OMB FINAL SEQUESTRATION REPORT TO THE PRESIDENT AND CONGRESS FOR FISCAL YEAR 2002

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
January 31, 2002

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

Enclosed please find the OMB Final Sequestration Report to the President and Congress for fiscal year 2002, as required by the Budget Enforcement Act of 1990 (BEA) as amended.

This report provides current estimates of the status of discretionary spending and the discretionary limits. It also provides the status of pay-as-you-go legislation. Comparisons with the estimates provided by the Director of the Congressional Budget Office in his report are also included.

Based on the estimates contained in this report, neither discretionary nor pay-as-you-go sequesters are required for fiscal year 2002.

Sincerely,

Mitchell E. Daniels, Jr.
Director

Enclosure

Identical Letter Sent to The Honorable Richard B. Cheney and The Honorable J. Dennis Hastert
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GENERAL NOTES

1. All years referred to are fiscal years unless otherwise noted.
2. Details in the tables and text may not add to totals due to rounding.
I. OVERVIEW

The Budget Enforcement Act of 1997 (BEA of 1997) requires that OMB issue reports on the overall status of discretionary and pay-as-you-go legislation. An across-the-board reduction of non-exempt spending, known as “sequestration,” enforces compliance with these constraints. The end-of-session report, which OMB is required to issue after Congress adjourns sine die, determines whether or not a sequester is required. This report, which covers legislation enacted in the first session of the 107th Congress, indicates that no sequester is required for either mandatory or discretionary programs.
II. DISCRETIONARY SEQUESTRATION REPORT

Discretionary programs are funded annually through the appropriations process. The scorekeeping guidelines accompanying the Budget Enforcement Act (BEA) identify accounts with discretionary resources. The BEA limits, or caps, budget authority and outlays available for all discretionary programs each year through 2002. For 2002, discretionary spending is divided into four categories: highway outlays, mass transit outlays, conservation spending budget authority and outlays, and all other discretionary spending budget authority and outlays. The BEA originally specified a single category for all discretionary spending in 2001 and 2002. The Transportation Equity Act for the 21st Century (TEA–21) established the additional categories for highway and mass transit outlays for 1999 through 2003. P.L. 106–291, the Interior and Related Agencies Appropriations Act, 2001, added the category for conservation spending with limits from 2002 to 2006.

P.L. 107–117, the Department of Defense Appropriations Act, established revised discretionary spending limits for the 2002 appropriations. Specifically, Division C, Section 101 of the Act set the budget authority limit at $681.4 billion and the outlay limit at $670.2 billion for the other discretionary spending category and revised the conservation spending outlay limit. The provision also included a special budget authority allowance.

OMB monitors compliance with the discretionary spending limits throughout the fiscal year. Appropriations that cause a breach in the budget authority or outlay limits trigger a sequester to eliminate that breach. The law, however, does not require that Congress appropriate the full amount available under the discretionary limits.

Table 1 summarizes changes to the caps since 1990, and includes the limits established for highways, mass transit, and conservation spending. It also includes the revised limit for 2002 established in P.L. 107–117.
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<td>Statutory Caps as set in OBRA 1990, OBRA 1993, 1997 Bipartisan Budget Agreement, and TEA-21</td>
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<td>2.6</td>
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Table 1. HISTORICAL SUMMARY OF CHANGES TO DISCRETIONARY SPENDING LIMITS
(In billions of dollars)
### Table 1. HISTORICAL SUMMARY OF CHANGES TO DISCRETIONARY SPENDING LIMITS—Continued

(In billions of dollars)

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<td>652.2</td>
<td>731.3</td>
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</table>

N/A = Not Applicable.

1 P.L. 104–19, Emergency Supplemental Appropriations for Additional Disaster Assistance, for Anti-Terrorism Initiatives, for Assistance in the Recovery from the Tragedy that Occurred at Oklahoma City, and Rescissions Act, 1995, was signed into law on July 27, 1995. Section 2003 of that bill directed the Director of OMB to make a downward adjustment in the discretionary spending limits for 1995–1998 equal to the aggregate amount of reductions in new budget authority and outlays for discretionary programs resulting from the provisions of the bill, other than emergency appropriations.

2 Sec. 8101(a) of P.L. 105–178, the Transportation Equity Act for the 21st Century (TEA–21), which was signed by the President on June 6, 1998, established two new discretionary spending categories: Highway and Mass Transit. Sec. 8101(b) of TEA–21 provided for an offsetting adjustment in the existing discretionary spending limits.

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

4 Division C, Section 101 of P.L. 107–117, the Department of Defense Appropriations Act, 2002, included revised budget authority and outlay caps for 2002. In addition, this section provided a budget authority technical estimating difference adjustment allowance of up to 0.12 percent of total appropriations.


