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OMB'S FINAL SEQUESTRATION REPORT
FOR FISCAL YEAR 1998

COMMUNICATION

FROM

THE DIRECTOR, THE OFFICE OF
MANAGEMENT AND BUDGET

TRANSMITTING

OMB'S FINAL SEQUESTRATION REPORT TO THE PRESIDENT AND
CONGRESS FOR FISCAL YEAR 1998, PURSUANT TO PUB. L. 101-
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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

November 24, 1997

Honorable Newt Gingrich
Speaker of the House of Representative
Washington, DC 20515

Dear Mr. Speaker:

Enclosed please find the *OMB Final Sequestration Report to the President and Congress for fiscal year 1998*, 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 based upon reports transmitted to date and a summary of pay-as-you-go reports for enacted legislation affecting direct spending and receipts anticipated to be transmitted subsequent to this sequester report. Comparisons with the estimates provided by the Director of the Congressional Budget Office in her 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 "Franklin D. Raines".

Franklin D. Raines
Director

Enclosure

Identical Letters Sent to The President
and Honorable Albert Gore

(iii)

(iii)

OMB FINAL SEQUESTRATION REPORT
TO THE PRESIDENT AND CONGRESS
FOR FISCAL YEAR 1998



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

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WASHINGTON, D.C. 20503

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The President
The White House
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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), which was enacted as part of the Balanced Budget Act of 1997 (BBA 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 eliminated existing pay-as-you-go balances and extended the requirement that legislation affecting direct spending or receipts not increase the deficit. An across-the-board reduction of non-exempt spending, known as "sequestration," enforces compliance with these constraints.

The BEA requires that OMB issue reports 1) seven working days after enactment of individual bills, and 2) three times a year

on the overall status of discretionary and pay-as-you-go legislation. The end-of-session report, which OMB must issue within 15 calendar days after Congress adjourns *sine die*, determines whether or not a sequester is required. This report, which covers legislation enacted subsequent to BBA of 1997 and on which OMB had issued reports as of November 21, 1997, indicates that no sequester is required for either mandatory or discretionary programs.

At the time this report was prepared, two appropriations bills (Commerce, Justice, State and Related Agencies and Foreign Operations) had not yet been signed by the President and were still being funded under P.L. 105-84, the Sixth Continuing Resolution (CR).

II. DISCRETIONARY SEQUESTRATION REPORT

Discretionary programs are funded annually through the appropriations process. The scorekeeping guidelines accompanying the Budget Enforcement Act of 1990, as amended by the Omnibus Budget and Reconciliation Act of 1993 (OBRA), and by the Budget Enforcement Act of 1997, identify accounts with discretionary resources. The BEA of 1997 limits budget authority and outlays available for discretionary programs each year through 2002. For 1996 and 1999, the BEA of 1997 establishes three separate categories of discretionary spending: defense, non-defense (excluding violent crime reduction spending), and violent crime reduction spending. For

2000, the law divides discretionary spending into two categories: violent crime reduction spending and all other discretionary spending. For 2001 and 2002, there is a single category for all discretionary spending. OMB monitors compliance with the discretionary spending limits throughout the fiscal year. Appropriations that cause a breach in the budget authority or outlay caps trigger a sequester to eliminate that breach. The law, however, does not require that Congress appropriate the full amount available under the discretionary limits. Table 1 summarizes changes to the caps since 1990.

