

Report for Congress

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Appropriations for FY2003: Treasury, Postal Service, Executive Office of the President, and General Government

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Appropriations are one part of a complex federal budget process that includes budget resolutions, appropriations (regular, supplemental, and continuing) bills, rescissions, and budget reconciliation bills. The process begins with the President's budget request and is bound by the rules of the House and Senate, the Congressional Budget and Impoundment Control Act of 1974 (as amended), the Budget Enforcement Act of 1990, and current program authorizations.

This report is a guide to one of the 13 regular appropriations bills that Congress considers each year. It is designed to supplement the information provided by the House and Senate Appropriations Subcommittees on Treasury, Postal Service, and General Government. It summarizes the current legislative status of the bill, its scope, major issues, funding levels, and related legislative activity. The report lists the key CRS staff relevant to the issues covered and related CRS products.

This report is updated as soon as possible after major legislative developments, especially following legislative action in the committees and on the floor of the House and Senate.

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Appropriations for FY2003: Treasury, Postal Service, Executive Office of the President, and General Government

Summary

On February 4, 2002, President George W. Bush submitted his FY2003 budget to Congress. The budget documents show, for accounts funded through the Treasury, Postal Service, and General Government appropriations bill, a proposed FY2003 discretionary budget authority of \$18.7 billion, an increase over FY2002 estimates by just under \$1 billion. Many of the FY2002 estimates offered earlier in the year are no longer current because they have been affected by supplemental appropriations, largely in response to the September 11 attacks.

Because the accounts in this appropriation were not funded, other than under continuing resolution, as the 107th Congress adjourned, legislation will be required for that purpose early in the 108th Congress. Until such time, the accounts are being funded at FY2002 enacted levels. H.R. 5120, as passed by the House July 24, 2002, would have provided \$18.5 billion in discretionary funding. The total for the bill would have been \$35.1 billion. This would represent a 3.1% increase over FY2002, including supplemental and emergency funding. After scorekeeping adjustments, including \$745 million associated with the Administration's accrual funding proposal, the committee's mark was \$147.6 million above FY2002 appropriations and \$207.8 million below the Administration request.

S. 2740, as reported by the Senate Committee on Appropriations, would have provided a total of \$34.8 billion to fund the accounts. Discretionary funding under the reported measure would be \$18.5 billion.

The Treasury, Postal Service, Executive Office of the President, and General Government FY2002 appropriation, P.L. 107-67, totaled \$32.4 billion. Congressional Budget Office scorekeeping put the totals at \$32.8 billion (\$15.7 billion mandatory and \$17.1 billion discretionary). Several of the accounts within the bill are also receiving funding through the Emergency Response Fund under P.L. 107-38 and P.L. 107-117.

Accounts in the Department of the Treasury, Bureau of Alcohol, Tobacco, and Firearms, U.S. Customs Service, U.S. Secret Service, and the General Services Administration usually receive funding for functions related to countering terrorism. Emergency Response Fund allocations, as provided by P.L. 107-38, the Emergency Supplemental Appropriations Act for Recovery from and Response to Terrorist Attacks on the United States, FY2001, have gone to accounts in the Department of the Treasury, the Executive Office of the President, and the General Services Administration. Three major entities covered by the Treasury and General Government appropriation are being transferred to the newly created Department of Homeland Security. Those are the U.S. Secret Service, the U.S. Customs Service, and the Federal Protective Service of the General Services Administration. The Bureau of Alcohol, Tobacco, and Firearms will be renamed and transferred to the Department of Justice.

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Division abbreviations: DSP = Domestic Social Policy; G&F = Government and Finance.

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Appropriations for FY2003: Treasury, Postal Service, Executive Office of the President, and General Government

Most Recent Events

The accounts covered by the Treasury and General Government appropriations legislation are being funded under P.L. 107-294, a further FY2003 continuing funding resolution, due to expire January 11, 2003.

H.R. 5120 and S. 2740 were the legislative vehicles under which the regular appropriations were being considered for the affected accounts. The House passed H.R. 5120 (H. Rept. 107-575) on July 24, 2002 and the Senate Committee on Appropriations reported S. 2740 (S. Rept. 107-212) on July 17, 2002. No further action was taken on either measure prior to 107th Congress adjournment in November.

Note to Reader: With the adjournment of the 107th Congress, the provisions of H.R. 5120 and S. 2740 are no longer before the Congress. New legislation would need to be introduced for consideration by the 108th Congress. The text below maintains an active voice for these measures to reflect status as of the close of the 107th.

Introduction

The President, through the Office of Management and Budget (OMB), is required to submit to Congress annually the Budget of the United States Government. The FY2003 budget was submitted to Congress on February 4, 2002.¹ In late February 2001, the President and the Office of Management Budget had released *A Blueprint for New Beginnings, A Responsible Budget for America's Priorities*.² It is intended to present a 10-year budget plan and provides more of an overview than details on specific accounts.³ In summary, the FY2003 proposed budget would fund

¹U.S. Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2003*, Feb. 4, 2002 (Washington: GPO, 2002). Hereafter the budget documents will be cited as *FY2002 Budget* with the specific document noted.

²U.S. Executive Office of the President, Office of Management and Budget, *A Blueprint for New Beginnings, A Responsible Budget for America's Priorities* (Washington: GPO, 2001), 207 p. Available at [<http://www.gpo.gov/usbudget/index.html>].

³For discussion of the accounts in the FY2002 Treasury, Postal Service, Executive Office (continued...)

the accounts in the Treasury and General Government appropriations legislation at \$18.7 billion (discretionary).⁴ This is just under \$1 billion over the estimated FY2002 funding levels, not taking into consideration the supplemental funding subsequently enacted. Additionally, it must be kept in mind that terrorist and security events since early September 2001 have had enormous impact on planning, spending, and funding for the federal government. All comparison of figures between the fiscal years should take these circumstances into account.

The House passed H.R. 5120 on July 24, 2002, on a vote of 308-121. The bill, as passed, would fund the discretionary accounts at \$18.5 billion, for a total of \$35.1 billion. The House Committee on Appropriations had presented its recommendations in H.Rept. 107-575.⁵ The Senate Committee on Appropriations issued a report to accompany S. 2740. S.Rept. 107-212 shows that the bill, as reported, would fund the discretionary accounts at \$18.5 billion, for a total of \$34.8 billion.⁶ No further action was taken on either measure prior to adjournment of the 107th Congress on November 22, 2002.

Usually under the budget procedures, Congress adopts a concurrent resolution establishing the congressional budget for the government and setting forth budgetary levels for several years in the future. The House and Senate Appropriations Committees then allocate the discretionary funding levels (302(b)) allocations to each of the subcommittees. Those allocations are subject to change. The House and Senate have yet to reach agreement on such a congressional budget resolution for FY2003.

Appropriations for the Department of the Treasury, in addition to funding the operations of the department, fund the work of a group of law enforcement organizations, which include the Bureau of Alcohol, Tobacco, and Firearms; the Customs Service; the Secret Service; the Financial Crimes Enforcement Network; and the Federal Law Enforcement Training Center. Treasury appropriations also cover the Internal Revenue Service, the Financial Management Service, and the Bureau of the Public Debt.

For the most part, the U.S. Postal Service operates outside federal funding support. Federal contributions are normally limited to payments to the Postal Service Fund to compensate for revenues forgone (*e.g.*, free postal service for the blind.)

³(...continued)

of the President, and General Government appropriations, see CRS Report RL31002, *Appropriations for FY2002: Treasury, Postal Service, Executive Office of the President, and General Government*, coordinated by Sharon S. Gressle.

⁴*FY2003 Budget, Budget*, Table S-8, p. 402.

⁵U.S. Congress, House Committee on Appropriations, *Treasury, Postal Service, and General Government Appropriations Bill, 2003*, 107th Cong., 2nd sess., H.Rept. 107-575, July 15, 2002 (Washington: GPO, 2002).

⁶U.S. Congress, Senate Committee on Appropriations, *Treasury and General Government Appropriation Bill, 2003*, 107th Cong., 2nd sess., S.Rept. 107-212, July 17, 2002 (Washington: GPO, 2002).

However, the Postal Service is receiving significant funding during the FY2002 period to support recovery costs subsequent to the terrorist attacks, including the anthrax attacks.

Appropriations for the Executive Office of the President provide salaries and expenses for the White House Office, operations of the residences of the President and Vice President, and most other agencies within the Executive Office of the President (EOP). Organizations such as the Council of Economic Advisers, the National Security Council, the Office of Management and Budget, and the Office of National Drug Control Policy (ONDCP) are funded through these provisions. Specific funding for drug control initiatives is appropriated for distribution to other entities by the ONDCP. In FY2003, the Office of Homeland Security is a new entity in this category.

Among the independent agencies financed through this appropriation are the Federal Election Commission, the General Services Administration, the National Archives and Records Administration, the Office of Personnel Management, the Office of Special Counsel, and the United States Tax Court.

The Treasury and General Government appropriation always has at least two titles in addition to the four covering the funding for specific agencies. These general titles apply restrictions or “rules of the road” governmentwide and, quite often, contain authority for defined actions. For example, each year, there is standard language which prohibits the use of any appropriated funds for the purpose of employing individuals who are not U.S. citizens or citizens of nations either specified in that section of the act or on the State Department list of nations covered by treaties; which requires that all agencies maintain drug-free workplaces; and which authorizes the expenditure of funds appropriated under any act to be used to pay the travel expenses of immediate family members if a federal employee serving overseas has died or has a life-threatening illness.⁷

Affects of Funding under Continuing Resolutions

Since October 1, 2002, the beginning of the fiscal year, the accounts covered by the Treasury and General Government appropriations have been funded at FY2002 levels under a series of continuing funding resolutions (CR). The current CR, P.L. 107-294 will expire January 11, 2003. On or before that date, the 108th Congress, which convenes January 7, 2003, will enact either another limited CR, a CR which will extend through September 30, 2003, the end of the funding year, a regular appropriation measure for the accounts, or an omnibus appropriation measure which would specifically fund each of the accounts in the federal system now covered by the CR.

As far as can be determined, no programs have been cancelled due to the lack of regular appropriations of the Treasury and General Government accounts. Agencies are forced to restrain spending on activities such as training, travel,

⁷The Administration’s proposed “Government-Wide General Provisions” can be found at *FY2003 Budget, Appendix*, pp. 9-15.

supplies, and new hiring. These restraints, in turn, hamper efforts by the agencies to enhance activities already in place. For example, the Internal Revenue Service cannot bolster its capability to crack down on tax fraud, combat corporate tax shelters, and assist low-income taxpayers, in particular.

Accounts Affected by Homeland Security Act of 2002

The Homeland Security Act of 2002 (P.L. 107-296, November 25, 2002) requires the transfer of major components from the Department of the Treasury and the General Services Administration to other federal organizations. For example, the U.S. Secret Service and the U.S. Customs Service will transfer from the Department of the Treasury to the Department of Homeland Security. The Bureau of Alcohol, Tobacco, and Firearms will be renamed the Bureau of Alcohol, Tobacco, Firearms, and Explosives and will be transferred to the Department of Justice. The Federal Protective Service will move from the Public Buildings Service in the General Services Administration to the Department of Homeland Security. Other functional responsibilities or parts of activities will also move to the Department of Homeland Security.

Congress has not made a determination related to the vehicle under which the Department of Homeland Security and its accounts will be funded in FY2004. Until that time the accounts under which the activities and programs are now funded will likely remain within the bills as constructed for FY2003. P.L. 107-296 provides that the funds appropriated for entities moving to the Department of Homeland Security will be transferred to the new department but under the proviso that they be used for the purposes for which they were appropriated. P.L. 107-294, the current CR, provides the Secretary of Homeland may transfer unobligated funds from those accounts, up to \$140 million, for the purpose of establishing the department. On December 20, 2002, the Director of the Office of Management and Budget, Mitchell E. Daniels, Jr., sent a letter to the chairs and ranking members of the House and Senate Committees on Appropriations. The communication proposed the transfer of \$125 million in unobligated funds from eight accounts, including \$30 million from the U.S. Customs Service Operation, Maintenance and Procurement/Air and Marine account and \$4.5 million from the salaries and expenses account of the U.S. Secret Service. Further discussion of homeland security issues is found later in this report.

Performance Plans

The funding decisions for agencies are increasingly referencing the performance plans, goals, and measures set by the agencies. Specific goals and measures can be found in the *Budget Appendix* for some of the agency accounts. For example, the Internal Revenue Service sets out a substantial series of “Key Operational Measures and Performance Indicators” and the Bureau of Alcohol, Tobacco and Firearms provides the information under “Performance and Workload Measures.” These are

organized by FY2001 actual, the FY2002 Performance Plan, and the FY2003 President's Budget.⁸

The FY2002 funding levels in the text and tables in this report were provided by the House Appropriations Committee, adjusted to reflect supplemental funding. The FY2003 funding levels in the text and tables are, unless otherwise noted, those provided by the House Committee on Appropriations. These figures, rather than those found in the budget submission, are used because they are the basis on which appropriators make their decisions and provide the most recent updated information.

The Budget documents provided by the Office of Management and Budget and the appropriations bills do not necessarily follow the same organization of accounts. For example, not all of the agencies which are organizationally within the Executive Office of the President, as found in the budget, are funded through the Treasury, Postal Service, and General Government appropriations legislation. Also, the FY2003 and FY2002 individual account data in this report do not reflect scorekeeping by the Congressional Budget Office.

See the glossary for definitions of discretionary and mandatory spending. In some instances, the mandatory levels drive up the percent of increase represented in the appropriation. The appropriators are bound by those entitlements under permanent law and control only the discretionary spending levels. The data in the tables and the funding levels provided in the text, unless otherwise noted, reflect the mandatory and discretionary funding combined.

FTE, or full-time equivalent, is a budgetary term and does not represent the number of personnel employed by, or the number of actual positions allowed in, a department or agency. The FTE number is calculated by dividing the total number of staff hours worked in a given 12-month period (usually the fiscal year) by the total number of hours in a workyear (2080). The number of on-board personnel at any given time and the total number of people working in the organization during the course of the year are two entirely different statistical results. Seasonal employment and part-time employment are two factors which make the FTE and actual employment figures differ.

Status and Legislative History

Bills are introduced in the House and Senate when the Committees on Appropriations have completed markup on the provisions. Usually the subcommittees draft legislation and the accompanying reports. The full committees use these documents as a basis for discussion and mark up. From the time legislation is introduced, and through enactment, the status will be noted in Table 1.

⁸*FY2003 Budget*, Appendix, p. 832 and 821, respectively.

Hearings. Hearings in the House subcommittee began February 27, with nine scheduled between then and April 23.⁹ The Senate hearing schedule was unavailable as of this writing.

House Committee Action. On June 26, 2002, the Subcommittee on Treasury, Postal Service, and General Government, by voice vote, approved a spending measure. The full House Committee on Appropriations, also by voice vote, approved the measure on July 9, 2002. H. Rept. 107-575 was filed July 15, 2002 to accompany H.R. 5120.

Committee Amendments. There were four major amendments, as noted in the Committee's press release:¹⁰

Chairman Young: Requires OMB to submit a letter to the Committee taking responsibility for their recent violation of the Anti-Deficiency Act.

Rep. Northup: Prohibits funds in the bill to be used to issue regulations relating to the determination that real estate brokerage is an activity that is financial in nature or incidental to a financial activity.¹¹

Rep. DeLauro: Prohibits funds in the bill for payment on any new federal contract to a subsidiary of a publicly traded corporation if the corporation is incorporated in a tax haven country but the United States is the principal market for the public trading of the corporation's stock.

Rep. Pastor: Provides \$2 million for the Morris K. Udall Scholarship and Excellence in National Environmental Policy Foundation.

House Rules Committee and Floor Action on Rule. On July 17, 2002, the House Committee on Rules issued a special rule for the consideration of H.R. 5120. H.Rept. 107-585¹² is a report to accompany H.Res. 488. The rule waives all points of order against bill provisions, with three exceptions noted. The rule also included an amendment, related to travel to Cuba, as being part of the bill and waives points of order against that amendment. (See discussion of Cuban travel below.)

Points of order can be brought against the provision withholding funds for any transfer of the Bureau of Alcohol, Tobacco, and Firearms during FY2003, some language in Sec. 605 related to federal employment of foreign nationals, Sec. 615

⁹The House subcommittee's hearing schedule can be found at [<http://www.house.gov/appropriations/hearings/hear03tp.htm>].

¹⁰See [http://www.house.gov/appropriations/news/107_2/03tpofull.htm].

¹¹For further information, see CRS Report RS21104, *Should Banking Powers Expand Into Real Estate Brokerage and Management?*, by William D. Jackson.

¹²U.S. Congress, House Committee on Rules, *Providing for Consideration of H.R. 5120, Treasury and General Government Appropriations Act, 2003*, 107th Cong., 2nd sess., H.Rept. 107-585, July 17, 2002 (Washington: GPO, 2002).

relating to construction of law enforcement training facilities, and Sec. 646 relating to corporate expatriates.

During floor consideration of the rule, the discussion centered on allowing points of order against Sec. 646. The minority position was that the provision will be defeated because it will not be protected under the rule.¹³ The rule was adopted on a vote of 224-188. (See discussion under “Department of the Treasury,” below.)

House Floor Action. The House took up H.R. 5120 and began debate and amendment on July 23, 2002.¹⁴ Consideration continued on July 24 with passage on a final vote of 308-121 (Roll no. 341).¹⁵

There were numerous amendments offered to the legislation:

Agreed to —

Rep. Mike Rogers (H.Amdt. 548) — An amendment that prohibits the use of funds in the bill by the Customs Service to permit the importation of municipal solid waste originating in Canada for deposit in Michigan.

Rep. Juanita Millender-McDonald (H.Amdt. 549) — An amendment that reserves \$600,000 of the bill’s \$250 million appropriation for the National Archives and Records Administration for the preservation of the records of the Freedmen’s Bureau.

Rep. Dennis J. Kucinich (H.Amdt. 550) — An amendment to strike the section that exempts health insurance companies that have contracts with the Federal Employees Health Benefits Program from complying with the cost accounting standards that apply to other federal contracts.

