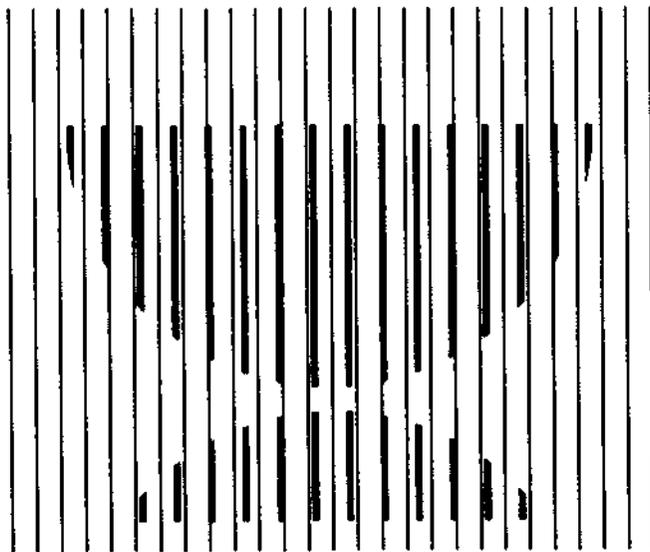


# **CBO STAFF MEMORANDUM**

**CURRENT STATUS OF THE BIPARTISAN BUDGET  
AGREEMENT AND THE CONGRESSIONAL BUDGET  
RESOLUTION FOR FISCAL YEAR 1990**

May 1990



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This Congressional Budget Office Staff Memorandum reviews the implementation of the bipartisan budget agreement between the President and the joint leadership of the Congress for fiscal year 1990 and also the 1990 Congressional budget resolution. The memorandum was prepared by James L. Blum with the assistance of Priscilla M. Aycok, Glen S. Goodnow, and Paul N. Van de Water. Questions regarding the memorandum should be addressed to James L. Blum at 226-2800.

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## INTRODUCTION AND SUMMARY

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The Balanced Budget Act deficit target for fiscal year 1990 is \$100 billion. The Administration and the Congressional leadership agreed to a \$28 billion deficit reduction plan in April 1989 that purported to meet this target. In the following month, the bipartisan budget agreement was embodied in the Congressional budget resolution for 1990. One year later, in April 1990, the Department of the Treasury reported that the budget deficit for the first six months of fiscal year 1990 (October 1989-March 1990) was \$150.9 billion. The Congressional Budget Office a few months earlier had projected that the 1990 deficit would be \$159 billion. It is now clear that the \$100 billion deficit target will not be met and, in fact, will be missed by a wide margin. This memorandum reviews the reasons why the 1990 deficit will be higher than planned and, in particular, examines the extent to which the bipartisan budget agreement and the Congressional budget resolution have been implemented.

Two different analytical approaches are used. The first approach uses changes in CBO baseline projections for 1990 during the past year that have been reported in various CBO publications--the August 1989 economic and budget outlook update report, the January 1990 annual economic and budget outlook report, and the March 1990 CBO analysis of the President's 1991 budget. In each of these publications, changes in CBO baseline estimates since the previous report are itemized in terms of enacted legislation, economic reestimates, and technical reestimates.

Changes in CBO baseline estimates since February 1989 indicate that only \$9 billion of the planned \$28 billion in deficit reductions for fiscal year

1990 were actually accomplished. The principal reasons for the \$19 billion shortfall in planned deficit reductions are the unexpected repeal of the catastrophic health insurance program; the enactment of the savings and loan bailout legislation; unplanned spending for drought relief and disaster assistance; and unrealized assumptions for new asset sales, user fees, and other offsetting collections. Economic and technical reestimates since February 1989 add another \$41 billion to the projected 1990 deficit in the latest CBO baseline projections, with the expected costs of resolving the savings and loan problem contributing the largest portion of the reestimates.

A second approach to measuring the results of the budget agreement is provided by CBO scorekeeping tabulations for the 1990 Congressional budget resolution. These tabulations are prepared frequently for the Budget Committees, which use them to help enforce the budget resolution targets. These tabulations use the same economic and technical estimating assumptions that were employed for the budget agreement and the budget resolution and provide a basis for gauging the success in implementing the 1990 budget plan through legislative actions.

