

INFORMED BUDGETEER

FY 2001 IS HISTORY...

| U.S. Budget (\$ in Billions) | | | |
|--|------------------|-------------------------------|---------------------|
| | Actual FY2000 | Latest CBO FY2001 Estimate | Estimated Change |
| Receipts | 2,025 | 1,989 | -36 |
| Outlays | 1,788 | 1,868 | 80 |
| Surplus | 237 | 121 | -116 |

Source: Department of Treasury, CBO

...FY 2002 STARTS WITH CR

| Appropriations Acts: FY 1977-2002 (Regular, Continuing and Omnibus) | | | | | | |
|---|-----------|------------------------------|-------------------|----------------------------|----------|----------|
| FY | President | Bills enacted start of FY | Number of CR's | Omnibus or full year CR | Shutdown | duration |
| 1977 | Ford | 13 | 2 | no | -- | -- |
| 1978 | Carter | 9 | 3 | yes | 28 days | -- |
| 1979 | Carter | 5 | 1 | yes | 17 days | -- |
| 1980 | Carter | 3 | 2 | yes | 11 days | -- |
| 1981 | Carter | 1 | 3 | yes | -- | -- |
| 1982 | Reagan | 0 | 4 | yes | 2 days | -- |
| 1983 | Reagan | 1 | 2 | yes | 4 days | -- |
| 1984 | Reagan | 4 | 2 | yes | 3 days | -- |
| 1985 | Reagan | 4 | 5 | yes | 3 days | -- |
| 1986 | Reagan | 0 | 5 | yes | -- | -- |
| 1987 | Reagan | 0 | 6 | yes | a day | -- |
| 1988 | Reagan | 0 | 5 | yes | 1 day | -- |
| 1989 | Reagan | 13 | 0 | no | -- | -- |
| 1990 | Bush | 1 | 3 | no | 3 days | -- |
| 1991 | Bush | 0 | 5 | no | -- | -- |
| 1992 | Bush | 3 | 4 | yes | -- | -- |
| 1993 | Bush | 1 | 1 | no | -- | -- |
| 1994 | Clinton | 2 | 3 | no | -- | -- |
| 1995 | Clinton | 13 | 0 | no | -- | -- |
| 1996 | Clinton | 0 | 14 | yes | 26 days | -- |
| 1997 | Clinton | 7 | 0 | yes | -- | -- |
| 1998 | Clinton | 1 | 6 | no | -- | -- |
| 1999 | Clinton | 1 | 6 | yes | -- | -- |
| 2000 | Clinton | 4 | 7 | no | -- | -- |
| 2001 | Clinton | 2 | 21 | yes | -- | -- |
| 2002 | Bush | 0 | 1* | -- | -- | -- |

* As of October 1, 2001.

SOURCE: Calendars of the US House of Representatives. 82-107th Congresses, Congressional Research Service. Tabulated by SBC.

\$5.1 BILLION ALLOCATED FROM EMERGENCY RESPONSE FUND

- Ten days ago, OMB reported on how the Administration has allocated the first \$5.1 billion out of the \$20 billion supplemental enacted to respond to the terrorist attacks (the *Bulletin* realizes that everyone else is calling it the \$40 billion supplemental, but savvy budgeteers understand that the second \$20 billion has not been requested nor enacted).
- Half of the funds go to the Defense Department (DoD). Of this amount, about two-thirds is for upgrading intelligence capability and reducing the military's vulnerability to terrorism. The remaining third of the DoD share is for heightening the military's "operational tempo" and "command and control," assisting affected families and identifying remains, and repairing the Pentagon.
- Of the non-DoD portion of the released funds, FEMA receives more than three-quarters – \$2 billion to provide assistance in New York, Virginia, and Pennsylvania for search and rescue, debris removal, and family assistance.