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

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<th>2000</th>
<th>2001</th>
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<td>Adjustments for the Final Sequestration Report:</td>
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<td></td>
<td></td>
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<tr>
<td>No Adjustments</td>
<td>BA ...</td>
<td>N/A</td>
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<td>OL ...</td>
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<tr>
<td></td>
<td>OL 6,344</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
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| **HIGHWAY CATEGORY** |      |      |      |
| Update Report Highway Category Spending Limits | BA ... | ... | ...  |
|                     | OL 24,574 | 26,920 | 28,489 |
| Adjustments for the Final Sequestration Report: |      |      |      |
| No Adjustments | BA N/A | N/A | ...  |
|                     | OL N/A | N/A | ...  |
| Final Sequestration Report Limits | BA ... | ... | ...  |
|                     | OL 24,574 | 26,920 | 28,489 |

| **MASS TRANSIT CATEGORY** |      |      |      |
| Update Report Mass Transit Category Spending Limits | BA ... | ... | ...  |
|                     | OL 4,117 | 4,639 | 5,275 |
| Adjustments for the Final Sequestration Report: |      |      |      |
| No Adjustments | BA N/A | N/A | ...  |
|                     | OL N/A | N/A | ...  |
| Final Sequestration Report Limits | BA ... | ... | ...  |
|                     | OL 4,117 | 4,639 | 5,275 |

| **CONSERVATION CATEGORY** |      |      |      |
| Update Report Conservation Category Spending Limits | BA N/A | N/A | 1,760 |
|                     | OL N/A | N/A | 1,232 |
| Federal and State Land and Water Conservation Fund subcategory | BA N/A | N/A | 540 |
|                     | OL N/A | N/A | ...  |
| State and Other Conservation subcategory | BA N/A | N/A | 300 |
|                     | OL N/A | N/A | ...  |
| Urban and Historic Preservation subcategory | BA N/A | N/A | 160 |
|                     | OL N/A | N/A | ...  |
| Payments in Lieu of Taxes subcategory | BA N/A | N/A | 50 |
|                     | OL N/A | N/A | ...  |
| Federal Deferred Maintenance subcategory | BA N/A | N/A | 150 |
|                     | OL N/A | N/A | ...  |
| Coastal Assistance subcategory | BA N/A | N/A | 440 |
|                     | OL N/A | N/A | ...  |
| Unallocated | BA N/A | N/A | 120 |
|                     | OL N/A | N/A | ...  |
| Adjustments for the Final Sequestration Report: |      |      |      |
| Adjustment to reach spending limit mandated in P.L. 107–117 | BA N/A | N/A | ...  |
|                     | OL N/A | N/A | 241  |
| Final Sequestration Report Limits | BA N/A | N/A | 1,760 |
|                     | OL N/A | N/A | 1,473 |
II. DISCRETIONARY SEQUESTRATION REPORT

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

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<td>640,803</td>
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<td>620,392</td>
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<td>BA N/A</td>
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<td>Final Sequestration Report Spending Limits</td>
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<td>640,803</td>
<td>548,705</td>
</tr>
<tr>
<td></td>
<td>OL 604,259</td>
<td>651,951</td>
<td>572,379</td>
</tr>
<tr>
<td></td>
<td>BA 584,789</td>
<td>660,803</td>
<td>706,308</td>
</tr>
<tr>
<td></td>
<td>OL 604,259</td>
<td>652,165</td>
<td>731,329</td>
</tr>
</tbody>
</table>

N/A = Not Applicable.

Adjustments to discretionary limits.—
Section 251(b)(2) of the BEA authorizes certain adjustments after the enactment of appropriations. The permitted section 251(b)(2) adjustments include:

• Continuing Disability Reviews.—Funding for additional continuing disability reviews (CDRs) under the heading, “Limitation on Administrative Expenses,” for the Social Security Administration. The law limits adjustments to the budget authority and outlay estimates authorized in P.L. 105–33, the Balanced Budget Act of 1997. CDRs are conducted to verify that recipients of Social Security disability insurance benefits and Supplemental Security Income benefits for persons with disabilities are still disabled. The fiscal year 2002 Labor, Education, Health and Human Services and Related Agencies Appropriations Act provided $433 million in BA and $390 million in outlays for CDRs.
• *Earned Income Tax Credit (EITC) Compliance Initiative.*—Funding for EITC compliance initiatives, including the detection and enforcement of EITC eligibility rules in order to reduce EITC overclaims. Adjustments are limited to the budget authority and outlay estimates authorized in P.L. 105–33. The fiscal year 2002 Treasury and General Government Appropriations Act provided $146 million in both BA and outlays for EITC compliance.

• *Adoption Incentive Payments.*—The Adoption and Safe Families Act of 1997 authorizes bonus payments to States that increase the number of adoptions from the foster care system. The Act provides for a discretionary cap adjustment for appropriations up to $20 million annually in fiscal years 1999 through 2003. It is assumed that the cost of adoption bonuses will be offset by reductions in mandatory foster care costs. The $20 million request was included in the fiscal year 2002 Labor, Education, Health and Human Services and Related Agencies Appropriations Act.