The CBO scorekeeping tabulations also show that the Congress failed to implement fully the budget agreement, but by somewhat different amounts than shown by changes in CBO baseline projections. Under the CBO scorekeeping tabulations, the current deficit level exceeds the budget resolution by \$9.2 billion to \$11.4 billion (the House and Senate have different interpretations of the current deficit level), which is less than the \$19.0 billion estimated shortfall in planned deficit reductions derived from

changes in CBO baseline projections. The differences in the two analytical approaches can be attributed to different scorekeeping conventions and to the use of different starting points in measuring the budgetary impact of enacted legislation.

#### BIPARTISAN BUDGET AGREEMENT

The Administration and the Congressional leadership agreed to a deficit reduction plan on April 4, 1989, to meet the \$100 billion deficit target of the Balanced Budget Act for fiscal year 1990. This agreement was subsequently embodied in the concurrent resolution on the budget for 1990 that was adopted by the Congress in May 1989. The budget agreement called for \$28 billion in deficit reductions, as measured from a baseline that consisted of CBO's baseline with an adjustment to accept the more optimistic economic and technical assumptions contained in the Administration's budget. The deficit reduction plan and the estimated budget levels for 1990 are summarized in the appendix to this memorandum. Full implementation of the budget agreement was estimated to produce a budget deficit of \$99.4 billion for 1990. Under CBO's economic and technical assumptions at the time of the agreement, however, the plan would have resulted in a deficit of \$119.4 billion, or \$20 billion higher than the deficit called for by the agreement.

The current CBO baseline estimate of the 1990 deficit is \$159 billion, which is \$59.6 billion higher than the budget agreement target. This estimate, which was reported in the CBO March 1990 analysis of the President's budget for 1991, includes the estimated effect of all legislation

enacted during calendar year 1989 as well as CBO's projections of receipts and outlays under current law, including the costs of resolving the thrift problem. Roughly a third of the higher deficit--\$19.0 billion--can be attributed to the failure to implement fully the budget agreement and to the enactment of legislation that was not foreseen by the agreement. The remaining portion of the higher deficit--\$40.6 billion--results from various CBO economic and technical reestimates, almost half of which were projected by CBO when the agreement was reached. The cumulative deficit for the first half of the fiscal year (October 1989-March 1990) was reported by the Department of the Treasury to be \$150.9 billion, which is consistent with CBO's current baseline estimate.

Table 1 compares the current CBO baseline estimates for 1990 with the budget agreement targets and identifies the source of major differences. The differences are drawn from changes in CBO baseline projections during the past year (see the August 1989 economic and budget outlook update report, the January 1990 annual economic and budget outlook report, and the CBO analysis of the President's 1991 budget). Changes in CBO baseline estimates are reported in terms of the effect of enacted legislation, changes in economic assumptions, and technical reestimates. The table shows that--in addition to the shortfall in policy savings--the major reason for the higher 1990 deficit now estimated by CBO is the projected cost of deposit insurance, including bank failures but primarily the cost of resolving the savings and loan problem. These costs account for \$36.4 billion of the economic and technical reestimates. Net interest costs and Social Security benefit payments also will be higher in 1990 than contemplated for the

budget agreement, largely because interest rates are higher than projected a year ago and the January 1990 cost-of-living adjustment (COLA) for Social Security was 4.9 percent rather than 3.6 percent as assumed by the budget agreement.

Table 2 compares the deficit reduction plan for 1990 and actual accomplishments as reflected in CBO's current baseline estimates. It shows that \$8.8 billion of the shortfall in planned deficit reductions occurred in

TABLE 1. BUDGET AGREEMENT TARGETS AND CURRENT CBO BASELINE ESTIMATES FOR FISCAL YEAR 1990 (In billions of dollars)

	Revenues	Outlays	Deficit
Budget Agreement Targets	1,065.7	1,165.2	99.4
Current CBO Estimates (March 1990) <sup>a</sup>	1,066.9	1,225.9	159.0
Difference	1.2	60.7	59.6
Source of Difference			
Policy differences	-6.5	12.5	19.0
Economic and technical reestimates			
Estimated receipts	7.6	0	-7.6
Deposit insurance	0	36.4	36.4
Net interest	0	4.7	4.7
Social Security	0	2.1	2.1
Other	0	5.0	5.0
Total reestimates	7.6	48.2	40.6

Source: Congressional Budget Office.