Table 1. HISTORICAL SUMMARY OF CHANGES TO DISCRETIONARY SPENDING LIMITS
(in billions of dollars)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
TOTAL DISCRETIONARY												
Statutory Caps as set in OBRA 1990 and OBRA 1993	BA	491.7	503.4	511.5	510.8	517.7	519.1	525.1	530.6	N/A	N/A	N/A
Adjustments for changes in concepts and definitions	OL	514.4	527.7	537.6	540.8	547.8	547.8	547.8	549.9	N/A	N/A	N/A
Adjustments for changes in inflation	OL	.....	1.0	2.4	2.3	3.0	-0.6	-0.6	-2.8	N/A	N/A	N/A
Adjustments for credit resisters, IRS funding, debt forgiveness, IMF, and CDRs	OL	.....	-0.3	-2.5	-5.8	-8.8	1.8	2.3	0.9	N/A	N/A	N/A
Adjustments for emergency requirements	BA	0.2	0.2	13.0	0.6	0.7	0.1	0.3	0.1	N/A	N/A	N/A
Adjustment pursuant to Sec. 2003 of P.L. 104-191	OL	0.3	0.3	0.8	0.8	0.9	0.1	0.3	0.1	N/A	N/A	N/A
Discretionary new budget authority	BA	0.9	5.3	4.6	12.2	7.7	6.1	1.8	.....	N/A	N/A	N/A
Outlay allowance	OL	1.1	1.8	5.4	9.0	10.1	8.4	5.4	1.7	N/A	N/A	N/A
Subtotal adjustments excluding Desert Shield/Desert Storm	OL	.....	.....	.....	-10.0	-4.1	-2.4	-1.5	.....	N/A	N/A	N/A
Adjustments for Operation Desert Shield/Desert Storm	BA	3.5	2.9	2.9	2.9	2.9	2.9	2.9	2.9	N/A	N/A	N/A
Total adjustments	OL	1.4	2.2	2.6	2.7	1.1	0.5	0.1	0.1	N/A	N/A	N/A
Outlay allowance	OL	2.6	1.7	0.5	1.0	.....	.....	.....	.....	N/A	N/A	N/A
Subtotal adjustments including 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
Adjustments for Operation Desert Shield/Desert Storm	OL	3.9	5.9	8.8	10.0	6.8	5.5	3.7	-1.5	N/A	N/A	N/A
Total adjustments	BA	44.2	14.0	0.6	2.8	1.1	.....	.....	.....	N/A	N/A	N/A
Outlay allowance	OL	33.3	14.9	7.6	2.8	1.1	.....	.....	.....	N/A	N/A	N/A
Spending limits as of 2/6/97*	BA	45.4	33.2	24.2	14.3	-6.7	7.5	4.0	3.1	N/A	N/A	N/A
Adjustment to reach discretionary spending limits included in the 1997 Bipartisan Budget Agreement	OL	37.2	20.8	16.4	12.8	7.8	5.5	3.7	-1.5	N/A	N/A	N/A
Statutory Caps as set in 1987 Bipartisan Budget Agreement†	BA	537.1	536.6	535.7	535.1	511.0	526.7	530.0	533.8	N/A	N/A	N/A
Adjustments for emergency requirements	OL	551.8	546.7	550.4	547.6	548.6	552.7	551.0	546.4	N/A	N/A	N/A
Adjustments for CDRs, Arrearages, EITC Outlays	BA	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Adjustments for special allowances:	OL	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
End-of-Session Report spending limits*	BA	537.1	536.6	535.7	535.1	511.0	526.7	530.0	533.8	537.2	542.0	551.1
Outlay allowance	OL	551.8	546.7	550.4	547.6	548.6	552.7	551.0	546.4	565.1	564.6	560.9

N/A = Not applicable.

* Less than \$50 million.
* 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 1996-1999 by the aggregate amount of the estimated reductions in new budget authority and outlays for discretionary programs resulting from the provisions of the bill, other than emergency appropriations.
* Reflects combined General Purpose Discretionary and Violent Crime Reduction Trust Fund Discretionary spending limits.
* Reflects combined Defense Discretionary, Non-Defense Discretionary (Excluding Crime), and Violent Crime Reduction spending limits.

Adjustments to discretionary limits.—Table 2 shows how adjustments permitted under section 251(b) of the BEA affect the discretionary limits.

Before enactment of the BEA of 1997, section 251(b)(1) authorized adjustments for changes in inflation estimates from those in the House Conference Report on the 1994 Budget Resolution, and for changes in concepts and definitions. The Administration made both of these adjustments in the sequestration preview report in the President's budget, and included them in the preview report limits in Table 2. The BEA of 1997 no longer requires that an adjustment for inflation be made in the sequestration preview report, but the law retained the provision for an adjustment for changes in concepts and definitions.

Section 251(b)(2) authorizes certain adjustments after the enactment of appropriations. Table 2 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. Since the President submitted the 1998 budget in February, Congress has enacted emergency supplemental appropriations requested to help the hundreds of thousands of people who have suffered terribly from flooding and other natural disasters that have ravaged the Midwest and other parts of the country. Congress has also enacted emergency supplemental appropriations that the President requested to replenish the Department of Defense accounts in connection with U.S. peacekeeping efforts in Bosnia and Southwest Asia, and to assure that the Department can maintain maximum readiness of the troops. Further, the President has authorized the release of additional emergency appropriations that were previously enacted, including those for the Department of Health and Human Services to support needs arising from the cold weather during the winter; and for the Treasury Department for its Atlanta bombing investigations and for anti-terrorist protection for the June 1997 Summit of Eight in Denver and the U.N. Environmental Summit in New York.