• *Emergency Appropriations.*—Funding for amounts designated by Congress and enacted as “emergency requirements”. Fiscal year 2001 supplemental appropriations included $20.0 billion in emergency budget authority for terrorist response activities. Fiscal year 2002 appropriations acts included $22.2 billion in emergency budget authority, of which $20.0 billion was for terrorist response activities, $1.5 billion was for FEMA disaster relief, $400 million was for wildland fire fighting, and $300 million was for the low-income heating assistance program. The 2001 and 2002 caps have been adjusted to reflect both the budget authority and outlay effects of these appropriations. The 2002 outlay adjustment for the spendout of 2001 terrorist response appropriations also includes a technical correction revising OMB’s 2002 outlay estimates for P.L. 107–38 downward by $1 million.

• *Special Outlay Allowance.*—This allowance was included in the BEA to cover technical scoring differences that result when OMB scoring exceeds CBO scoring. If, in any year, outlays for a discretionary spending category exceed the spending limit for the category, but new budget authority does not exceed the limit for that category, the special outlay allowance may be used. The outlay adjustment is the amount of the excess spending over the limit. The adjustment can not exceed 0.5 percent of the sum of the adjusted discretionary spending limits on outlays for that fiscal year. OMB does not estimate that the special outlay allowance will be required for fiscal year 2002.

• *Discretionary Budget Authority Adjustment.*—Division C of public law 107–117, the 2002 Department of Defense Appropriations Act, included a provision allowing OMB to adjust the 2002 limit on budget authority for the discretionary category upward by any amounts in excess of the spending limits, up to 0.12 percent. This allowance, which was enacted to account for appropriations bill scoring differences between OMB and CBO, resulted in an increase of $308 million to the discretionary category budget authority limits.

**Anticipated adjustment to the highway category.**—Section 8101 of TEA–21 requires OMB to revise the highway spending limits for changes in actual and estimated federal gasoline tax receipts, relative to the receipt levels assumed in TEA–21. For example, if actual tax receipts exceed the TEA–21 assumed levels, OMB is required to increase the limit for the budget year. This adjustment permits funding to be consistent with the level of taxes that are collected and earmarked for highways spending. OMB has no discretion when making this adjustment; its role is purely ministerial.

Over the past several years, actual and estimated gasoline tax receipts exceeded the levels assumed in TEA–21. Accordingly, OMB applied the formula as specified in the legislation and increased the highway category obligation limitations by $3.1 billion in 2001 and $4.5 billion in 2002. In 2003, however, the TEA–21 formula is estimated to produce a downward adjustment of nearly –$5.0 billion in the highway obligation limitation. The resulting 2003 highway outlay limit is estimated to be –$0.9 billion below the 2002 outlay limit. This is due both to actual gasoline tax receipts being lower than antici-

Although the actual adjustment to the caps will be made in the Preview Report and transmitted to the Congress with the President’s 2003 Budget, the anticipated adjustment is included here because it breaks from the historical pattern of upward adjustments.

### Table 3. ANTICIPATED ADJUSTMENTS TO THE HIGHWAY AND MASS TRANSIT CATEGORIES FOR CHANGES IN RECEIPTS AND TECHNICAL ASSUMPTIONS

<table>
<thead>
<tr>
<th>(In millions of dollars)</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>HIGHWAY CATEGORY</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Obligation Limitation Assumed in 2002 Preview Report</td>
<td>30,216</td>
<td>32,310</td>
<td>28,233</td>
</tr>
<tr>
<td>Anticipated Adjustments:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Difference Between Current and Previous Estimate of 2003 Highway Tax Receipts</td>
<td>N/A</td>
<td>N/A</td>
<td>–1,497</td>
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<tr>
<td>Difference Between 2001 Actual and Estimated Highway Tax Receipts</td>
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<td>N/A</td>
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<td>Subtotal, Obligation Limitation Adjustment</td>
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<tr>
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<td>32,310</td>
<td>23,268</td>
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<td>Outlay Limits in 2002 Preview Report</td>
<td>26,920</td>
<td>28,489</td>
<td>29,100</td>
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<td>Adjustments:</td>
<td></td>
<td></td>
<td></td>
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<td>Reduction in 2003 Obligation Limitation</td>
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<td>N/A</td>
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<td>Changes in Technical Assumptions:</td>
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<td>Reestimate of Outlays from Obligation Limitation level, Adjusted to Include Outlays from change in Obligation Limitation</td>
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<td>N/A</td>
<td>27,581</td>
</tr>
<tr>
<td>Reestimate of Outlays from Obligation Limitation level, Adjusted to Include Outlays from change in Obligation Limitation</td>
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<td>N/A</td>
<td>27,759</td>
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<td>Adjustment for Changes in Technical Assumptions</td>
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<td>N/A</td>
<td>–178</td>
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<tr>
<td>Total Adjustments</td>
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<td>N/A</td>
<td>–1,519</td>
</tr>
<tr>
<td>Anticipated Outlay Limits in 2003 Preview Report</td>
<td>26,920</td>
<td>28,489</td>
<td>27,581</td>
</tr>
</tbody>
</table>