Rep. Jeff Flake (H.Amdt. 552) — An amendment to prohibit funds in the bill from being used for administration or enforcement of part 515 of title 31, *Code of Federal Regulations*, with respect to any travel or travel-related transaction; and to provide that the limitation established shall not apply to the issuance of general or specific licenses for travel or travel-related transactions, and shall not apply to transactions in relations to any business travel covered by such regulations.

¹³Providing for Consideration of H.R. 5120, Treasury and General Government Appropriations Act, 2003, *Congressional Record*, daily edition, July 18, 2002 (Washington: GPO, 2002), pp. H4909-H4916.

¹⁴Treasury and General Government Appropriations Act, 2003, *Congressional Record*, daily edition, 107th Cong., 2nd sess., vol. 148, July 23, 2002 (Washington: GPO, 2002), pp. H5229-H5273, H5291-H5306.

¹⁵Treasury and General Government Appropriations Act, 2003, *Congressional Record*, daily edition, 107th Cong., 2nd sess., vol. 148, July 24, 2002 (Washington: GPO, 2002), pp. H5322-H5346, H5352.

Rep. Jeff Flake (H.Amdt 553) — An amendment to prohibit funds in the bill from being used to enforce any restriction on remittances to nationals of Cuba covered by the *Code of Federal Regulations*.

Rep. Jerry Moran (H.Amdt. 554) — An amendment to prohibit the use of any funding to implement sanctions imposed by the United States on private commercial sales of agricultural commodities, medicine, or medical supplies to Cuba.

Rep. James Moran (H.Amdt. 556) — An amendment to prohibit any funding to be used to establish or enforce any numerical goal or quota for subjecting the employees of an agency to public-private competitions or converting the employees or the work they perform to private contractor performance under OMB Circular A-76 or any other administrative regulation, directive, or policy (Roll No. 336: 261-166).

Rep. Bernard Sanders (H.Amdt. 562) — An amendment to prohibit any funding to be used by the Internal Revenue Service for activities that contravene current tax, Employee Retirement Income Security Act (ERISA) pension or age discrimination statutes (Roll No. 339: 308-121).

Rep. Bob Barr (H.Amdt. 563) — An amendment to prohibit the use of national anti-drug media campaign funding to pay any amounts pursuant to a specific contract with a company currently under investigation.

Rejected —

Rep. Porter Goss (H.Amdt. 551) — An amendment to require the President to certify to Congress that the government of Cuba does not possess biological weapons, is not developing or providing terrorist states or terrorist organizations the technology to develop biological weapons, and is not providing support or sanctuary to international terrorists before any limitation on funding is applied to the enforcement and administration of travel restrictions to Cuba (Roll No. 330: 182-247).

Rep. Charles Rangel (H.Amdt. 555) — An amendment to prohibit use of any funding to implement, administer, or enforce the economic embargo of Cuba (Roll No. 333: 204-226).

Rep. Joel Hefley (H.Amdt. 559) — An amendment to reduce funding for the allowance and office staff for former presidents by \$339,000 (Roll No. 337: 165-265).

Rep. Joel Hefley (H.Amdt. 559) — An amendment to reduce each amount appropriated or otherwise made available by 1% (Roll No. 338: 147-282).

Other amendments, withdrawn, would have prohibited any funding to be used to enforce or implement discounts for the statistical value of a human life estimated during regulatory reviews through implementation of OMB Circular A-94; prohibited any funding to be used to prevent the rehabilitation of urban and rural post offices;

prohibited any funding to be used by entities unless specifically identified by name as a recipient in the Act; established a centralized reporting system to enable agencies to generate reports on efforts regarding both contracting out and contracting in; and prohibited any funding to be used by the Customs Service to require reports on repairs to U.S. flag vessels on the high seas.

Senate Committee Action. On July 11, 2002, the Subcommittee on Treasury and General Government, by voice vote, approved the FY2003 spending provisions. S. 2740 was introduced with the Committee report, S. Rept. 107-212, filed July 17, 2002¹⁶. The committee communications did not include information on amendments to the subcommittee’s recommendations.

Adjournment. The 107th Congress adjourned November 22, 2002.

Table 1. Status of FY2003 Appropriations for the Treasury, Postal Service, Executive Office of the President, and General Government

(See Table 5 for breakdown of accounts within bills)

Subcommittee Markup		House Report	House Passage	Senate Report	Senate Passage	Conf. Report	Conference Report Approval		Public Law
House	Senate						House	Senate	
June 26	July 11	July 15 107-575	July 24 vote: 308-121	July 17 107-212	-	-	-	-	-

Treasury and General Government Appropriations, FY2003

Budget and Key Policy Issues

Department of the Treasury

The Department of the Treasury performs four basic functions: (1) formulating, recommending, and implementing economic, financial, tax, and fiscal policies; (2) serving as the financial agent for the federal government; (3) enforcing federal financial, tax, tobacco, alcoholic beverage, and gun laws; and (4) producing all postage stamps, currency, and coinage. Viewed at its most basic level, the department consists of two components: departmental offices and operating bureaus. The departmental offices are responsible for the formulation and implementation of policy and the management of the department as a whole, while the operating bureaus carry out specific duties assigned to the department. The bureaus accounted for 98% of Treasury Department employment and 97% of its funding in FY2001. With one

¹⁶U.S. Congress, Senate, Committee on Appropriations, *Treasury and General Government Appropriation Bill, 2003*, 107th Cong., 2nd sess., S. Rept. 107-212, July 17, 2002 (Washington: GPO, 2002).

exception, the bureaus can be separated into those having financial duties and those engaged in law enforcement. Financial duties are handled by the Comptroller of the Currency, U.S. Mint, Bureau of Engraving and Printing, Financial Management Service, Bureau of Public Debt, Community Development Financial Institutions Fund, and Office of Thrift Supervision. Law enforcement is done by the Bureau of Alcohol, Tobacco, and Firearms, U.S. Secret Service, Federal Law Enforcement Training Center, U.S. Customs Service, Financial Crimes Enforcement Network, and Treasury Forfeiture Fund. The sole exception to this dichotomy is the Internal Revenue Service (IRS), which performs both financial functions and law enforcement through its administration of federal tax laws.

On July 9, 2002, the House Appropriations Committee approved by unanimous consent a bill (H.R. 5120) funding the Treasury Department in FY 2003. The appropriations measure would give Treasury a total of \$16.168 billion, or about \$523 million more than the amount appropriated in FY 2002 and \$303 million more than the amount requested by the Bush Administration for FY 2003. Of the amount approved for FY 2003, \$9.899 billion would go to the IRS, \$3.128 billion to the U.S. Customs Service, and \$1.021 billion to the U.S. Secret Service. The committee adopted several amendments to the bill, including a controversial one (section 646 of the bill) that would deny federal government contracts to a subsidiary of any publicly traded corporation that is incorporated in a country deemed a tax haven but whose stock is traded mainly through exchanges in the United States.

The full House passed H.R. 5120 by a vote of 308 to 121 on July 24, 2002. Hanging over the debate on the measure was an effort by the Bush Administration to create a new Department of Homeland Security. Under the Administration's proposal, the Customs Service and the Secret Service would be transferred to the new department. The House made no changes in the amounts appropriated for Treasury bureaus approved by the Appropriations Committee. It did, however, remove on a point of order the amendment that would have barred publicly traded corporations that are incorporated in nations designated as tax havens but whose stock is traded mainly on U.S. exchanges from winning federal government contracts. On July 18th, the House approved a rule to strike from H.R. 5120 all non-germane provisions.

The Senate Appropriations Committee approved a similar measure (S. 2740) on July 16, 2002. It would fund Treasury operations at a level of \$16.304 billion in FY 2003, or \$1.262 billion more than the amount appropriated for FY 2002 and \$438 million more than the amount requested by the Bush Administration. The biggest chunk by far would go to the IRS, which would receive \$9.995 billion, followed by the Customs Service at \$3.141 billion and the Secret Service at \$1.020 billion.

Funding for the Treasury Department in FY 2003 would be \$135 million greater under S. 2740 than under H. 5120. Nearly 71% of this difference is accounted for by appropriations for the IRS. The Senate bill would permit the agency to spend more on tax law enforcement, business system modernization, and an initiative to improve taxpayer compliance with the rules for the earned income tax credit.

Under P.L. 107-67, funding for Treasury operations in FY 2002 totals \$15.042 billion, which is about \$1 billion more than the department received in FY 2001. Perpetuating a longstanding trend, the IRS constitutes the single largest account in

the department's FY 2002 budget, accounting – as it did in FY 2001 – for 63% of total enacted funding. Other major accounts are the budgets for the Customs Service (18% of total funding), Secret Service (6%), and Bureau of Alcohol, Tobacco, and Firearms (5%). Compared to FY 2001, the largest percentage increase in funding is for the Financial Crimes Enforcement Network (FinCen), whose budget is 41% greater. Large increases have also been enacted for the Customs Service (18% greater), Secret Service (11% greater), and Treasury Department Systems and Capital Investments Programs (11% greater). Part of the year-to-year increase in funding for FinCen is to cover expenses related to its involvement in security planning and operations for the 2002 Winter Olympics. Several Treasury Department accounts are being funded at reduced levels in FY 2002 compared to FY 2001. The largest percentage cuts are for spending on the Expanded Access to Financial Services (or First Accounts) program (80% smaller), the Counterterrorism Fund (17% smaller), and the Financial Management Service (17% smaller). The First Accounts program is intended to make it easier for low- and middle-income individuals to gain access to a variety of financial services.

The Treasury Department plays an important role in federal efforts to combat terrorism through its statutory missions and law enforcement responsibilities. Treasury bureaus are responsible for protecting the President; designing and implementing security at special events like the 2002 Winter Olympics; investigating incidents involving arson and the use of explosives and firearms; monitoring and analyzing the financing of terrorist activities; preventing weapons of mass destruction from entering the country; and implementing sanctions against terrorist organizations. With one exception, however, none of the bureaus has an appropriation account designated specifically for counterterrorism. That exception is the Counterterrorism Fund, which is intended mainly to respond to unanticipated emergencies by covering costs related to efforts to counter, investigate, or prosecute domestic or foreign terrorism, and to rebuild the operational capabilities of federal offices, facilities, or other properties damaged or destroyed as a result of terrorist incidents. The Fund can be used only with the advance approval of the House and Senate Appropriations Committees. While the exact size of the department's budget for counterterrorism in FY 2002 is unclear, it is thought to be at least \$419 million (see Table 2). (See the section on "Terrorism" for further details on funding for counterterrorism within the Treasury Department.)

The terrorist attacks of September 11, 2001 have triggered several developments that promise to expand the department's involvement in counterterrorism. On September 14, 2001, the Bush Administration announced that the Treasury Department's Office of Foreign Asset Control (OFAC) is leading an interagency group devoted to disrupting fundraising by foreign terrorists. On October 25, 2001, a multi-agency effort to investigate the financing of terrorist groups known as Operation Green Quest was launched, and some of the agencies involved are the IRS, Customs Service, FinCen, Secret Service, and OFAC. And in October 2001, Congress passed and President Bush signed the USA PATRIOT Act of 2001 (P.L. 107-56), which expands the power of the Treasury Department to combat money laundering and investigate suspicious foreign financial transactions.

In early February 2002, the Bush Administration unveiled its budget request for the Treasury Department in FY 2003. It calls for spending \$16.903 billion at the

program level, or about \$400 million more than the amount appropriated in FY 2002. These figures exclude the imputed cost of accrued pension and health benefits under the Federal Employee Retirement System and the old Civil Service Retirement System. Of this amount, \$10.418 billion (or about 60%) would go to the IRS, \$2.869 billion (or 17%) to the U.S. Customs Service, and \$1.0 billion (or 6%) to the U.S. Secret Service. According to budget documents released by the administration, requested funding for the Department reflects two priorities in particular: (1) an increase in the resources available for strengthening “security at home and abroad, as an outgrowth of the events of September 11, 2001; and (2) an increase in funding for efforts to modernize the Customs Service and the business information systems at the IRS. Other important objectives in FY 2003 include upgrading the capabilities and raising the productivity of the Department’s workforce, expanding the electronic services offered by Treasury bureaus, better integrate bureau performance goals into budgetary decision-making, and improving customer service and compliance enforcement at the IRS.

Bureau of Alcohol, Tobacco, and Firearms (ATF). The ATF is a law enforcement agency that regulates the manufacture, importation, and distribution of alcohol, tobacco, firearms, and explosives. The ATF also enforces federal laws related to arson. ATF’s mission is focused on three goals: (1) reducing crime, (2) collecting revenue, and (3) protecting the public. Among ATF’s activities, the regulation and enforcement of laws related to firearms commerce and possession have been the most controversial.¹⁷ In FY2000, ATF collected \$14,100,000,000 in taxes, penalties, fines, and other related revenues. From FY1992 to FY2001, Congress increased ATF’s direct appropriations from \$336,040,000 to \$772,673,000, an 130% increase. For FY2002, Congress appropriated \$854,747,000¹⁸ in direct funding for ATF, an 11% increase over the agency’s FY2001 appropriation. The FY2002 appropriation supports 5,106 full time equivalents.¹⁹

The Administration’s FY2003 budget request includes \$883,775,000 for ATF, a 3% increase over the agency’s FY2002 appropriation. The Administration’s request anticipates reductions in non-recurring costs and other savings in the base budget of \$27,797,000 that would partially offset increases over the agency’s base budget of \$30,836,000 and 77 additional full time equivalents. Among other things, this budget increase includes (1) \$9,136,000 to cover costs associated with annualizing new positions provided by Congress in the FY2002 emergency supplemental and other adjustments associated with World Trade Center bombings, (2) \$10,700,000 for the construction of a new ATF National Headquarters and

¹⁷For further information on gun control-related legislation and issues, see CRS Issue Brief IB10071, *Gun Control Legislation in the 107th Congress*, by William Krouse.

¹⁸This amount includes \$823,316,000 provided by the FY2002 Treasury-Postal Appropriations Act (P.L. 107-67) and \$31,431,000 in FY2002 emergency supplemental funding allocated in the Department of Defense Appropriations Act (P.L. 107-117).

¹⁹One full time equivalent is equal to 2,080 hours worth of funding, or the amount of funding necessary to fund one position over the course of a single year. Usually, newly funded positions are only funded at one-half a full time equivalent, since those positions will not be filled for the entire year, and hiring will occur incrementally over the course of that year.

improved security for the agency's workforce, and (3) \$11,000,000 to increase the Integrated Violence Reduction Strategy/Youth Crime Interdiction Initiative.

The House-passed bill would provide ATF with \$891,034,000, or \$7,259,000 more than the Administration's FY2003 request for certain non-pay inflation costs associated with a proposal (that has not been enacted) to integrate Federal Employees Compensation Act administrative and benefit costs. The Senate-reported bill would provide ATF with \$899,753,000, or \$66,006,000 more than the Administration's request. Among other things, this amount includes \$13,000,000 to continue the Gang Resistance Education and Training (GREAT) program, part of the Integrated Violence Reduction Strategy. To improve regulation of explosives, it also includes an increase of \$10,000,000 for the creation of explosives enforcement teams to work with state and local law enforcement.

Customs Service. The U.S. Customs Service, the federal government's oldest revenue collecting agency, is responsible for regulating the movement of persons, carriers, merchandise, and commodities between the United States and other countries. In FY2001, Customs collected \$22,325,323,000 in trade-related duties, taxes, and fees.²⁰ From FY1992 to FY2001, Congress has increased direct appropriations for the U.S. Customs Service from \$1,454,337,000 to \$2,314,500,000, a 59% increase. In addition to appropriated funding, the Customs Service collects COBRA fee receipts that are available to the agency for expenditure (\$305,251,257 in FY2001). For FY2002, Congress appropriated \$3,116,729,000²¹, supporting 18,595 full time equivalents. This amount represents a 35% increase over the agency's FY2001 appropriation.

The Administration's FY2003 request includes \$2,834,113,000 for the Customs Service. This amount included: (1) \$2,224,952,000 for the salaries and expenses account, (2) \$170,829,000 for the air and marine interdiction account, (3) \$435,332,000 for the automation modernization account, and (4) \$3,000,000 from the harbor maintenance fee account. While this request represents a net decrease of 10% in funding as compared to the agency's FY2002 appropriation, the Administration anticipates that raising the COBRA air passenger inspection fee from \$5 to \$11 dollars will generate an additional \$249,750,000 in offsetting revenues. With these new revenues and a complicated series of reductions in non-recurring costs and other offsets, the Administration's request envisions \$158,239,000 in FY2003 budget enhancements for Customs. These budget enhancements include (1) \$77,797,000 and 114 full-time equivalent positions to secure the northern border and increase terrorism-related investigations, (2) \$57,991,000 and 148 full-time equivalent positions to provide greater maritime port security, (3) \$8,651,000 and 52

²⁰U.S. Customs Service, *U.S. Customs Service: America's Frontline, FY2001 Annual Report*, (Washington, July 2002), p. 70.

²¹This amount includes the FY2002 emergency supplemental appropriation of \$392,603,000 allocated in the Department of Defense Appropriations Act (P.L. 107-117). It also includes monies appropriated into four accounts: 1) \$2,501,297,000 in salaries and expenses account, 2) \$184,600,000 in air and marine interdiction program account, 3) \$427,832,000 in automation modernization account, and 4) \$3,000,000 in the harbor maintenance fee account.

full-time equivalent positions for the southwest border, and (4) \$13,800,000 for communication systems replacement and upgrades.

The House-passed bill would provide Customs with \$3,128,497,000, or \$294,384,000 more than the Administration's FY2003 request. This amount includes: (1) \$2,496,165,000 for the salaries and expenses account, (2) \$190,000,000 for air and marine interdiction, (3) \$439,332,000 for the automation modernization account, and (4) \$3,000,000 for the harbor maintenance fee account. For salaries and expenses, the House bill would provide \$104,213,000 more than the Administration's request. Among other things, this increase includes funding for base operations that the Administration proposed funding through an increase in the COBRA air passenger inspection fee. House report language addresses multiple concerns about Customs operations that include northern border staffing and infrastructure, personnel search procedures, enforcement of U.S. trade law pertaining to steel, the sea cargo container security initiative, and automated cargo manifests.