- Agencies receiving most of the remaining funds include the Transportation Department (for increased airport security, Sky Marshals, and Coast Guard), Health and Human Services (for community health centers and mental health services, security for the Centers for Disease Control and the Food and Drug Administration, and social services in affected areas), and the Small Business Administration (\$400 million for low interest loans for affected renters, homeowners, and businesses).

| BA Transferred From the Emergency Response Fund (\$ in Millions) | |
|--|------|
| Agency | 2001 |
| | |

| | |
|--|----------------|
| Department of Defense | 2,548.0 |
| Intelligence | 1,152.0 |
| Reduce vulnerability to terrorist incidents | 522.0 |
| Improved command and control | 140.0 |
| Increase operations to ensure full readiness | 196.0 |
| Increase inventory of precision munitions | 37.0 |
| Crisis response (incl. Family assistance and remains ID) | 301.0 |
| Pentagon repair and upgrade | 100.0 |
| Other | 100.0 |
| FEMA | |
| Disaster Relief | 2,000.0 |
| Department of Transportation | 141.0 |
| FAA operations - Increased airport security | 123.0 |
| Coast Guard - New York Harbor patrols and Reservist recall | 18.0 |
| Health and Human Services | 126.2 |
| Public Health and Social Services Emergency fund | |
| Small Business Administration | 100.0 |
| Disaster Loans Program | 48.9 |
| Department of State | 0.4 |
| Diplomatic and Consular Programs | 7.5 |
| Capital Investment Fund | 41.0 |
| Emergencies in the Diplomatic and Consular Service | 48.0 |
| Department of Treasury | 6.2 |
| Departmental Offices | 0.1 |
| Financial Management Services | 1.5 |
| Bureau of Alcohol, Tobacco, and Firearms | 35.7 |
| Customs Service - air support for counter-terrorism activities | 40.8 |
| IRS | 3.9 |
| Department of Justice | 36.9 |
| Legal activities and U.S. Marshals Service | 29.0 |
| FBI | 25.0 |
| Department of Labor | 3.5 |
| Training and Employment Service | 0.5 |
| State Unemployment Insurance & Employment Service | |
| Occupational Safety and Health Administration | 8.6 |
| General Services Administration | |
| Federal Buildings Fund | 6.0 |
| District of Columbia | |
| Personnel and Overtime | 5.0 |
| Department of Energy | 5.0 |
| National Nuclear Security Administration | 2.4 |
| International Assistance Programs | 2.6 |
| USAID - Evacuation and communication | 3.3 |
| Peace Corps - Evacuation and communication | 2.5 |
| Legislative Branch | 0.8 |
| Capitol Police overtime | |
| Capitol Buildings - protective window film for Capitol | 3.1 |
| Department of Interior | |
| National Park Service | 1.3 |
| Judicial Branch | |
| Supreme Court - protective window film | 0.5 |
| Executive office of the President | 0.2 |
| Protective window film | |
| Commodity Futures Trading Commission | 0.2 |
| National Transportation Safety Board | |
| Flight recorder recovery | 0.1 |
| Department of Commerce | 0.1 |
| International Trade Administration | |
| Export-Import Bank of the U.S. | 5,115.1 |

Source: OMB

- Some departments receiving less than \$50 million each for programs of note include State Department (for rewards to apprehend terrorists and improve emergency communications), Treasury (for employees located at the World Trade Center (WTC), a Foreign Terrorist Assets Tracking Center, and Customs Service counterterrorism), Justice (for unprecedented FBI investigation, Marshals Service, and Labor (for Dislocated Workers program to provide temporary jobs, facilitating unemployment insurance claims, and OSHA monitoring at disaster sites). In addition to these amounts, the Justice Department will administer \$68 million previously allocated for benefits from the Public Safety Officer's Benefits account.

- In addition to the Treasury Department, there were other affected federal entities located at or near the WTC which receive funds to assess current structures or to relocate: the General Services Administration, the Commodities Futures Trading Commission, the International Trade Administration, and the Export-Import Bank.

WINNOWING WASTE DURING WARTIME... WHERE THE BUCK SHOULD STOP

- Scholars of American government note that the balance of power between the executive and legislative branches in the US Constitution does not remain constant over time but swings from one to another depending on compelling external circumstances. War is perhaps the most compelling of all; clearly there will be shifts between Congress and the White House in the aftermath of September 11.

- One example of a congressional response to a national crisis was during the Civil War. On December 9, 1861, just after the Union defeat in the first battle of Bull Run (Manassas), Congress established a Joint Committee on the Conduct of the War. The Committee was dominated by "Radical Republicans" and interjected itself into questions of military strategy, the loyalty of citizens, and war production and contracts. The Committee persistently second-guessed President Lincoln and literally attempted to take over the direction of the war effort. Its machinations were so divisive and unhelpful that Confederate leader Robert E. Lee commented that "the Committee was worth about two divisions of Confederate troops," which may have been an understatement.