| **MASS TRANSIT CATEGORY** |      |      |      |
| Outlay Limits in 2002 Preview Report | 4,639 | 5,275 | 5,531 |
| Adjustment: |      |      |      |
| Changes in Technical Assumptions: |      |      |      |
| Reestimate of Outlays from Obligation Limitation Using Current Technical Assumptions | N/A | N/A | 6,030 |
| 2002 Preview Report Outlays | N/A | N/A | 5,531 |
| Adjustment for Changes in Technical Assumptions | N/A | N/A | 499 |
| Anticipated Outlay Limits in 2003 Preview Report | 4,639 | 5,275 | 6,030 |

**Summary of FY 2001 discretionary appropriations.**—Table 4 summarizes the status of enacted fiscal year 2001 discretionary appropriations, relative to the discretionary caps.
### Table 4. **STATUS OF FY 2001 DISCRETIONARY APPROPRIATIONS**

(In millions of dollars)

<table>
<thead>
<tr>
<th>Category</th>
<th>BA</th>
<th>Outlays</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Highway Category</strong></td>
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<td></td>
</tr>
<tr>
<td>Adjusted discretionary spending limits</td>
<td>26,920</td>
<td></td>
</tr>
<tr>
<td>Total enacted</td>
<td>26,897</td>
<td></td>
</tr>
<tr>
<td>Spending over/under (–) limits</td>
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<td></td>
</tr>
<tr>
<td><strong>Mass Transit Category</strong></td>
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<td></td>
</tr>
<tr>
<td>Adjusted discretionary spending limits</td>
<td>4,639</td>
<td></td>
</tr>
<tr>
<td>Total enacted</td>
<td>4,639</td>
<td></td>
</tr>
<tr>
<td>Spending over/under (–) limits</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other Discretionary Spending</strong></td>
<td>660,803</td>
<td>620,606</td>
</tr>
<tr>
<td>Adjusted discretionary spending limits</td>
<td>660,803</td>
<td>620,564</td>
</tr>
<tr>
<td>Total enacted</td>
<td>660,801</td>
<td>620,564</td>
</tr>
<tr>
<td>Spending over/under (–) limits</td>
<td>–2</td>
<td>–42</td>
</tr>
<tr>
<td><strong>Total Discretionary Spending—All Categories</strong></td>
<td>660,803</td>
<td>652,165</td>
</tr>
<tr>
<td>Adjusted discretionary spending limits</td>
<td>660,803</td>
<td>652,165</td>
</tr>
<tr>
<td>Total enacted</td>
<td>660,801</td>
<td>652,100</td>
</tr>
<tr>
<td>Spending over/under (–) limits</td>
<td>–2</td>
<td>–65</td>
</tr>
</tbody>
</table>

*Status of FY 2002 discretionary appropriations.*—Table 5 summarizes OMB scoring of the fiscal year 2002 appropriations bills.

OMB estimates that spending in the highway, mass transit, and other discretionary categories are within the budget authority and outlay limits set in the BEA, as amended by P.L. 107–117, the Department of Defense Appropriations Act, 2002. OMB estimates that a sequester will not be required for any of the discretionary categories.
### Table 5. STATUS OF FY 2002 APPROPRIATIONS ACTION

(In millions of dollars)

<table>
<thead>
<tr>
<th>Category</th>
<th>BA (in millions)</th>
<th>Outlays (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OTHER DISCRETIONARY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture and Rural Development</td>
<td>16,207</td>
<td>16,951</td>
</tr>
<tr>
<td>Commerce, Justice, State and the Judiciary</td>
<td>38,229</td>
<td>39,331</td>
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<tr>
<td>Defense</td>
<td>317,173</td>
<td>304,072</td>
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<tr>
<td>District of Columbia</td>
<td>411</td>
<td>414</td>
</tr>
<tr>
<td>Energy and Water Development</td>
<td>24,574</td>
<td>24,563</td>
</tr>
<tr>
<td>Foreign Operations</td>
<td>15,447</td>
<td>15,732</td>
</tr>
<tr>
<td>Interior and Related Agencies</td>
<td>17,794</td>
<td>18,009</td>
</tr>
<tr>
<td>Labor, HHS, and Education</td>
<td>123,445</td>
<td>110,540</td>
</tr>
<tr>
<td>Legislative Branch</td>
<td>2,974</td>
<td>2,967</td>
</tr>
<tr>
<td>Military Construction</td>
<td>10,502</td>
<td>8,430</td>
</tr>
<tr>
<td>Transportation and Related Agencies</td>
<td>15,360</td>
<td>19,099</td>
</tr>
<tr>
<td>Treasury, Postal Service, and General Government</td>
<td>17,068</td>
<td>16,543</td>
</tr>
<tr>
<td>Veterans Affairs, HUD, Independent Agencies</td>
<td>85,290</td>
<td>90,193</td>
</tr>
<tr>
<td>2002 effects of 2001 supplemental appropriations</td>
<td>73</td>
<td>1,549</td>
</tr>
<tr>
<td>2002 outlay effects of P.L. 107–38, Sept. 11 emergency supplemental</td>
<td>..............</td>
<td>20,001</td>
</tr>
<tr>
<td>P.L. 107–117, supplemental appropriations in response to terrorist attacks</td>
<td>20,001</td>
<td>11,762</td>
</tr>
<tr>
<td><strong>Total, Other Discretionary Spending</strong></td>
<td>704,548</td>
<td>692,752</td>
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<td><strong>Final Sequestration Report Other Discretionary Limits</strong></td>
<td>704,548</td>
<td>696,092</td>
</tr>
<tr>
<td><strong>CONGRESSIONAL ACTION OVER/UNDER(–) LIMITS</strong></td>
<td></td>
<td>–3,340</td>
</tr>
</tbody>
</table>

