Congress of the United States
Congressional Budget Office

Executive Office of the President
Office of Management and Budget

A REVIEW OF COST ESTIMATES FOR DIRECT SPENDING LEGISLATION

A JOINT REPORT OF THE CONGRESSIONAL BUDGET OFFICE
AND THE OFFICE OF MANAGEMENT AND BUDGET

June 10, 1991

The following is the text of a letter transmitting the report, *A Review of Cost Estimates for Direct Spending Legislation* to the Congress.

June 10, 1991

Honorable Jim Sasser
United States Senate
Washington, D.C. 20510

Dear Senator Sasser:

You requested that the Office of Management and Budget (OMB) and the Congressional Budget Office (CBO) jointly review our estimates of direct spending legislation. Enclosed is a copy of our review.

Scoring is available for fourteen bills that were enacted during the 101st Congress. After eliminating OMB/CBO scoring differences that are unlikely to recur or are likely to be reduced because of a variety of legislative and definitional changes, the remaining OMB/CBO scoring differences are only $0.4 billion—1.7 percent of the savings estimated.

OMB estimated savings of $124 billion for all of the fourteen bills—7 percent or $9 billion less than CBO. On balance, almost all of this difference arises in just three programs—farm price supports, Medicare, and Medicaid. Because of their size and complexity, these programs may continue to be a source of estimating differences, although recent changes in program structure and in baseline methodology may reduce these differences in the future.

The report also discusses scoring differences in pay-as-you-go items in the President's budget and provides a listing of issues that have been raised concerning scoring under the Budget Enforcement Act. OMB and CBO are planning to continue regular consultations with the Budget Committees and others to minimize scoring differences.

With best regards,

Robert Reischauer
Director
Congressional Budget Office

Richard Darman
Director
Office of Management and Budget

Enclosure

IDENTICAL LETTERS SENT TO HONORABLE RICHARD A. GEPHARDT, HONORABLE ROBERT H. MICHEL, HONORABLE WILLIS D. GRADISON, JR., AND HONORABLE LEON E. PANETTA

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EXECUTIVE SUMMARY

Scorekeeping for direct spending legislation has taken on added importance with the passage of the Budget Enforcement Act of 1990. In part because of this increased importance, Representatives Michel, Gephardt, Panetta, and Gradison, and Senator Sasser requested that the Office of Management and Budget (OMB) and the Congressional Budget Office (CBO) jointly prepare a report on scoring of direct spending legislation.

This report provides the information they requested. It reviews OMB and CBO scoring of direct spending legislation passed during the 101st Congress. It also discusses OMB and CBO scoring of the FY 1992 budget and legislation enacted to date by the 102nd Congress. In addition, the report lists scorekeeping issues that have arisen during discussions between OMB, CBO, and the Budget Committees.

Comparative scoring is available for fourteen bills that were enacted during the 101st Congress. After eliminating OMB/CBO scoring differences that are unlikely to recur or are likely to be reduced because of a variety of legislative and definitional changes, the remaining OMB/CBO scoring differences are only $0.4 billion—1.7 percent of the savings estimated.

OMB estimated that these bills produce five-year savings of $124.5 billion, while CBO estimated five-year savings of $133.3 billion—a difference of $8.8 billion, or 7 percent. On balance, almost all of this difference arises in just three programs—farm price supports, Medicare, and Medicaid.

Because of their size and complexity, these programs may continue to be a source of estimating differences, although recent changes in program structure and in baseline methodology may reduce these differences in the future. For example, some of the scoring differences for the Commodity Credit Corporation have resulted from different assumptions concerning program levels that can be set by the Secretary of Agriculture. The most recent farm bill has reduced the Secretary's flexibility and thus differences in scoring future bills could be reduced. Likewise, baseline differences that caused many of the pricing differences in the Medicare program have been reduced. OMB and CBO are also beginning a joint study on estimating methodology for the Medicaid program that could reduce future differences.

The 1992 budget included $35.6 billion in pay-as-you-go outlay savings for the period covered by the Budget Enforcement Act, based on OMB estimates. CBO estimates that the Budget included $21.7 billion in such savings. However, part of the difference is conceptual; the two organizations disagree on what items should be counted on the pay-as-you-go scorecard. If OMB moved to the CBO definitions for scoring, OMB's estimate of pay-as-you-go savings in the Budget would be $24.4 billion. If CBO used OMB definitions, CBO's estimate of the pay-as-you-go savings would be $27.2 billion. The remaining differences are the result of different economic and technical assumptions. As discussions between OMB, CBO, the Budget Committees, and others continue on scorekeeping rules, both types of differences should be reduced.

To date, the 102nd Congress has enacted eight bills with provisions subject to pay-as-you-go. For four bills, there has been no difference in scoring. For three more bills, differences have been under $10 million for 5 years. For the remaining bill, OMB scored no costs, while CBO scored costs of $0.1 billion in 1994 and $0.2 billion in 1995.

While many of the specific differences identified in this report may be narrowed, OMB and CBO will continue to have differences in their estimates of the effects of direct spending legislation. OMB and CBO will continue to consult on these differences and attempt to resolve them. However, from time to time the two agencies may make different assumptions about how Federal or State administrators, program beneficiaries, or service providers may respond to changes in law, regulations, or other circumstances. Additional differences may stem from differing estimating methodologies and interpretations of legislative language and intent, and from the requirements that OMB and CBO provide estimates at different stages of the legislative process. Even with the collection of additional data and the free exchange of information, the elimination of all estimating differences between OMB and CBO is not realistic.

INTRODUCTION

Scorekeeping for direct spending legislation has taken on added importance with the passage of the pay-as-you-go requirement of the Budget Enforcement Act of 1990 (BEA). If direct spending and revenue legislation enacted is not deficit neutral, a sequester of certain direct spending programs is required. Office of Management and Budget (OMB) estimates will be used to determine if automatic reductions are necessary. Congressional Budget Office (CBO) estimates will be used to determine if points of order may lie against a bill during Congressional consideration.

In part because of the increased importance of scorekeeping for direct spending legislation, Representatives Michel, Gephardt, Panetta, and Gradison, and Senator Sasser requested that OMB and CBO provide a report to Congress that:

- reviews scorekeeping differences on all legislation enacted during at least the 101st Congress;
- provides both a listing and a total of the differences between the two agencies; and
- provides an analysis of the reasons for the differences.

This report provides the information requested by the members of Congress. It is organized in the following manner:

— Past differences between OMB and CBO in scoring direct spending legislation are discussed first.

— The administration's direct spending proposals in the 1992 budget and CBO treatment of them are discussed second.

— Scoring of Congressional action to date on pay-as-you-go legislation is discussed third.

The BEA required OMB, CBO, and the Budget Committees to consult on scorekeeping principles for direct spending legislation. In this report, a set of issues that have been raised in the application of scorekeeping guidelines that were attached to the Conference Report of the Omnibus Budget Reconciliation Act of 1990 is presented. This list of issues is the fourth chapter of this report. OMB, CBO and the Budget Committees will continue discussions with the goal of agreement on pay-as-you-go scorekeeping principles.

In numerous cases in the materials that follow, the joint OMB-CBO review that has occurred to date has eliminated or narrowed past scorekeeping differences. The fact that only relatively minor scorekeeping differences have occurred for both pay-as-you-go legislation and appropriations enacted to date is also encouraging. However, more work remains. As discussed in the section on scorekeeping issues, regular consultations between OMB, CBO, the Budget Committees, and others will continue working on ways to minimize scoring differences.

Methodology

Historical Differences: OMB and CBO agreed to limit the historical portion of this study to direct spending legislation enacted during the 101st Congress. Earlier legislation was not considered for two reasons. First, many of the older differences are no longer relevant. Second, detailed information on assumptions used in developing estimates, in many cases, is no longer available.

CBO provided OMB with its scoring of all bills enacted during the 101st Congress. OMB analysts then contacted their CBO counterparts to discuss major differences. The reasons for differences were determined. Analysts discussed whether these differences were likely to recur, and if they were, whether it was possible to reach an agreement on appropriate scoring procedures.

Review of Administration 1992 Direct Spending Proposals and Legislative Action During the 102nd Congress: Proposals have been reviewed independently and informally discussed by OMB and CBO analysts. Several meetings have been held to discuss scoring issues.

