

used to compute the spendout of the "Special Budget Authority Allowance" for those two categories, both to calculate an upward cap adjustment and a decrease in the available "Special Outlay Allowance" by the same amount. In the bill, the use of a composite outlay rate applies only to the simplified calculation of an inflation adjustment; the Special Budget Authority Allowance is dispensed with, and the Special Outlay Allowance is handled in other ways.

In section 250(b)(19), the definition of "asset sale" is limited to non-loan assets since credit reform accounting now handles loan asset sales. This codifies the existing treatment.

Senate Amendment

The Senate amendment makes no changes to section 250 of the Gramm-Rudman-Hollings Act.

Conference Agreement

The House recedes.

2. DISCRETIONARY SPENDING LIMITS (SECTION 251 OF GRAMM-RUDMAN-HOLLINGS)

Current Law

The Budget Enforcement Act of 1990 established discretionary spending limits for fiscal years 1991 through 1995 in section 601(a)(2) of the Congressional Budget Act of 1974. The limits on discretionary budget authority and discretionary outlays are used for spending control under section 251 of the Gramm-Rudman-Hollings Act and are enforceable by the sequestration process. The Budget Enforcement Act of 1990 divides total discretionary spending into three categories—defense, international, and domestic—for fiscal years 1991 through 1993. For fiscal years 1994 and 1995, the limits apply to total discretionary budget authority and total discretionary outlays.

Additionally, section 601(b) of the Congressional Budget Act of 1974 creates a point of order in the Senate against the consideration of any budget resolution or appropriations bill that violates the discretionary spending limits.

Section 251 of the Gramm-Rudman-Hollings Act sets forth a detailed procedure for the periodic, automatic adjustment of the discretionary spending limits. Adjustments are made for various factors, including (among others) changes in accounting concepts and inflation, quota increases for the International Monetary Fund, funding increases for the compliance initiative of the Internal Revenue Service, and emergency spending if so designated by the President and Congress.

Section 251 also provides: (1) that a within-session sequester may occur prior to July 1 during a fiscal year, but after that date the amount of the breach is dealt with in the subsequent fiscal year; and (2) that sequestration reductions must be applied uniformly (at the account and, if appropriate, activity level).

House Bill

The House bill continues the use of adjustable discretionary limits ("caps"). They initially are set forth in a new section 601 of the Congressional Budget Act of 1974, and cover the period 1994-1998. The current limits for fiscal years 1994 and 1995 are revised and new limits are established for fiscal years 1996 through 1998 (see table below). Those limits are consistent with the fiscal year 1994 budget resolution, H. Con. Res. 64 (103d Congress), adopted by the House on March 31, 1993, and by the Senate on April 1. As is the case under current law, separate limits are established each year for total discretionary budget authority and outlays.

Consistent with the budget resolution, the bill reduces the current budget authority limits for fiscal years 1994 and 1995 by almost \$27 billion. It sets the outlay limits equal to those stated in OMB's most recent preview report plus the outlays flowing from the existing "Special Budget Authority Allowance" (section 251(b)(2)(E)(i) and (ii) of current law, as made applicable to fiscal years 1994 and 1995 under the last sentence of the current section 253(g)(1)(B)). This allows the deletion, as obsolete, of those provisions.

Current law, the House bill, and the Senate amendment have the same outlay limits for fiscal years 1994 and 1995. In the table below, the current and Senate outlay limits appear lower than those in the House bill only because they do not yet reflect the outlays from the "Special Budget Authority Allowance," an adjustment that will be made at the end of the session. The House bill and Senate amendment have the same budget authority and outlay limits for fiscal years 1996-1998.

Unlike the current process (in which adjustments are made in the limits when the President submits his budget and when the OMB Director issues a final sequestration report for the year), the bill allows adjustments to be made whenever appropriate. Further, all references to adjustments for fiscal years 1991-1993 are dropped as obsolete.

A "discretionary scorecard" is added by the bill. The scorecard captures the multiyear effects of individual appropriation Acts (as well as any sequester that occurs), listed by fiscal year. This provision codifies existing practice, and allows a clearer explanation of scorekeeping and enforcement under section 251.