Table 2. DISCRETIONARY SPENDING LIMITS

(In millions of dollars)

		1996	1999	2000	2001	2002
NON-DEFENSE DISCRETIONARY SPENDING, EXCLUDING VIOLENT CRIME REDUCTION SPENDING¹						
Total Non-Defense Discretionary Spending Limits (Excluding Violent Crime Reduction Spending) Included in the 1997 Bipartisan Budget Agreement						
BA	252,357	255,609	257,336	255,765	254,964	
OL	252,553	257,550	259,716	257,753	253,169	
September 5, 1997 Update Report Adjustments:						
Emergency Supplemental Appropriations (P.L. 105-18)						
BA	250					
OL	2,284	1,701	743	99	13	
Contingent Emergency Appropriations Released						
BA						
OL	21	9				
Update Report Non-Defense Discretionary Spending Limits (Excluding Violent Crime Reduction Spending)						
BA	252,607	255,609	257,336	255,765	254,964	
OL	255,156	259,560	260,459	257,651	253,182	
End-of-Session Sequestration Report Adjustments:						
Earned Income Tax Credit (EITC) Compliance Initiative enacted in P.L. 105-51						
BA	138					
OL	132	6				
Social Security Administration: Continuing Disability Reviews (CDRs) enacted in P.L. 105-78						
BA	290					
OL	267	23				
United Nations and Multilateral Development Bank (MDB) Arrearage Payments enacted in the 1998 Foreign Operations Appropriations bill						
BA	360					
OL	20	87	68	63	67	

II. DISCRETIONARY SEQUESTRATION REPORT

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

		1996	1999	2000	2001	2002
United Nations and Multilateral Development Bank (MDB) Arrearage Payments enacted in the 1996 Commerce, Justice, State Appropriations bill	BA	100				
	OL	100				
Contingent Emergency Appropriations Released	BA	5				
	OL	3	2			
Subtotal, Adjustments for the End-of-Session Report	BA	893				
	OL	522	118	68	63	67
End-of-Session Sequestration Report Non-Defense Discretionary Spending Limits (Excluding Violent Crime Reduction Spending)	BA	253,500	255,699	257,326	255,785	256,964
	OL	285,690	289,676	290,527	287,914	293,249
VIOLENT CRIME REDUCTION SPENDING¹						
Total Violent Crime Reduction Spending Limits Included in the 1997 Bipartisan Budget Agreement	BA	5,500	5,500	4,500	4,400	4,500
	OL	2,592	4,563	5,554	5,961	4,590
September 5, 1997 Update Report Adjustments:						
No Adjustments						
Update Report Violent Crime Reduction Spending Limits	BA	5,500	5,500	4,500	4,400	4,500
	OL	2,592	4,563	5,554	5,961	4,590
End-of-Session Sequestration Report Adjustments:						
Special Allowances:						
Outlay Allowance	BA					
	OL	1,241				
Subtotal, Adjustments for the End-of-Session Report	BA					
	OL	1,241				
End-of-Session Sequestration Report Violent Crime Reduction Spending Limits	BA	5,500	5,500	4,500	4,400	4,500
	OL	4,833	4,963	5,554	5,961	4,590
DEFENSE DISCRETIONARY SPENDING¹						
Total Defense Discretionary Spending Limits Included in the 1997 Bipartisan Budget Agreement	BA	269,000	271,500	275,567	261,647	269,810
	OL	266,523	266,518	268,995	270,663	273,160
September 5, 1997 Update Report Adjustments:						
Emergency Supplemental Appropriations (P.L. 105-18)	BA					
	OL	301	48	16	7	
End-of-Session Defense Discretionary Spending Limits	BA	269,000	271,500	275,567	261,647	269,810
	OL	267,124	266,566	269,011	270,670	273,160
End-of-Session Sequestration Report Adjustments:						
No Adjustments						
End-of-Session Defense Discretionary Spending Limits	BA	269,000	271,500	275,567	261,647	269,810
	OL	267,124	266,566	269,011	270,670	273,160

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

¹The Bipartisan Budget Agreement of 1997 included: separate spending limits for Non-Defense Discretionary (Excluding Violent Crime Reduction) Spending, Violent Crime Reduction Spending, and Defense Discretionary Spending for 1996 and 1999; separate spending limits for Discretionary (Including Violent Crime Reduction) Spending and Violent Crime Reduction Spending for 2000; and, a single spending limit for Total Discretionary Spending for 2001 and 2002.