Chapter I: DIRECT SPENDING LEGISLATION ENACTED DURING THE 101st CONGRESS

During the 101st Congress, 37 bills were enacted that changed direct spending levels. The Financial Institutions Reform, Recovery, and Enforcement Act was excluded from review for this report since spending on current deposit insurance commitments is excluded from the pay-as-you-go enforcement procedures of the Budget Enforcement Act. No OMB estimates were available for 22 bills, for which CBO estimated a small deficit impact. It is unlikely that there would have been significant differences for these bills.

TABLE 1. SUMMARY OF OMB/CBO SCORING OF LEGISLATION ENACTED DURING THE 101st CONGRESS

(Outlays in billions of dollars)

	5-Year Estimate			Difference as a percent of:	
	OMB	CBO	Difference (CBO less OMB)	OMB Estimate	Baseline
Total for 14 bills with scoring available	-124.5	-133.3	-8.8	7.1	-0.3
Differences unlikely to recur because:					
Programs no longer in existence or off-budget	-39.5	-36.4	3.1	-7.8	7.8
Baseline differences virtually eliminated	0.9	-2.2	-3.2	-336.3	-4.1
Program changes enacted in OBRA 90	-8.8	-9.2	-0.4	4.3	-0.2
Other	-2.7	-3.5	-0.8	28.4	-0.1
Subtotal, differences unlikely to recur	-50.1	-51.3	-1.2	2.5	-0.1
Savings differences likely to be reduced because:					
Enacted changes in program (Farm bill)	-12.9	-12.1	0.8	-6.2	1.2
OMB/CBO baseline differences reduced	-39.3	-44.2	-4.9	12.5	-0.7
Joint OMB/CBO study to review estimating methodology	2.4	-0.6	-3.0	-125.1	-1.1
Subtotal, differences likely to be reduced	-49.8	-56.9	-7.1	14.4	-0.7
Remaining differences	-24.6	-25.0	-0.4	1.7	-*

Notes: A negative estimate indicates a savings from the baseline over the period. Baseline estimates are from the 1991 Budget except for programs that were off-budget or no longer in existence by that point. In these cases, baseline estimates are from the time of enactment of the legislation.

OMB estimated that the 14 bills for which scoring is available provided five year savings of $124.5 billion. For the same bills, CBO estimated five year savings of $133.3 billion. In view of the many uncertainties that surround the various estimates, this is a relatively small difference. For four bills, there were no differences between OMB and CBO. The 10 remaining bills, on net, account for the $8.8 billion difference in five-year savings. Table 1 shows that many of the estimating differences that occurred for bills enacted during the 101st Congress are unlikely to recur. CBO estimated $3.1 billion less in savings from bills that either repealed programs or moved them off-budget (for example, medicare catastrophic coverage repeal). Since these programs are no longer part of the budget, these differences are not relevant for pay-as-you-go scorekeeping. CBO estimated $3.2 billion more in savings from programs where baseline differences have been nearly eliminated, thus making large differences in savings estimates less likely.

A further group of differences could be reduced in the future. Differences of $7.1 billion are in three program areas: Commodity Credit Corporation (CCC), Medicaid, and Medicare. In each of these areas, there are reasons to believe that OMB and CBO estimates may be closer in the future.

As for the CCC estimates, the differences between OMB and CBO of $0.8 billion over five years represent less than two percent of OMB's post-OBRA/Farm bill baseline of $43.4 billion. The difference was partly attributable to differences in the timing of agencies' respective baseline estimates, which utilize information on commodity markets gathered at two different times. OMB uses the November crop report to prepare estimates for the February transmission of the President's Budget, while CBO uses February estimates in its baseline for budget resolution purposes. The November and February crop reports may be more or less consistent depending on changes in stock levels as well as weather conditions. Further, alternative assumptions about farmer and market behavior may contribute to differences between OMB and CBO scoring.

Another source of differing cost estimates has been assumptions about the way in which the Secretary of Agriculture would exercise his discretionary authority in response to legislative change. The effect of these discrepancies may be reduced in the future, however, because the 1990 farm bill circumscribes the Secretary's flexibility in adjusting program parameters to a greater extent than did the 1985 law. The 1990 farm bill will govern the operation of commodity programs through 1995.

Differences in scoring for the Medicaid program have been the result of technical estimating differences. CBO and OMB have disagreed on the number of beneficiaries who would benefit from newly enacted provisions. In addition, there has been disagreement on the level of savings that would be achieved from provisions requiring States to "buy out" available employer health insurance for Medicaid-eligible individuals when it is cost effective. OMB and CBO are now beginning a joint study on estimating methodology for the Medicaid program. The goal of the study is to produce more accurate Medicaid estimates. As a by-product of this work, differences between OMB and CBO in scoring legislation should be reduced if a consistent methodology is adopted.

Different estimates of provisions affecting the Medicare program have been the result of differences in assumed timing of savings, differences in economic assumptions, and different behavorial and eligibility assumptions. Technical assumptions incorporated in the OMB and CBO Medicare baselines are now much more similar. In addition, better data sharing between CBO, OMB, and the Health Care Financing Administration (HCFA) should continue to reduce differences. Thus, in the future, Medicare differences should be smaller and more closely tied to underlying economic assumptions.

The 10 bills with differences are discussed below. Differences between OMB and CBO that are large or likely to recur are discussed in detail. Following those discussions, brief descriptions of differences that are unlikely to recur are provided. Table 2 provides detailed OMB and CBO estimates for the bills where scoring is available.

TABLE 2. MAJOR DIFFERENCES IN OMB/CBO SCORING: LEGISLATION ENACTED DURING THE 101st CONGRESS

(Outlays in billions of dollars)

	1990	1991	1992	1993	1994
Disaster Assistance Act of 1989 (P.L. 101-82):					
CCC:					
OMB Estimate	897	20	—	—	—
CBO Estimate	504	-11	—	—	—
Difference	-393	-31	0	0	0
Child Nutrition and WIC Reauthorization (P.L. 101-147):					
Child nutrition:					
OMB Estimate	16	29	34	39	45
CBO Estimate.	15	22	32	39	27
Difference	-1	-7	-2	0	-18
Medicare Catastrophic Coverage Repeal Act (P.L. 101-234):					
Medicare catastrophic program:					
OMB Estimate	-3,764	-6,002	-7,123	-7,895	-8,668
CBO Estimate [1]	-2,298	-6,141	-8,291	-9,143	-8,748
Difference	1,466	-139	-1,168	-1,248	-80
Omnibus Budget Reconciliation Act of 1989 (P.L. 101-239):					
CCC:					
OMB Estimate	-526	-47	127	NA	NA
CBO Estimate	-277	-53	-29	-23	-19
Difference	249	-6	-156	-23	-19
Farm credit assistance corporation:					
OMB Estimate	-516	-353	-511	136	0
CBO Estimate	-402	-473	-354	0	0
Difference	114	-120	157	-136	0
Guaranteed student loans:					
OMB Estimate	-42	-47	-177	-255	-118
CBO Estimate	-35	-50	-100	-60	-50
Difference	7	-3	77	195	68
Medicare Hospital Insurance:					
OMB Estimate	-599	493	661	653	715
CBO Estimate	-693	-393	-259	-172	29
Difference...	-94	-886	-920	-825	-686
Medicare Supplementary Medical Insurance:					
OMB Estimate	-730	-850	-1,010	-1,385	-1,790
CBO Estimate	-1,346	-934	-1,071	-1,384	-1,705
Difference	-616	-84	-61	1	85

[1] These numbers reflect CBO's final scoring for this Act. While the differences between CBO and OMB were small at the time of final repeal, differences for the estimates of the Medicare Catastrophic Coverage Act of 1988 and earlier repeal estimates were large.