The Senate-reported bill would provide Customs with \$3,141,614,000, or \$307,501,000 more than the Administration's FY2003 request. This amount includes: (1) \$2,525,453,000 for the salaries and expenses account, (2) \$177,829,000 for the air and marine interdiction account, (3) \$435,332,000 for the automation modernization account, and (4) \$3,000,000 for the harbor maintenance fee account. Unlike the House bill, the Senate bill assumes an increase in two unspecified fees that will provide Customs with an additional \$250,000,000 for the agency's day-to-day operations. According to the Senate Appropriations Committee press release, however, Congress has yet to authorize those fee increases. The Senate bill would also provide Customs with an increase of \$18,000,000 for the sea cargo container security initiative. Senate report language addresses many of the same concerns as in the House report language.

Internal Revenue Service (IRS). The federal government levies individual and corporate income taxes, social insurance taxes, excise taxes, estate and gift taxes, customs duties, and other miscellaneous taxes and fees. The federal agency mainly responsible for administering these taxes and fees is the IRS. In carrying out that responsibility, it receives and processes tax returns and other related documents, processes payments and refunds, enforces compliance through audits and other methods, collects delinquent taxes, and provides a variety of services to taxpayers in an effort to help them understand their responsibilities and resolve problems. In FY 2001, the IRS collected \$2,129 billion before refunds, the largest component of which was individual income tax revenue of \$1,178 billion.

On July 9, 2002, the House Appropriations Committee approved by unanimous consent a measure (H.R. 5120) providing funding for the IRS in FY 2003. It would give the agency \$9.899 billion, or \$429 million above the amount enacted for FY 2002 but \$16 million below the amount requested by the Bush Administration. Of this total, \$3.956 billion would be allocated to tax processing, assistance, and management; \$3.729 billion to tax law enforcement; \$1.632 billion to information systems; \$146 million to the EITC compliance initiative; and \$436 million to the business systems modernization effort known as PRIME. Most of the difference between the Administration's budget request and the funding level endorsed by the committee relates to funding for PRIME: the committee approved \$14 million less

than the Administration requested, mainly out of a concern about the ability of the IRS to manage the program efficiently.

In its report to the full House on the measure (H. Rept. 107-575), the Committee expressed concern about recent widely reported declines in compliance activity by the IRS and the agency's priorities in combating taxpayer fraud and errors. It noted that the "IRS recently testified that the amount of revenue lost due to tax errors and fraud is about \$250 billion a year." The Committee also directed the IRS to accelerate its efforts to collect reliable data under the national Research Program on tax compliance among corporations and partnerships, two categories of tax revenue "in which the highest noncompliance rates occur each year."

On July 24, 2002, the full House passed H.R. 5120. It made no changes in the appropriation amounts for the IRS approved by the Appropriations Committee. During the debate on the bill, the House did approve one amendment related to the IRS. The amendment, introduced by Rep. Bernie Sanders, is intended to curtail age discrimination in the conversion of employee defined-benefit pension plans to cash-balance plans. It would do this indirectly by preventing the IRS from altering guidance it has already issued (Notice 96-8) that generally requires the hypothetical account balance in a cash-balance pension plan to grow at a rate no greater than the rate of interest on 30-year Treasury bills. Currently, the IRS has declared a moratorium on issuing rulings on whether or not cash-balance plan conversions are qualified under current law, pending further guidance.

One week later, the Senate Appropriations Committee approved a similar measure (S. 2740). It would give the IRS \$9.995 billion in FY 2003, or \$524 million more than the amount enacted for FY 2002 and \$79 million more than the amount requested by the Bush Administration. Of this total, \$3.985 would go to processing, assistance, and management; \$3.774 to tax law enforcement; \$1.639 billion to information systems; \$147 million to the EITC compliance initiative; and \$450 million to PRIME. Most of the difference between the Administration's budget request and the amount endorsed by the committee relates to processing and assistance and to tax law enforcement: in both cases, the committee wants a larger budget than the Administration requested. In the report accompanying H.R. 5120 (S. Rept. 107-212), the committee directed the IRS to devote \$4.3 million to a program to assist low-income taxpayers in filing their tax returns known as the Volunteer Income Tax Assistance, \$9 million to a program to assist low-income taxpayers in resolving disputes with the IRS known as Low-Income Taxpayer Clinics, and \$10 million to an enhanced effort to investigate and combat "abusive tax shelters." Under P.L. 107-67, the IRS is funded at \$9.437 billion in FY 2002, or \$548 million more than it received in FY 2001. With this increase, the agency has the authority to add 600 individuals to its staff in FY 2002. Of the total amount appropriated, \$3.798 billion is for tax processing, assistance, and management; \$3.538 billion for tax law enforcement; \$1.563 billion for information systems; and \$146 million for the earned income tax credit (EITC) compliance initiative. In addition, the IRS is receiving \$391.6 million for its Information Technology Investment Account (ITIA) through September 30, 2004. Funds can be drawn from the account only with the prior approval of the House and Senate Appropriations Committee, and they are allocated on a project or milestone basis. In June 2001, the committees authorized the release of \$128 million from the ITIA to enable the IRS to continue its program

to modernize its information system. No additional money is being provided for the Staffing Tax Administration for Balance and Equity initiative (STABLE) in FY 2002, however, contrary to the wishes of the Bush Administration. STABLE is intended to improve the IRS's customer service and bolster its capability to enforce federal tax laws; Congress approved initial funding for the initiative in FY 2001. P.L. 107-67 also gives the Treasury Inspector General for Tax Administration \$123.7 million in FY 2002. It specifies that \$500,000 of this amount is to be used for bimonthly audits of IRS taxpayer assistance centers.

P.L. 107-67 directs the IRS to improve its customer service by increasing its staffing of its toll-free help-line service, and to take steps to further safeguard the confidentiality of taxpayer information. Moreover, the act expresses concern about the ability of the IRS to coordinate and integrate its spending on business system modernization projects with its "development-related" investments in information systems.

The Bush Administration is requesting that the IRS be funded at a level of \$10.418 billion in FY 2003. This amount includes imputed costs for accrued pension and health benefits for IRS retirees and is \$482 million (or nearly 5%) greater than its budget in FY 2002. The proposed funding would be allocated as follows: \$4.150 billion for processing, assistance, and management; \$3.988 billion for tax law enforcement; \$1.676 billion for information systems; \$450 million for the ITIA; and \$154 million for the EITC compliance initiative. With the funding increase, the IRS expects to hire an additional 1,179 employees in FY 2003, increasing total agency employment to 101,080 individuals. It is estimated that nearly 70% of the IRS budget is devoted to personnel costs. Concealed by these budget figures is a significant reallocation of resources under the IRS's new strategic planning process. In the coming fiscal year, the administration proposes to spend another \$260 million on enhancing customer service and combating taxpayer fraud. More than half of this amount (\$158 million) would result from cost savings achieved through increased use of technology, a reduction in the processing of the innocent-spouse workload, a transfer of some regular staff from customer service to compliance enforcement, and the hiring of lower-paid added staff to perform some customer-service functions.

A key player in the budget-approval process for the IRS is the IRS Oversight Board. By law, it is required to review the IRS budget request and make recommendations to Congress. For FY2003, the Oversight Board is recommending that the IRS be funded at a level that is \$92 million above what the Bush Administration requested. It is concerned that if the Administration's request is enacted, the agency will be unable to make desired progress in the enforcement of existing tax laws and regulations. Several considerations underlie this concern. The cost of postage and security at IRS offices in FY 2003 is rising faster than the Administration originally anticipated. In addition, the unfunded portion of the calendar year 2002 pay raise for federal civilian employees will add \$43.5 million to IRS personnel costs in FY 2003, and the agency could end up bearing up to an additional \$70 million in personnel costs in FY 2003 if the Congress approves a pay raise for federal civilian employees in calendar year 2003 that exceeds the 2.6% raise requested by the Bush Administration. In the Board's estimation, these added costs could keep the IRS from hiring 800 enforcement personnel at a time when the agency is under growing pressure inside and outside the Congress to improve its

performance in auditing individual tax returns and collecting unpaid taxes. Some members of Congress have also expressed concern about the adequacy of the Administration's proposed IRS funding in FY2003 for anti-money-laundering and other law enforcement initiatives.

U. S. Secret Service. The U.S. Secret Service is mandated by statute to carry out two distinct missions: the protection of designated government officials and individuals, and criminal investigations. It is also responsible for the enforcement of laws relating to counterfeiting.

H.R. 5120, as passed, would authorize an appropriation of \$1,017,892,000, of which \$1,633,000 shall be available for forensic support of investigations of missing and exploited children, and \$4,000,000 to be made available as a grant for activities related to missing and exploited children. Up to \$18,000,000 is provided for protective travel until Sept. 30, 2004, and \$3,519,000 for necessary construction and repair expenses. H.R. 5120, as introduced and reported, authorized an appropriation of \$1,017,892,000, which is an increase of \$7,457,000 above the President's request. This increase included \$6,824,000 for non-pay inflation; \$991,000 in additional support to the National Center for Missing and Exploited Children. It also reflected a reduction of \$358,000 for the administrative costs associated with the Federal Employees' Compensation Act (FECA).

S. 2740, as introduced and reported, would authorize an appropriation of \$1,016,947,000. This would be an increase of \$6,475,000 above the President's request for pay parity, and an additional \$395,000 for the National Center for Missing and Exploited Children.

For FY2003, the President requested \$1,044,070,000 for salaries and expenses related to protective functions, research and development, and the purchase of vehicles, an increase of \$123,455,000 over FY2002 enacted. Of this total, \$1,633,000 was to be available for support of investigations of missing and exploited children, and \$3,009,000 to be available as a grant for activities related to investigations of exploited children. Up to \$18,000,000 was provided for protective travel to remain available until September 30, 2004. Funds appropriated in this account were also to be made available to the Director of the Secret Service for the training of federal, Postal Service, state and local law enforcement officers, as well as private sector security officials on a space-available basis.

Under P.L. 107-38, an additional \$104,769,000 is to remain available until expended for emergency salaries and expenses associated with the September 11, 2001, terrorist attacks.

U.S. Postal Service

The U.S. Postal Service (USPS) generates nearly all of its funding through the sale of products and services. It does receive a regular appropriation from Congress, however, to compensate for revenue it forgoes in providing, at congressional direction, free mailing privileges for the blind and visually impaired and for overseas voting. Under the Revenue Forgone Reform Act of 1993, Congress is required to reimburse USPS \$29 million each year until 2035, for services performed but not

paid for in the 1990s. (See also, CRS Report RS21025, *The Postal Revenue Forgone Appropriation: Overview and Current Issues.*) The terrorist attacks in the fall of 2001, however, including use of the mail for bio-terroristic delivery of anthrax spores to congressional and media offices, generated new funding needs that USPS argues should be met through appropriations.

In FY2002, USPS received a revenue forgone appropriation of \$76,619,000, including \$47,619,000 for revenue forgone in FY2002 but not payable until October 1, 2003, and the \$29 million due annually under the Revenue Forgone Reform Act of 1993. In addition, USPS received a total of \$675,000,000 to compensate it for extraordinary expenses arising from the terrorist attacks. The President allocated \$175,000,000 from the Emergency Response Fund authorized by P.L. 107-38, the Emergency Supplemental Appropriations Act for Recovery From and Response to Terrorist Attacks on the United States, FY2001. Another \$500,000,000 was allocated to USPS by the FY2002 Emergency Supplemental Act, Division B of P.L. 107-117, the Department of Defense Appropriations Act, 2002. The conference report explaining this appropriation noted that “the Postal Service has not received a direct appropriation for operations for nearly two decades.... In providing these emergency funds, the conferees do not intend to set a precedent for operational subsidies ... [and] continue to support current law requirements that the Postal Service operate on a self-sustaining basis.” Obligation of the \$500,000,000 was to be withheld until USPS submitted to its oversight and appropriations committees an emergency preparedness plan to combat the threat of biological and chemical substances in the mail. USPS issued its plan on March 6, 2002.²²

In its FY2003 Budget, the Administration proposed an appropriation of \$48,999,000 for revenue forgone in fiscal 2003, and \$29 million for the FY2003 installment under the Revenue Forgone Reform Act of 1993, reduced by \$17,985,000 as a reconciliation adjustment to reflect actual versus estimated free mail volume in 2000, for a total of \$60,014,000. The \$48,999,000 is proposed as an advance appropriation, payable on October 1, 2003. However, USPS will also have available for obligation during FY2003 the \$47,619,000 provided for revenue forgone in fiscal 2002, for a total of \$76,619,000. In its FY2002 Budget, the Bush Administration had proposed to “reverse the misleading budget practice of using advance appropriations simply to avoid [annual] spending limitations.” The Senate agreed to this proposal, but the House and the conferees did not. The Administration did not renew the proposal in its FY2003 Budget.

In its detailed justification of its FY2003 budget request, USPS asked for an additional \$928,174,000 (above the OMB proposal of \$60,014,000) as an accelerated payment of the amounts due for FY1994 through FY2035 under the revenue Forgone Reform Act of 1993. The postmaster general, in his statement at the March 13, 2002 House Appropriations Subcommittee hearing on its budget, said the extra funds would be used for facilities improvements, which have been frozen for two years.²³

²²See [http://www.usps.com/news/2002/press/pr02_pmg0313.htm], visited July 19, 2002.

²³Statement can be found at [<http://www.usps.com/news/2002/epp/welcome.htm>], visited July 19, 2002.

Neither the Administration's FY2003 Budget nor the USPS detailed justification included any funds for emergency preparedness. The Budget does reflect, however, in the column on FY2002 appropriations, the \$500,000,000 appropriated to USPS by P.L. 107-117. The March 6, 2002 emergency preparedness plan did identify substantial needed appropriations in addition to the \$675,000,000 already appropriated: \$87,000,000 as a supplemental for FY2002; \$799,800,000 for FY2003; and \$897,500,000 for FY1994. Apparently USPS expects these needs to be discussed in the context of a broader supplemental appropriations request for homeland security. H.R. 4775, the FY2002 Supplemental Appropriations bill for Further Recovery From and Response To Terrorist Attacks, does provide the \$87 million that the USPS plan says it needs in FY2002.

Both the House bill as passed on July 25 (H.R. 5120), and the Senate Appropriations Committee's version (S. 2740) of the FY2003 Act, would appropriate \$76,619,000 to USPS. This is exactly what is contained in the Bush Administration's budget request, with nothing added to accelerate payments under the Revenue Forgone Reform Act as requested by USPS. The bills differ in the timing of the appropriation, however. H.R.5120 would make the \$31,014,000 for FY2003 revenue forgone an advance appropriation to be paid in FY2004. S.2740 does not propose an advance appropriation, but would have the whole amount paid in FY2003. Thus the Senate report (107-212) recommends a total of \$107,633,000 to be paid in FY2003: \$29,000,000 for past revenue forgone, \$31,014,000 for net revenue forgone in FY2003, and \$47,619,000 appropriated in the FY2002 Act as an advance appropriation.

Both the House and Senate bills would continue two provisions that the postmaster general had asked to be removed as impediments to the "Transformation Plan" USPS issued in March to put it on a sounder financial footing. One provision requires USPS to maintain six-day delivery at the level that prevailed in 1983. The other provides that none of the funds shall be used to consolidate or close small post offices.

Executive Office of the President and Funds Appropriated to the President

The Treasury and General Government appropriations act funds all but three offices in the Executive Office of the President (EOP). Of the three exceptions, the Council on Environmental Quality and Office of Environmental Quality, and the Office of Science and Technology Policy are funded under the Veterans Affairs, Housing and Urban Development, and Independent Agencies appropriations; and the Office of the United States Trade Representative is funded under the Commerce, Justice, State, and the Judiciary and Related Agencies appropriations.

The President's FY2003 budget proposes to consolidate 12 annual EOP salaries and expenses appropriations into a single annual appropriation which would total \$336,228,000 in FY2003. This would be an increase of 21.5% over the

\$276,819,000²⁴ appropriated in FY2002 for these programs. The 12 programs included in the consolidated account would be:

- ! Compensation of the President/White House Office
- ! Executive Residence/White House Repair and Restoration
- ! Special Assistance to the President (Office of the Vice President)/Official Residence of the Vice President
- ! Council of Economic Advisers
- ! Office of Policy Development
- ! National Security Council
- ! Office of Administration/Capital Investment Plan
- ! Office of Management and Budget
- ! Office of National Drug Control Policy (Salaries and Expenses)
- ! Council on Environmental Quality
- ! Office of Science and Technology Policy
- ! U.S. Trade Representative

Resources for common acquisition-related goods and services would be consolidated into the Office of Administration. A separate appropriation would be continued for Unanticipated Needs.

According to the Budget, “This proposal would give the President maximum flexibility in allocating resources and staff in support of his office and is intended to: permit a more rapid response to changing needs and priorities; allow the President to address emergent national needs; produce greater economies of scale and other efficiencies in procuring goods and services; and enhance accountability for performance.” Additionally, the budget states that “this initiative would enable the President to effectively manage and align EOP resources consistent with decision making in an efficient and straightforward manner, while enhancing the accuracy of the financial systems and significantly reducing the administrative volume and cost of processing transactions through the United States Treasury.”²⁵

The Administration proposed the consolidation of 10 accounts into one account in the FY2002 budget, but the conference committee for the Treasury and General Government Appropriations Act, 2002, H.R. 2590, agreed to continue with separate accounts for the EOP programs.

As reported by the House Committee on Appropriations and passed by the House, H.R. 5120 would retain separate accounts within the Executive Office of the President. The Senate Committee on Appropriations also approved retaining separate accounts.

²⁴The EOP Budget Submission for FY2003 states the total amount appropriated for the 12 programs as \$276,820,000 because the submission states the FY2002 appropriation for Special Assistance to the President (Office of the Vice President) as \$3,926,000. P.L. 107-67 states the amount appropriated for this program as \$3,925,000. U.S. Executive Office of the President, *Fiscal Year 2003 Congressional Budget Submission* (Washington: GPO, Feb. 2002), p. 8. (Hereafter referred to as EOP Budget Submission.)