- Almost a century later, another crisis was clearly emerging after the Nazi victories against Poland and France in 1939 and 1940. In May 1940, President Roosevelt requested an urgent appropriation of \$1.2 billion, and then another \$5 billion in June; by December 1, 1940 over \$10 billion in new defense contracts had been awarded. By March 1941, the Senate had grown sufficiently concerned about the huge growth in defense spending that it established a Special Committee to Investigate the National Defense. It consisted of five Democrats and two Republicans; its Chairman was a member of the Military Affairs Committee, an obscure, junior Senator from Missouri, Harry S Truman.

- The "Truman Committee's" mandate was broad: to study defense contracts, how they were awarded, their geographic distribution, their effects on labor and migration, the performance of and benefits to contractors, and "such other matters as the committee deems appropriate." Instead of warping its mandate into a license to meddle and interfere, the Chairman set out on a path to assist the

war effort by energetically exposing corruption, inefficiency, and waste, and by making constructive recommendations (not dictates) to Congress and the President.

- Remarking "I have never yet found a contractor who, if not watched, would not leave the Government holding the bag," Chairman Truman patrolled the landscape with 432 public hearings, 300 executive sessions, hundreds of field trips, and no less than 51 separate reports. Little was spared from the Committee's sights. Targets of inquiry included, but were not limited to – a serious aluminum shortage; military construction cost overruns; the production of rubber, aircraft, barges, farm machinery, and ships; war profiteering; the comparative merits of rayon or cotton tire cord; the financing of one US Senator's swimming pool and the transactions of another with defense contractors; and labor unions.
- The Committee – and its staff – earned highly acclaimed reputations for both effectiveness and fairness. The Chairman eschewed sensitive topics such as military strategy and tactics, the location of defense facilities, and racial discrimination in hiring at defense plants. However, where it did investigate, the Committee pulled no punches, filling its reports with Trumanesque barbs. For example, early in the war when our best fighter aircraft failed to match up, the Committee said "... most American pursuit planes were inferior to the best British and the best German pursuit planes... Scarcely a week now goes by without some prominent flyer returning to this country and asking why we can't give the boys better pursuit planes.... the Army [Air Corps] should ... give less attention to concocting publicity blurbs intended to emphasize that poor planes are better than none at all."
- The Committee's overall impact was not to undermine public confidence in the war effort but to raise it – people gained confidence that their interests were being protected and the selfish and the inept were being rooted out.
- The Committee's efforts had numerous other positive results. One source estimated the Committee was responsible for \$15 billion in savings, which, when translated into today's dollars, would be worth about \$270 billion. Also, the Committee helped to reorganize the direction of the nation's war production from a confused hodgepodge of overlapping agencies to a far more efficient War Production Board that was a key to the unprecedented, and hugely prolific American war production effort that vastly outperformed our enemies.
- One not inconsequential side-effect of the Committee was to bring its Chairman, Harry Truman, into the public consciousness. His tireless and effective efforts unquestionably resulted in President Roosevelt's asking him to join the Democratic ticket in 1944. The rest is history.
- But the Truman Committee is not just an historical footnote. It is a case of executive-legislative cooperation whose lessons may benefit the nation in the current crisis. While some past congressional investigation committees – such as the Committee on the Conduct of the [Civil] War – were notorious, the "Truman Committee" was meritorious. He showed us how to do it right.
- Thoughtful Senators have already suggested that in our current circumstances, with national security spending sharply increasing, the Senate should reestablish such a special committee to make sure that opportunists do not keep us from putting every extra dollar to

productive use. It is a serious and thought-provoking idea. The original Harry S. Truman is no longer with us, but the *Bulletin* expects there may be a few others out there ready to fill those shoes.

CALENDAR

October 2: The Economic Outlook ; Witnesses: R. Glenn Hubbard, Chairman, Council of Economic Advisors; Martin Baily, Institute of International Economists; DR. Alan Krueger, Princeton University. **10 am, SD-562.**