- a. The budget figures include Social Security, which is off-budget but is counted for purposes of the Balanced Budget Act targets. For comparability with the targets, the CBO estimates exclude \$2.4 billion in estimated net outlays by the Postal Service, which is also off-budget.

TABLE 2. DEFICIT REDUCTION PLAN FOR 1990 AND ACTUAL ACCOMPLISHMENTS (In billions of dollars)

	Plan <sup>a</sup>	Actual	Shortfall from Plan (-)
<b>Revenues</b>			
Revenue measures	5.3	-1.2	-6.5
IRS compliance	0.5	0.5	0
User fees and offsetting collections	<u>2.7</u>	<u>0.3</u>	<u>-2.4</u>
Subtotal, revenues	<u>8.5</u>	<u>-0.3</u>	<u>-8.8</u>
<b>Spending</b>			
Defense	4.2	3.7	-0.5
International discretionary	0.0	0.3	0.3
Domestic discretionary	0.3	-2.1	-2.4
<b>Entitlements/Mandatory</b>			
Medicare	2.7	5.4	2.7
Agriculture	1.9	0.7	-1.2
Veterans' loan sales	0.5	0.5	0
Federal pension and postal reform	1.1	1.0	-0.1
Other entitlements <sup>b</sup>	<u>0.6</u>	<u>-4.1</u>	<u>-4.7</u>
Subtotal, entitlements	<u>6.8</u>	<u>3.6</u>	<u>-3.2</u>
Pay offset	-0.4	-0.1	0.3
Postal Service off-budget <sup>c</sup>	1.8	1.8	0
Debt service	<u>1.1</u>	<u>0.2</u>	<u>-0.9</u>
Subtotal, spending	<u>13.8</u>	<u>7.3</u>	<u>-6.5</u>
Asset Sales	<u>5.7</u>	<u>2.0</u>	<u>-3.7</u>
Total Deficit Reduction	28.0	9.0	-19.0

Source: Congressional Budget Office.

Note: Deficit reductions are revenue increases and spending decreases. A negative entry in the "actual" column signifies either a revenue decrease or a spending increase from the budget agreement baseline.

- CBO estimates of the deficit reduction plan as shown in the appendix.
- Includes deposit insurance.
- The plan assumed that the Postal Service would be removed from the budget and also excluded from the Balanced Budget Act sequestration calculations. The CBO estimate of net Postal Service outlays for 1990 at the time of the agreement was \$1.8 billion. CBO's current estimate is \$2.4 billion; the \$0.6 billion difference is treated as a technical reestimate in Table 1.

revenues, another \$6.5 billion in spending, and \$3.7 billion in asset sales. The major reasons for the shortfall in planned revenue increases are the unexpected repeal of the catastrophic health insurance program and the failure to enact all of the planned user fee proposals. The shortfall in planned spending reductions can be attributed largely to the provision of funds for resolving the savings and loan problem, which was not covered by the agreement, and for unexpected drought relief and disaster assistance. Most of the funds provided by the savings and loan legislation for 1990 was in the form of off-budget borrowing, so that the budget impact attributed to enacted legislation in CBO's baseline was only \$3.7 billion. Subsequent changes in the CBO baseline for the costs of resolving the savings and loan problem are categorized as technical reestimates.

Another distribution of the deficit reduction shortfall is shown in Table 3. This table shows that about \$11 billion, or 55 percent, of the shortfall in planned deficit reductions can be attributed to the repeal of the catastrophic health insurance program, the enactment of the savings and loan bailout legislation, and the provision of funds for drought relief and disaster assistance. Another 32 percent can be attributed to the shortfall in planned asset sales and additional user fees and offsetting collections. Asset sales and user fee proposals are frequently promised in deficit reductions plans but are rarely achieved.

When viewed in the terms of the budget agreement, the shortfall in planned deficit reductions is not surprising. The budget agreement ignored the savings and loan problem. The need for additional spending for drought

relief and two major natural disasters (Hurricane Hugo and California's Loma Prieta earthquake) understandably was not foreseen by the budget agreement negotiators. Also, the repeal of the catastrophic health insurance program was not anticipated during the negotiations. In fact, as discussed in more detail in the following section, the Congress enacted most of the deficit reduction proposals included in the budget resolution's reconciliation instructions, and the Appropriations Committees hewed to their spending allocations.