- *Special Outlay Allowance.*—An allowance, included in the BEA, to cover technical scoring differences that result when OMB scoring exceeds CBO scoring. If, in any

fiscal 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 cannot exceed 0.5 percent of the sum of the adjusted discretionary spending limits on outlays for that fiscal year. Based on final scoring of the 1998 appropriations bills, the use of \$1,241 million of the approximately \$2.8 billion special outlay allowance available for 1998 is necessary to avoid a sequester in the Violent Crime Reduction category.

- *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. \$290 million was provided for CDRs in the 1998 Labor, Health and Human Services, Education, and Related Agencies Appropriations bill.
- *Allowance for International Monetary Fund (IMF).*—Funding for an increase in the United States quota as part of the IMF Eleventh General Review of Quotas. This allowance also covers any increase in the maximum amount available to the Secretary of the Treasury pursuant to section 17 of the Bretton Woods Agreement Act, which provides for loans to the IMF for emergency purposes under an international agreement, the New Arrangements to Borrow (NAB). No funding was provided for IMF NAB in the 1998 appropriations bills.
- *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 1998 through 2000 in P.L. 105-33. A total of \$460 million was provided for international arrearage payments in the 1998 appropriations bills.
- *Earned Income Tax Credit (EITC) Compliance Initiative.*—Funding for EITC compliance initiatives, including the detection and enforcement of EITC eligibility in order to reduce EITC overclaims. Adjustments are limited to the budget authority and outlay estimates authorized in P.L. 105-33. \$138 million was provided for EITC in the 1998 Treasury and General Government Appropriations bill.

Status of 1997 discretionary appropriations.—Table 3 summarizes the status of enacted 1997 discretionary appropriations, relative to the discretionary caps. Enacted budget authority and outlays are within the discretionary caps.

Status of 1998 discretionary appropriations.—Table 4 summarizes preliminary OMB scoring of the 1998 appropriations bills. At the time this report was prepared, two bills (Commerce, Justice, State and Related Agencies and Foreign Operations) had not yet been signed by the President and were still being funded under P.L. 105-84, the Sixth Continuing Resolution (CR). The estimates in Table 4 represent OMB's scoring of the 11 enacted bills and the two enrolled bills.

The amounts listed in Table 4 also reflect the total amount of cancellations transmitted by the President, pursuant to P.L. 104-130, the Line Item Veto Act, as of November 21, 1997. The amounts shown would change if any disapproval bills are enacted into law. Pursuant to Section 1024(b) of the Line Item Veto Act, the discretionary spending caps would be adjusted in the sequester report following ten calendar days (excluding Sundays) after the expiration of the time period (30 calendar days of session) for expedited congressional consideration of a disapproval bill for a special message containing a cancellation of discretionary budget authority. To calculate the actual spending available under the discretionary spending caps, it would be necessary to reduce the caps listed in this table by the amount of the permanent cancellations.

OMB estimates that non-defense discretionary spending (excluding crime) and defense spending are within the budget authority and outlay limits set in the BEA based on scoring of the 11 enacted and two enrolled

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Table 3. STATUS OF 1997 DISCRETIONARY APPROPRIATIONS
(In millions of dollars)

	BA	Outlays
GENERAL PURPOSE DISCRETIONARY		
Adjusted discretionary spending limits	534,735	549,759
Enacted:		
Non-defense discretionary	232,673	272,797
Defense discretionary	265,774	264,284
Total enacted	498,447	537,081
Appropriations over/under(-) spending limits	-36,288	-12,678
VIOLENT CRIME REDUCTION		
Adjusted discretionary spending limits	5,000	3,936
Total enacted	4,683	3,697
Appropriations over/under(-) spending limits	-317	-339
TOTAL		
Adjusted discretionary spending limits	539,735	553,695
Total enacted	503,130	540,778
Appropriations over/under(-) spending limits	-36,605	-12,917

bills. OMB estimates that non-defense discretionary spending (excluding crime) and defense spending would also be within the budget authority and outlay limits set in the BEA based on scoring of funding levels provided by the Sixth CR. Based on amounts contained

in the enacted and enrolled bills, OMB scoring of programs funded under the Violent Crime Reduction spending caps exceeds the outlay limits set in the BEA. Therefore, the special outlay allowance was used to avoid sequester. This adjustment would be revised if necessary.