²⁵*FY2003 Budget, Appendix*, p. 927.

EOP Offices Funded Through Treasury and General Government Appropriations. As noted in H.Rept. 107-575 and S.Rept. 107-212, the amount of money requested for FY2003 for EOP programs and funds appropriated to the President, under the Treasury and General Government appropriations is \$786 million an increase of 1.5% less than the \$797.6 million appropriated in FY2002.

The requested and House recommended funding for specific programs discussed below are taken from H.Rept. 107-575. The Senate recommended funding is from S.Rept. 107-212.

Compensation of the President. The amount of money requested for FY2003 is \$450,000, which includes an expense allowance of \$50,000. This is the same amount as was appropriated in FY2002. The salary of the President is \$400,000 *per annum*, effective January 20, 2001.

Office of Homeland Security. The House committee recommended and the House passed an appropriation of \$24,061,000, \$783,000 less than the \$24,844,000 requested by the President. The Office would be directed to submit a report identifying estimated obligations for each function assigned to the office to the House Committee on Appropriations no later than November 1, 2002. The Senate Committee on Appropriations recommended an appropriation of \$25,301,000. (See section on Homeland Security below.)

White House Office. This account provides the President with staff assistance and administrative services.

The amount of money requested for FY2003 is \$84,595,000, an increase of 54.8% over the \$54,651,000 appropriated in FY2002. The budget also proposes a gain of 46 positions, as measured by full-time equivalent (FTE) employment,²⁶ for the White House Office in FY2003. According to the EOP budget submission, “The bulk of the funding increase and 40 of the additional FTE are directly related to the establishment of the Office of Homeland Security created in the wake of the terrorist attack on September 11, 2001.” The submission also states that “Increased funding and 6 additional FTE are also requested for the newly established U.S. Freedom Corps Office that will promote public service opportunities for all Americans.”²⁷

The House committee recommended and the House passed an appropriation of \$50,715,000, \$33,880,000 less than the President’s request. Of this total, \$8,650,000 would be available for reimbursements to the White House Communications Agency.

²⁶Full-time equivalents (FTEs) are an estimate of the total number of work years required by an agency over the course of a fiscal year. They are calculated by adding up the total number of hours worked by all employees (not including overtime or holiday hours) and then dividing that total by 2,080, the number of hours in a work year. One FTE equals 2,080 hours. An employee working 40 hours per week for 52 weeks in the year equals one FTE. Two part-time employees, each working 1,040 hours, equals one FTE.

²⁷EOP Budget Submission, p. 3.

The Senate Committee on Appropriations recommended an appropriation of \$60,212,000.

Executive Residence (White House) and White House Repair and Restoration. This account provides for the care, maintenance, and operation of the Executive Residence.

The amount of money requested for FY2003 is \$13,428,000 for this account, a decrease of 33.9% from the \$20,320,000 appropriated in FY2002. For the executive residence, the budget proposes an appropriation of \$12,228,000, an increase of 4.6% over the \$11,695,000 appropriated in FY2002. For repair and restoration of the White House, the budget proposes an appropriation of \$1,200,000, a decrease of 86.1% from the \$8,625,000 appropriated in FY2002. The EOP budget submission states that the decrease in repair and restoration “is attributed to less costly projects scheduled for FY2003.”²⁸

The House Committee on Appropriations recommended and the House passed the same appropriation as the President.

The Senate Committee on Appropriations recommended an appropriation of \$12,339,000.

Maintenance and repair costs for the White House are also funded by the National Park Service as part of that agency’s responsibility for national monuments. Entertainment costs for state functions are funded by the Department of State. Reimbursable political events in the Executive Residence are to be paid for in advance by the sponsor, and all such advance payments are to be credited to a Reimbursable Expenses account. The political party of the President is to deposit \$25,000 to be available for expenses relating to reimbursable political events during the fiscal year. Reimbursements are to be separately accounted for and the sponsoring organizations billed, and charged interest, as appropriate. The staff of the Executive Residence must report to the Committees on Appropriations, after the close of each fiscal year, and maintain a tracking system on the reimbursable expenses.

Special Assistance to the President (Office of the Vice President). This account funds the Vice President in carrying out the responsibilities assigned to him by the President and by law.

The amount of money requested for FY2003 is \$4,066,000 for salaries and expenses, an increase of 3.6% over the \$3,925,000 appropriated in FY2002.²⁹ The EOP budget submission states that the increase is for “increased per diem costs of

²⁸EOP Budget Submission, p. 5.

²⁹The EOP Budget Submission states the FY2002 appropriation for this account as \$3,926,000 (p. 37).

staff accompanying the Vice President following the terrorist attack on September 11, 2001.”³⁰

The House Committee on Appropriations recommended and the House passed an appropriation of \$3,160,000, \$906,000 less than the President’s request.

The Senate Committee on Appropriations recommended an appropriation of \$4,093,000.

Official Residence of the Vice President. This account provides for the care and operation of the Vice President’s official residence and includes the operation of a gift fund for the residence.

The amount of money requested for FY2003 is \$324,000 for the operating expenses of the Official Residence, an increase of 1.9% over the \$318,000 appropriated in FY2002.

The House Committee on Appropriations recommended and the House passed the same appropriation as the President.

The Senate Committee on Appropriations recommended an appropriation of \$325,000.

Council of Economic Advisers (CEA). The three-member council was created in 1946 to assist and advise the President in the formulation of economic policy. The council analyzes and evaluates the national economy, economic developments, federal programs, and federal policy to formulate economic advice. The council assists in the preparation of the annual Economic Report of the President to Congress.

The amount of money requested for FY2003 is \$4,405,000, an increase of 4.6% over the \$4,211,000 appropriated in FY2002. According to the EOP budget submission, “The increase provides funding to attract and retain top-quality professional economists.” The submission states: “Current salary levels for CEA economists are lower than comparable positions both in other government agencies and in the academic community. This increase will provide an equivalent salary level and allow CEA’s job offers to be competitive with those of other Government agencies.”³¹

The House Committee on Appropriations recommended and the House passed an appropriation of \$3,763,000, \$642,000 less than the President’s request.

The Senate Committee on Appropriations recommended an appropriation of \$4,444,000.

³⁰EOP Budget Submission, p. 3.

³¹EOP Budget Submission, p. 4.

Office of Policy Development. The Office supports the National Economic Council and the Domestic Policy Council in carrying out their responsibilities to advise and assist the President in formulating, coordinating, and implementing economic and domestic policy. The Office also supports other domestic policy development and implementation activities.

The amount of money requested for FY2003 is \$4,221,000, an increase of 1.9% over the \$4,142,000 appropriated in FY2002.

The House Committee on Appropriations recommended and the House passed an appropriation of \$3,251,000, \$970,000 less than the President's request.

The Senate Committee on Appropriations recommended an appropriation of \$4,254,000.

National Security Council (NSC). The NSC advises the President on integrating domestic, foreign, and military policies relating to national security.

The amount of money requested for FY2003 is \$9,525,000, an increase of 27.1% over the \$7,494,000 appropriated in FY2002. The budget also proposes a gain of 11 positions, as measured by FTE employment, for the NSC in FY2003. The EOP budget submission states that "Both funding and FTE increases are attributed to the ongoing operations of the new Office of Combating Terrorism created in response to the terrorist attack on September 11, 2001."³²

The House Committee on Appropriations recommended and the House passed an appropriation of \$7,803,000, \$1,722,000 less than the President's request.

The Senate Committee on Appropriations recommended an appropriation of \$9,600,000.

Office of Administration. The Office of Administration provides administrative services, including financial, personnel, library and records services, information management systems support, and general office services, to the Executive Office of the President.

The amount of money requested for FY2003 is \$70,128,000, a decrease of 27.7% over the \$96,995,000 appropriated in FY2002. Of the total, \$53,353,000 is for salaries and expenses and \$16,775,000 is for the Capital Investment Plan. (In FY2002, the salaries and expenses appropriation was \$35,180,000 and the Capital Investment Plan appropriation was \$11,775,000.) The budget also proposes a gain of 20 positions, as measured by full-time equivalent (FTE) employment, for the Office of Administration in FY2003. According to the EOP budget submission:

Of the \$23.2 million increase, \$21 million and all of the additional FTE are directly attributed to the ongoing costs of the numerous security measures taken in the aftermath of the terrorist attack on September 11, 2001. These ongoing

³²EOP Budget Submission, p. 4.

costs include the GSA rent for the EOP offices that were relocated outside of the White House complex, increased telephone service, information systems disaster recovery measures including the addition of a remote data center, expanded mail service and additional personnel to support the dispersed offices. The remaining \$2.2 million increase is for start up costs for a new 5 year facilities contract and EOP common software maintenance to upgrade operating systems.³³

The House Committee on Appropriations recommended and the House passed an appropriation of \$92,681,000, \$22,553,000 more than the President's request. Of this total, \$17,495,000 would remain available until expended for the Capital Investment Plan for continued modernization of the information technology infrastructure within the Executive Office of the President. The EOP would be directed to submit a report to the House Committee on Appropriations that would be reviewed and approved by the Office of Management and Budget and reviewed by the General Accounting Office. The report would include a current description of the Enterprise Architecture, the Information Technology (IT) Human Capital Plan, the capital investment plan for implementing the Enterprise Architecture, and the IT capital planning and investment control process.

The Senate Committee on Appropriations recommended an appropriation of \$70,338,000.

Office of Management and Budget (OMB). OMB assists the President in discharging budgetary, management, and other executive responsibilities. The agency's activities include preparing the budget documents; examining agency programs, budget requests, and management activities; preparing the government-wide financial management status report and five-year plan (with the Chief Financial Officer Council); reviewing and coordinating agency regulatory proposals and information collection requirements; and promoting economical, efficient, and effective procurement of property and services for the executive branch.

The amount of money requested for FY2003 is \$70,752,000. This is the same amount as was appropriated in FY2002. The budget also proposes the loss of 17 positions, as measured by full-time equivalent employment, at OMB in FY2003. The EOP budget submission states that the proposal "holds spending to last year's levels, while funding new initiatives including emphasis on government-wide information technology and E-government, and maintains resources to fund OMB's responsibilities."³⁴

The House Committee on Appropriations recommended and the House passed an appropriation of \$61,492,000, \$9,260,000 less than the President's request.

The Senate Committee on Appropriations recommended an appropriation of \$71,370,000.

³³EOP Budget Submission, pp. 3-4.

³⁴EOP Budget Submission, p. 4.

Electronic Government Fund. This account supports interagency projects that enable the federal government to expand its ability to conduct activities electronically, through the development and implementation of innovative uses of the Internet and other electronic methods. The House Committee on Appropriations recommended that the account be moved from the General Services Administration account to “more closely associate the funding with the decision-making mechanism for these funds,” and would appropriate \$5,000,000. The House-passed amount is the same. These funds could be transferred to federal agencies to carry out the purposes of the fund. The Senate Committee recognized the expanded role of OMB but kept the funding under GSA. (For further discussion, see the GSA section below.)

Election Administration Reform and Related Expenses. An account would be established to implement election administration reform. The House Committee on Appropriations recommended and the House passed an appropriation of \$200,000,000. The OMB director would be required to transfer funds to federal entities specified by the legislation on election administration reform which is pending. The only mention of this account in the Senate report is an entry in the summary table showing no funding requested or recommended.

Office of National Drug Control Policy (ONDCP). The ONDCP develops policies, objectives, and priorities for the National Drug Control Program. The account also funds general policy research to support the formulation of the National Drug Control Strategy.

The amount of money requested for FY2003 is \$25,458,000 for salaries and expenses, an increase of 0.8% over the \$25,263,000 appropriated in FY2002. According to the EOP budget submission, “The increase reflects the realignment of the National Alliance of Model State Drug Laws from Salaries & Expenses (S&E) to the Special Forfeiture Fund,” resulting in a \$1 million dollar reduction in S&E. The submission also states that “The operations portion of the S&E budget has increased by \$1.2 million and will fund higher graded staff supporting the ONDCP Director.”³⁵

The House Committee on Appropriations recommended and the House passed an appropriation of \$24,458,000, \$1,000,000 less than the President’s request. Of this total, \$2,350,000 would remain available until expended, consisting of \$1,350,000 for policy research and evaluation, and \$1,000,000 for the National Alliance for Model State Drug Laws.

The Senate Committee on Appropriations recommended an appropriation of \$26,605,000.

The Counterdrug Technology Assessment Center (CTAC). The CTAC is the central counterdrug research and development organization for the federal government.

³⁵EOP Budget Submission, p. 4.

The amount of money requested for FY2003 is \$40,000,000, a decrease of 5.4% from the \$42,300,000 appropriated in FY2002. Of the total, \$18,000,000 is for counternarcotics research and development projects (which shall be available for transfer to other federal departments or agencies) and \$22,000,000 is for the continued operation of the technology transfer program.³⁶

The House Committee on Appropriations recommended and the House passed an appropriation of \$55,800,000, \$15,800,000 more than the President's request. Of this total, \$26,064,000 would be for counternarcotics research and development projects and would be available for transfer to other federal departments or agencies, and \$29,736,000 would be for the continued operation of the technology transfer program.

The Senate Committee on Appropriations recommended an appropriation of \$40,000,000.

Federal Drug Control Programs. The High Intensity Drug Trafficking Areas (HIDTA) program provides assistance to federal, state, and local law enforcement entities operating in those areas most adversely affected by drug trafficking. Funds are disbursed at the discretion of the director of ONDCP for joint local, state, and federal initiatives.

The amount of money requested for FY2003 is \$206,350,000, a decrease of 8.8% from the \$226,350,000 appropriated in FY2002. No less than 51% of the total shall be transferred to State and local entities for drug control activities, which shall be obligated within 120 days of enactment of the Treasury appropriations act. Up to 49% of the total shall remain available until September 30, 2004 and may be transferred to federal agencies and departments at a rate to be determined by the director of which not less than \$2,100,000 shall be used for auditing services and associated activities, and at least \$500,000 of the \$2,100,000 shall be used to develop and implement a data collection system to measure the performance of the High Intensity Drug Trafficking Areas Program.³⁷

The House Committee on Appropriations recommended and the House passed an appropriation of \$246,350,000, \$40,000,000 more than the President's request. No less than 51% of this total would be transferred to State and local entities for drug control activities, which would be obligated within 120 days of the act's enactment.

The Senate Committee on Appropriations recommended an appropriation of \$226,350,000.

The Special Forfeiture Fund. The Fund, administered by the director of ONDCP, supports high-priority drug control programs. The funds may be transferred to drug control agencies or directly obligated by the ONDCP director.

³⁶FY2003 Budget, Appendix, p. 1127.

³⁷FY2003 Budget, Appendix, pp. 1125-1126.

The amount of money requested for FY2003 is \$251,300,000, an increase of 5% over the \$239,400,000 appropriated in FY2002. Of the total, \$180,000,000 is to support a national media campaign, as authorized by the Drug-Free Media Campaign Act of 1998; \$60,000,000 is for a program of assistance and matching grants to local coalitions and other activities, as authorized in chapter 2 of the National Narcotic Leadership Act of 1988, as amended; \$6,000,000 is for the Counterdrug Intelligence Executive Secretariat; \$2,000,000 is for evaluations and research related to National Drug Control Program performance measures; \$1,000,000 is for the National Drug Court Institute; \$1,000,000 is for the United States Anti-Doping Agency for anti-doping activities; \$800,000 is for the United States membership dues to the World Anti-Doping Agency; and \$500,000 is for the National Alliance for Model State Drug Laws.³⁸

The House Committee on Appropriations recommended and the House passed an appropriation of \$240,800,000, \$10,500,000 less than the President's request.

The Senate Committee on Appropriations recommended an appropriation of \$172,700,000.

Unanticipated Needs. The account provides funds for the President to meet unanticipated needs in furtherance of the national interest, security, or defense.

The amount of money requested for FY2003 is \$1,000,000. This is the same amount as was appropriated in FY2002.

The House Committee on Appropriations recommended and the House passed the same appropriation as the President. The Senate Committee on Appropriations also recommended the same appropriation.

Independent Agencies

Federal Election Commission (FEC). The FEC administers federal campaign finance law, including overseeing disclosure requirements, limits on contributions and expenditures, and the presidential election public funding system; the agency retains civil enforcement authority for the law. The Office of Election Administration, which serves as a clearinghouse for information on voting laws and procedures for state and local election officers, is another part of the FEC .

The Administration requested \$45,244,000 for the FEC in FY2003, a \$1.6 million increase over the \$43,689,000 appropriated for FY2002. Of the requested amount, no less than \$5,128,000 was slated for internal automated data processing systems and no more than \$5,000 for reception and representational expenses. The budget called for a full-time equivalent staffing authorization of 362, the same as for FY2002.

The initial request in the President's January budget submission (\$46.7 million) and the proposed staffing levels were the same as those proposed by the FEC in its

³⁸FY2003 Budget, Appendix, pp. 1126-1127.

initial, separate submission to OMB and Congress. As the FEC noted, the initial request represented a continuation of the FY2002 funding level for core programs, as adjusted for inflation and salary and benefits, with no additional funds or staff for new programs or initiatives. That request included \$1,673,000 to account for a new method of providing for federal retirees under the Civil Service Retirement Program (CSRS), which the Administration has proposed for all government agencies.

In the wake of enactment of the Bipartisan Campaign Reform Act of 2002 (P.L. 107-155), the FEC submitted an amended request, calling for an additional \$5,366,200 to implement the new law. Taking this into account, the House Appropriations Committee recommended an appropriation of \$49,426,000, including \$4,198,000 to implement the new law. This amount reflects a decrease of \$1,168,200 from the FEC 's amended request but \$4,182,000 above the Administration's request. The House adopted the \$49,426,000 appropriation recommended by its Committee, with additional designations of no less than \$5,866,700 for internal automated data processing systems and no more than \$5,000 for reception and representation expenses.

The Senate Appropriations Committee, however, recommended an appropriation of \$45,668,000, which does not take into account the amended request by the FEC for implementing the new statute. The Senate figure reflects the Administration's request, plus \$224,000 for pay parity, and allows no more than \$5,000 for reception and representational expenses.

