequestration to offset any net cost resulting from legislation enacted before October 1, 2002, that affects direct spending or receipts.

**Sequester determinations.**—The BEA requires OMB to submit a report to Congress estimating the change in outlays or receipts for the current year, the

budget year, and the following four fiscal years resulting from enactment of PAYGO legislation. The estimates, which must rely on the economic and technical assumptions underlying the most recent President's budget, determine whether the PAYGO requirement is met. The PAYGO process requires OMB to maintain a "scorecard" that shows the cumulative net cost impact of such legislation. This Report shows how these past actions affect the upcoming fiscal year.

In recent years, the PAYGO constraints have been skirted. In enacting the 2000 budget, Congress and the previous Administration removed net costs totaling \$12.7 billion over five years from the PAYGO scorecard. Last year, agricultural direct spending totaling \$7.2 billion over five years was waived from the PAYGO requirement. In total, net costs of \$10.5 billion were removed last year from the PAYGO scorecard for 2001.

Table 13-6 shows OMB estimates for legislation enacted through December 31, 2000. The balances reflect the removal of \$10.5 billion net costs for 2001 in last year's Final Sequester Report as required by the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 2001. For legislation enacted this year, the 2001 impact will be added to the balance for 2002 in the Final Sequester Report that OMB is to issue after the 1st session of the 107th Congress adjourns *sine die*. The current PAYGO scorecard shows net costs of \$16.1 billion for 2002 and a total of \$74.5 billion for 2002 through 2005.

The President's budget sets aside the Social Security surplus and additional on-budget surpluses for debt reduction and contingencies. These levels ensure the President's tax plan and his Immediate Helping Hand and Medicare modernization proposals are fully financed by the surplus. The Administration will work with Congress to ensure that any unintended sequester of spending does not occur under current law or from the enactment of any other proposals that meet the President's objectives to reduce the debt, fund priority initiatives, and grant tax relief to all income tax paying Americans.

**Table 13-6. PAY-AS-YOU-GO SCORECARD**

(In millions of dollars)

	2001	2002	2003	2004	2005	Total 2002-2005
<b>Pay-as-you-go scorecard:</b>						
Revenue impact of enacted legislation .....	.....	-3,863	-3,920	-3,596	-3,820	-15,199
Outlay impact of enacted legislation .....	.....	12,190	14,545	15,740	16,853	59,328
Total, net cost impact of enacted legislation ....	.....	16,053	18,465	19,336	20,673	74,527