Only a small portion of the enacted deficit reduction measures, however, provided permanent savings. Many were one-time savings, such as

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TABLE 3. SHORTFALL IN 1990 DEFICIT REDUCTIONS UNDER THE BUDGET AGREEMENT (In billions of dollars)

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	Revenues	Outlays	Deficit
Repeal of Catastrophic Health Insurance	-7.0	-2.3	4.7
Savings and Loan Legislation	0.6	4.3	3.7
Drought Relief and Disaster Assistance	0	2.2	2.2
Shortfall in Asset Sales	0	3.7	3.7
Shortfall in User Fees and Other Offsetting Collections	0	2.4	2.4
Shortfall in Debt Service Savings	0	0.9	0.9
Other	<u>-0.1</u>	<u>1.5</u>	<u>1.5</u>
Total Shortfall	-6.5	12.5	19.0

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SOURCE: Congressional Budget Office.

asset sales, and several other measures involved shifting revenues or outlays from one fiscal year to another to lower the 1990 deficit. Putting the Postal Service fund off-budget produced savings only in an accounting sense. Moreover, it was generally admitted during the negotiations that the economic assumptions used for the budget agreement were overly optimistic. The need to resolve the savings and loan problem was known, but the potential costs of the savings and loan bailout were not clear at the time of the negotiations and are still very uncertain. The \$5.7 billion in asset sales and \$2.7 billion in user fee proposals, however, were suspect from the beginning. None of the asset sales proposals (aside from a proposed change in veterans' loan sales) and few user fee proposals, for example, were included in the budget resolution's reconciliation instructions. In any event, the \$5.7 billion in new asset sales would not have counted as a deficit reduction under the Balanced Budget Act.

In the end, most of the unexpectedly high deficit for 1990 can be attributed to the savings and loan problem. The costs of resolving this problem will cloud the budgetary landscape for the next several years and could wreak havoc with achieving future Balanced Budget Act deficit targets. For some time, CBO has argued that the spending by the Resolution Trust Corporation (RTC) should be included in the budget totals but largely excluded from the Balanced Budget Act calculations. The rationale for the exclusion is that such spending does not affect national saving or consumption, unlike most recurrent federal expenditures. Excluding most RTC activities from the deficit calculations in the Balanced Budget Act also would be consistent with the exclusion of asset sales under the act.

## CBO SCOREKEEPING TABULATIONS FOR THE 1990 BUDGET RESOLUTION

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Another way of reviewing the results of the budget agreement for 1990 is provided by the CBO "current-level" scorekeeping reports of the 1990 budget resolutions for the Budget Committees. The 1990 budget resolution incorporated all of the major policy proposals included in the April 1989 budget agreement, and also included a provision for savings and loan legislation. The CBO scorekeeping reports show the estimated level of revenues and outlays under current law, taking account of legislation enacted to date and using the same economic and technical estimating assumptions as were employed for the budget agreement and the Congressional budget resolution (unlike the baseline estimates, which include revisions in economic and technical assumptions). Thus, any differences between current levels and the resolution targets can be attributed to inaction on planned deficit reduction efforts or to other legislation.

The CBO scorekeeping tabulations for the 1990 budget resolution as of April 1990 are summarized in Table 4. Under House scoring, the current-level deficit exceeds the budget resolution target by \$11.4 billion; but under Senate scoring, the current-level deficit exceeds the resolution target by only \$9.2 billion. The difference in the House and Senate current-level deficits results from different scoring for the defense and disaster assistance appropriations. The way in which these numbers relate to the \$19 billion shortfall in deficit reductions shown in Table 2 is discussed later in the memorandum.

The shortfall in revenues against budget resolution targets shown in Table 4 can be attributed to the repeal of the catastrophic health insurance program. In the CBO scorekeeping tabulations, the repeal lowers revenues by \$5.8 billion (compared with \$7.0 billion in the latest CBO baseline estimates, with the difference attributable to estimating against different baselines). The savings and loan legislation--the Financial Institutions Reform, Recovery, and Enforcement Act--added \$0.6 billion in revenues. On the outlay side, the \$6.2 billion overage in the House and the \$4.0 billion overage in the Senate can be attributed to such items as the savings and loan legislation, drought relief, and disaster assistance.