TABLE 2. MAJOR DIFFERENCES IN OMB/CBO SCORING: LEGISLATION ENACTED DURING THE 101ST CONGRESS—Continued

	1990	1991	1992	1993	1994
Modify AFDC quality control:					
OMB Estimate	516	891	735	180	163
CBO Estimate	0	0	40	166	509
Difference	–516	–891	–695	–14	346
Postal off-budget:					
OMB Estimate	–1,930	–903	–1,206	–399	–404
CBO Estimate	–1,770	570	–780	670	720
Difference	160	1,473	426	1,069	1,124
Other:					
OMB Estimate	–1,496	1,137	550	200	153
CBO Estimate	–1,337	709	186	117	65
Difference	159	–428	–364	–83	–88
Total, Omnibus Budget Reconciliation Act of 1989:					
OMB Estimate	–5,323	321	–831	–870	–1,281
CBO Estimate	–5,860	–624	–2,367	–686	–451
Difference	–537	–945	–1,586	184	830
	1991	1992	1993	1994	1995
Oil Pollution Act (P.L. 101–380):					
Oil pollution emergency cleanup:					
OMB Estimate	0	50	50	50	50
CBO Estimate	1	1	1	1	1
Difference	1	–49	–49	–49	–49
Customs and Trade Act (P.L. 101–382):					
Customs user fees:					
OMB Estimate	–697	—	—	—	—
CBO Estimate	–565	16	—	—	—
Difference	132	16	0	0	0
Unemployment compensation:					
OMB Estimate	7	6	–13	—	—
CBO Estimate	7	6	–13	—	—
Difference	0	0	0	0	0
Total, Customs and Trade Act:					
OMB Estimate	–690	6	–13	—	—
CBO Estimate	–558	22	–13	—	—
Difference	132	16	0	0	0
Omnibus Budget Reconciliation Act of 1990 (P.L. 101–508):					
APHIS fees:					
OMB Estimate	–20	–82	–86	–91	–95
CBO Estimate	–59	–82	–86	–91	–95
Difference	–39	0	0	0	0

TABLE 2. MAJOR DIFFERENCES IN OMB/CBO SCORING: LEGISLATION ENACTED DURING THE 101ST CONGRESS—Continued

	1991	1992	1993	1994	1995
CCC:					
OMB Estimate	-982	-2,399	-2,222	-2,604	-2,829
CBO Estimate	-1,218	-3,023	-2,491	-2,495	-2,669
Difference	-236	-624	-269	109	160
Child care:					
OMB Estimate	45	300	300	300	300
CBO Estimate	45	100	145	190	235
Difference	0	-200	-155	-110	-65
CSRS lump sum:					
OMB Estimate	-1,080	-1,120	-1,680	-1,650	-1,670
CBO Estimate	-1,390	-980	-1,750	-1,730	-1,750
Difference	-310	140	-70	-80	-80
Customs user fees:					
OMB Estimate	1	-692	-689	-709	-730
CBO Estimate	1	-571	-561	-567	-589
Difference	0	121	128	142	141
EPA fees:					
OMB Estimate	-5	-18	-18	-19	-19
CBO Estimate	-28	-38	-38	-38	-38
Difference	-23	-20	-20	-19	-19
FEHB:					
OMB Estimate	-216	-233	-323	-385	-438
CBO Estimate	-216	-288	-393	-470	-538
Difference	0	-55	-70	-85	-100
FEMA crime insurance:					
OMB Estimate	—	-3	0	1	3
CBO Estimate	—	-5	-4	-2	-3
Difference	0	-2	-4	-3	-6
FEMA flood insurance:					
OMB Estimate	-14	-42	-56	-56	-56
CBO Estimate	-14	-340	-173	-148	-143
Difference	0	-298	-117	-92	-87
FmHA farm loans:					
OMB Estimate	-466	-270	-291	-267	-216
CBO Estimate	-280	-407	-475	-506	-446
Difference	186	-137	-184	-239	-230
GSL:					
OMB Estimate	-20	-118	-230	-466	-695
CBO Estimate	—	-100	-305	-605	-685
Difference	20	18	-75	-139	10

TABLE 2. MAJOR DIFFERENCES IN OMB/CBO SCORING: LEGISLATION ENACTED DURING THE 101ST CONGRESS—Continued

	1991	1992	1993	1994	1995
Medicaid:					
OMB Estimate	187	362	369	593	904
CBO Estimate	-4	-178	-156	-172	-97
Difference	-191	-540	-525	-765	-1001
Medicare Hospital Insurance:					
OMB Estimate	-1,110	-2,329	-3,749	-4,394	-4,649
CBO Estimate	-1,505	-2,439	-3,779	-4,249	-4,509
Difference	-395	-110	-30	145	140
Medicare Supplementary Medical Insurance:					
OMB Estimate	-1,819	-3,565	-4,315	-4,386	-5,131
CBO Estimate	-1,932	-3,421	-4,186	-4,848	-5,422
Difference	-113	144	129	-462	-291
NRC fee:					
OMB Estimate	-292	-303	-314	-326	-338
CBO Estimate	-287	-298	-310	-323	-336
Difference	5	5	4	3	2
REA loans:					
OMB Estimate	-35	-95	-135	-158	-167
CBO Estimate	-24	-66	-112	-147	-167
Difference	11	29	23	11	0
USTTA fee:					
OMB Estimate	-8	-21	-22	-23	-23
CBO Estimate	-10	-16	-16	-18	-18
Difference	-2	5	6	5	5
Other:					
OMB Estimate	-2,334	-3,016	-4,006	-5,685	-7,323
CBO Estimate	-2,428	-3,077	-3,952	-5,486	-6,943
Difference	-94	-61	54	199	380
Total, Omnibus Reconciliation Act of 1990:					
OMB Estimate	-8,168	-13,644	-17,467	-20,325	-23,172
CBO Estimate	-9,349	-15,229	-18,642	-21,705	-24,213
Difference	-1,181	-1,585	-1,175	-1,380	-1,041
Hazardous Materials Transportation Safety Improvements Act (P.L. 101–615):					
Hazardous materials transportation safety program:					
OMB Estimate	—	—	11	15	17
CBO Estimate	—	—	13	19	19
Difference	0	0	2	4	2

TABLE 2. MAJOR DIFFERENCES IN OMB/CBO SCORING: LEGISLATION ENACTED DURING THE 101ST CONGRESS—Continued

	1991	1992	1993	1994	1995
Food, Agriculture, Conservation, and Trade Act (P.L. 101–624):					
ACIF:					
OMB Estimate	–10	–10	–10	–10	–10
CBO Estimate	–35	–35	–35	–35	–35
Difference	–25	–25	–25	–25	–25
CCC:					
OMB Estimate	–118	–354	–500	–277	–157
CBO Estimate	–309	–160	202	258	222
Difference	–191	194	702	535	379
Food stamps:					
OMB Estimate	87	88	4	0	13
CBO Estimate	–13	5	3	2	3
Difference	–100	–83	–1	2	–10
Total, Food, Agriculture, Conservation, and Trade Act:					
OMB Estimate	–41	–276	–506	–287	–154
CBO Estimate	–357	–190	170	225	190
Difference	–316	86	676	512	344
Immigration Act of 1990 (P.L. 101–649):					
AFDC, Medicaid and Unemployment Insurance:					
OMB Estimate	—	39	60	77	80
CBO Estimate	—	41	40	50	55
Difference	0	2	–20	–27	–25

	1st year	2nd year	3rd year	4th year	5th year
TOTAL, bills with differences:					
OMB Estimate	–17,073	–19,457	–25,785	–29,196	–33,083
CBO Estimate	–17,902	–22,109	–29,057	–31,200	–33,120
Difference	–829	–2,652	–3,272	–2,004	–37

	1990	1991	1992	1993	1994
Palau Compact of Free Association Implementation Act (P.L. 101–219):					
OMB Estimate	194	20	26	23	25
CBO Estimate	194	20	26	23	25
Difference	0	0	0	0	0
Mt. Rushmore Commemorative Coin Act (P.L. 101–332):					
OMB Estimate	—	–8	–3	—	—
CBO Estimate	—	–8	–3	—	—
Difference	0	0	0	0	0

TABLE 2. MAJOR DIFFERENCES IN OMB/CBO SCORING: LEGISLATION ENACTED DURING THE 101ST CONGRESS—Continued

	1991	1992	1993	1994	1995
FCC Authorization Act (P.L. 101–396):					
OMB Estimate	1	—	—	—	—
CBO Estimate	1	—	—	—	—
Difference	0	0	0	0	0
Tongass Timber Reform (P.L. 101–626):					
OMB Estimate	—	–44	–44	–44	–44
CBO Estimate	—	–44	–44	–44	–44
Difference	0	0	0	0	0
	1st year	2nd year	3rd year	4th year	5th year
TOTAL, bills with no differences:					
OMB Estimate	195	–32	–21	–21	–19
CBO Estimate	195	–32	–21	–21	–19
Difference	0	0	0	0	0
TOTAL, bills with scoring available:					
OMB Estimate	–16,878	–19,489	–25,806	–29,217	–33,102
CBO Estimate	–17,707	–22,141	–29,078	–31,221	–33,139
Difference	–829	–2,652	–3,272	–2,004	–37

Omnibus Budget Reconciliation Act of 1989:

Commodity Credit Corporation: OMB scored $0.2 billion more in savings than CBO for 1990 and less savings for subsequent years. Over the 1990 to 1992 period, the estimates differed by only $87 million.