| **HIGHWAY CATEGORY**                               |                  |                       |
| Transportation and Related Agencies                | [–62]            | 28,489                |
| **Total, Highway Category Spending**               | [–62]            | 28,489                |
| **Final Sequestration Report Highway Category Limits** |          | 28,489                |
| **CONGRESSIONAL ACTION OVER/UNDER(–) LIMITS**      |                 | N/A                   |

| **MASS TRANSIT CATEGORY**                          |                  |                       |
| Transportation and Related Agencies                | [1,348]          | 5,272                 |
| **Total, Mass Transit Category Spending**          | [1,348]          | 5,272                 |
| **Final Sequestration Report Mass Transit Category Limits** |          | 5,275                 |
| **CONGRESSIONAL ACTION OVER/UNDER(–) LIMITS**      |                 | N/A                   |

| **CONSERVATION SPENDING CATEGORY**                 |                  |                       |
| Commerce, Justice, State and the Judiciary         | 438              | 369                   |
| Interior and Related Agencies                      | 1,320            | 1,104                 |
| **Total, Conservation Category Spending**          | 1,758            | 1,473                 |
| **Final Sequestration Report Conservation Spending Category Limits** | 1,760 | 1,473                 |
| **CONGRESSIONAL ACTION OVER/UNDER(–) LIMITS**      |                 | –2                    |
Table 5. STATUS OF FY 2002 APPROPRIATIONS ACTION—Continued
(In millions of dollars)

<table>
<thead>
<tr>
<th></th>
<th>BA</th>
<th>Outlays</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL, DISCRETIONARY SPENDING</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total, Discretionary Spending</td>
<td>706,306</td>
<td>727,986</td>
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<tr>
<td>Final Sequestration Report Discretionary Spending Limits</td>
<td>706,308</td>
<td>731,329</td>
</tr>
<tr>
<td>CONGRESSIONAL ACTION OVER(+)/UNDER(–) LIMITS</td>
<td>–2</td>
<td>–3,343</td>
</tr>
</tbody>
</table>

1 Highway and Mass Transit Category BA, under current law, do not count towards the discretionary spending limits. Therefore, enacted BA amounts under those categories are not counted toward any of the 2002 spending limits.

Comparison of OMB and CBO discretionary limits.—Section 254(d)(5) of the BEA requires that this report explain the differences between OMB and CBO estimates for discretionary spending limits. Table 6 compares OMB and CBO limits for fiscal years 2000 through 2002. CBO uses the discretionary limits from OMB’s sequestration update report as a starting point for adjustments in its end-of-session sequestration report.

The difference between OMB and CBO estimates of the 2002 spending limits is $308 million in budget authority and $3.4 billion in outlays. The budget authority difference is due to scoring convention differences between OMB and CBO. The outlay difference is primarily due to OMB assuming higher outlays associated with 2001 and 2002 emergency supplemental funding in response to the terrorist attacks on the United States. More detailed explanations of these differences is available in the separate seven-day-after reports issued subsequent to enactment of each discretionary appropriations bill.

Table 6. COMPARISON OF OMB AND CBO DISCRETIONARY SPENDING LIMITS
(In millions of dollars)

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Violent Crime Reduction</td>
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<td></td>
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<tr>
<td>CBO Final Sequestration Report limits:</td>
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<tr>
<td>BA .........................................................</td>
<td>4,500</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>OL .........................................................</td>
<td>6,344</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>OMB Final Sequestration Report limits:</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>BA .........................................................</td>
<td>4,500</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>OL .........................................................</td>
<td>6,344</td>
<td>N/A</td>
<td>N/A</td>
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<tr>
<td>Difference:</td>
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</tr>
<tr>
<td>BA .........................................................</td>
<td></td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>OL .........................................................</td>
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<td>Highway Category</td>
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<td>CBO Final Sequestration Report limits:</td>
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<tr>
<td>BA .........................................................</td>
<td>24,574</td>
<td>26,920</td>
<td>28,489</td>
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<td>OL .........................................................</td>
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<td>BA .........................................................</td>
<td>24,574</td>
<td>26,920</td>
<td>28,489</td>
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<tr>
<td>BA .........................................................</td>
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<tr>
<td>OL .........................................................</td>
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Table 6. COMPARISON OF OMB AND CBO DISCRETIONARY SPENDING LIMITS—Continued
(In millions of dollars)