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TABLE 4. CBO SCOREKEEPING TABULATIONS FOR THE 1990 BUDGET RESOLUTION, AS OF APRIL 1990 (In billions of dollars)

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	Revenues	Outlays	Deficit
Budget Resolution Targets	1,065.5	1,165.2	99.7
House Current Level	1,060.3	1,171.4	111.1
Senate Current Level	1,060.3	1,169.2	108.9
Current Levels Compared with Budget Resolution			
House	-5.2	6.2	11.4
Senate	-5.2	4.0	9.2

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SOURCE: Congressional Budget Office.

Table 5 provides a breakdown of the House current-level outlays by committees with spending jurisdictions, and Table 6 does the same for Senate committees. In these tabulations, the savings from sequestration are not assigned to committees. The House Appropriations Committee has exceeded its resolution allocation for discretionary outlays by \$2.6 billion.

TABLE 5. HOUSE CURRENT-LEVEL OUTLAYS BY COMMITTEE, AS OF APRIL 1990 (In billions of dollars)

	Resolution	Current Level	Over/ Under(-)
<b>Appropriations</b>			
Discretionary	498.1	500.7	2.6
Mandatory	<u>160.0</u>	<u>161.8</u>	<u>1.8</u>
Subtotal	<u>658.1</u>	<u>662.5</u>	<u>4.4</u>
<b>Authorizing Committees</b>			
Agriculture	14.1	14.7	0.6
Armed Services	32.8	32.9	0.2
Banking, Finance	4.2	7.9	3.6
Energy and Commerce	12.1	12.4	0.3
Interior	1.1	1.3	0.2
Merchant Marine	0.3	0.5	0.2
Post Office and Civil Service	42.6	42.7	a
Ways and Means	648.2	646.9	-1.3
All other	<u>13.6</u>	<u>13.6</u>	<u>a</u>
Subtotal	<u>769.0</u>	<u>772.8</u>	<u>3.8</u>
<b>Unassigned</b>			
Sequestration	0	-3.4	-3.4
Other	<u>-261.9</u>	<u>-260.5</u>	<u>1.4</u>
Subtotal	<u>-261.9</u>	<u>-263.9</u>	<u>-2.0</u>
<b>Total Outlays</b>	<b>1,165.2</b>	<b>1,171.4</b>	<b>6.2</b>

SOURCE: Congressional Budget Office.

a. Less than \$50 million.

Of this amount, \$1.4 billion is for defense outlays (the House Budget Committee is not giving any scorekeeping credit for shifting funds from operations and maintenance accounts to procurement accounts) and the remainder for disaster assistance. In the Senate, the Appropriations

TABLE 6. SENATE CURRENT-LEVEL OUTLAYS BY COMMITTEE, AS OF APRIL 1990 (In billions of dollars)

Committee	Resolution	Current Level	Over/ Under(-)
<b>Appropriations</b>			
Discretionary	498.1	498.4	0.4
Mandatory	<u>160.1</u>	<u>161.8</u>	<u>1.8</u>
Subtotal	<u>658.1</u>	<u>660.2</u>	<u>2.1</u>
<b>Authorizing Committees</b>			
Agriculture	14.0	14.6	0.5
Armed Services	32.8	32.9	0.2
Banking	4.1	7.7	3.6
Commerce	-0.2	0.2	0.4
Energy and Natural Resources	1.0	1.2	0.2
Environment and Public Works	5.5	0.9	0.4
Finance	657.8	656.5	-1.3
Governmental Affairs	42.7	42.7	a
All other	<u>16.1</u>	<u>16.1</u>	<u>a</u>
Subtotal	<u>768.7</u>	<u>772.8</u>	<u>4.1</u>
<b>Unassigned</b>			
Sequestration	0	-3.4	-3.4
Other	<u>-261.6</u>	<u>-260.5</u>	<u>1.1</u>
Subtotal	<u>-261.6</u>	<u>-263.9</u>	<u>-2.3</u>
<b>Total Outlays</b>	<b>1,165.2</b>	<b>1,169.2</b>	<b>4.0</b>

SOURCE: Congressional Budget Office.

a. Less than \$50 million.