OMB and CBO had different baseline projections for CCC spending, reflecting differing assessments of future supply, demand, and prices of the various commodities, and incorporated differing assumptions as to the actions that the Secretary of Agriculture would take in setting farm program parameters. One reason why assumptions differed is that the OMB and CBO have different information available when they prepare baseline estimates. The OMB baseline estimates are generally based on the November crop report, while CBO uses the February report for the baseline it develops for the Congress in March. This difference is likely to continue.

In addition, CBO and OMB differed in their assessment of how the legislation would affect supply, demand, and prices. This differing assessment affected pricing for a number of provisions including the oilseed planting program (different estimates of planted acreage), the dairy price support provision (different estimates of the change in purchases of dairy products), and the limit on export subsidies (different estimates of changes in the volume of exports).

Finally, CBO took into account the likely impact of legislation on Administration policy in areas where the Secretary of Agriculture has discretion (for example, acreage reduction requirements); OMB did not include such effects. Because the most recent farm bill reduces the amount of discretion the Secretary of Agriculture has in setting program parameters, differences for this reason may be reduced in the future.

Guaranteed Student Loans: OMB and CBO had small differences for 1990 and 1991. For 1992 through 1994, OMB showed $0.1 to $0.2 billion more in savings than CBO. The majority of the difference was in the estimate for savings from the elimination of high default schools from the Supplemental Loans for Students (SLS) program. National program data regarding the participation of individual schools and their default experiences were not available. CBO and OMB used different data sources to project the number of schools that would be eliminated, the change in the loan volume, the number of defaults, and the timing of defaults. These types of differences are likely to continue. However, with each passing year, CBO and OMB will have better information on which to base estimates, and the difference in the estimates should be reduced.

Medicare Hospital Insurance: CBO scored $0.1 billion more in savings than OMB for 1990 and $0.7 to $0.9 billion more in savings in each of the years 1991 to 1994. Most of the difference resulted from separate analytical approaches for a few large provisions.

The largest differential was the expected savings for the Medicare Secondary Payor Information program, which accounted for over half the differences. OMB scored the proposal assuming a slow start-up period and then a steady savings stream, while CBO assumed quick savings with a gradual phase down to minor savings due to the expiriation of the provision. This difference is not likely to be repeated because the program is authorized through 1995.

Three other valuation differences produced almost all of the remaining difference. First, one provision directing HCFA to take an action it had already taken was scored as a savings by CBO and zero by OMB because CBO had not yet incorporated the action into its baseline while OMB had done so. Second, OMB and CBO scored different savings for the inpatient hospital capital provision because their capital expenditure baselines diverged. Finally, OMB and CBO used different economic and technical assumptions for the hospital payment update in general and sole community, inner city and disproportionate share hospitals specifically. Better data sharing between CBO, OMB, and HCFA and now-consistent definitions of eligibility should remove much of the difference, while a small behavioral gap remains.

Medicare Supplemental Medical Insurance: CBO scored $0.6 billion more in savings than OMB in 1990, with much smaller differences in the outyears. OMB and CBO differed on scoring several provisions. OMB and CBO assumed different behavorial responses in the first year for provisions related to overpriced physician procedures, reductions and freezes in radiology fees and the Medical Economic Index update, which resulted in large differences. OMB had counted an end-stage renal disease (ESRD) provision in the baseline where CBO did not. Finally, OMB assumed a larger number of individuals would be affected by a provision that provided direct payment to psychological and social workers. However, presently there is agreement on models used by OMB and CBO. Also, future variances will be limited with the addition of the Medicare volume performance standard.

Oil Pollution Act: OMB estimates assumed that $50 million annually of emergency cleanup money provided by the Act would be needed and spent for oil pollution prevention and response costs, over and above what would have been spent otherwise, beginning in 1992. CBO estimated that expenditures from the funds provided by the Act would be only slightly greater than what would have been spent by the Coast Guard's Pollution Fund, which was eliminated by the Act. CBO also estimated that nearly all of any additional spending under the new Act would be offset by additional recoveries from responsible parties.

Customs and Trade Act: The scoring difference for customs user fees is discussed below under the Omnibus Reconciliation Act of 1990 (OBRA90).

Omnibus Budget Reconciliation Act of 1990:

Animal and Plant Inspection Service fees: CBO assumed an earlier implementation date than OMB in calculating savings from this fee, thus scoring an additional $39 million in savings for 1991. In general, the implementation date assumed should be based on consideration of the full range of agency actions necessary to execute the provision. This may include preparing regulations. Because preparation time is likely to vary with the particular provision, OMB and CBO analysts have agreed to consult more closely over the appropriate timing assumption in the future.

Commodity Credit Corporation: CBO scored $0.2 billion more in savings than OMB for 1991 and scored more savings for 1992 and 1993 as well. For 1994 and 1995, OMB scored greater savings of $0.1 billion and $0.2 billion, respectively. As was the case for OBRA89, these differences are primarily the result of different baselines and different estimates of behavorial responses, mostly the latter. The differences also result from different scoring of the Food, Agriculture, Conservation, and Trade Act, which was under consideration at the same time. OMB estimated a smaller savings than CBO for the planting flexibility provisions of the reconciliation bill, because, unlike CBO, it had already projected large shifts to non-program crops as a result of the farm bill.

Customs user fee: OMB scored the gross receipts from these provisions as savings; CBO also scored the gross receipts but, in addition, scored the direct spending that the legislation provided from the passenger fee. That, combined with small technical estimating differences, resulted in CBO scoring $0.1 billion less in savings in each year. For future scoring, fees should be scored on a gross basis if spending from the fee is subject to further action. If direct spending occurs from the fee, then the net effect of the gross receipts and the direct spending should be scored.

Environmental Protection Agency (EPA) fees: CBO scored the fees by assuming the statutorily specified level of fees would in fact be collected, while OMB scored these fees on the basis of projected receipts (approximately $20 million less per year than the statutorily specified level). OMB estimates fees lower than the statutorily specified amounts in 1991 and the outyears for two reasons.

First, OMB believes that the 1991 revenue target is unrealistic because implementation of the statute requires rulemaking, with an opportunity for public involvement, which means that receipts would not actually begin being collected until late in the year. Second, in the outyears, a series of statutory provisions constrain the type and level of fees that can be collected. The Act specifically prohibits EPA from collecting pesticide registration fees, which OMB and CBO had expected would generate $14 million annually of the amount of fees specified in the bill.

In addition, the Act includes a $10 million cap on user fees collected under the authority of the Clean Water Act. OMB had estimated annual receipts from water pollution permit fees would be about $12 million, and perhaps as high as $15 million. Finally, the Act prohibits the imposition of any new fees under statutes within the House Energy and Commerce Committee's jurisdiction except for those specifically authorized in the Clean Air Act. This provision effectively prohibits EPA from imposing user fees under almost all other EPA programs. CBO did not have the language relating to these statutory limitations when its estimate was prepared.

Farmers Home Administration (FmHA) farm loans: OMB scored $0.2 billion more in savings in 1991, but $0.1 to $0.2 billion less in savings each year for 1992 through 1995. The difference resulted from different assumptions about loan maturities. OMB assumed that 75 to 80 percent of operating loans were one-year loans, resulting in large offsetting collections in the year after loans were made. CBO assumed that more of the loans were of longer maturity. Thus, OMB shows less outyear savings than CBO. Because CBO's assumptions are now much closer to OMB, scoring differences in this area should be much smaller in the future.