<table>
<thead>
<tr>
<th>Category</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
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<tr>
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<tr>
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<tr>
<td>BA</td>
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<tr>
<td>OL</td>
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<td>4,639</td>
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<tr>
<td>Sequestration</td>
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<tr>
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<tr>
<td>OL</td>
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<td>4,639</td>
<td>5,275</td>
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<td>Difference:</td>
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<td>OL</td>
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<tr>
<td>Sequestration</td>
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<tr>
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<tr>
<td>Sequestration</td>
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<tr>
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<tr>
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<td>660,803</td>
<td>704,548</td>
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<td>620,606</td>
<td>696,092</td>
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<td></td>
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<tr>
<td>OL</td>
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<td>Total Discretionary Spending Limits</td>
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<td>604,259</td>
<td>652,082</td>
<td>727,954</td>
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III. PAY–AS–YOU–GO SEQUESTRATION REPORT

Pay-as-you-go enforcement covers direct spending and receipts legislation. The BEA defines direct spending as entitlement authority, the food stamp program, and budget authority provided by law other than in appropriations acts. The following are exempt from the pay-as-you-go scorecard: Social Security, the Postal Service, legislation specifically designated as an emergency requirement, and legislation fully funding the Federal Government’s commitment to protect insured deposits.

The BEA requires that, in total, receipts and direct spending legislation not result in a net cost. If such legislation yields a net cost, and if the President and Congress do not fully offset it by other legislative savings, the law requires that a sequester of non-exempt direct spending programs offset the net cost.

The BEA requires that OMB submit a report to Congress that estimates the resulting change in outlays or receipts for the current year, the budget year, and the following four fiscal years for enacted direct spending and receipts legislation. The estimates, which must rely on the economic and technical assumptions underlying the most recent President’s budget, determine whether the pay-as-you-go requirement is met. The pay-as-you-go process requires that OMB maintain a “scorecard” that shows the cumulative net cost of such legislation.

Table 7 presents OMB estimates of pay-as-you-go legislation included in the individual bill reports. In total, these bills have resulted in net costs of $75.3 billion in 2001 and $55.0 billion in 2002. As required by the BEA, the 2001 total reflects only Acts added to the scorecard after the 2001 final sequestration report was issued. Under the BEA, the 2001 and 2002 totals are combined when determining the need for sequestration. The table indicates that a combined balance of $130.3 billion was on the pay-as-you-go scorecard prior to the adjustment required by the Department of Defense and Emergency Supplemental Appropriations Act for 2002. Because that Act reset the 2001 and 2002 balances to zero, no sequester is required for mandatory programs. The table also shows the CBO estimate for each Act as it was reported in CBO’s pay-as-you-go bill reports.
Table 7. NET COST OF PAY–AS–YOU–GO LEGISLATION ENACTED TO DATE<sup>1</sup>  
(In millions of dollars)

<table>
<thead>
<tr>
<th>Report Number</th>
<th>Act Number</th>
<th>Act Title</th>
<th>OMB estimate</th>
<th>CBO estimate</th>
</tr>
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<tbody>
<tr>
<td></td>
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<td>Legislation enacted since the Balanced Budget Act of 1997:</td>
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<td></td>
<td></td>
<td>Balances shown in 2002 Preview Report (also 2001 End of Session report)</td>
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<td></td>
<td></td>
<td>OMB estimate</td>
<td>0</td>
<td>16,053</td>
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<td>CBO estimate</td>
<td>0</td>
<td>12,884</td>
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<td>Legislation enacted in the 1st session of the 107th Congress:</td>
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<td></td>
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<td></td>
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<td>553 P.L. 107–13 Wildland Fire Management Reimbursement Authority</td>
<td>3</td>
<td>–3</td>
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<tr>
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<td>H.R. 581</td>
<td>OMB estimate</td>
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<td>CBO estimate</td>
<td>3</td>
<td>–3</td>
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<tr>
<td></td>
<td></td>
<td>554 P.L. 107–15 Fallen Hero Survivor Benefit Fairness Act</td>
<td>0</td>
<td>2</td>
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<td>H.R. 1727</td>
<td>OMB estimate</td>
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<tr>
<td></td>
<td></td>
<td>CBO estimate</td>
<td>1</td>
<td>7</td>
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<tr>
<td></td>
<td></td>
<td>555 P.L. 107–16 Economic Growth and Tax Relief Reconciliation Act</td>
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<td></td>
<td>H.R. 1836</td>
<td>OMB estimate</td>
<td>69,501</td>
<td>35,691</td>
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<td>CBO estimate</td>
<td>73,808</td>
<td>37,570</td>
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<td>556 P.L. 107–18 Manufactured Housing Program User Fee Authority</td>
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<td>S. 1029</td>
<td>OMB estimate</td>
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<td>557 P.L. 107–25 Crop Year 2001 Agricultural Economic Assistance Act</td>
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<td>H.R. 2213</td>
<td>OMB estimate</td>
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<td></td>
<td>558 P.L. 107–27 Federal Firefighters Retirement Age Fairness Act</td>
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<td>H.R. 93</td>
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<td></td>
<td></td>
<td>559 P.L. 107–37 Expedited Payment for Heroic Public Safety Officers</td>
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<td>H.R. 2882</td>
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<tr>
<td></td>
<td></td>
<td>560 P.L. 107–43 United States-Jordan Free Trade Area Implementation Act</td>
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<td></td>
<td>H.R. 2603</td>
<td>OMB estimate</td>
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<td></td>
<td>CBO estimate</td>
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<td></td>
<td>561 P.L. 107–52 Approving the Extension of Normal Trade Relations Status for Vietnam</td>
<td>OMB estimate</td>
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<td>H.J.Res 51</td>
<td>CBO estimate</td>
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</table>