Table 4. SUMMARY OF 1998 APPROPRIATIONS ACTION
(In millions of dollars)

	BA	Outlays ¹
DEFENSE DISCRETIONARY		
Commerce, Justice, State and the Judiciary	298	322 ^{4,7}
Defense	247,833	241,057
Energy and Water Development	11,540	11,139
Military Construction	8,895	9,450
Transportation and Related Agencies	300	299
Veterans Affairs, HUD, Independent Agencies	128	127
Treasury and General Government	-3	-3
Total Defense Discretionary	268,491	262,391
Estimated End-of-Session Defense Discretionary Caps	269,000	267,124
CONGRESSIONAL ACTION OVER/UNDER(-) CAPS	-509	-4,733
NON-DEFENSE DISCRETIONARY, EXCLUDING VIOLENT CRIME REDUCTION		
Agriculture, Rural Development	13,577	13,877
Commerce, Justice, State and the Judiciary ²	25,778	25,464 ^{4,7}
Defense	27	24
District of Columbia	855	558 ⁷
Energy and Water Development	9,137	9,567

Table 4. SUMMARY OF 1998 APPROPRIATIONS ACTION—Continued
(In millions of dollars)

	BA	Outlays ¹
Foreign Operations ³	13,150	13,101 ^{6,7}
Interior and Related Agencies	13,792	13,818
Labor, HHS, Education ⁴	80,344	76,114
Legislative Branch	2,264	2,276
Transportation and Related Agencies	12,102	36,732
Treasury and General Government ⁵	12,623	12,362
Veterans Affairs, HUD, Independent Agencies	68,479	80,904
Total Non-Defense Discretionary, Excluding Violent Crime Reduction	252,123	284,797
Estimated End-of-Session Non-Defense Discretionary (Excluding Violent Crime) Caps	253,500	285,680
CONGRESSIONAL ACTION OVER/UNDER (-) CAPS	-1,377	-883
VIOLENT CRIME REDUCTION		
Commerce, Justice, State and the Judiciary	5,225	4,646 ^{6,7}
Labor, HHS, Education	144	78
Treasury and General Government	131	109
Total Violent Crime Reduction	5,500	4,833
Estimated End-of-Session Violent Crime Reduction Caps (Excluding Special Outlay Allowance)	5,500	3,592
CONGRESSIONAL ACTION OVER/UNDER (-) CAPS (Excluding Special Outlay Allowance)		1,241
Special Outlay Allowance Used		1,241
Estimated End-of-Session Violent Crime Reduction Caps (Including Special Outlay Allowance)	5,500	4,833
CONGRESSIONAL ACTION OVER/UNDER(-) CAPS (Including Special Outlay Allowance)		

Notes:

¹ Budget authority and outlays from emergency appropriations enacted or released since the February Budget are included in OMB's final scoring of the bills as follows:

	BA	Outlays
Defense Discretionary:		
Defense		301
Military Construction		
Defense Discretionary		301
Non-Defense Discretionary:		
Agriculture	130	
Commerce, Justice, State and the Judiciary	32	
Energy and Water Development	5	232
Foreign Operations		
Interior	162	
Labor, HHS, Education		
Transportation and Related Agencies	349	
Treasury and General Government	1	
Veterans Affairs, HUD, Independent Agencies	250	1,412
Non-Defense Discretionary	255	2,306
Total Discretionary	255	2,609

BA Outlays	
Reductions in budget authority and outlays resulting from the use of the Presidential line item veto as of November 21, 1997, are included in OMB's final scoring of the bills as follows:	
Defense Discretionary:	
Defense	-164 -71
Military Construction	-387 -34
Treasury and General Government	-3 -3
Defense Discretionary	-454 -98
Non-Defense Discretionary:	
Agriculture and Rural Development	-3 -1
Energy and Water Development	-19 -10
Interior	-2 -2
Transportation and Related Agencies	-4 -3
Treasury and General Government	-5 -5
Veterans Affairs, HUD, Independent Agencies	-14 -4
Non-Defense Discretionary	-48 -35
Total Discretionary	-462 -133

The amounts listed above reflect the total amount of cancellations transmitted by the President as of November 21, 1997. The amounts shown above would change if any disapproval bills are enacted into law. Pursuant to Section 1024(b) of P.L. 104-190, the Line Item Veto Act, the discretionary spending caps would be adjusted in the subsequent report following ten calendar days (excluding Sundays) after the expiration of the time period (30 calendar days of certain) for expedited congressional consideration of a disapproval bill for a special message containing a cancellation of discretionary budget authority.