Guaranteed student loans (GSL): OMB scored slightly more savings for 1991 and 1992 ($20 million and $18 million) and less savings for 1993 ($75 million) and 1994 ($139 million) than CBO did. The 1991 and 1992 differences resulted primarily from two factors. First, Stafford Loan program costs are very sensitive to the projection of short-term interest rates. OMB and CBO baselines use different interest rate forecasts. Second, differences existed in the calculation of outlays. CBO estimated outlays following the program's quarterly and monthly payment patterns for the different cost components. These patterns vary by type of costs (for example, interest subsidies or defaults) and the timing of implementation of an enacted program change. OMB used an annual aggregate rate to calculate all outlay impacts. Credit reform will modify the differences because the outlay will be the full cost of the subsidy at the time of loan disbursement. The majority of the difference in 1993 and 1994 was in estimates for savings from elimination of high default schools from the Supplemental Loans for Student Program. This difference is discussed under the OBRA89 discussion of Guaranteed Student Loans.

Medicaid: CBO scored the net effect of more than 20 Medicaid provisions as savings in all years; OMB scored the effect as a net cost reaching $0.9 billion by 1995.

CBO estimates of the costs of child health expansions were lower than OMB estimates. CBO assumed a smaller percentage of newly Medicaid-eligible children would apply for and receive Medicaid benefits.

Finally, the CBO estimate of savings from requiring States to "buy out" available private health insurance for Medicaid-eligible individuals when cost effective was about twice the OMB savings estimate.

Medicare Hospital insurance (HI): CBO scored $0.4 billion more in savings in 1991 than OMB. Differences in savings for 1992 through 1995 are $0.1 billion or less each year. Overall, the difference is less than one percent of total Medicare savings during the five year period.

In comparison to OBRA89, much more of the HI scoring difference came from different scoring of the hospital payment update. Because CBO projections include lower annual update factors based on lower hospital market basket indices during the projection period, they scored lower savings from provisions on adjustments in operating payments to PPS hospitals. OMB and CBO are likely to differ every year in their projections of the hospital market basket because they use different sets of economic indices in calculating that market basket.

As was the case for the OBRA89, different assumptions about phase-in on the secondary payor provision explain a large part of the HI difference. OMB assumed a relatively quick build-up of savings with a steady stream in the outyears, while CBO expected the savings to increase in the outyears.

Scoring differences for inpatient hospital capital payments reflected differences in baseline estimates and separate assumptions on changes in capital expenditure behavior. Estimates of increases in direct medical education payments were different because OMB assumed that language broadening retroactive reimbursement rules would allow higher reimbursements of clinical costs of training nurses—a matter of different interpretation of the language. Differences in scoring provisions for PPS-exempt hospitals come from different update factors projected from the last actual year of cost data. Since OMB and CBO baselines are now based on more similar technical assumptions, particularly in the outyears, this difference as well as many other differences in the hospital insurance program should be smaller and tied more to underlying economic assumptions.

Medicare Supplementary Medical Insurance: CBO estimated $0.1 billion more in savings than OMB in 1991, $0.1 billion less for both 1992 and 1993, and more savings for 1994 ($0.5 billion) and 1995 ($0.3 billion). OMB and CBO differed on scoring several provisions.

OMB assumed a larger number of home health visits would be covered by a provision that required coverage of osteoporosis drugs. For a provision that limited beneficiary liability, OMB estimated savings but CBO did not. OMB also estimated that a provision affecting coverage of nurse practitioners in rural areas would be less expensive than CBO.

CBO assumed a higher reimbursement rate for certified nurse anesthetists than OMB. In a provision that extended secondary payor provisions, CBO assumed that a higher proportion would be collected based on a data link to the IRS than did OMB.

Rural Electrification Administration (REA) loans: OMB scored more savings than CBO for this provision, but differences in any year never exceed $30 million. OMB and CBO estimates were based on different rates of disbursement of loans. This difference still exists. OMB's first year spendout rates for REA mandatory loans is 20 percent for electric and 5 percent for telephone. CBO's first year rate is 12.5 percent for both types of loans.

Hazardous Materials Transportation Safety Act: The Act provided authority for direct spending for certain administrative expenses at the discretion of the Secretary of Transportation. The allowed spending was less than $5 million in each year. OMB did not score these expenses, while CBO did.

Food, Agriculture, Conservation, and Trade Act:

Commodity Credit Corporation: OMB scored $0.2 billion less in savings in 1991 than CBO, but between $0.2 billion and $0.7 billion more in savings in each of the years 1992 through 1995. As was the case for OBRA89 and OBRA90 discussed above, differences for this program were the result of different baselines and different projections of behavioral response.

CBO estimated lower costs for the dairy provisions, partly because the dairy baseline established by the Congress was higher than OMB's, and partly because CBO estimated different production and price responses to the legislation. The other major scoring difference involved a provision that gave farmers more flexibility in the choice of crops to plant if they chose to forgo government deficiency payments. OMB projected large savings from this provision, on the basis that a significant number of farmers would shift acreage out of program crops, thus reducing CCC payments. CBO estimated little impact, because the provision differed little from current law and was viewed as unlikely to have much effect on farmers' choice of crops to plant.

Other Differences

Additional differences in scoring direct spending legislation enacted in the 101st Congress are unlikely to create large differences in the future. Many of them were the result of baseline differences that no longer exist. Others were small and are unlikely to be any larger in the future. Brief descriptions of the major differences follow.

Disaster Assistance Act of 1989: OMB estimated that the assistance provided in this Act through the Commodity Credit Corporation would cost $0.9 billion in 1990, while CBO estimated the cost at $0.5 billion. The difference in estimates was largely the result of different assumptions about the extent of losses that would be suffered from a particular disaster, stemming from the use of different baseline assumptions. OMB's estimate was based on the most recent information while CBO was required to score the bill using the February baseline assumptions, which did not include a major drought. The CBO and OMB estimates based on current conditions differed by only $0.1 billion.

Child Nutrition and WIC Reauthorization: OMB assumed a greater participation response to changes in the number of meal sites or subsidy rates than CBO did, thus leading to slightly larger costs associated with this bill. The differences were less than $25 million in every year and are unlikely to be large in the future.

Medicare Catastrophic Coverage Repeal Act: Large differences in baseline estimates caused a substantial difference between OMB and CBO in pricing the original Act and earlier repeal proposals. Nevertheless, final estimates for the Act showed smaller differences between OMB and CBO. Provisions relating to new skilled nursing facilities and drug coverage accounted for the major differences; CBO later moved toward the OMB estimates. Because this Act repealed the catastrophic program, differences between OMB and CBO related to this program will not occur in the future.

Omnibus Budget Reconciliation Act of 1989:

Farm credit assistance corporation (FAC): The difference between OMB and CBO resulted from different baseline estimates of FAC debt needed to prop up the financially troubled Farm Credit Systems institutions. Since the legislation moved FAC off-budget, this difference is no longer relevant for pay-as-you-go scoring.

Modify AFDC quality control: The difference between OMB and CBO was again the result of baseline differences. OMB's baseline anticipated timely collection of full State liabilities for excess erroneous overpayments. CBO assumed delayed collection of some portion of the liabilities. This difference is unlikely to recur because changes in the system forgave the backlog of liabilities and dramatically reduced liabilities for future overpayments.

Postal Service off-budget: The substantial pricing difference between OMB and CBO was the result of different baselines. Because the Postal Service is now off-budget and its status is unlikely to change, this difference is no longer relevant for pay-as-you-go scoring.

For other provisions in OBRA89 not discussed in the previous sections, there were no differences or small differences related to many different technical assumptions.

Omnibus Budget Reconciliation Act of 1990:

Child care: OMB estimated that more costs were associated with provisions providing day care direct spending through the AFDC program than CBO estimated. OMB estimated that States would move quickly to take full advantage of this new entitlement funding. CBO assumed that there would be a strict interpretation of the law prohibiting the new funds from supplanting existing funds and that State participation would be low because of the required State match. Additional action in this area is not likely soon, so the differences between OMB and CBO scoring will be moot. In any event, actual State behavior in this new program will influence both OMB and CBO scoring of any future changes in this program.

Civil Service Retirement lump sum: OMB and CBO used different assumptions about involuntary retirees and the "payment shift" included in the bill. This difference is unlikely to recur because the current provision extends through the period covered by the BEA.

Federal Employee Health Benefits (FEHB): CBO scored higher savings from the provision applying Medicare payment limits to FEHB payments for hospital services provided to FEHB enrollees aged 65 and over. CBO assumed a greater decrease in hospital rates paid by FEHB carriers than OMB. This difference is unlikely to recur.