<sup>1</sup> OMB does not consider this bill as subject to pay-as-you-go.
### Table 7. NET COST OF PAY–AS–YOU–GO LEGISLATION ENACTED TO DATE —Continued

*(In millions of dollars)*

<table>
<thead>
<tr>
<th></th>
<th></th>
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<td>562</td>
<td>P.L. 107–56</td>
<td>Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT)</td>
<td>OMB estimate</td>
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<td>24</td>
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<td>17</td>
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<td>CBO estimate</td>
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<td>563</td>
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<td>Air Transportation Safety and System Stabilization Act</td>
<td>OMB estimate</td>
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<td>1,063</td>
<td>3,000</td>
<td>1,800</td>
<td>0</td>
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<td>Legislative Branch Appropriations Act, 2002</td>
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<td>9</td>
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<td>P.L. 107–90</td>
<td>Railroad Retirement and Survivors' Improvement Act of 2001</td>
<td>OMB estimate</td>
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<td>623</td>
<td>682</td>
<td>720</td>
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<td>H.R. 10</td>
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<td>CBO estimate</td>
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<td>226</td>
<td>504</td>
<td>711</td>
<td>780</td>
<td>817</td>
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<td>P.L. 107–103</td>
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<td>201</td>
<td>504</td>
<td>606</td>
<td>650</td>
<td>685</td>
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<td>H.R. 1291</td>
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<td>229</td>
<td>539</td>
<td>701</td>
<td>780</td>
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<td>P.L. 107–105</td>
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<td>S. 1438</td>
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<td>146</td>
<td>–221</td>
<td>156</td>
<td>92</td>
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<td>568</td>
<td>P.L. 107–109</td>
<td>Best Pharmaceuticals for Children Act</td>
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<td>S. 1789</td>
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<td>–5</td>
<td>–4</td>
<td>–7</td>
<td>–15</td>
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<td>Department of Defense and Emergency Supplemental Appropriations, 2002</td>
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<td>0</td>
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<td>569</td>
<td>P.L. 107–118</td>
<td>Small Business Liability Relief and Brownfields Revitalization Act</td>
<td>OMB estimate</td>
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<td>0</td>
<td>0</td>
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<td>P.L. 107–121</td>
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<td>2</td>
<td>2</td>
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<td>571</td>
<td>P.L. 107–123</td>
<td>Investor and Capital Markets Fee Relief Act</td>
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<td>1,804</td>
<td>1,984</td>
<td>2,152</td>
<td>2,317</td>
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Table 7. **NET COST OF PAY–AS–YOU–GO LEGISLATION ENACTED TO DATE** —Continued
(In millions of dollars)

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<td>572</td>
<td>P.L. 107–134</td>
<td>Victims of Terrorism Relief Act of 2001</td>
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<td>573</td>
<td>P.L. 107–135</td>
<td>Department of Veterans Affairs Health Care Programs Enhancement Act</td>
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<td>1</td>
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<td>H.R. 3447</td>
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<td>1</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>8</td>
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</table>

Subtotal, legislation enacted in the 1st session of the 107th Congress:

| OMB estimate | 75,271 | 38,955 | 92,229 | 110,521 | 109,898 | 134,698 | 561,572 |
| CBO estimate | 80,714 | 39,930 | 95,334 | 113,270 | 111,956 | 139,310 | 580,514 |

Total, legislation enacted since the Balanced Budget Act of 1997:

| OMB estimate | 75,271 | 55,008 | 110,694 | 129,835 | 130,571 | 134,698 | 636,099 |
| CBO estimate | 80,714 | 52,814 | 109,985 | 127,476 | 126,507 | 139,310 | 636,806 |