In subtitle B, the bill remains with modifications (in a new section 602) the former section 606(d)(2) of the Congressional Budget Act. That section of the Congressional Budget Act reflects the fact that some adjustments to the discretionary limits are contingent upon enactment of appropriations for specific purposes. Those adjustments have the effect of "holding harmless" for some or all of those specific appropriations. In Congress, the analogous way to "hold harmless" is to not score those costs, which is what the existing section 606(d)(2) provides. The new section 602 simply conforms that approach to subtitle A.

In specific, the House bill provides for the following:

In section 251(b)(1), adjustments are required for changes in accounting concepts, as in current section 251(b)(1)(A). The purpose of this provision of current law is to ensure that discretionary programs are neither unfairly squeezed or given an inappropriate windfall. This is accomplished by adjusting the limits upward or downward to the extent that a change in what is scored as "discretionary" is just a deficit-neutral accounting change. Such a change can occur when, for example, accounting concepts are altered by the scorekeepers. The House bill makes clear that a change in accounting concepts also includes changes in scorekeeping conventions, classifications, and definitions.

An accounting change can also occur when a new law has the effect of changing the way an existing budgetary transaction should be scored, even under current accounting concepts. For example, a new law might make an existing discretionary program mandatory, or vice versa. But it is not always obvious whether such a law is establishing a new program or, in effect, reclassifying an existing one. Therefore, if (for example) Congress intends to convert an existing discretionary

program to mandatory, it should provide legislative history that the new law is intended as a "change in budget classifications" under section 251(b)(1). If so, the limits are changed by the baseline amount of that program (as it existed before the bill), and savings or costs are entered on the pay-as-you-go scorecard only to the extent that they are decreased or increased by the bill. If not (i.e. if the intent is to create a new program that does not replace an existing program), the limits are not changed. Scorekeepers should give weight to Congressional intent in judging whether a reclassification has occurred.

Treatments of reclassifications are addressed in the scorekeeping rules, in part to explain the discretionary and pay-as-you-go rules that scorekeepers should follow when faced with a law that has the effect of reclassifying an existing budgetary transaction, and in part to cover the period after the enactment of the law that will generate the reclassification. The latter is needed because, under existing law, reclassifications cannot generate cap adjustments until the next session's "preview report." One purpose of the House bill is to allow cap adjustments during the immediate session.

In section 251(b)(2), the bill provides for increases or decreases to the limits if actual inflation differs from inflation as projected at the time of the fiscal year 1994 budget resolution. This is the same approach taken by current law in section 251(b)(1)(B). The bill simplifies the calculation by allowing the budget authority limit to be adjusted directly to reflect any observed change in inflation, and the outlay limit to be changed by the average composite spend out of the budget authority change. (Current law required making a baseline projection using two different sets of inflators, and treating the resulting budget authority and outlay differences as the amount by which the limits should be changed.)

The House bill also resolves the question, under current law, of whether a change in inflation applies to the entire amount of the limits or just to the "non-pay" amount; under the House bill, changes in inflation apply to the entire amount of the limits.

Finally, the bill establishes benchmark levels of "expected inflation" for the fiscal year 1996-98 cycles consistent with levels for the GDP fixed-weight deflator assumed in the fiscal year 1994 budget resolution. It also rebases the expected fiscal year 1993 benchmark (which will produce the inflation adjustment occurring with the fiscal year 1995 Budget) at the level assumed in that budget resolution.

The current section 251(b)(1)(C), allowing adjustments if OMB changes its estimates of the amount of subsidy budget authority needed to finance a given volume of direct or guaranteed loans, is deleted. Those adjustments have proven very complex, and have had very little effect on the total levels of the limits.

The current section 251(b)(2)(B), providing adjustments if appropriations were enacted in 1990 or 1991 forgiving any part of Egypt or Poland's debt to the US, is deleted as obsolete.

In section 251(b)(3), the bill provides an adjustment to the budget authority limit if a "replenishment" of the International Monetary Fund quota is enacted in an appropriation Act. This extends through 1998 a similar provision of current law, section 251(b)(2)(C). There are no outlays associated with such an appropriation, and many analysts do not consider it to be budget authority; it is akin to an equal-value exchange of lines of credit.