*Estimates include funding of \$100 million in BA and \$100 million in outlays for international average payments.

*Estimates include funding of \$200 million in BA and \$20 million in outlays for international average payments.

*Estimates include funding of \$250 million in BA and \$257 million in outlays for funding for Continuing Disability Reviews (CDRs).

*Estimates include funding of \$125 million in BA and \$132 million in outlays for EITC.

*Amounts reflect OMB's scoring of the bill as enacted. As of November 21, 1997, this bill had not yet been signed by the President.

*Estimates do not include effect of the Presidential line item veto authority because the time limit for the use of the line item veto had not yet expired as of the time the report was prepared.

Comparison of OMB and CBO discretionary limits.—Section 254(d)(5) of the REA requires that this report explain the differences between OMB and CBO estimates for discretionary spending limits. Table 5

compares OMB and CBO limits for 1997 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.

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

	1997	1998	1999	2000	2001	2002
Non-Defense Discretionary, Excluding Violent Crime Education						
CBO End-of-Session Report Limits:						
BA	N/A	253,897	255,699	N/A	N/A	N/A
OL	N/A	265,763	289,853	N/A	N/A	N/A
OMB End-of-Session Report Limits:						
BA	N/A	253,500	255,699	N/A	N/A	N/A
OL	N/A	265,689	289,873	N/A	N/A	N/A
Difference:						
BA	N/A	397	.....	N/A	N/A	N/A
OL	N/A	-82	-175	N/A	N/A	N/A

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

	1997	1998	1999	2000	2001	2002
Violent Crime Reduction						
CBO End-of-Session Report limits:						
BA	5,000	5,500	5,800	4,500	N/A	N/A
OL	3,936	3,592	4,953	5,554	N/A	N/A
OMB End-of-Session Report limits:						
BA	5,000	5,500	5,800	4,500	N/A	N/A
OL	3,936	4,833	4,953	5,554	N/A	N/A
Difference:						
BA					N/A	N/A
OL		1,241			N/A	N/A
Defense Discretionary						
CBO End-of-Session Report limits:						
BA	N/A	269,000	271,500	N/A	N/A	N/A
OL	N/A	267,124	266,566	N/A	N/A	N/A
OMB End-of-Session Report limits:						
BA	N/A	269,000	271,500	N/A	N/A	N/A
OL	N/A	267,124	266,566	N/A	N/A	N/A
Difference:						
BA	N/A			N/A	N/A	N/A
OL	N/A			N/A	N/A	N/A
General Purpose Discretionary Spending						
CBO End-of-Session Report limits:						
BA	534,735	N/A	N/A	N/A	N/A	N/A
OL	549,759	N/A	N/A	N/A	N/A	N/A
OMB End-of-Session Report limits:						
BA	534,735	N/A	N/A	N/A	N/A	N/A
OL	549,759	N/A	N/A	N/A	N/A	N/A
Difference:						
BA		N/A	N/A	N/A	N/A	N/A
OL		N/A	N/A	N/A	N/A	N/A
Non-Defense Discretionary Spending, Excluding Violent Crime Reduction¹						
CBO End-of-Session Report limits:						
BA	N/A	N/A	N/A	532,693	542,032	551,074
OL	N/A	N/A	N/A	559,539	564,565	560,877
OMB End-of-Session Report limits:						
BA	N/A	N/A	N/A	532,693	542,032	551,074
OL	N/A	N/A	N/A	559,538	564,565	560,879
Difference:						
BA	N/A	N/A	N/A			
OL	N/A	N/A	N/A	-1		-2

¹ 2001 and 2002 limits are Total Discretionary Spending Limits (i.e., limits include Violent Crime Reduction spending).

OMB and CBO have a slightly different estimate of budget authority for emergency funding enacted since February. For budget authority in 1998, the difference reflects the fact that CBO scores budget authority for contingent emergency appropriations in the fiscal year in which it is appropriated; OMB, by contrast, scores budget authority only for those contingent appropriations officially released by the President and designated by the President as emergency requirements. The 1998 Labor, Health and Human Services, Education and Related Agencies Appropriations bills included a \$300 million contingent emergency appropriation for the Low-Income Home Energy Assistance Program (LIHEAP).

In addition, the 1998 Commerce, Justice, State and Related Agencies Appropriations bill included \$7 million for the National Oceanic and Atmospheric program which CBO scored as an emergency appropriation. OMB scored this appropriation as regular discretionary spending.