Remove balances for 2001 and 2002 pursuant to P.L. 107–117:

| OMB estimate | -75,271 | -55,008 | 0     | 0     | 0     | 0     | -130,279 |
| CBO estimate | -80,714 | -52,814 | 0     | 0     | 0     | 0     | -133,528 |

Current balances:

| OMB estimate | 0     | 0     | 110,694 | 129,835 | 130,571 | 134,698 | 505,820 |
| CBO estimate | 0     | 0     | 109,985 | 127,476 | 126,507 | 139,310 | 503,278 |

1 Excludes bills with impact of $500,000 or less in each fiscal year 2001 through 2006 under both OMB and CBO scoring.
### Table 8. PAY–AS–YOU–GO LEGISLATION WITH IMPACT OF $500,000 OR LESS ENACTED IN 2001

1st Session of the 107th Congress

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<th>Public Law Number</th>
<th>Act Number</th>
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<tr>
<td>P.L. 107–5</td>
<td>S.J. Res. 6</td>
<td>Disapproval of Ergonomics Regulations</td>
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<tr>
<td>P.L. 107–8</td>
<td>H.R. 256</td>
<td>Family Farmer Bankruptcy Act Extension until June 1, 2001</td>
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<td>Pvt. L. 107–1</td>
<td>S. 560&lt;sup&gt;1&lt;/sup&gt;</td>
<td>Private relief for Rita Mirembe Revell</td>
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<td>P.L. 107–28</td>
<td>H.R. 271&lt;sup&gt;2&lt;/sup&gt;</td>
<td>Land conveyance to the city of Carson City, Nevada</td>
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<td>P.L. 107–30</td>
<td>H.R. 427</td>
<td>Bull Run Watershed Management Unit Act</td>
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<td>P.L. 107–45</td>
<td>S. 1424</td>
<td>“S” Visa Authority Extension</td>
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<tr>
<td>P.L. 107–59</td>
<td>H.R. 146&lt;sup&gt;2&lt;/sup&gt;</td>
<td>Great Falls Historic District Study Act of 2001</td>
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<tr>
<td>P.L. 107–61</td>
<td>H.R. 1161&lt;sup&gt;1&lt;/sup&gt;</td>
<td>To authorize the Government of Czech Republic to establish a memorial</td>
</tr>
<tr>
<td>P.L. 107–62</td>
<td>H.R. 1668</td>
<td>To authorize the Adams Memorial Foundation to establish a commemorative work</td>
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<tr>
<td>P.L. 107–69</td>
<td>H.R. 2925</td>
<td>Reclamation Recreation Management Act Amendment</td>
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<tr>
<td>P.L. 107–71</td>
<td>S. 1447</td>
<td>Aviation and Transportation Security Act</td>
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<tr>
<td>P.L. 107–91</td>
<td>H.R. 1230&lt;sup&gt;2&lt;/sup&gt;</td>
<td>Detroit River International Wildlife Refuge Establishment Act</td>
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<td>P.L. 107–104</td>
<td>H.R. 2559</td>
<td>Federal Employees Long-Term Care Insurance Amendments of 2001</td>
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<td>P.L. 107–110</td>
<td>H.R. 1&lt;sup&gt;2&lt;/sup&gt;</td>
<td>No Child Left Behind Act of 2001</td>
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<tr>
<td>P.L. 107–127</td>
<td>H.R. 2751</td>
<td>General Shelton Congressional Gold Medal Act</td>
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<tr>
<td>P.L. 107–131</td>
<td>H.R. 3346</td>
<td>Simplification of IRS Higher Education Expense Reporting Requirements</td>
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</tbody>
</table>

<sup>1</sup> OMB does not consider this bill as subject to pay-as-you-go requirements; CBO does.

<sup>2</sup> CBO does not consider this bill as subject to pay-as-you-go requirements; OMB does.

**Comparison with CBO estimates.**—The BEA requires that OMB explain differences with CBO estimates of enacted pay-as-you-go legislation. The Economic Growth and Tax Relief Reconciliation Act of 2001 accounts for almost all of the total difference between OMB and CBO for legislation enacted in the first session of the 107th Congress. In addition, OMB and CBO had different estimates of the timing of the net costs for the Air Transportation Safety and System Stabilization Act of 2001.
For the Economic Growth and Tax Relief Reconciliation Act of 2001, OMB scored net costs of $534.2 billion over the 2001 through 2006 period, while CBO scored net costs of $551.1 billion. The difference of $17.0 billion was the result of different economic assumptions and technical estimating differences, attributable to the use of different baselines and estimating models. For the Air Transportation Safety and System Stabilization Act, the difference between OMB and CBO over 2001 through 2006 is only $0.5 billion; however, OMB scored net costs that were $1.1 billion lower than CBO in 2001 and $1.5 billion higher than CBO in 2002. The differences in the year-by-year estimates were the result of OMB assuming a quicker payment of victim’s compensation payments than CBO and OMB and CBO having different estimates for the provision delaying certain excise tax payments from 2001 to 2002.

More detail on differences in other bills is available in the separate reports issued subsequent to enactment of each bill.