Federal Emergency Management Agency (FEMA) flood and crime insurance: Pricing differences for these provisions were the result of different concepts employed in developing baseline estimates. OMB's baseline assumed extension of these programs (that were due to expire after the budget year), while CBO's assumed they would expire as scheduled. Because the BEA provides clear guidance on the treatment of programs expiring during the whole period covered by the BEA, this difference will not recur.

Nuclear Regulatory Commission (NRC) fee: The Act set NRC fees to recover most of the agency's spending. Small differences in savings estimates were the result of the timing of Congressional action. In the absence of final appropriations action, CBO based its estimate of savings on its baseline projections, while the OMB estimate was based on the Administration's budget request. This difference is unlikely to recur because the current provision extends through the period covered by the BEA.

U.S. Travel and Tourism fee: Small differences in fee estimates of $2 million to $6 million resulted because the estimates were prepared at different times. The amount of the fee was linked to amounts provided in appropriations bills. CBO savings estimates were based on the House-passed appropriation bill plus inflation in subsequent years, while OMB's estimate of savings, which was prepared later in the process, was based on the final enacted level plus inflation in the outyears.

Other provisions for OBRA90 are not discussed in this section because they were outside the scope of this study (FDIC provisions, which are not subject to pay-as-you-go rules, and earned income and health tax credit, which are Joint Tax Committee estimates rather than CBO), or because there were no differences between OMB and CBO (10 programs) or only small differences.

Food, Agriculture, Conservation, and Trade Act:

Agriculture Credit Insurance Fund: The small differences in pricing these provisions are largely the result of different assumptions on the timing of receipts from inventory sales.

Food stamps: Most of the difference in scoring for this program is the result of baseline differences. CBO assumed minimal quality control collections from States; OMB assumed higher, more timely collections. When the Act waived these collections, OMB scored greater costs. OMB and CBO baselines are now similar and this difference should not recur.

Immigration Act: A small estimating difference for this Act occured because OMB assumed more illegal aliens would take advantage of this one-time legalization offer.

Chapter II: OMB/CBO SCORING OF THE PRESIDENT'S 1992 BUDGET

The President's 1992 budget included $6.3 billion in 1992 savings from direct spending subject to the pay-as-you-go provisions, and $35.6 billion over the period covered by the BEA. CBO reestimates of the proposals in its analysis of the President's Budget reduce those savings to $5.9 billion in 1992, and $21.7 billion for the period covered by the BEA. Much of the difference is conceptual; differences concerning what items OMB and CBO think should be counted on the pay-as-you-go scorecard. The following section discusses each conceptual difference between OMB and CBO and also explains large differences resulting from economic and technical assumptions.

TABLE 3. SUMMARY OF OMB/CBO SCORING OF THE FY 1992 BUDGET PROPOSALS

(In billions of dollars)

	1992–95 Estimates			Difference as a percent of:	
	OMB	CBO	Difference (CBO less OMB)	OMB Estimate	OMB Baseline
Total savings	–35.6	–21.7	14.0	–39.2	1.1
Conceptual differences due to: [1]					
Implementation of credit reform	–1.7	–3.1	–1.4	81.1	–9.2
Other	–7.4	5.2	12.6	–170.1	–26.3
Subtotal, conceptual differences	–9.1	2.1	11.3	–123.0	–36.1
Remaining differences	–26.5	–23.8	2.7	–10.2	0.2

Notes: A negative estimate indicates a saving relative to the baseline over the period.

[1] Conceptual differences generally measure the degree to which OMB estimates would change if CBO scorekeeping principles were applied. Measuring the change to CBO estimates if OMB scorekeeping principles applied would show conceptual differences of $5.6 billion and remaining differences of $8.4 billion.

TABLE 4. OMB/CBO ESTIMATES OF FY 1992 BUDGET PAY-GO PROPOSALS

(Outlays in millions of dollars)

	1992	1993	1994	1995
OMB Pay-Go estimates	-6,316	-9,344	-8,984	-10,987
Conceptual differences:				
ANWR and NPR leasing	1,191	1,762	-119	1,088
FHA	564	1,062	1,024	860
GSL	-883	143	219	281
HEAL	-9	-17	-25	-33
Military and PHS retirement accruals	-97	-101	2,953	2,658
Rehabiliation services	-8	-26	-36	-48
VA home loan program	-940	-35	-72	-104
Subtotal, conceptual differences	-182	2,788	3,944	4,702
Economic and technical differences:				
Coinage profit fund	88	0	0	0
Crop insurance	51	38	33	18
Family support payments	11	8	40	61
Food stamps	0	5	-20	-50
Medicaid	40	30	45	45
Medicare	217	343	412	507
PMA debt restructuring	377	-13	0	-2
Railroad retirement	-66	0	-1	0
REA	-4	-10	-28	-49
SPR purchase delay	-159	37	0	0
VA medical care cost recovery	0	0	155	160
VA compensation and pension	15	136	98	109
Other	16	-2	13	-6
Subtotal, technical and economics	586	572	747	793
Total, differences	404	3,360	4,691	5,495
CBO Pay-Go estimates	-5,912	-5,984	-4,293	-5,492

Conceptual Differences

Alaska National Wildlife Refuge (ANWR) and Naval Petroleum Reserve (NPR) leasing: CBO believes that the proposed ANWR and NPR leases are asset sales and are thus ineligible to be counted as a deficit reduction. OMB does not consider these leases to be asset sales. In any event, CBO has different estimates than OMB with regard to the amount of receipts to be realized from the proposed leases. In addition, CBO and OMB have different assumptions on the timing of the ANWR receipts.

Section 250(c)(21) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, defines an asset sale as "the sale to the public of any asset, whether physical or financial, owned in whole or in part by the United States." An action that was routine and ongoing as of 1986 was not considered an asset sale under this definition. Section 257(e) of that Act goes on to state that receipts generated from the sale of such Federal assets cannot be counted for the purposes of deficit reduction.

OMB does not consider proposed ANWR and NPR leases to be asset sales within the definition contained in the Balanced Budget and Emergency Deficit Control Act of 1985, as amended. OMB believes that these leases cannot be asset sales because all property rights under these proposals are retained by the Federal Government, because the Federal Government retains the right to cancel or terminate the leasing agreement with cause and re-lease the area to a third party, and because the lease contracts allow the lessees to explore for/ produce oil but do not guarantee that they will recover any resources. OMB believes that none of these conditions would hold if ANWR and NPR were asset sales.

CBO believes that all leases allowing for the extraction of mineral resources from Federal lands constitute asset sales within the definition contained in the BEA, on the basis that both the exclusive right to explore for and extract minerals, and the minerals themselves, are Federal assets. In the cases of ANWR and NPR, the government owns minerals that CBO considers physical assets and that are currently not available for sale under the Federal government's routine, ongoing lease programs. If the government issues a lease to a nonfederal entity for the purpose of depleting these assets (by extracting specific mineral resources), CBO believes that the assets returned to the Federal government at the expiration of the leases would be different assets of lesser value (the land minus the minerals).

Furthermore, CBO views as a financial asset the exclusive right to enter Federal land to explore for, extract, remove, and dispose of minerals. According to the financial accounting standards for oil and gas producing companies, as published by the Financial Accounting Standards Board, oil companies carry such leases on their books as assets, whether they are for proved or unproved resources.

Federal Housing Administration (FHA): OMB included the indirect effect of discretionary appropriations action on this mandatory account on the pay-as-you-go scorecard. OMB's pay-as-you-go savings for this proposal were $0.6 billion in 1992, with larger savings in the outyears. CBO recognized no such savings on the grounds that the relationship between the amount appropriated for these programs and the amount saved by the FHA is too speculative. However, because the savings are the result of appropriations and not authorizing committee action, even if CBO had projected savings they would not have counted them on the pay-as-you-go scorecard. OMB now agrees with CBO that these savings are not relevant for pay-as-you-go.

Guaranteed student loans: CBO scored the President's budget with $0.9 billion more in savings in 1992. For 1993 through 1995, OMB scored more savings of $0.1 to $0.3 billion each year. Almost all of the difference stems from scoring of legislative proposals that affect pre-1992 loans. CBO scored all proposals which affect loans made prior to 1992 on a net present value basis. OMB scored proposals that affect loans made prior to 1992 but do not require a modification in the loan contract with the borrower on a cash basis.