Committee has exceeded its allocation for discretionary outlays by only \$0.4 billion because of the different scoring treatment for defense and disaster assistance appropriations. The \$1.8 billion overage for mandatory appropriations shown in Tables 5 and 6 is largely for the savings and loan bailout.

The authorizing committees have exceeded their outlay allocations under the budget resolution by \$3.8 billion in the House and by \$4.1 billion in the Senate, almost all of which can be attributed to the savings and loan legislation. Unexpected outlays for drought relief charged to the Agriculture Committees and a shortfall in reconciliation savings are roughly offset by the repeal of catastrophic health insurance.

Tables 7 and 8 provide a scorekeeping tabulation for the House and the Senate deficit reductions to be achieved through reconciliation. The tables include the savings credited toward the reconciliation instructions in the Omnibus Budget Reconciliation Act of 1989 as well as in other legislation. By this accounting, which excludes the savings from sequestration, the Congress came very close to achieving its reconciliation targets. These scorekeeping tabulations, however, excluded various positive spending initiatives included in the Reconciliation Act and other legislation, which are reflected in the current-level outlays in Tables 5 and 6.

TABLE 7. RECONCILIATION DEFICIT REDUCTIONS FOR FISCAL YEAR 1990, BY HOUSE COMMITTEE (In millions of dollars)

Committee	Reconciliation Instructions	Deficit Reductions		Total
		Reconciliation Act	Related Acts	
Agriculture	1,088	995	25 <sup>a</sup>	1,020
Banking, Finance and Urban Affairs	187	0	190 <sup>b</sup>	190
Education and Labor	40	45 <sup>d</sup>	0	45
Energy and Commerce <sup>c</sup>	2,699	2,365	0	2,365
Government Operations <sup>c</sup>	1,770	1,770	0	1,770
Interior and Insular Affairs <sup>c</sup>	299	53	0	53
Merchant Marine and Fisheries	200	7	0	7
Post Office and Civil Service <sup>c</sup>	2,870	2,726	125 <sup>e</sup>	2,851
Veterans' Affairs <sup>c</sup>	666	496	215 <sup>f</sup>	711
Ways and Means <sup>c</sup>	8,000	7,593	568 <sup>g</sup>	8,161
Total Deficit Reduction	13,450	11,930	1,123	13,053

SOURCE: Congressional Budget Office.

- a. Dairy Act.
- b. Flood and Crime Insurance Reauthorization.
- c. Joint jurisdiction, savings counted only once in total savings.
- d. Excludes an increase of \$151 million in outlays for Medicaid because a \$200 million increase was assumed in the budget resolution.
- e. Performance Management and Recognition System Reauthorization Act.
- f. Interim Extension of Certain Veterans' Programs Act (\$28 million); and Veterans' Benefits Amendments Act (\$187 million).
- g. Financial Institutions Reform, Recovery, and Enforcement Act.

TABLE 8. RECONCILIATION DEFICIT REDUCTIONS FOR FISCAL YEAR 1990, BY SENATE COMMITTEE (In millions of dollars)

Committee	Reconciliation Instructions	Deficit Reductions		
		Reconciliation Act	Related Acts	Total
Agriculture	1,020	995	25 <sup>a</sup>	1,020
Banking	187	0	190 <sup>b</sup>	190
Commerce	450	15	0	15
Environment and Public Works	450	60	0	60
Finance	8,068	7,593 <sup>c</sup>	568 <sup>d</sup>	8,161
Governmental Affairs	2,870	2,726	125 <sup>e</sup>	2,851
Labor and Human Resources	70	45	0 <sup>f</sup>	45
Veterans' Affairs	666	496	215	711
Total Deficit Reduction	13,781	11,930	1,123	13,053

SOURCE: Congressional Budget Office.

- a. Dairy Act.
- b. Flood and Crime Insurance Reauthorization.
- c. Excludes an increase of \$151 million in outlays for Medicaid because a \$200 million increase was assumed in the budget resolution.
- d. Financial Institutions Reform, Recovery, and Enforcement Act.
- e. Performance Management and Recognition System Reauthorization Act.
- f. Interim Extension of Certain Veterans' Programs Act (\$28 million); and Veterans' Benefits Amendments Act (\$187 million).