Federal Labor Relations Authority (FLRA). The agency serves as a neutral party in the settlement of disputes that arise between unions, employees, and agencies on matters outlined in the Federal Service Labor Management Relations Statute; decides major policy issues; prescribes regulations; and disseminates information appropriate to the needs of agencies, labor organizations, and the public. The FLRA also engages in case-related interventions and training and facilitates labor-management relationships. It has three components: the Authority which adjudicates labor-management disputes; the Office of the General Counsel which, among other duties, investigates all allegations of unfair labor practices filed and processes all representation petitions received; and the Federal Service Impasses Panel which resolves impasses which occur during labor negotiations between federal agencies and labor organizations.

The amount of money requested for FY2003 is \$28,684,000 for the FLRA, an increase of 8.1% over the \$26,524,000 appropriated in FY2002.

The House Committee on Appropriations recommended and the House passed an appropriation of \$28,677,000, \$7,000 less than the President's request.

The Senate Committee on Appropriations recommended an appropriation of \$28,950,000.

General Services Administration (GSA). The General Services Administration administers federal civilian procurement policies pertaining to the construction and management of federal buildings, disposal of real and personal property, and management of federal property and records. It is also responsible for

managing the funding and facilities for former Presidents and presidential transitions. The President's FY2003 budget request for GSA includes the largest requests to date to renovate and improve security measures in federal buildings.

H.R. 5120, as introduced, reported, and passed, would authorize \$65,995,000 for policy and citizen services; \$77,904,000 for operating expenses (two new accounts to replace policy and operations); \$37,617,000 for the Office of Inspector General; and \$3,339,000 for allowances and office staff for former presidents.

S. 2740, as reported, would authorize an appropriation of \$75,304,000 for salaries and expenses; \$87,674,000 for operating expenses; \$37,916,000 for the Office of Inspector General; \$45,000,000 for electronic government; and \$3,344,000 for allowances and office staff for former presidents. S. 2740, as introduced, would authorize \$75,304,000 for policy and citizen services; \$87,674,000 for operating expenses; \$45,000,000 for the electronic government fund; and \$3,344,000 for allowances and office staff for former presidents.

The President's FY2003 budget contained a request of \$143,139,000 for policy and operations, of which \$25,887,000 would remain available until expended; \$39,587,000 for the Office of Inspector General, \$3,441,000 for allowances and office staff for former Presidents; \$45,000,000 for interagency electronic government initiatives; and \$12,681,000 to be deposited into the Federal Consumer Information Center Fund.

Federal Buildings Fund (FBF). Revenue to the FBF is the principal source of funding. Congress, however, directs the GSA as to the allocation or limitation on spending of funds.

H.R. 5120, as introduced, reported, and passed, would authorize a direct appropriation of \$325,711,000 into the Federal Buildings Fund. An amount of \$646,385,000 from the FBF would be made available until expended for new construction, which includes 11 new courthouse projects totaling \$309,349,000. In addition, \$978,529,000 would be made available until expended for repairs and alternations, including three courthouses totaling \$44,192,000. Also included is \$8,000,000 for a chlorofluorocarbons program, \$20,000,000 for a glass fragmentation program, and \$10,000,000 for terrorism. A total of \$178,960,000 is to be made available for installation acquisition payments, \$3,153,211,000 for rental of space, and \$1,925,160,000 for building operations.

S. 2740, as reported, would authorize \$653,913,000 to be made available for the construction and acquisition account. The Senate Committee also recommended new obligational authority of \$995,589,000 for repairs and alterations. S. 2740, as introduced, would authorize that \$6,952,703,000 remain available until expended: \$653,913,000 for construction and design, and \$995,589,000 for repairs and alterations.

Of the \$6,885,375,000 deposited in the FBF, the President's FY2003 budget requested that \$276,400,000 remain available until expended for the operation, maintenance, and protection of federally owned and leased buildings, and that \$556,574,000 remain available until expended for construction and design services

(approximately \$260,000,000 for courthouse projects). The President's budget also requested that \$986,029,000 from the FBF be made available for repairs and alterations of federal buildings, an increase of \$117,000,000 over FY2002 enacted. Of this total, \$367,340,000 would be used to fund costs associated with implementing security improvements to federal buildings; \$20,000,000 to implement a glass fragmentation program; \$8,000,000 to implement a chlorofluorocarbons program; and \$10,000,000 for antiterrorism efforts.

Electronic Government Fund. As it was last year, the Electronic Government Fund continues to be a somewhat contentious matter between the President and Congress. In advance of his proposed budget for FY2002, the President released, on February 28, 2001, *A Blueprint for New Beginnings: A Responsible Budget for America's Priorities*. Intended as a 10-year budget plan, the *Blueprint*, among other innovations, proposed the establishment of an electronic government account, seeded with "\$10 million in 2002 as the first installment of a fund that will grow to a total of \$100 million over three years to support interagency electronic Government (e-gov) initiatives." Managed by OMB, the fund was foreseen as supporting "projects that operate across agency boundaries," facilitating "the development of a Public Key Infrastructure to implement digital signatures that are accepted across agencies for secure online communications," and furthering "the Administration's ability to implement the Government Paperwork Elimination Act of 1998, which calls upon agencies to provide the public with optional use and acceptance of electronic information, services and signatures, when practicable, by October 2003."³⁹ About one month later, on March 22, OMB Deputy Director Sean O'Keefe announced that the Bush Administration had decided to double the amount to be allocated to the e-gov fund, bringing it to \$20 million.⁴⁰

As included in the President's budget, the fund was established as an account within the General Services Administration (GSA), to be administered by the Administrator of General Services "to support interagency projects, approved by the Director of the Office of Management and Budget, that enable the Federal Government to expand its ability to conduct activities electronically, through the development and implementation of innovative uses of the Internet and other electronic methods." The President's initial request for the fund was \$20 million, to remain available until September 30, 2004. Congress, however, appropriated \$5 million for the fund for FY2002, to remain available until expended. Appropriators specified that transfers of monies from the fund to federal agencies could not be made until 10 days after a proposed spending plan and justification for each project to be undertaken using such monies had been submitted to the Committees on Appropriations. Expressing general support for the purposes of the fund, they also recommended, and both chambers agreed, that the administration work with the House Committee on Government Reform and the Senate Committee on Governmental Affairs to clarify the status of its authorization.

³⁹U.S. Executive Office of the President, Office of Management and Budget, *A Blueprint for New Beginnings*, pp. 179-180.

⁴⁰William Matthews, "Bush E-gov Fund to Double," *Federal Computer Week*, vol. 15, Mar. 26, 2001, p. 8.

The President's budget for FY2003 "recognizes GSA as operator of the official federal portal for providing citizens with one-stop access to federal services via the Internet or telephone" and, therefore, a key agency in implementing the President's e-gov vision, which will "require cross-agency approaches that permit citizens, businesses, and state and local governments to easily obtain services from, and electronically transact business with the federal government." In this regard, an administration interagency Quicksilver E-Gov Task Force, according to the budget, has "identified 23 high priority Internet services for early development." Seeking \$45 million for the e-gov fund, the budget acknowledged that this amount was "a significant increase over the \$20 million requested in 2002," but noted that the request "is supported by specific project plans developed by the Quicksilver Task Force."⁴¹ Furthermore, according to the fund account statement, these monies "would also further the Administration's implementation of the Government Paperwork Elimination Act (GPEA) of 1998, which calls upon agencies to provide the public with optional use and acceptance of electronic information, services, and signatures, when practicable, by October 2003."

The House Appropriations Committee again rejected the amount requested by the President and recommended \$5 million for the fund, reiterating, as previously, that transfers of monies from the fund to federal agencies could not be made until 10 days after a proposed spending plan and justification for each project to be undertaken using such monies had been submitted to the Committees on Appropriations. The committee also declined to recommend an appropriation for the fund as a GSA account, but did fund it as an account under the jurisdiction of the Office of Management and Budget within the Executive Office of the President.⁴² The Senate Committee on Appropriations recommended the full \$45 million requested by the President. Their report states that OMB "would control the allocation of the fund and direct its use for information systems projects and affect multiple agencies and offer the greatest improvements in access and service."⁴³

Merit Systems Protection Board (MSPB). The MSPB serves as guardian of the federal government's merit-based system of employment. The agency carries out its mission by hearing and deciding appeals from federal employees of removals and other major personnel actions. MSPB also hears and decides other types of civil service cases, reviews OPM regulations, and conducts studies of the merit systems. The agency's efforts are to assure that personnel actions taken involving employees are processed within the law and that actions taken by OPM and other agencies support and enhance federal merit principles.

The amount of money requested for FY2003 is \$31,790,000 for the MSPB, an increase of 4% over the \$30,555,000 appropriated in FY2002.

⁴¹U.S. Office of Management and Budget, *Fiscal Year 2003 Budget of the U.S. Government*, pp. 386-387.

⁴²U.S. Congress, House Committee on Appropriations, *Treasury, Postal Service, and General Government Appropriations Bill, 2003*, a report to accompany H.R. 5120, 107th Cong., 2nd sess., H.Rept. 107-575 (Washington: GPO, 2002), pp. 64, 83.

⁴³S.Rept. 107-212, p. 77.

The House Committee on Appropriations recommended and the House passed an appropriation of \$31,788,000, \$2,000 less than the President's request.

The Senate Committee on Appropriations recommended an appropriation of \$32,027,000.

National Archives and Records Administration (NARA). The custodian of the historically valuable records of the federal government since its establishment in 1934, NARA also prescribes policy and provides both guidance and management assistance concerning the entire life cycle of federal records. It also administers the presidential libraries system; publishes the laws, regulations, and presidential and other documents; and assists the Information Security Oversight Office (ISOO), which manages federal security classification and declassification policy; and the National Historical Publications and Records Commission (NHPRC), which makes grants nationwide to help nonprofit organizations identify, preserve, and provide access to materials that document American history.

On July 24, the House passed H.R. 5120 without amending provisions related to the NARA accounts, as reported. The House Appropriations Committee had recommended \$267,189,000 for NARA, \$12,202,000 less than the President's \$279,391,000 budget request, which was a \$10,435,000 decrease from the \$289,826,000 appropriated for, and requested by the President for, NARA for FY2002. Of the total amount requested, \$2.3 million, according to the President's budget, "will enable NARA to continue leading the Electronic Records Management project."⁴⁴ The committee recommended \$249,731,000 for NARA operating funds, which is \$14,202,000 less than the \$263,933,000 requested (the requested amount being a \$19,686,000 increase over the FY2002 allocation of \$244,247,000). The committee report explained that the "reduction from the President's request is for the initiative to train state and local personnel in the handling of classified and sensitive homeland security data." It was felt that "funding this effort in this account is premature" because the "directive for addressing sensitive homeland security information has not been issued, the specific state and local needs for training have not been determined, training options have not been fully developed, and the portion of the initiative aimed at ensuring that Federal agencies have appropriate authorities is unknown."⁴⁵ For repairs and restoration, the requested amount of \$10,458,000 was recommended. This is a \$28,685,000 decrease compared to the FY2002 appropriation of \$39,143,000 for this account. Furthermore, the recommended amount is provided in accordance with the dedication of funds specified in the President's request: \$1,250,000 for Military Personnel Records Center design studies and \$3,250,000 for repair of the Lyndon Baines Johnson Presidential Library plaza. For the NHPRC, \$7 million was recommended, \$2 million more than requested (the

⁴⁴U.S. Office of Management and Budget, *Fiscal Year 2003 Budget of the U.S. Government*, p. 388.

⁴⁵U.S. Congress, House Committee on Appropriations, *Treasury, Postal Service, and General Government Appropriations Bill, 2003*, a report to accompany H.R. 5120, 107th Cong., 2nd sess., H.Rept. 107-575 (Washington: GPO, 2002), p. 86.

requested \$5 million being a \$1,436,000 reduction compared to the FY2002 appropriation).

The Senate Committee on Appropriations recommended funding the NARA accounts at \$265 million. Of this amount, \$249.9 million is recommended for operations, \$14.2 million for repairs and restoration, and \$8 million for NHPRC. The recommended appropriation provides for, among other activities, “training personnel at the State and local level in the proper use and handling of classified and sensitive but unclassified homeland security information. Funding,” the report continued, “will also be used to facilitate security clearances for appropriate individuals at the State and local level, and to ensure that Federal agencies have the necessary classification authority for homeland security information.”⁴⁶ Elsewhere, the report indicated that section 515 of the appropriation bill was “a new provision increasing the size of the endowment for future Presidential libraries.”⁴⁷ (For further discussion, see the Information Resources Management section below.)

Office of Government Ethics (OGE). The Office of Government Ethics, a small agency within the executive branch, was established by the Ethics in Government Act of 1978. Originally part of the Office of Personnel Management, OGE became a separate agency on October 1, 1989, as a result of the Office of Government Ethics Reorganization Act of 1988. The Office of Government Ethics exercises leadership in the executive branch to prevent conflicts of interest on the part of government employees, and to resolve those conflicts of interest that do occur. In partnership with executive branch agencies and departments, OGE fosters high ethical standards for employees and strengthens the public’s confidence that the government’s business is conducted with impartiality and integrity.

The funding request for FY2003 is \$10,488,000, a 3.3% increase over the enacted FY2002 amount of \$10,117,000.

The House passed the recommended funding at the requested level of \$10,488,000. The Senate Committee, however, has recommended \$10,557,000. The Senate report states that the increase is for pay parity.

Office of Personnel Management (OPM). The budget for OPM is comprised of budget authority for both permanent and current appropriations. This report discusses the budget authority for current appropriations. The agency is responsible for administering personnel management functions. Among the activities OPM engages in are helping agencies develop merit-based human resources management accountability systems to support their missions; developing, implementing, and monitoring employment policies for agencies in the areas of workforce planning, recruiting, selecting, promoting, reassigning, downsizing, and reshaping; administering the retirement, health benefits, and life insurance programs for current and retired federal employees; developing and implementing policies on pay and leave administration and evaluating the effectiveness of alternative compensation systems; and developing governmentwide policies, issuing guidance,

⁴⁶S.Rept. 107-212, p. 82.

⁴⁷Ibid., p. 91.

and providing assistance to agencies on employee relations issues. The Office of Inspector General (OIG) conducts audits, investigations, evaluations, and inspections throughout the agency and may issue administrative sanctions related to the operation of the Federal Employees Health Benefits Program.

The amount of money requested for FY2003 is as follows: Discretionary funding of \$128,804,000 for salaries and expenses and \$1,498,000 for OIG salaries and expenses. It also includes mandatory funding of \$6,853,000,000 for the government payment for annuitants of the employees health benefits program, \$34,000,000 for the government payment for annuitants of the employee life insurance program, and \$9,410,000,000 for payment to the civil service retirement and disability fund. The request is 29.3% more than the \$99,636,000 appropriated in FY2002 for salaries and expenses; the same as the \$1,498,000 for OIG salaries and expenses; 11.8% more than the \$6,129,000,000 for the government payment for annuitants of the employees health benefits program; the same as the \$34,000,000 for the government payment for annuitants of the employee life insurance program; and 2% more than the \$9,229,000,000 for payment to the civil service retirement and disability fund.

The House Committee on Appropriations recommended and the House passed the following appropriation: Discretionary funding of \$128,986,000 for salaries and expenses, (\$182,000 more than the President's request) and \$1,498,000 for OIG salaries and expenses (the same amount as the President's request). It also includes mandatory funding in the same amounts as the President's request. Of the \$128,986,000 appropriated for salaries and expenses, \$20,800,000 would fund the Human Resources Data Network, \$5,800,000 would fund the electronic government initiatives, \$2,500,000 would fund the governmentwide payroll modernization initiatives, and \$500,000 would establish a telecommuting training program.

The Senate Committee on Appropriations recommended an appropriation of \$129,686,000 for salaries and expenses; \$1,519,000 for OIG salaries and expenses; \$6,853,000,000 for health benefits; \$34,000,000 for life insurance; and \$9,410,000,000 for the civil service retirement and disability fund.

Office of Special Counsel (OSC). The agency investigates federal employee allegations of prohibited personnel practices and, when appropriate, prosecutes matters before the Merit Systems Protection Board; provides a channel for whistle blowing by federal employees; and enforces the Hatch Act. In carrying out the latter activity, the OSC issues both written and oral advisory opinions. The OSC may require an agency to investigate whistleblower allegations and report to the Congress and the President as appropriate.

The amount of money requested for FY2003 is \$12,434,000 for the OSC, an increase of 4.6% over the \$11,891,000 appropriated in FY2002. According to the budget, "This request will enable OSC to continue to reduce its long-standing case

processing backlogs.” The number of pending prohibited personnel practice cases older than 240 days were reduced by 15% in 2001.⁴⁸

The House Committee on Appropriations recommended and the House passed an appropriation of \$12,432,000, \$2,000 less than the President’s request.

The Senate Committee on Appropriations recommended an appropriation of \$12,449,000.

General Provisions

This section of the report discusses, briefly, general provisions such as governmentwide guidance on basic infrastructure-like policies. Examples would be provisions related to the Buy America Act, drug-free federal workplaces, and authorizing agencies to pay GSA bills for space renovation and other services which are annually incorporated into the Treasury and General Government appropriations legislation. Quite frequently, additionally, there will be provisions which relate to specific agencies or programs. For both Title V and VI, with noted exceptions, the sections discussed here will be those which are new or contain modified policies.

H.R. 5120, as passed by the House, has dropped the requirements (formerly Sec. 513) that read: “The costs accounting standards promulgated under section 26 of the Office of Federal Procurement Policy Act (Public Law 93-400; 41 U.S.C. 422) shall not apply with respect to a contract under the Federal Employees Health Benefits Program established under chapter 89 of title 5, United States Code.” There was considerable floor debate related to whether there would be negative impact on the federal employees who subscribe to the program if the carriers are required to be subject to these cost accounting standards.⁴⁹

The Administration’s proposed language for general provisions in Title VI is found the *Appendix*.⁵⁰ The House and Senate amendments adopted and rejected during House consideration and passage will be presented in the section of the report entitled “Status and Legislative History.” Table 2 provides a comparison of the disposition of those sections under discussion.