OMB and CBO have different estimates of the spendout of outlays resulting from the cap adjustments listed above. OMB also estimates a higher spendout of violent crime reduction funding than does CBO. In order to avoid a sequester in this category, OMB uses the special outlay allowance to cover this additional estimated spending.

III. PAY-AS-YOU-GO SEQUESTRATION REPORT

Pay-as-you-go enforcement covers all 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 pay-as-you-go enforcement: Social Security, the Postal Service, legislation specifically designated as an emergency requirement, and legislation fully funding the Federal Government's commitment to protect insured deposits.

The BEA requires that, in total, receipts and direct spending legislation not increase the deficit. If such legislation does increase the deficit, 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 increase.

The BEA requires that, within seven working days of the enactment of direct spending or receipts legislation, 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. 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 deficit impact of such legislation.

Table 6 presents OMB estimates of pay-as-you-go legislation included in the individual bill reports issued through November 21, 1997. In total, these bills have reduced the deficit by \$11 million in FY 1998. Therefore, no sequestration of direct spending programs is required for FY 1998. The FY 1998 pay-as-you-go legislation not covered in this report will be included in the Preview Report issued in conjunction with the FY 1999 budget and in next year's end of session report. The \$11 million of savings for FY 1998 will, in effect, be removed from the pay-as-you-go scorecard and the 1998 impact of bills not included in this report will be combined with the totals for 1999. 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 shows preliminary OMB scoring of legislation that is pending enactment or on which OMB has not issued a final seven day report.

Comparison with CBO estimates.—The BEA requires that OMB explain differences with CBO estimates of enacted pay-as-you-go legislation. Because CBO uses as its starting point the estimates published in the *OMB Sequestration Update Report to the President and Congress*, issued on September 5, the difference is only for legislation enacted since then. The only difference in scoring of bills since that report was a minor one in the Treasury, Postal Appropriations bill. Table 6 shows legislation with impacts greater than \$500,000.

Table 6. DEFICIT IMPACT OF PAY-AS-YOU-GO LEGISLATION REPORTED ON BY OMB AS OF NOVEMBER 21, 1997
(In millions of dollars)

Report Number	Act Title	1997	1998	1999	2000	2001	2002	1997-2002
Legislation enacted prior to the 106th Congress								
1 to 391								
	OMB estimate	-6,236	-3,466	-6,449	-8,470	-9,268	-11,078	-44,966
	CBO estimate	-1,465	-7,865	-9,808	-13,508	-14,343	-16,794	-63,801
Legislation enacted in the 1st session of the 106th Congress¹:								
392	P.L. 106-2 H.R. 668	-2,408	0					-2,418
	OMB estimate	-2,730	64					-2,676
	CBO estimate	-2,408	0					-2,418
Balance prior to the Balanced Budget and Taxpayer Relief Act:								
	OMB estimate	-3,408	-3,475	-6,449	-8,470	-9,268	-11,078	-41,144
	CBO estimate	-2,730	-7,811	-9,808	-13,508	-14,343	-16,794	-64,892
Adjustment required by Budget Enforcement Act of 1997:²								
	OMB estimate	2,408	3,475	6,449	8,470	9,268	11,078	41,144
	CBO estimate	2,730	7,811	9,808	13,508	14,343	16,794	64,892
New balances following enactment of Balanced Budget and Taxpayer Relief Act:³								
	OMB estimate							
	CBO estimate							
408	P.L. 106-53 S. 969				1	1	2	1
	OMB estimate				1	1	2	1
	CBO estimate				1	1	2	1
410	P.L. 106-46 S. 871					6	6	1
	OMB estimate					-11	6	1
	CBO estimate					-11	6	1
NA	P.L. 106-41 H.R. 3378							
	OMB estimate							
	CBO estimate							
	OMB does not consider this bill to be subject to pay-as-you-go.							
		4	35	37	37	37	38	151
Total, current account:								
	OMB estimate	0	-11	6	6	6	3	5
	CBO estimate		-7	41	43	40	39	156
Current pay-as-you-go balance:								
	OMB estimate	0	-11	6	6	6	3	5
	CBO estimate		-7	41	43	40	39	156

¹ Less than \$500,000
² Excludes bills that increased or decreased the deficit by less than \$500,000 in each year 1997 through 2002 under both OMB and CBO scoring. These Acts are listed in Table 7 and are included in the totals in this table.
³ Section 10213 of the Budget Enforcement Act of 1997 included in the Balanced Budget Act requires that OMB reduce the balances on the pay-as-you-go account to zero. That section also directs that OMB not include the deficit impact of the reconciliation bills on the account.