## COMPARISON OF BASELINE AND CURRENT-LEVEL SCORING

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Using changes in CBO baseline estimates for fiscal year 1990 since February 1989, it is estimated that the Congress failed to achieve \$19 billion in planned deficit reductions under the April 1989 budget agreement (see Tables 1 and 2). But the latest CBO scorekeeping report for the House of Representatives shows a current-level deficit that is only \$11.4 billion over the 1990 budget resolution, and the scorekeeping report for the Senate shows an excess deficit of \$9.2 billion (see Table 4). All of these numbers purport to show where the Congress stands in relation to its deficit targets, abstracting from changes in underlying economic and technical estimating assumptions. Why are they different?

The differences in CBO baseline and current-level scoring result from three sources and are summarized in Table 9. First, as mentioned earlier, the House and Senate Budget Committees have adopted different scoring for defense and disaster assistance appropriations. The Senate Budget Committee is not counting \$1.4 billion in defense outlays arising from a shift of funds from relatively fast-spending operations and maintenance accounts to relatively slow-spending procurement accounts; these outlays are counted by the House Budget Committee and are included in CBO baseline estimates. Similarly, the Senate Budget Committee is not counting another \$0.9 billion in disaster assistance in order to hold the Appropriations Committee harmless for what is viewed as a change in mandatory spending. The House Budget Committee and the CBO baseline estimates, however, include these outlays.

Second, the Budget Committees are counting in current-level scoring certain policy assumptions from the budget agreement and resolution that have not been realized and, therefore, are not reflected in the CBO baseline estimates. The principal items are \$3.7 billion in new asset sales and \$0.9 billion in debt service savings. Both Committees are counting in their current-level scoring the full \$5.7 billion in new asset sales and \$1.1 billion in debt service savings assumed in the budget resolution, but lower amounts for these items are included in CBO baseline estimates. Another difference in the two scoring approaches relates to function 950 offsets for certain pay and pension legislation. Including the full amount of assumed asset sales, debt service savings, and pay offsets in current-level scoring accounts for \$4.3 billion of the difference with the CBO baseline scoring of the budget agreement.

Third, the estimates for enacted legislation included in CBO baseline estimates are different from those incorporated in CBO current-level scorekeeping tabulations. For the most part, these different estimates result from the use of different baselines. The CBO current-level scoring is relative to the February 1989 baseline used for the budget agreement and budget resolution, while most of the CBO baseline estimates for enacted legislation are relative to an updated August 1989 baseline. For example, as noted earlier, the repeal of the catastrophic health insurance program reduced CBO baseline revenues by \$7.0 billion, but it reduced CBO current-level receipts by only \$5.8 billion. There are similar scoring differences for the Omnibus Budget Reconciliation Act of 1989 and the Disaster Assistance Act of 1989. The total scoring differences for these three acts amount to \$1.4 billion, as shown in Table 9.

TABLE 9. DIFFERENCES IN CBO BASELINE AND CURRENT-LEVEL SCORING FOR 1990 (In billions of dollars)

	Revenues	Outlays	Deficit
Senate Concurrent Level Compared with Budget Resolution (Table 4)	-5.2	4.0	9.2
Scoring differences for defense and disaster assistance appropriations	0	2.3	2.3
House Current Level Compared with Budget Resolution (Table 4)	-5.2	6.2	11.4
Unrealized budget assumptions			
Asset sales	0	3.7	3.7
Debt service	0	0.9	0.9
Pay offset	0	-0.3	-0.3
Subtotal	0	4.3	4.3
Scoring differences for enacted legislation			
Catastrophic repeal	-1.1	-0.7	0.4
Reconciliation Act (excluding sequestration)	-0.1	0.4	0.5
Disaster Assistance Act	0	0.5	0.5
S&L legislation	0	-0.9	-0.9
Defense appropriations (including sequestration)	0	1.4	1.4
Other legislation (including sequestration)	0	1.3	1.3
Subtotal	-1.3	2.0	3.3
CBO Baseline Compared with Budget Agreement Targets: Policy Differences (Table 1)	-6.5	12.5	19.0

SOURCE: Congressional Budget Office.