⁴⁸*FY2003 Budget, Appendix*, p. 1167.

⁴⁹Treasury and General Government Appropriations Act, 2003, *Congressional Record*, daily edition, vol. 148, July 23, 2002 (Washington: GPO, 2002), pp. H5229, at H. 5260-H5263.

⁵⁰*FY2003 Budget, Appendix*, pp. 9-15.

Table 2. Title VI Governmentwide General Provisions⁵¹

Administration Proposals	H.R. 5120, as passed	S. 2740, as reported
	<p>Sec. 605. This section limits payment of compensation, as employees of the government, for non-citizens of the United States. The online version of the section, as passed, does not contain the provisions relating to the required affidavits and to the applicable penal clause.</p>	
<p>Repeats recommendation elimination of the provision (section 609, FY2002) which prohibits payment to political appointees functioning in jobs for which they have been nominated, but not confirmed. This provision has been in the bill for at least 20 years. The previous administration also recommended its elimination.</p>	<p>Sec. 609. Continue the provision prohibiting payments to persons filling positions for which they have been nominated after the Senate has voted not to approve the nomination.</p>	<p>Sec. 609. Continue a provision prohibiting the use of appropriated funds to pay the salary of any nominee after the Senate voted not to approve the nomination.</p>

⁵¹See H. Rept. 107-575, pp. 95-98 and S. Rept. 107-212, pp. 93-95.

Administration Proposals	H.R. 5120, as passed	S. 2740, as reported
<p>Recommended elimination of the provision (section 612, FY2002) which prohibits use of funds to “implement, administer, or enforce any regulation” which has been disapproved through statutorily authorized means. If the provision were eliminated, conceivably the executive could continue regulatory activities which Congress had disapproved, through resolution of disapproval or the Congressional Review Act. The provision, in the bill since the early 1980s, had been recommended for elimination in FY2002 and by the previous administration also.</p>	<p>Sec. 612. Continue the provision prohibiting the use of funds for enforcing regulations disapproved in accordance with the applicable law of the United States.</p>	<p>Sec. 612. Continue a provision prohibiting the use of appropriated funds for enforcing regulations disapproved in accordance with the applicable law of the U. S.</p>

Administration Proposals	H.R. 5120, as passed	S. 2740, as reported
<p>Recommends, elimination of provision (section 621, FY2002) which requires that no funds may be obligated or expended for employee training not directly related to the employee’s official duties; that may induce high levels of emotional response or psychological stress in some participants; that fails to inform re course content or post-course evaluation; that contains methods or content “associated with religious or quasi-religious belief systems or ‘new age’ belief systems;” and that is offensive to, or designed to change, participants’ personal values or lifestyles away from the workplace. Elimination of language in the bill since the mid-1990s, was requested last year by the Bush Administration and previously by the Clinton Administration.</p>	<p>Sec. 621. Continue the provision prohibiting federal training not directly related to the performance of official duties.</p>	<p>Sec. 621. Continue a provision which prohibits training not directly related to the performance of official duties.</p>
<p>Section 622 (FY2002) prohibits the use of funds to require and execute employee non-disclosure agreements without those agreements having whistleblower protection clauses. The Bush proposal repeats their FY2002 request for elimination of that provision, which has been in the bill for over ten years.</p>	<p>Sec. 622. Continue the provision prohibiting the expenditure of funds for implementation of agreements in non-disclosure policies unless certain provisions are included.</p>	<p>Sec. 622. Continue provision prohibiting the expenditure of funds for the implementation of agreements in certain nondisclosure policies unless certain provisions are included in the policies.</p>

Administration Proposals	H.R. 5120, as passed	S. 2740, as reported
<p>Section 625 (FY2002) requires approval by the Committees on Appropriations of release of any “non-public” information such as mailing or telephone lists to any person or any organization outside the federal government. The Bush Administration is repeating their request for its elimination.</p>	<p>Sec. 625. Continue the provision prohibiting funds to be used to provide non-public information such as mailing or telephone lists to any person or organization outside the government without the approval of the Committee on Appropriations.</p>	<p>Sec. 625. Continue a provision which prohibits the use of appropriated funds to provide nonpublic information such as mailing or telephone lists to any person or organization outside of the Government.</p>
<p>Federal employees in executive agencies are required (section 627, FY2002) to “use official time in an honest effort to perform official duties.” That requirement, in the bill since FY1999, has been slated for elimination by both the Bush and Clinton budget proposals. The argument has been that the ethics statutes, in fact, place that same requirement on all federal personnel.</p>	<p>Sec. 627. Continue the provision directing agency employees to use official time in an honest effort to perform official duties.</p>	<p>Sec. 627. Continue a provision directing agencies employees to use official time in an honest effort to perform official duties.</p>
<p>The Bush proposal would repeal the provisions relating to federal child care enacted as Section 630 of the FY2002 appropriation.</p>	<p>No repeal provision.</p>	<p>No repeal provision.</p>
<p>Section 637 (FY2002), referencing 3 U.S.C. 112 (reimbursement of detailees in executive departments), would be repealed.</p>	<p>No repeal provision</p>	<p>No repeal provisions.</p>

Administration Proposals	H.R. 5120, as passed	S. 2740, as reported
<p>One new section is proposed by the Administration. Section 632 would amend provisions of the Federal Employees Compensation Act (FECA) which relates to workers compensation available to federal employees. (See discussion below under “Federal Employee Pre-Funding Proposal” section.)</p>	<p>No similar provision.</p>	<p>No similar provision.</p>
<p>-</p>	<p>Sec. 638. New provision to require each agency to submit a report, at the time the President’s budget is submitted, on the use of official time within such agency during the previous year.</p>	<p>-</p>
<p>-</p>	<p>Sec. 639. New provision to require each agency to annually review all programs and activities that it administers and identify all such programs and activities that may be susceptible to significant improper payments.</p>	<p>-</p>
<p>-</p>	<p>Sec. 640. New provision to make a technical correction to the 1994 Pay Act for Federal Law Enforcement Officers for certain series 1811 criminal investigators.</p>	<p>-</p>
<p>-</p>	<p>Sec. 641. New provision to make a technical correction to the Law Enforcement Pay Equity Act of 2000 regarding locality pay for the Uniformed Division of the Secret Service and the U.S. Park Police.</p>	<p>-</p>

Administration Proposals	H.R. 5120, as passed	S. 2740, as reported
-	Sec. 642. New provision regarding the Bureau of Alcohol, Tobacco and Firearm's policy on releasing law enforcement data base information.	-
-	Sec. 643. New provision to require that the adjustment in rates of basic pay for the statutory pay systems that takes effect in fiscal year 2003 shall be an increase of 4.1%.	Sec. 637. New provision regarding federal employee pay adjustment. Would provide a 4.1% adjustment.
-	-	Sec. 638. New provision extending the expiration date of certain government information security requirements.
-	Sec. 644. New provision to amend Title 5, U.S. Code to make Senior Executive Service employees of the IRS eligible for the same level of pay bonuses as all other federal employees.	-
-	Sec. 645. New provision to prohibit funds in the bill from being used to issue regulations relating to the determination that real estate brokerage is an activity that is financial in nature or incidental to a financial activity.	-

Administration Proposals	H.R. 5120, as passed	S. 2740, as reported
-	<p>Sec. 646. New provision to prohibit funds in the bill from being used for payment on any new federal contract to a subsidiary or a publicly traded corporation if the corporation is incorporated in a tax haven country but the U.S. is the principal market for the public trading of the corporation's stock. (See also discussion under the Department of the Treasury above.) Section as reported, fell to a point of order.</p>	-
-	<p>“SEC. 646. None of the funds made available in this Act may be used to implement any sanction imposed by the United States on private commercial sales of agricultural commodities (as defined in section 402 of the Agricultural Trade Development and Assistance Act of 1954) or medicine or medical supplies (within the meaning of section 1705(c) of the Cuban Democracy Act of 1992) to Cuba (other than a sanction imposed pursuant to agreement with one or more other countries).”</p>	

Administration Proposals	H.R. 5120, as passed	S. 2740, as reported
-	<p>“SEC. 647. (a) None of the funds made available in this Act may be used to administer or enforce part 515 of title 31, Code of Federal Regulations (the Cuban Assets Control Regulations) with respect to any travel or travel-related transaction and (b) the limitation established in subsection (a) shall not apply to the issuance of general or specific licenses for travel or travel-related transactions, and shall not apply to transactions in relation to any business travel covered by section 515.560(g) of such part 515.”</p>	
	<p>“SEC. 648. None of the funds made available in this Act may be used to enforce any restriction on remittances to nationals of Cuba covered by section 515.570(a)(1)(i), (a)(2), (b)(1)(i), or (b)(2) of title 31, Code of Federal Regulations.”</p>	
	<p>“SEC. 649. None of the funds made available in this Act under the heading ‘Special Forfeiture Fund (Including transfer of funds)’ to support a national media campaign shall be used to pay any amount pursuant to contract number N00600-02-C-0123.”</p>	

Administration Proposals	H.R. 5120, as passed	S. 2740, as reported
	<p>“SEC. 650. None of the funds made available in this Act may be used by an executive agency to establish, apply, or enforce any numerical goal, target, or quota for subjecting the employees of the agency to public-private competitions or converting such employees or the work performed by such employees to private contractor performance under Office of Management and Budget Circular A-76 or any other administrative regulation, directive, or policy.”</p>	<p>Sec. 640. New provision regarding numerical quotas for contracting out.</p>
	<p>“SEC. 651. None of the funds appropriated by this Act may be used by the Internal Revenue Service for any activity that is in contravention of Internal Revenue Service Notice 96-8 issued on January 18, 1996, section 411(b)(1)(H)(i) or section 411(d)(6) of the Internal Revenue Code of 1986, section 204(b)(1)(G) or 204(b)(1)(H)(i) of the Employee Retirement Income Security Act of 1974, or section 4(i)(1)(A) of the Age Discrimination in Employment Act of 1967.”</p>	

Homeland Security

Prior to the terrorist attacks of last fall, the Office of Management and Budget had identified several accounts under this appropriation (Department of the Treasury, Bureau of Alcohol, Tobacco, and Firearms, U.S. Customs Service, U.S. Secret Service, and the General Services Administration) as being funded for functions related to countering terrorism. With the exception of the Counterterrorism fund account within the Department of the Treasury, none of the agencies carried a line account specifically funding counterterrorism, or terrorism responses.

Emergency Counterterrorism Funding

Subsequent to the attacks, certain accounts have been allocated funds from the Emergency Response Fund established through P.L. 107-38. Also, under the provisions of P.L. 107-38, a further supplemental appropriation is authorized. The Administration submitted detailed information for the allocation of funds under such an emergency supplemental and through P.L. 107-117 funds were appropriated.⁵²

The role of the Department of the Treasury relates to both its statutory missions and the capabilities of its law enforcement groups. Although the Federal Bureau of Investigation is the lead agency for several functions, the Customs Service has the lead in preventing terrorists from entering the United States; the Secret Service is responsible for protection of officials and facilities and has the lead in providing security plans to prevent terrorist incidents at National Special Security Events, such as the 2002 Olympics; and the Bureau of Alcohol, Tobacco and Firearms is the lead on firearms and explosives. The Department itself has a general responsibility for the support and security of the nation's financial structure.

The General Services Administration has the responsibility for the management and oversight of federal buildings and federal real property. Under the Government Information Security Reform Act of 2000, (P.L. 106-398) the GSA is directed to assist agencies in fulfilling their responsibility to maintain procedures for detecting, reporting, and responding to security incidents. In this latter regard, GSA operates the Federal Computer Incident Response Center (FedCIRC), whose purpose it is to ensure that the government has a central focal point for handling computer security related incidents, can withstand or quickly recover from attacks against its information systems, and has a centralized computer security information-sharing program.

⁵²For further detail on accounts covered by Treasury and General Government appropriations, see CRS Report RL31002, *Appropriations for FY2002: Treasury, Postal Service, Executive Office of the President, and General Government*, by Sharon S. Gressle. See also: CRS Report RL31168, *Terrorism Funding: FY2002 Appropriation Bills*, by Larry Nowels; CRS Report RL31406, *Supplemental Appropriations for FY2002: Combating Terrorism and Other Issues*, by Amy Belasco and Larry Nowels; and CRS Report RL31187, *Combating Terrorism: 2001 Congressional Debate on Emergency Supplemental Allocations*, by Amy Belasco and Larry Nowels.

Office of Homeland Security, Executive Office of the President

There has been established, within the Executive Office of the President, an Office of Homeland Security.⁵³ Funding for this activity was requested in the consolidated account for the Executive Office of the President. Both the House and Senate committees recommended funding of \$24,061,000. H. Rept. 107-575 states that the activity is of a high priority and should be funded as a separate activity. The report goes on to explain that in “creating a new Office of Homeland Security within the Executive Office of the President, the Committee seeks to better highlight and isolate those costs directly associated with the operations of this office.”⁵⁴ The Committee further explains its position:

Despite its strong belief that the Committee should have received testimony from the Director of the office of Homeland Security within the regular Committee hearing process, the Committee accommodated the executive branch by conducting a more informal briefing. The committee’s decision to focus on cooperation rather than confrontation does not diminish its belief that a regular hearing with testimony should have been agreed to by the executive branch.

It is the expectation of the Committee that, by establishing anew account for this function, information related to the operations of and funding for this office will be more readily available. Witnesses who testify before the Committee on behalf of this account are expected to be fully prepared to answer questions about the functions and operations of the Office of Homeland Security.⁵⁵

With the adjournment of the 107th Congress, that account remains undefined. It is expected that discretionary funding available to the President will continue to fund that activity until an appropriation is available.

Department of Homeland Security

Under the provisions of P.L. 107-296 (November 25, 2002), effective January 24, 2003, there will be established the Department of Homeland Security.⁵⁶ Among the units and activities, covered by Treasury and General Government appropriations accounts, being transferred to the department are the U.S. Customs Service, the U.S. Secret Service, as well as the GSA’s Federal Protective Service and the Federal

⁵³See CRS Report RL31148, *Homeland Security: The Presidential Coordination Office*, by Harold C. Relyea.

⁵⁴H.Rept. 107-575, p. 53.

⁵⁵Ibid.

⁵⁶Text of the measure can be found through a link to H.R. 5005 at [http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=107_cong_bills&docid=f:h5005enr.txt.pdf], visited January 3, 2003.

Computer Incident Response Center.⁵⁷ Also, the Bureau of Alcohol, Tobacco, and Firearms will be renamed the Bureau of Alcohol, Tobacco, Firearms, and Explosives and transferred to the Department of Justice.

Counterterrorism Activity Funding — OMB Annual Report

The Office of Management and Budget is required to submit an *Annual Report on Combating Terrorism*.⁵⁸ The 2002 report was released on June 24, 2002. It provides projects for FY2003 funding needs.⁵⁹

Federal Personnel Issues

Pay

General. Under the Federal Pay Comparability Act of 1990 (FEPCA), federal white collar employees, paid under the General Schedule and related salary systems, are to receive annual adjustments based on two separate mechanisms. The first is the adjustment to base pay which is based on changes in private sector salaries as reflected in the Employment Cost Index (ECI). The rate of pay adjustment is supposed to be the percentage rate of change in that element of the ECI, minus .5. Under that formula, for January 2003, the base pay adjustment will be 3.1%. On December 31, 2002, the President signed an Executive Order establishing the salary schedules for federal civilian personnel effective January 2003.⁶⁰ The President has determined that the locality comparability payments will be made at the same rate at that effective January 2002. Therefore, the federal General Schedule net increase will be 3.1% payable rate throughout the system.

The President's budget proposes a federal civilian pay increase of 2.6% in January 2003.⁶¹ However, the proposal does not indicate how the pay increase would be split between basic pay and locality-based payments for the General Schedule and related pay systems.

Both the House Committee on Appropriations and the Senate Committee on Appropriations support an overall federal civilian pay adjustment of 4.1%, which would put it in parity with the projected military pay adjustment. The House-passed version includes the 4.1% adjustment but stipulates that the adjustment would be absorbed by the agencies. The Senate committee increase salaries and expenses

⁵⁷For an overview of the departmental provisions, see CRS Report RL31393, *Homeland Security: Department Organization and Management*, by Harold C. Relyea.

⁵⁸See CRS Report RL31002 for further detail.

⁵⁹The full report can be accessed at [http://www.whitehouse.gov/omb/legislative/combating_terrorism06-2002.pdf], visited January 3, 2003.

⁶⁰As of this writing, the order has not been published in the *Federal Register*, however, the text can be accessed at [<http://www.whitehouse.gov/news/releases/2002/12/20021231-4.html>].

⁶¹FY2003 Budget, *Analytical Perspectives*, p. 23.

accounts in the bill to fund the pay parity provision. If there is no amendment to the provision during floor consideration, the conferees will not have it as a point of difference for their discussion.

Federal Wage System. The Federal Wage System (FWS) is designed to compensate the federal blue collar, or skilled labor, force at rates prevailing in local wage areas for like occupations. If the statutory system were allowed to be managed as planned, the wage rates and the rates of adjustment in the over 130 wage areas would vary, according to the labor costs and compensation in the private sector. For the last several years, Congress has limited the rates of adjustment, based on the rates of adjustment for the General Schedule (P.L. 107-67, Section 613). Part of the rationale for that decision is that, in certain high cost areas, some FWS wages would exceed the salaries paid to General Schedule supervisors. Wages in lower cost areas will be allowed to increase according to the findings of the wage surveys but the high cost area wages will be capped.

P.L. 107-117 extends the Monroney Amendment out-of-area survey application to Department of Defense personnel.

Members of Congress, Judges, and Other Officials. Under the Ethics Reform Act of 1989, as amended, pay adjustments for federal officials, including Members of Congress and judges, are also based on ECI calculations, but for a different 12-month period. The ECI calculations dictate a pay adjustment in January 2003 of 3.3%. However, the statute limits those adjustments to the rate of adjustment for base pay of the General Schedule. Therefore, since the General Schedule base pay is being adjusted at the rate of 3.1%, 3.1% is the maximum rate of adjustment in salaries of federal officials for January 2003.