OMB and CBO treated differently the extension of the provision that gives the Internal Revenue Service authority to reduce tax refunds when loans are in default. The provision expires in January 1994. CBO treated its extension as a legislative initiative and assumed passage in 1992. OMB assumed the extension in its baseline. CBO priced the effect of extending the offset program on pre-1992 reform loans on a net present value basis, discounted to 1992. The effects on loans in 1992 and after are shown in the subsidy values in the year of disbursement.

CBO also scored the proposed collection enhancement measures for both pre-1992 and post-1991 loans on a net present value basis. As previously noted, OMB scored these measures on a cash basis for pre-1992 loans and a net present value basis for post-1991 loans. OMB and CBO are discussing the appropriate scoring of pre-1992 loans with the staffs of the Budget Committees.

Health Education Assistance Loans (HEAL): The Budget proposed to begin phasing out HEAL loans in 1992 by seeking to lower loan guarantee levels through the appropriations process. CBO scored the savings ($9 million in 1992, growing to $33 million by 1995) as subject to pay-as-you-go, noting that the savings result from a proposed legislative change, even though the change is in an appropriations bill. OMB counts savings from the proposal under the discretionary caps because the authorizing committees are not involved. CBO now agrees with OMB that these savings are not relevant for pay-as-you-go if the change is made by an appropriations bill.

Military retirement and Public Health Service (PHS) retirement accruals: The Budget proposes to change the method used to calculate the Department of Defense's contribution for military retirement and to establish an accrual-based retirement system for PHS commissioned officers. The reduced (or increased) contributions to the retirement funds have the indirect effect of increasing (or reducing) the deficit, even though they are intergovernmental transactions. The deficit changes under these proposals because the BEA established discretionary caps. The fixed caps allow higher (lower) spending because, even though an increase (reduction) in mandatory spending is offset by a reduction (increase) on the discretionary scorecard, total discretionary spending is unchanged. For example, lower payments by DoD for military retirement increase the deficit because with fixed caps spending on other programs is substituted for retirement spending.

OMB did not score these changes on the pay-as-you-go scorecard because accrual costs are funded out of programs covered by the discretionary caps. Legislation under the jurisdiction of the authorizing committees will set rates, but the Appropriations Committees will determine the final level of funding for accruals under the discretionary caps. The OMB scoring is consistent with traditional scoring of legislation affecting prices. For example, Davis-Bacon reform legislation has been scored as discretionary because, although the authorizing committee would need to pass legislation to enable savings to be achieved, actual reductions to construction accounts are at the discretion of the Appropriations Committee.

CBO believes that the scorekeeping system should reflect the fact that a change in the method of accounting for accrued retirement costs has no effect on the deficit. There are two ways of assuring this result. Either the discretionary caps could be changed by the amount of the change in appropriations for the accrual, or the change in receipts to the retirement trust funds could be shown on the pay-as-you-go scorecared. In order to highlight the issue, CBO assumed the latter in its analysis of the 1992 budget. Thus, CBO scores pay-as-you-go savings of $0.1 billion per year for the PHS retirement accrual and costs of $3.1 billion in 1994 and $2.8 billion in 1995 for the military retirement accrual change. OMB is reviewing its previous scoring and believes that it may be appropriate to adjust the discretionary caps if the proposal is enacted.

Rehabilitation services: All of this account is scored as mandatory under the BEA. Under the Basic State Grant (86 percent of the account), States are entitled to a formula share of an amount determined by last year's appropriation, increased by a CPI adjustment; the other programs in the account have their levels set in annual appropriations. The 1992 budget proposes to fund the Basic State Grants at the formula level. Other account programs would be increased by $11 million over the 1991 level, which translates into an increase of $0.5 million over OMB's baseline. (OMB's baseline component for the other programs uses the GNP deflator for the inflation factor, the same factor as is used for all other domestic discretionary accounts.) CBO has a higher baseline because CBO inflates the other programs by the increase in the CPI that the statute applies to the formula entitlement. Therefore, CBO sees savings from its baseline of $8 million in 1992 in the Administration's proposals.

CBO will score the appropriations for this program as it scores all other mandatory programs funded in annual appropriations acts—at the CBO baseline level—unless authorizing legislation is enacted which would change the program. In this event, CBO would score any changes on the pay-as-you-go scorecard. OMB will score any 1992 appropriations changes that increase the total above or decrease the total below OMB's baseline amounts, as increases or decreases to the discretionary spending totals. At the start of the 1993 budget process, OMB's baseline mandatory totals will reflect the appropriations action and the discretionary caps will be adjusted, downward if the 1992 appropriation included an increase or upward if the appropriation included a decrease in the mandatory account.

VA home loan program: CBO scores $0.9 billion more in savings for 1992 than OMB. Differences in the outyears are $0.1 billion or smaller. As with the guaranteed student loan program discussed earlier, the difference between OMB and CBO scoring for this program is due primarily to a difference in the treatment of savings proposals that affect pre-credit reform loan activity (prior to 1992). CBO scored all proposals that affect the cost of pre-1992 loans on a present value basis. As discussed under guaranteed student loans above, OMB applied present value scoring only when proposals change the terms or conditions on old loans. Otherwise they were scored on the pre-credit reform cash basis. The scoring of pre-1992 loans is being discussed with the staffs of the Budget Committees.

Technical and Economic Differences

Coinage profit fund: The technical difference between OMB and CBO on this proposal is the result of an OMB error. The $94 million in savings shown by OMB for the coinage profit fund should have been offset by reductions in offsetting receipts.

Crop insurance: CBO scores $51 million less in savings for 1992 than OMB (outyear differences are less than $50 million each year). This difference is the net effect of small differences in spendout rates and different treatment of a legislative proposal that affects both the crop insurance fund and the administrative and operating expense account. OMB included the entire legislative proposal in its pay-as-you-go scorecard. CBO included only the crop insurance fund portion. CBO included the impact on the administrative and operating expense account in the discretionary totals. OMB now agrees with CBO that the portion of the savings associated with administrative and operating expenses should be counted toward the caps.

Family support payments: CBO assumes higher administrative costs associated with the proposal to require food stamp households to seek child support than OMB does. Differences are $0.1 billion or less in each year and are offset by roughly equivalent differences in food stamps.

Food stamps: CBO assumes slower implementation of the proposal to require food stamp households to seek child support, and thus assumes smaller savings in 1993. CBO, however, increases the savings over time more rapidly than OMB does and thus CBO shows greater savings in the outyears. Differences are $0.1 billion or less in each year—about 0.1 percent of total food stamp spending—and are offset by roughly equivalent differences in family support payments.

Medicaid: The difference between OMB and CBO for this program (less than $50 million in any year) is the net of many small technical differences.

Medicare: CBO estimates $0.2 billion less in savings than OMB for this program, growing to $0.5 billion less by 1995. Most of the scoring difference results from the effect of the underlying economic assumptions on the Hospital Insurance (HI) proposals. OMB estimates are based on the HCFA actuarial estimate using the economic forecast underlying the President's Budget; while, CBO's estimate uses its own economic projections. This difference occurs annually. The major identified cause of this large differential is the Hospital Market Basket Index (HMBI). CBO used a December 1990 HMBI, a more conservative economic forecast. The CBO HMBI calculation resulted in a 30 percent lower index (4.0 percent versus OMB's 5.6 percent).

Power Marketing Administration (PMA) repayment reform: CBO estimates that $0.4 billion less in savings can be achieved from this proposal than OMB in 1992. OMB assumes that the reforms can be implemented during 1992, while CBO expects that it will take until 1993 to institute the necessary electricity rate increases.

Railroad retirement: OMB and CBO estimates differ with regard to the budget proposal to pay Social Security benefits to certain rail beneficiaries ineligible for such benefits under the Railroad Retirement Act. OMB assumes that all of the costs would appear in the Railroad Retirement accounts because the increase in the Social Security Administration's (SSA) outlays for newly covered beneficiaries ($66 million) is offset by reducing the SSA's annual financial interchange with the Railroad Retirement Board (RRB). CBO assumes the increased costs would appear in Social Security and thus not be subject to pay-as-you-go. Costs after 1992 would appear in the rail accounts to reflect the reductions in the financial interchange. CBO was unaware that the Administration's proposal assumed a change in the financial interchange. If CBO's pricing were changed to reflect this aspect of the proposal, CBO scoring would conform closely to OMB estimates.