Other scoring differences relate to the savings and loan legislation, to the various appropriation bills, and to the effects of sequestration. The budget agreement made no assumptions about the savings and loan bailout, but the budget resolution did assume a rescue effort that would be funded off-budget. The different scoring treatment of the savings and loan legislation amounts to \$0.9 billion in the two scoring approaches, with a larger deficit add-on in the current-level scoring. For defense appropriations (including sequestration), the outlay reduction in the CBO current-level scoring is \$1.4 billion greater than in the CBO baseline estimates. The current-level tabulations do not incorporate the Defense Department's use of transfer authority to offset some of the savings scored for the appropriation bills and for sequestration, but this offset is reflected in the CBO baseline estimates. Similarly, because of scoring conventions, current-level scoring attributes more savings to some of the domestic appropriations than are reflected in CBO baseline estimates. For example, outlays in the National Aeronautics and Space Administration's appropriations for 1990 are \$0.4 billion lower in the current-level tabulations than in CBO baseline estimates because of different scoring for delayed obligations and transfers among accounts. Altogether, the different scoring treatment for enacted legislation accounts for \$3.3 billion of the differences between baseline scoring and current-level scoring (see Table 9).

APPENDIX

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The appendix tables summarize the deficit reduction plan and the estimated budget levels for 1990 as agreed to by the President and the joint leadership of the Congress. These tables were part of the plan that was made public on April 14, 1989.

**DEFICIT REDUCTION PLAN\***  
**Fiscal Year 1990**  
(in billions of dollars)

	<u>CBO</u> <u>scoring</u>	<u>OMB</u> <u>scoring</u>
<b>BASELINE DEFICIT</b>	<b>\$147.3</b>	<b>\$126.6</b>
Adjustment for estimating differences	<u>-19.9</u>	<u>-3.5</u>
<b>ADJUSTED BASELINE DEFICIT</b>	<b>\$127.4</b>	<b>\$123.1</b>
<b>REVENUES</b>		
Revenue Measures	-5.3	-5.3
IRS Compliance**	-0.5	-0.5
User Fees and Offsetting Collections	<u>-2.7</u>	<u>-2.7</u>
SUBTOTAL, REVENUES	-8.5	-8.5
<b>SPENDING</b>		
Defense (Function 050)	-4.2	-1.7
International Discretionary	-0.0	+0.1
Domestic Discretionary	-0.3	+2.4
Entitlements/Mandatory		
Medicare	-2.7	-2.7
Agriculture	-1.9	-2.2
Veterans' Loan Sales	-0.5	-0.6
Federal Pension & Postal Reform	-1.1	-1.3
Other Entitlements	<u>-0.6</u>	<u>-0.5</u>
Subtotal, Entitlements/Mandatory	-6.8	-7.3
Pay Offset, Retirement Contributions	+0.4	+0.3
Adjustment: Postal Budgetary Treatment***	-1.8	-2.2
Debt Service	<u>-1.1</u>	<u>-1.1</u>
SUBTOTAL, SPENDING	-13.8	-9.5
<b>ASSET SALES</b>	<u>-5.7</u>	<u>-5.7</u>
<b>TOTAL DEFICIT REDUCTION MEASURES</b>	<u>-28.0</u>	<u>-23.7</u>
<b>FINAL DEFICIT</b>	<b>\$99.4</b> =====	<b>\$99.4</b> =====

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- \* estimates as of April 14, 1989  
\*\* predicated on IRS compliance funding sufficient to achieve  
the additional revenues specified  
\*\*\* predicated on postal reforms

BUDGET LEVELS  
Fiscal Year 1990  
(in billions of dollars)

	<u>CBO</u> <u>estimates</u>	<u>OMB</u> <u>estimates</u>
<b>Budget Authority</b>		
Domestic Discretionary	\$157.5	\$157.5
Defense (Function 050)	305.5	305.5
International Discretionary	19.0	19.0
<b>Estimated Outlays</b>		
Domestic Discretionary	\$181.3	\$181.3
Defense (Function 050)	299.2	299.2
International Discretionary	17.0	17.0
Entitlement/Mandatory	556.4	539.7
Net Interest	181.0	173.2
Offsetting Retirement Receipts	-32.8	-33.4
Fees, Collections, and Asset Sales	<u>-8.4</u>	<u>-8.4</u>
Total Estimated Outlays	\$1193.8	\$1168.7
Estimated Receipts	1074.4	1065.7
Adjustment for estimating differences	<u>-19.9</u>	<u>-3.5</u>
DEFICIT	\$99.4 =====	\$99.4 =====