Unlike that for Members of Congress and executive branch officials, the annual pay increase must be specifically authorized for judges. The authorization for the January 2002 pay increase was in the Commerce, State, Justice and Judiciary appropriation (P.L. 107-77, section 305). The language permitting the judges to receive the January 2003 increase was reported by the Senate Committee on Appropriations as section 304 of S. 2778. However, Congress adjourned prior to enactment. Therefore, the judges will not receive the 3.1% adjustment unless or until Congress places that language in a bill which is subsequently enacted. It is presumed that the language will appear in an early measure in the 108th and the pay adjustment will be retroactive. At no time, since the authorization was required, have the judges received lower adjustments than the other officials.

Because the mechanism described above is automatic, there is no bill language necessary to establish the pay adjustment for January 2003. During debate on the Treasury bill rule and provisions there was very brief discussion about whether the bill would allow an increase in pay for Members.⁶²

⁶²See also, CRS Report RL30014, *Salaries of Members of Congress: Current Procedures and Recent Adjustments* and CRS Report 97-1011, *Salaries of Members of Congress: Payable Rates and Effective Dates, 1789-2001*, both by Paul E. Dwyer. Also see, CRS (continued...)

President. Pursuant to the Treasury and General Government Appropriations Act, 2000 (P.L. 106-58), effective noon, January 21, 2001, the President receives a salary of \$400,000 *per annum*. Since 1969, Presidents had been paid a salary of \$200,000. No further action on presidential pay is expected. Former Presidents receive a pension equal to the rate of pay for Cabinet Secretaries (currently \$161,200) and the pension is adjusted automatically as those pay rates are changed.⁶³

Federal Employee Benefit Programs Pre-funding Proposal

In its report, the House Committee addresses the funding strategies of the Administration with regard to the accrual funding proposals set out in S. 1612, the Managerial Flexibility Act:⁶⁴

The President's Budget included a legislative proposal under the jurisdiction of the House Committee on Government Reform to charge to individual agencies, starting in fiscal year 2003, the fully accrued costs related to retirement benefits of Civil Service Retirement System employees and retiree health benefits for all civilian employees. The Budget also requested an additional dollar amount in each affected discretionary account to cover these accrued costs.

Without passing judgement on the merits of this legislative proposal, the Committee has reduced the dollar amounts of the president's request shown in the "Comparative Statement of New Budget Authority" and other tables in this report to exclude the accrual funding proposal. The disposition by Congress of the legislative proposal is unclear at this time. Should the proposal be passed by Congress and enacted, the Committee will make appropriate adjustments to the President's request to include accrual amounts.

The Senate Committee on Appropriations joined with the House Committee in admonishing the Administration for adjusting the funding data in the budget request to reflect a pending legislative proposal rather than waiting to adjust the figures after enactment. Since the Senate "authorizing committee has not acted on this legislation ... the Senate Appropriations Committee has reduced the dollar amounts of the President's request ... to exclude the accrual funding proposal."⁶⁵

Federal Retirement Program. Pensions for federal employees are funded through contributions by employees and the federal government to the Civil Service Retirement and Disability Fund (CSRDF). Under the Federal Employees'

⁶²(...continued)

Report RS20388, *Salary Linkage: Members of Congress and Other Federal Officials*; CRS Report RS20278, *Judicial Salaries: Current Situation*; and CRS Report 98-53, *Salaries of Federal Officials*, by Sharon S. Gressle.

⁶³See CRS Report RS20114, *Salary of the President Compared with That of Other Federal Officials*, by Sharon S. Gressle.

⁶⁴H.Rept. 107-575, p. 4.

⁶⁵S.Rept. 107-212, p. 4.

Retirement System (FERS), which covers federal employees hired since 1984, employee pensions are fully “pre-funded” by contributions from employees and their employing agencies and interest on those contributions. Pensions under the Civil Service Retirement System (CSRS), which covers only federal employees who were hired before 1984, are not fully pre-funded. Contributions from employees and their employing agencies and the interest on those contributions do not cover the full cost of the pension benefits that employees in the CSRS accrue each year. The CSRS therefore has a substantial unfunded liability, and it accrues additional unfunded liability each year. Part of this unfunded liability is paid for by annual transfers from the general revenues of the U.S. Treasury to the CSRDF. The part of the unfunded liability that is not paid for by these transfers eventually will be paid for through additional transfers to the CSRDF from the general revenues of the Treasury.

Subtitle A of Title II of S. 1612, the Managerial Flexibility Act, would require each federal agency to make additional contributions to the CSRDF on behalf of employees covered by CSRS.⁶⁶ These additional contributions would be made from the salary and expense accounts appropriated annually by Congress to each agency. Whether the agencies’ salary and expense accounts would be increased by the amount of the additional contributions would be determined by the Congress. The additional contributions would prevent further unfunded liability from accruing to the CSRS. They would not amortize (pay off) the unfunded liability that already has accrued under the CSRS. Increasing agency contributions to the CSRDF requires legislation and could not be done under the existing regulatory authority of the Office of Personnel Management, which administer the Civil Service Retirement System.

In the FY2003 Budget documents, the primary account presentations, for Salaries and Expenses Accounts, factor in the pre-funding proposals. Alternative tables are also provided.

Federal Employees Health Benefits Program. Under the Administration’s pre-funding proposal, the health plans covering federal retirees would also be affected. The current program and the possible effects of the proposal on the program are discussed in a CRS congressional distribution memorandum by Carolyn Merck, entitled *Pre-Funding Federal Retiree Health Insurance* (February 13, 2002).

H.R. 5120, as passed by the House, has dropped the requirements (formerly Sec. 513) that read: “The costs accounting standards promulgated under section 26 of the Office of Federal Procurement Policy Act (Public Law 93-400; 41 U.S.C. 422) shall not apply with respect to a contract under the Federal Employees Health Benefits Program established under chapter 89 of title 5, United States Code.” There was considerable floor debate related to whether there would be negative impact on

⁶⁶An analysis of the proposal can be found in: U.S. Congressional Budget Office, *The President’s Proposal to Accrue Retirement Costs for Federal Employees*, June 2002 (Washington: CBO, 2002).

the federal employees who subscribe to the program if the carriers are required to be subject to these cost accounting standards.⁶⁷

Federal Employees Workers Compensation Program (FECA). The Federal Employees Compensation Act (FECA) provides workers compensation benefits for injured Federal employees. Under current law (5 U.S.C. Sect. 8147), the direct costs of these benefits are reimbursed via transfers from the budgets of each Federal agency to the Labor Department, which administers the program and disburses the benefits. The costs of administration are covered by appropriation directly to the Labor Department.

The proposed legislation would charge administrative costs in the same manner as benefit costs, i.e. through the budgets of each employing agency. The stated intention is to make each agency explicitly bear the full cost of their employees' claims, thus "bolstering their incentive to improve workplace safety." Based on recent experience, the administrative surcharge would be around 4.5% of benefit costs. (For example, in FY2000 this would have represented \$92 million in administrative costs related to \$2,025 million in program benefits.) Most of the surcharge would be paid by the two agencies that account for more than 60% of FECA claims: the U.S. Postal Service and the Defense Department. (However, the Postal Service already pays its share pursuant to 5 U.S.C. 8147(c).)

The Senate Committee on Appropriations addressed the proposal.⁶⁸

The authorizing committee has not acted on this legislation; therefore, the Senate Appropriations Committee will continue to fund this administrative cost through the Department of Labor, Employment Standards Administration Salaries and Expenses Account.

Federal Child Care

The Bush administration has proposed elimination of the provisions found at Section 630 of P.L. 107-67. The provisions authorize use of appropriated funds (salaries and expenses accounts) to provide child care in a federally owned or leased facility, either directly or through contract, for civilian employees of the agency. The funds used are to be applied so as to improve affordability of the service for lower income personnel. The Committees on Appropriations are to be notified before implementation. P.L. 107-67 also added language authorizing payment to licensed or regulated child care providers "in advance of services rendered, covering agreed upon periods, as appropriate."

Unlike the Bush Administration, the House and Senate bills (H.R. 5120 and S. 2740) do not propose to repeal the aforementioned provisions found in Section 630 of P.L. 107-67. (For more information on child care issues in the 107th Congress, see CRS Report RL30944.)

⁶⁷Treasury and General Government Appropriations Act, 2003, *Congressional Record*, daily edition, vol. 148, July 23, 2002 (Washington: GPO, 2002), pp. H5229, at H. 5260-H5263.

⁶⁸S.Rept. 107-212, p. 5.

Information Resources Management

Overlapping Cyber-Security Initiatives. In its report, the House Committee on Appropriations indicated that it was “concerned about redundancies in developing and implementing governmental cyber-security initiatives for the protection of government information technology” and directed OMB to submit a report within 90 days of the enactment of the appropriation bill detailing “the cyber-security initiatives undertaken by the various government departments and agencies,” specifying “total costs, as of the date of the report, by department or agency for cyber-security, an identification of those initiatives that are being shared between departments or agencies, an identification of those initiatives that respond to unique requirements, and an identification of initiatives that satisfy requirements of more than one department or agency yet are not being shared.”⁶⁹

Government Web Sites. Concerned “about the lack of uniformity of standards and user friendliness that affect usability of the various department and agency web sites,” the House Committee on Appropriations, in its report, encouraged “the adoption by the Administration of uniform standards that can lead to more user friendly and usable government web sites.”⁷⁰

Government Printing. The House Committee on Appropriations took issue with a recent OMB proposal for “disregarding the statutory requirement of Title 44, U.S. Code, Section 501, that Executive-branch agencies produce or procure their printing through the Government Printing Office.”⁷¹ In a May 3, 2002, memorandum to the heads of all executive branch departments and agencies, OMB Director Mitchell E. Daniels, Jr., set forth new policy with respect to the use of GPO in handling departmental and agency printing and duplicating needs. The new policy allowed that, 44 U.S.C. 501 notwithstanding, “Executive Branch departments and agencies should not be *required* to select GPO when more efficient and cost-effective options are available through the private sector or other avenues.” Continuing, the memorandum specified that “Executive Branch departments and agencies should select printing and duplicating services based upon the best quality, cost, and time of delivery.” The memorandum implied that this change in policy was effective immediately, and stated that guidance would be forthcoming from OMB’s Office of Federal Procurement Policy and that a proposal would be made for amending the Federal Acquisition Regulation to reflect the new policy.⁷²

⁶⁹U.S. Congress, House Committee on Appropriations, *Treasury, Postal Service, and General Government Appropriations Bill, 2003*, a report to accompany H.R. 5120, 107th Cong., 2nd sess., H.Rept. 107-575 (Washington: GPO, 2002), p. 62.

⁷⁰*Ibid.*

⁷¹*Ibid.*, p. 64.

⁷²U.S. Office of Management and Budget, “Procurement of Printing and Duplicating Through the Government Printing Office,” Memorandum for Heads of Executive Departments and Agencies, M-02-07 (Washington: May 3, 2002) (emphasis in original).

Noting that prior “examinations of such proposals have questioned whether such a policy could result in significant increases in the cost of printing government-wide and could substantially impair public access to government information through the Federal Depository Library Program,” the House committee directed OMB to report within 30 days on how its proposal “(1) improves economy and efficiency in federal printing; (2) improves public access to government information; and (3) comports with the concern that unless and until Title 44 is changed by a constitutional process, Executive-branch officials responsible for printing are legally bound to uphold it.”⁷³

Similarly, in its report, the Senate Committee on Appropriations stated that it “strongly opposes the Office of Management and Budget’s plans, announced in a May 3, 2002, memorandum (M-02-07), to ignore the statutory requirement that the procurement of Government publications must be conducted through the Government Printing Office (GPO). Not only has the administration announced an intention to completely disregard a law which has been in place since 1895 and strengthened in 1994,” the report continued, “it has failed to consider the consequences particularly in terms of Government printing costs and public access to Government publications.” The committee directed “the administration to abide by the statutory requirement, 44 U.S.C. 501, that printing be done by or through the Government Printing Office.”⁷⁴

E-Government Initiatives. In its report, the House committee expressed concern “about the establishment of government’s proper role in providing digital services.” Noting that “the federal government’s investment in information technology is estimated to be \$50 billion for fiscal year 2003 and rife with inefficiencies and redundancies,” the report indicated that “the Administration is to be strongly encouraged to leverage related government business processes to improve productivity, eliminate redundant systems, and significantly improve the quality of government services,” but added that “its E-government plans must be carefully evaluated and monitored to ensure that they do not support government competition with market-based private providers of digital services.” Furthermore, the committee report expressed concern “that the government needs a new blueprint for guiding e-government initiatives.” Consequently, the committee directed OMB to provide within 90 days after the enactment of the appropriations bill a report detailing the blueprint used by the e-government task force in its review and adoption of the e-government initiatives mentioned in the President’s budget.⁷⁵ Other matters to be addressed in the report include “The process used by the Task Force to consider, and adopt or reject E-Government initiatives; the evaluations of those and other E-Government initiatives that were already provided for, or were requested by an agency or from the private sector; the reviews undertaken [sic] by the Task Force for establishing and deciding which digital activities and services are inherently

⁷³U.S. Congress, House Committee on Appropriations, *Treasury, Postal Service, and General Government Appropriations Bill, 2003*, p. 64.

⁷⁴S.Rept. 107-212, p. 56.

⁷⁵U.S. Office of Management and Budget, *Fiscal Year 2003 Budget of the U.S. Government*, pp. 386-387.

governmental and should be pursued as an E-Government initiative and which are non-governmental and therefore fall under private provider's domain; and the support and guidance from the private sector used by the Task Force in its work."

Endowment for Presidential Libraries. The report of the Senate Committee on Appropriations noted that section 515 of the bill (S. 2740) "is a new provision increasing the size of the endowment for future Presidential libraries."⁷⁶ Current law provides that presidential libraries built after 1985 must have a privately funded endowment equal to 20% of the facility's assessed value to defray operational costs.⁷⁷ The provision in the appropriations bill would increase the private endowment requirement to 40%. Presidential libraries are constructed at private expense and, when completed, are deeded to the federal government for operation by the National archives. The private endowment requirement provides an offset to the public cost of maintaining the facility.

Cuba Sanctions

Since the early 1960s, U.S. policy toward Cuba has consisted largely of efforts to isolate the communist government of Fidel Castro through comprehensive economic sanctions, including a near total trade embargo and prohibitions on U.S. financial transactions with Cuba. The Bush Administration has continued this policy of isolating Cuba. Restrictions on travel to Cuba have been a key and often contentious component of the sanctions, as have restrictions on agricultural exports to Cuba. The 106th Congress passed the Trade Sanctions Reform and Export Enhancement Act of 2000 (P.L. 106-387, Title IX), which allows for one-year export licenses for shipping agricultural exports to Cuba, although no U.S. private commercial financing is allowed.

Numerous initiatives have been introduced to ease U.S. sanctions toward Cuba, including efforts to ease restrictions on travel and the prohibition against private commercial financing for agricultural products. In the first session of the 107th Congress, the House debated two amendments to the FY2002 Treasury Department appropriations bill, H.R. 2590, that would ease U.S. sanctions on Cuba, approving one, which would prohibit spending for administering Treasury Department regulations restricting travel to Cuba, by a vote of 240-186 (H.Amdt. 241, offered by Representative Flake) and rejecting the second, which would prohibit Treasury Department funds from administering the overall U.S. embargo on Cuba, by a vote of 201-227 (H.Amdt. 242, offered by Representative Rangel). Ultimately, however, the provision regarding Cuba travel restrictions was not included in final congressional action on the bill. In the second session, the Senate approved its version of the 2002 "Farm Bill," H.R. 2646, on February 13, 2002, which included a provision (Section 335) that would have eliminated the prohibition on U.S. private commercial financing for agricultural sales to Cuba. The House version had no such provision, and it was not included in the conference report on the bill.

⁷⁶S.Rept. 107-212, p. 91.

⁷⁷See 44 U.S.C. 2112.

The issue of whether to ease Cuba sanctions has been part of the debate during consideration of the FY2003 Treasury Department appropriations measure (H.R. 5120 and S. 2740). Secretary of State Colin Powell and Secretary of the Treasury Paul O'Neill have said they would recommend that the President veto legislation that includes a loosening of restrictions on travel to Cuba or the prohibition on private financing for U.S. agricultural exports to Cuba. The White House also indicated that President Bush would veto the Treasury Department appropriations bill if it had such provisions.

In July 23, 2002 floor action on H.R. 5120, the House approved three Cuba sanctions amendments and rejected two. The House approved a Flake amendment (H.Amdt. 552), by a vote of 262-167, that would provide that no funds could be used to administer or enforce the Treasury Department regulations with respect to travel to Cuba. The Flake amendment would not prevent the issuance of general or specific licenses for travel to Cuba. The House also approved a second Flake amendment, (H.Amdt. 553), by a vote of 251-177, that would prohibit funds from being used to enforce any restriction on remittances to nationals of Cuba. Current regulations allow remittances, but these are limited to \$300 per quarter. Finally, the House approved a Moran (Kansas) amendment (H.Amdt. 554), by voice vote, that would provide that no funds could be used to implement any sanction on private commercial sales of agricultural commodities or medicines. Some suggest that the practical effect of this amendment would be to prevent the Treasury Department's Office of Foreign Assets Control (OFAC) from ensuring that sales to Cuba do not include private financing.⁷⁸ Some observers have also raised the issue of whether the effect of all three of these amendments would be limited since the underlying embargo regulations would remain unchanged; enforcement action against violations of the relevant embargo regulations could potentially take place in future years when the Treasury Department appropriations measure did not include the funding limitations on enforcing the Cuba embargo.⁷⁹

The House also rejected two Cuba amendments during consideration of H.R. 5120. A Rangel amendment (H.Amdt. 555), rejected by a vote of 204-226, would have prevented any funds in the bill from being used to implement, administer, or enforce the overall economic embargo of Cuba. A Goss amendment (H.Amdt. 551), rejected by a vote of 182-247, would have provided that any limitation on the use of funds to administer or enforce regulations restricting travel to Cuba or travel-related transactions would only apply after the President certified to Congress that certain conditions were met regarding biological weapons and terrorism. The rule for the bill's consideration, H.Res. 488 (H.Rept. 107-585), had provided that the Goss amendment would not be subject to amendment.