REA: CBO estimates slightly more savings than OMB in each year (less than $50 million per year). The 1992 credit reform subsidy for mandatory REA direct loan programs is estimated by OMB at 18.9 percent for electric and 16.8 percent for telephone loans. CBO's estimate is 26.7 percent for both types of loans. The difference is due primarily to different interest rate assumptions over the six-year spendout period.

Strategic Petroleum Reserve (SPR) purchase delay: CBO scores $0.2 billion more in savings from this proposal in 1992. The difference in scoring for this provision is the result of different baseline assumptions. Under current law, all receipts from sales of SPR oil must be used to replace the sold oil within 12 months. OMB assumed that under current law all receipts from last year's test sale would be used to purchase additional SPR oil in 1991. CBO projected that the receipts would not be used until 1992. Thus the proposed delay beyond the 12 months required under current law is shown as a savings in 1991 and a cost in 1992 and 1993 by OMB, but a savings in 1992 and a cost in 1993 by CBO.

VA medical care cost recovery: CBO assumes $0.2 billion less in savings than OMB for 1994 and 1995. This difference results from differing assumptions for projecting cost recoveries from insurers of service-connected veterans for treatment of non-service-connected conditions. Specifically, the agencies' assumptions are different for: the number of episodes of care covered by insurance, the types of care covered, potential billings as a share of total costs, and potential collections as a share of total billings. OMB and CBO will continue to work to narrow these minor differences.

VA compensation and pensions: The difference between OMB and CBO is nearly all from technical differences on two of the five provisions subject to pay-as-you-go for these programs: dependency and indemnity compensation (DIC) reform and income verification.

- *DIC reform*: The President's Budget proposes to pay benefits to new DIC cases at a flat rate. Under current law, DIC benefits are based on the veteran's military rank. This proposal would establish a single benefit rate equal to the current rate for the E-6 pay grade. In addition, DIC benefits to current E-1 through E-5 cases would be gradually increased to the E-6 level over a five-year period.

  The OMB estimate contains a technical error. It overstates the number of new accessions in the Dependency and Indemnity Compensation program. This results in an erroneous savings estimate in 1992 as lower payments to survivors of higher-rank veterans more than offset increased benefits to survivors of lower-rank veterans. If the costs were reestimated, they would be closer to the CBO estimate. OMB would still be higher than CBO due to differences in caseload and average benefit assumptions.

  In addition, the OMB estimate does not include the effects of program interaction between DIC benefits and payments made to survivors eligible for military retirement. Under current law, DIC payments to survivors of military retirees are offset dollar-for-dollar. Lowering DIC payments to survivors of military retirees who were ranked E-7 or above would only serve to increase their military retirement benefits. CBO also excluded the impact of this program interaction in their estimate.

- *Income verification:* The President's budget proposes to extend an OBRA provison that authorizes VA access to IRS data for the purpose of verifying income reported by VA pensioners. Under current law, this authority would expire on September 30, 1992. OMB assumes that once the authority to verify income expires, pensioners who were removed from the roles for misreporting income would be reawarded benefits. CBO, however, expects that a pension applicant who was terminated for misreporting income would not be accepted back on the pension rolls without an investigation of his/her current income. OMB and CBO staff will continue to work to resolve these minor differences.

(in millions of dollars)

	1992	1993	1994	1995
DIC reform:				
OMB estimate	–15	14	103	129
CBO estimate	2	12	69	105
Difference	–17	2	34	24
Income verification:				
OMB estimate	0	–171	–176	–182
CBO estimate	0	–10	–20	–21
Difference	0	–161	–156	–161

Chapter III: OMB/CBO SCORING OF CURRENT LEGISLATION

Under the Budget Enforcement Act, OMB must report on the effects of direct spending legislation to the Congress within five days of enactment. OMB is also preparing a monthly report for the Congress summarizing the status of direct spending legislation. Both reports compare OMB estimates to CBO's. Every attempt is made to resolve pay-as-you-go estimating differences before a report is issued.

OMB and CBO have had minimal scoring differences on the eight bills enacted to date in the 102nd Congress. OMB and CBO have been in close agreement on the coverage and scoring of pay-as-you-go legislation. There was no difference in scoring for three bills. For four additional bills, the five year scoring difference was under $10 million.

There are scoring differences for 1994 and 1995 in the remaining bill, the Persian Gulf Conflict Supplemental Authorization and Personnel Benefits Act. OMB assumes that rates for education benefits for 1994 and 1995 will return to current law levels because the Administration opposed the benefit increase. CBO assumes that the Secretary of Veterans Affairs will continue the new rates and index them for inflation. Table 5 shows OMB and CBO estimates for the eight bills.

TABLE 5. SCORING OF PAY-GO LEGISLATION TO DATE

(In millions of dollars)

	1991	1992	1993	1994	1995
Tax relief for Desert Storm participants (P.L. 102–2):					
OMB Estimate	1	5	0	0	0
CBO Estimate	1	5	0	0	0
Difference	0	0	0	0	0
Veteran compensation amendments (P.L. 102–3):					
OMB Estimate	0	0	0	0	0
CBO Estimate	0	0	0	0	0
Difference	0	0	0	0	0
Agent Orange Act (P.L. 102–4):					
OMB Estimate	0	0	0	0	0
CBO Estimate	0	0	0	0	0
Difference	0	0	0	0	0
Veterans Education and Employment Programs (P.L. 102–16):					
OMB Estimate	*	*	*	*	*
CBO Estimate	2	2	2	2	1
Difference	2	2	2	2	1
Resolution Trust Corporation (P.L. 102–18):					
OMB Estimate	4	0	0	0	0
CBO Estimate	0	0	0	0	0
Difference	–4	0	0	0	0
Persian Gulf Conflict Supplemental Authorization and Personnel Benefits Act (P.L. 102–25):					
OMB Estimate	NA	NA	NA	0	0
CBO Estimate	NA	NA	NA	145	170
Difference	0	0	0	145	170
Higher Education Technical Amendments (P.L. 102–26):					
OMB Estimate	–6	–38	0	0	0
CBO Estimate	3	–56	5	0	0
Difference	9	–18	5	0	0
Department of Veterans Affairs Health Care Personnel Act of 1991 (P.L. 102–40):					
OMB Estimate	*	*	0	0	0
CBO Estimate	*	*	0	0	0
Difference	0	0	0	0	0
Total:					
OMB Estimate	–*	–32	*	*	*
CBO Estimate	6	–49	7	147	171
Difference	6	–17	7	147	171

NA=Not Applicable.
* $500,000 or less.

CHAPTER IV: ISSUES IN THE APPLICATION OF SCOREKEEPING GUIDELINES

As a result of the above analysis of current and past differences on scoring and ongoing discussions between OMB, CBO, and the Budget Committees, numerous issues concerning scoring under the Budget Enforcement Act have arisen. This section lists a series of issues that OMB, CBO, the Budget Committees and others will be addressing in the near future. The list is illustrative in nature. More issues will clearly come to light as additional legislation moves through the Congress.

1. How should changes with discretionary implications included in authorizing legislation (e.g., military retirement accrual changes) be scored: as a pay-as-you-go-event, as an adjustment to the discretionary caps, or excluded from both discretionary and mandatory controls?

2. How should a classification determination be made for new or substantially changed programs in authorizing legislation? Should "shall be" language always be mandatory? Should "may be" language always be discretionary?

3. Can regulations adopted after the transmittal of the Budget be considered when pricing legislation?

4. What level of spending should be assumed when the Administration is given some discretion in determining direct spending funds to use: assume all spending allowed will occur, assume only spending supported by the Administration will occur, or assume spending based on historical precedents?

5. What level of budget year appropriations should be assumed when estimating savings from provisions linked to the appropriated level (eg. a fee will cover a given percentage of an appropriation): the current year level, the current year adjusted for inflation, the current year adjusted for the increase allowed under the discretionary caps, the President's request, or latest Congressional action? What levels of appropriations should be assumed for the outyears?

6. Should targets for savings included in bills (eg. a specified level of fees) be scored as given or should they be scored only to the extent that they are likely to be achieved, given authorities provided in the legislation?

OMB will continue to consult with CBO, the Budget Committees and others throughout the year. The goal of these regular consultations will be to minimize differences in estimates of direct spending legislation. In those cases where differences cannot be avoided, every effort will be made to ensure that differences are clearly explained.