Table 7. PAY AS YOU GO LEGISLATION WITH IMPACT OF \$500,000 OR LESS ENACTED SINCE THE BALANCED BUDGET ACT OF 1997

Report Number	Act Number	Act Title
399	P.L. 105-35 (H.R. 1225)	Taxpayer Browsing Protection Act
400	P.L. 105-38 (S. 670)	Elimination of Special Citizenship Transition Rules Applicable to Certain Children Born Outside the United States
401	Pvt. L. 105-2 (H.R. 584)	Private Relief for John Wesley Davis
402	P.L. 105-40 (H.R. 1944)	Warner Canyon Ski Hill Land Exchange Act of 1997
403	P.L. 105-41 (H.R. 1585)	Stamp Out Breast Cancer Act
404	P.L. 105-42 (H.R. 408)	International Dolphin Conservation Program Act
405	P.L. 105-49 (H.R. 111)	Dos Palos, CA Land Conveyance
406	P.L. 105-50 (H.R. 680)	Transfer of Surplus Property to State and Local Governments and Nonprofit Organizations for Certain Purposes
407	P.L. 105-51 (H.R. 2248)	Congressional Gold Medal for Ecumenical Patriarch Bartholomew
409	P.L. 105-54 (S. 1198)	Immigration-Related Amendments
411	P.L. 105-73 (H.R. 2464)	International Adoption Vaccination Requirement Exemption
412	P.L. 105-74 (S. 587)	Hinsdale County, CO. Land Exchange
413	P.L. 105-76 (S. 589)	Raggeds Wilderness Boundary Adjustment
414	P.L. 105-79 (H.R. 79)	Hoopa Valley Reservation Boundary Adjustment
415	P.L. 105-80 (H.R. 672)	Copyright Amendments
416	P.L. 105-81 (H.R. 708)	Grand Teton National Park Grazing Study

Table 8. PRELIMINARY ESTIMATES OF LEGISLATION PENDING OMB PAYGO REPORTS OR ENACTMENT
(Deficit impact in millions of dollars)

	1998	1999	2000	2001	2002	2003	Total
Balances, End of Session report ¹		6	6	3	1		16
Enacted or pending Presidential signature—not yet reported on by OMB:							
H.R. 1119 Defense Authorization Bill	-156	3	10	15	-4	-24	-156
S. 1519 Six-month ISTEA Extension		-1	-7	-18	-30	-45	-101
H.R. 867 Adoption and Safe Families Act	-1		3	11	40	76	129
S. 1228 50 States Commemorative Coin Act	1	-3	-1	-3	-4	-4	-14
S. 1139 Small Business Reauthorization Act	3	4	4	4	4	3	22
S. 714 Veterans' Benefits Act				1	1	*	3
H.J.R. 91 Apalachicola-Chattahoochee-Flint River Basin Compact							
H.J.R. 92 Alabama-Coosa-Tallapoosa River Basin Compact							
H.R. 1090 Revision of Decisions Based on Error	*	*	*	*	*	*	*
H.R. 1377 Retirement Savings Act of 1997							
H.R. 1658 Atlantic Striped Bass Act Amendments	0	0	0	0	0	0	0
H.R. 1787 Asian Elephant Conservation Act							
H.R. 2265 No Electronic Theft Act	0	0	0	0	0	0	0
H.R. 2367 Veterans' Compensation Rate Amendments							
H.R. 2813 Congressional Medal of Honor to R. Ingram							
H.R. 2979 Authorization of Real Property Acquisition	-2	2					
H.R. 3034 Customs User Fees Authorization							
S. 156 Lower Brule Sioux Tribe Infrastructure Development Act			1	2	3	3	9
S. 813 Veterans' Cemetery Protection Act	0	0	0	0	0	0	0
S. 923 Veterans' Benefits Denial Act of 1997	*	*	*	*	*	*	*
S. 1193 Aviation Insurance Reauthorization Act	0						0
S. 1665 Technical Corrections to the NACAR Act	0	0	0	0	0	0	0
Subtotal, balances and reports not issued as of 11/21/97 ¹	-155	5	11	12	9	9	-108

*\$500,000 or less.

¹The 1998 balances of -\$11 million shown in Table 6 are no longer available to offset future legislation.