The Senate version of the Treasury Department appropriations measure, S. 2740, as reported by the Senate Committee on Appropriations (S.Rept. 107-212), includes a provision, in Section 516, that is similar although not identical to the Flake amendment described above regarding travel. It provides that no funds may be used

⁷⁸“House Approves Limits on Treasury Enforcement of Cuba Embargo,” *Inside U.S. Trade*, July 26, 2002.

⁷⁹*Ibid.*

to enforce the Treasury Department regulations with respect to any travel or travel-related transactions, but would not prevent OFAC, which implements the travel regulations, from issuing general and specific licenses for travel to Cuba. In addition, Section 124 of the Senate bill stipulates that no Treasury Department funds for “Departmental Offices, Salaries, and Expenses” may be used by OFAC, until OFAC has certain procedures in place regarding license applications for travel to Cuba.

For further information, see CRS Report RL31139, *Cuba: U.S. Restrictions on Travel and Legislative Initiatives in the 107th Congress*; CRS Issue Brief IB10061, *Exempting Food and Agricultural Products from U.S. Economic Sanctions: Status and Implementation*; and CRS Report RL30806, *Cuba: Issues for the 107th Congress*.

Major Funding Trends

The FY2003 funding cycle is unusual in that the House and Senate generally agree upon a congressional budget resolution which sets a ceiling for overall spending. The respective Committees on Appropriations then allocate to the subcommittees what their spending limits are for the funding cycle. There has not, as yet, been agreement on such a resolution. The House Committee on Appropriations issued so-called 302(b) allocations for the House subcommittees on June 21, 2003.⁸⁰

The House Committee on Appropriations filed a report to accompany H.R. 5120. H.Rept. 107-575 shows that the bill, as reported, would fund the discretionary accounts at \$18.5 billion, for a total of \$35.1 billion.⁸¹

The following summaries appeared in the press release from the House Appropriations Committee following their July 9, 2003 mark up:⁸²

The Subcommittee recommends \$18.5 billion in support of fiscal year 2003 operations of programs under its jurisdiction. This recommendation is above the President’s request by \$538 million and is consistent with the Subcommittee’s 302(b) spending allocation. The Committee includes \$200 million for election administration reform and makes the availability of these funds subject to authorization. Excluding election administration reform, the Subcommittee’s recommendation is \$338 million above the President’s request and \$51 million below the fiscal year 2002 enacted levels.

⁸⁰“House Appropriations Sets 302(b) Allocations,” *Congress Daily* E-Mail Alert for June 21, 2003 and “Reluctant Appropriators Approve FY03 Spending Allocations,” *Congress Daily AM*, June 25, 2003.

⁸¹U.S. Congress, House Committee on Appropriations, *Treasury, Postal Service, and General Government Appropriations Bill, 2003*, 107th Cong., 2nd sess., H. Rept. 107-575, July 15, 2002 (Washington: GPO, 2002).

⁸²See [http://www.house.gov/appropriations/news/107_2/03tpofull.htm].

The Subcommittee rejects the President's proposal to fund \$250 million in base operations of the Customs Service through an increase in passenger processing fees – estimated to generate only \$167 million in new revenue. Instead, the Subcommittee funds base operations thru a direct appropriation, which accounts for most of the increase above the president's request. The Committee provides approximately \$4.2 billion in support of homeland security efforts; \$246.4 million for the High Intensity Drug Trafficking Areas program; \$439 million for Customs Service Automation Modernization, including \$316.9 million to continue modernization of the antiquated Automated Commercial System; \$646 million for GSA's construction program, including \$309 million for site acquisition, design and/or construction of 11 courthouse; and \$436 million for continued upgrades to IRS's information technology systems.

The Senate Committee on Appropriations filed S.Rept. 107-212 to accompany S. 2740. The report shows that the accounts would be funded at \$34,766,450,000 (mandatory and discretionary), which exceeds the request of \$34,276,277,000, an increase of almost \$500 million. It appears that a significant amount of the increase reflects the committee's recommendation that the pay parity provision be funded.

Table 3. Appropriations for the Treasury, Postal Service, Executive Office of the President, and General Government, FY1998 to FY2002
(in billions of current dollars)^a

FY1998	FY1999	FY2000	FY2001	FY2002
25.585	27.122	28.257	30.8	34.027

Source for FY2002: U.S. Congress, House, Committee on Appropriations.

^a These figures, in current dollars, **include CBO adjustments** for permanent budget authorities, rescissions, and supplementals, as well as other elements factored into the CBO scorekeeping process. For a brief presentation on CBO scorekeeping see: U.S. Congressional Budget Office, *Maintaining Budgetary Discipline: Spending and Revenue Options* (Washington: GPO, 1999). The appendix beginning on p. 281 provides the "Scorekeeping Guidelines," as found in the conference report to the Balanced Budget Act of 1997. Also available at [<http://www.cbo.gov/>].

Table 4. Treasury, Postal Service, Executive Office of the President, and General Government Appropriations, FY2003, by Title and Major Accounts
(In millions, without CBO scorekeeping)

Title	FY2002 Enacted	FY2003 Request	House Passed	Senate Reported	FY2003 Enacted
I. Treasury	\$15,646.2	\$15,865.4	\$16,168.8	\$16,303.6	-
II. USPS	596.1	107.6	107.6	107.6	-
III. EOP	797.6	786.0	1,034.5	730.6	-
IV. Agencies	16,674.0	17,517.2	17,510.5	17,624.6	-
Total	\$33,713.9	\$34,276.3	\$34,821.5	\$34,718.8	-

Source: House Committee on Appropriations, provided July 26, 2002. FY2002 figures include supplemental appropriations and emergency funding. H. Rept. 107-575 and S. Rept. 107-212.

Table 5. Department of the Treasury, Postal Service, Executive Office of the President, and General Government Appropriations
(in thousands of dollars)

Bureau or Agency Account	FY2002 Enacted Including Supplemental Funding	FY2003 Request	House Passed	Senate Reported	Enacted
Title I: Department of the Treasury, Selected Accounts					
Department Offices	177,142	191,914	187,241	195,100	-
Department-wide Systems and Capital Investments Programs	68,828	68,828	68,828	68,828	-
Office of Inspector General	35,424	35,428	35,424	35,736	-
Inspector General for Tax Administration	125,778	123,962	123,962	125,011	-
Air Transportation Stabilization Program	--	6,041	6,041	6,041	-
Treasury Building Repair and Restoration	28,932	32,932	32,932	32,932	-
Expanded Access to Financial Services	2,000	2,000	4,000	2,000	-
Counterterrorism Fund (emergency funding)	40,000	40,000	33,000	40,000	-
Financial Crimes Enforcement Network	47,537	50,517	51,444	50,825	-
Federal Law Enforcement Training Center	170,614	145,722	184,751	166,450	-
Interagency Crime and Drug Enforcement	107,576	107,576	110,594	108,532	-
Financial Management Service , Salaries and Expenses	212,850	220,712	220,664	222,078	-
Bureau of Alcohol, Tobacco, and Firearms - Salaries and Expenses	841,747	870,775	878,034	886,753	-
<i>GREAT grants</i>	13,000	13,000	13,000	13,000	-
U.S. Customs Service	3,087,352	2,834,113	3,129,197	3,141,614	-
Bureau of the Public Debt	186,9533	191,119	168,673	192,068	-
Payment of government losses in shipment	1,000	1,000	1,000	1,000	-
Internal Revenue Service, Total	9,470,604	9,915,853	9,898,593	9,995,221	-
<i>Processing, Assistance, and Management</i>	3,810,880	3,958,337	3,955,077	3,985,151	-
<i>Tax Law Enforcement</i>	3,542,891	3,729,072	3,729,072	3,774,121	-
<i>Earned Income Tax Credit Compliance Initiative</i>	146,000	146,000	146,000	147,233	-
<i>Information Systems</i>	1,579,240	1,632,444	1,632,444	1,638,716	-
<i>Business Systems Modernization</i>	391,593	450,000	436,000	450,000	-
U.S. Secret Service	1,028,841	1,013,954	1,021,411	1,020,466	-
Total, Treasury	15,646,178	15,865,446	16,168,789	16,303,655	-
<i>Appropriations</i>	15,041,918	15,865,446	16,168,789	16,303,655	-
<i>Emergency Funding</i>	604,260	--	--	--	-

Bureau or Agency Account	FY2002 Enacted Including Supplemental Funding	FY2003 Request	House Passed	Senate Reported	Enacted
Title II: U.S. Postal Service					
Payment to Postal Service Fund	29,000	29,000	29,000	60,015	-
<i>Advance Appropriation, FY2002/2003</i>	67,093	47,619	47,619	60,014	-
<i>Emergency Funding</i>	500,000	--	--	--	-
<i>Total FY2002/2003</i>	596,093	76,619	76,619	47,619	-
<i>Advance Appropriation, FY2004: Not in Committee total:</i>		31,014	31,014		-
Total, Postal Service	596,093	76,619	107,633	107,633	-
Title III: Executive Office of the President (EOP) and Funds Appropriated to the President					
Compensation of the President	450	450	450	450	-
The White House Office (salaries and expenses)	54,651	84,595	50,715	60,212	-
Office of Homeland Security	--	--	24,061	25,301	-
Executive Residence at the White House (operating expenses)	11,695	12,228	12,228	12,339	-
White House Repair and Restoration	8,625	1,200	1,200	1,200	-
Office of the Vice President (salaries and expenses)	3,925	4,066	3,160	4,093	-
Official Residence of the Vice President (operating expenses)	318	324	324	325	-
Council of Economic Advisers	4,211	4,405	3,763	4,444	-
Office of Policy Development	4,142	4,221	3,251	4,254	-
National Security Council	7,494	9,525	7,803	9,600	-
Office of Administration	96,995	70,128	92,681	70,338	-
Office of Management and Budget	70,752	70,752	61,492	71,370	-
E-Government Fund (from GSA)	--	--	5,000	--	-
Election Administration Reform	--	--	200,000	--	-
Office of National Drug Control Policy (ONDCP) Salaries and Expenses	25,263	25,458	24,458	26,605	-
ONDCP Counterdrug Technology Assessment Center	42,300	40,000	55,800	40,000	-
<i>Federal Drug Control Program, High Intensity Drug Trafficking Areas Program (HIDTA)</i>	226,350	206,350	246,350	226,350	-
<i>Federal Drug Control Program, Special Forfeiture Fund</i>	239,400	251,300	240,800	172,700	-
Funds Appropriated to the President - Unanticipated Needs	1,000	1,000	1,000	1,000	-
Total, EOP and Funds Appropriated to the President	797,571	786,002	1,034,536	730,581	-

Bureau or Agency Account	FY2002 Enacted Including Supplemental Funding	FY2003 Request	House Passed	Senate Reported	Enacted
Title IV: Independent Agencies					
Committee for Purchase from People Who Are Blind or Severely Disabled	4,629	4,629	4,629	4,658	-
Federal Election Commission	43,689	45,244	49,426	45,668	-
Federal Labor Relations Authority	26,524	28,684	28,677	28,950	-
General Services Administration	598,593	516,614	510,566	620,727	-
<i>Federal Buildings Fund</i>	<i>410,912</i>	<i>276,400</i>	<i>325,711</i>	<i>371,489</i>	
<i>Policy and Operations</i>	<i>143,139</i>	—	--	--	-
<i>Policy and Citizen Services</i>	—	65,995	65,995	75,304	-
<i>Operating Expenses</i>	—	88,263	77,904	87,674	-
<i>Office of Inspector General</i>	<i>36,346</i>	<i>7,617</i>	<i>37,617</i>	<i>37,916</i>	-
<i>Electronic Government (E-GO) (move to Exec. Off. Of President)</i>	<i>5,000</i>	<i>45,000</i>	--	<i>45,000</i>	-
<i>Allowances and Office Staff for Former Presidents</i>	<i>3,196</i>	<i>3,339</i>	<i>3,339</i>	<i>3,344</i>	-
Merit Systems Protection Board (salaries and expenses)	30,555	31,790	31,788	32,027	-
Morris K. Udall Scholarship and Excellence in National Environmental Policy Foundation					-
<i>Morris K. Udall Trust Fund</i>	<i>1,996</i>	<i>1,996</i>	<i>1,996</i>	<i>1,996</i>	-
<i>Environmental Dispute Resolution Fund</i>	<i>1,309</i>	<i>1,309</i>	<i>1,309</i>	<i>1,309</i>	-
National Archives and Records Administration	285,814	265,003	260,003	264,897	-
<i>Operating Expenses</i>	<i>245,847</i>	<i>256,731</i>	<i>249,731</i>	<i>249,875</i>	-
<i>Reduction of Debt</i>	<i>-6,612</i>	<i>-7,186</i>	<i>-7,186</i>	<i>-7,186</i>	-
<i>Repairs and Restoration</i>	<i>40,143</i>	<i>10,458</i>	<i>10,458</i>	<i>14,208</i>	-
<i>National Historical Publications and Records Commission: Grants Program</i>	<i>6,436</i>	<i>5,000</i>	<i>7,000</i>	<i>8,000</i>	-
Office of Government Ethics	10,117	10,488	10,486	10,557	-
Office of Personnel Management	15,619,078	16,558,859	16,559,041	16,560,856	-
<i>Salaries and Expenses</i>	<i>99,636</i>	<i>128,804</i>	<i>128,986</i>	<i>129,686</i>	-
<i>Office of Inspector General</i>	<i>1,498</i>	<i>1,498</i>	<i>1,498</i>	<i>1,519</i>	-
<i>Government Payment for Annuity, Employees Health Benefits</i>	<i>6,129,000</i>	<i>6,853,000</i>	<i>6,853,000</i>	<i>6,853,000</i>	-
<i>Government Payment for Annuity, Employees Life Insurance</i>	<i>34,000</i>	<i>34,000</i>	<i>34,000</i>	<i>34,000</i>	-
<i>Payment to Civil Service Retirement and Disability Fund</i>	<i>9,229,000</i>	<i>9,410,000</i>	<i>9,410,000</i>	<i>9,410,000</i>	-
Office of Special Counsel	11,891	12,434	12,432	12,449	-
United States Tax Court	37,305	37,305	37,305	37,611	-
White House Commission on the National Moment of Remembrance	500	250	250	250	-
Total, Independent Agencies	16,674,020	17,517,199	17,510,502	17,624,581	-

Sources: FY2002 and FY2003 House data provided in H.Rept. 107-575, pp. 102-111. FY2002 enacted includes supplementals and emergency funding. FY2003 Senate data provided in S.Rept. 107-212, pp. 100-106.

Glossary of Budget Process Terms

The following definitions are selected from the “Glossary of Budgetary Terms,” as found in CRS Report 98-720, *Manual on the Federal Budget Process*, by Robert Keith in consultation with Alan Schick.

Account. A control and reporting unit for budgeting and accounting.

Appropriation. A provision of law providing budget authority that permits federal agencies to incur obligations and to make payments, of the Treasury for specified purposes. Annual appropriations are provided in appropriations acts; most permanent appropriations are provided in substantive law.

Authorization. A provision in law that authorizes appropriations for a program or agency.

Budget Authority. Authority provided by law to enter into obligations that normally result in outlays. The main forms of budget authority are appropriations, borrowing authority, and contract authority.

Budget Resolution. A concurrent resolution passed by both Houses of Congress, but not requiring the signature of the President, setting forth the congressional budget for at least the next five fiscal years. The budget resolution sets forth various budget totals and functional allocations, and may include reconciliation instructions, to designated House or Senate committees.

Continuing Resolution. An act (in the form of a joint resolution) that provides budget authority to agencies or programs whose regular appropriation has not been enacted after the new fiscal year has started. A continuing resolution usually is a temporary measure that expires on a specified date or is superseded by enactment of the regular appropriations act. Some continuing resolutions, however, are in effect for the remainder of the fiscal year and are the means of enacting regular appropriations.

Direct Spending. Budget authority, and the resulting outlays, provided in laws other than annual appropriations acts. Appropriated entitlements are classified as direct spending. Direct spending is distinguished by the Budget Enforcement Act from discretionary spending and is subject to the PAGO rules. It is also referred to as “mandatory spending.”

Discretionary Spending. Budget authority, and the resulting outlays, provided in annual appropriations acts, but not including appropriated entitlements.

Federal Funds. All monies collected and spent by the federal government other than those designated as trust funds. Federal funds include general, special, public enterprise, and intragovernmental funds.

Mandatory Spending. See “Direct Spending.”

Obligation. A binding agreement (such as through a contract or purchase order) that will require payment.

Outlays. Payments made (generally through the issuance of checks or disbursement of cash) to liquidate obligations. Outlays during a fiscal year may be for payment of obligations incurred in prior years or in the same year.

PAGO (Pay-as-You-Go) Process. The procedure established by the Budget Enforcement Act to ensure that revenue and direct spending legislation does not add to the deficit or reduce the surplus. PAGO requires that any increase in the deficit or reduction in the surplus due to legislation be offset by other legislation or sequestration. PAGO is enforced by estimating the five-year budgetary effects of all new revenue and direct spending laws.

Reconciliation Process. A process established in the Congressional Budget Act by which Congress changes existing laws to conform tax and spending levels to the levels set in a budget resolution. Changes recommended by committees pursuant to a reconciliation instruction are incorporated into a reconciliation bill.

Revolving Fund. An account or fund in which all income derived from its operations is available to finance the fund's continuing operations without fiscal year limitation.

Scorekeeping. Procedures for tracking and reporting on the status of congressional budgetary actions affecting budget authority, receipts, outlays, the surplus or deficit, and the public debt limit.

Supplemental Appropriation. Budget authority provided in an appropriations act in addition to regular or continuing appropriations already provided. Supplemental appropriations acts sometimes include items not included in regular appropriations acts for lack of timely authorization.

Trust Funds. Accounts designated by law as trust funds for receipts and expenditures earmarked for specific purposes.

User Fees. Fees charged to users of goods or services provided by the federal government. In levying or authorizing these fees, Congress determines whether the revenue should go into the U.S. Treasury or should be available to the agency providing the goods or services.