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THE FIGHT OVER APPROPRIATIONS: MYTHS AND REALITY

Most of the Growth Would Go for Military and Homeland Security; Increases Planned for Domestic Appropriations Are Small

By Richard Kogan

The House and Senate appropriations committees recently established funding levels for each of the 12 appropriations bills for fiscal year 2008, and have begun producing bills that meet these targets.¹ The Administration has charged that these funding levels represent large, fiscally irresponsible increases in federal spending that would threaten fiscal stability and the economy. It has threatened to veto most of the forthcoming appropriations bills.

The Administration's sharp criticisms have been echoed by a number of Republican congressional leaders, such as Rep. Jerry Lewis (R-CA), the ranking minority member of the House Appropriations Committee, who accused the Democratic majority of "spending lust." Some 147 House Republican members — more than one-third of the House membership — have pledged to sustain the anticipated vetoes.

The strong criticism of the funding levels set for the appropriations bills is receiving wide coverage. Yet comparing these levels with the current year's appropriations and the President's own budget request for 2008 reveals a picture sharply at odds with the attacks.

KEY FINDINGS

- Despite the Administration's sharp criticism of the planned congressional appropriations levels, the overwhelming bulk of the \$53.1 billion increase in appropriations that Congress plans for 2008 — 81 percent of it — consists of increases the Administration itself has requested in military and homeland security programs.
- The main dispute between the Administration and Congress is over a \$21 billion difference in domestic appropriations.
- The Administration proposes to cut these programs \$16 billion below the 2007 levels (after adjusting for inflation) and threatens to veto bills that do not contain these cuts. Congress would reject these cuts and instead provide a modest increase for these programs of \$5 billion, or 1.4 percent. The main dispute between Congress and the Administration is thus whether to cut programs funded in domestic appropriations bills, not whether to make large increases in them.
- Under the funding levels that Congress plans, domestic discretionary programs would grow more slowly than revenues, and thus would not create pressure for tax increases.

¹ As required by the Congressional Budget Act, the funding targets for the bills comply with the overall ceiling on appropriations set by the congressional budget resolution adopted in May.

TABLE 1

Comparing President's and Congress's 2008 Funding Levels to 2007 Level Adjusted for Inflation
(in billions of dollars and in percentages)

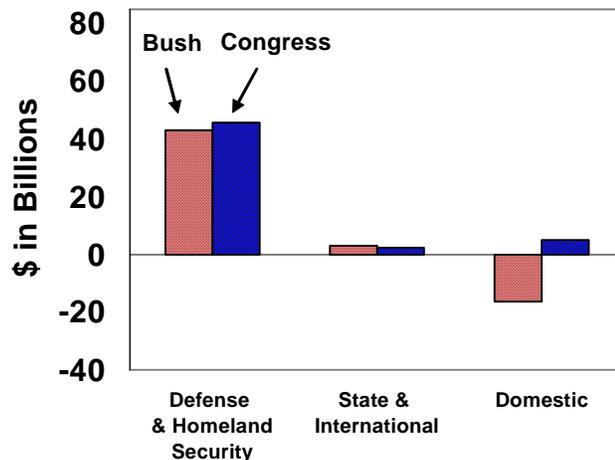
	Bush request in dollars	Congressional plan	
		In dollars	In percent
A) Military and homeland security programs	+\$43.1	+45.7	+8.9%
B) International programs	+3.1	+2.4	+7.4%
C) Domestic discretionary programs	-16.4	+5.0	+1.4%
Total funding, all discretionary programs	+29.8	+53.1	+5.9%

Category A covers three appropriations bills: defense, military construction and veterans, and homeland security. Category B consists of the State Department and foreign operations bill. Category C encompasses the remaining eight appropriations bills. All figures used in this analysis — whether for 2007 or 2008 — *exclude* funding for the wars in Iraq and Afghanistan, which is designated as “emergency funding.” The funding levels reflected here for the 12 appropriations bills under the congressional plan are the averages of the allocations made by House and Senate appropriations committees, which are quite similar to each other. The inflation adjustments are those of the Congressional Budget Office. See the appendices for more detail.

- Some 81 percent of the \$53.1 billion increase in appropriations under the emerging bills consists of increases for military and homeland security programs *that the President himself requested*. (These increases are not related to Iraq and Afghanistan, which are classified as “emergency spending” and hence not included in this analysis.)
- This 81 percent figure climbs still higher when one takes into account the congressional increases for the State Department and international affairs that the Administration also requested.
- *Less than one-tenth* (or \$5 billion) of the \$53.1 billion funding increase reflected in the congressional targets for the 2008 appropriations bills is for increases for the eight domestic appropriations bills.
- Under the planned appropriations bills, overall funding for domestic programs — which include education, health and scientific research, transportation and infrastructure, housing, commerce, the environment, and law enforcement — would increase a modest 1.4 percent above the Congressional Budget Office baseline (i.e., the 2007 level adjusted for inflation). In real per capita terms — that is, after adjustment for both inflation and population growth — funding for these programs would barely increase at all. As a share of the economy, funding for these programs would actually edge down slightly.

Changes in Funding Levels Proposed by the President and Congress

Proposed 2008 levels compared to 2007 levels, adjusted for inflation (i.e., to the CBO baseline)



Statements in Opposition to the Congressional Appropriations Plan

From the Administration: “The Administration does not believe that the first step on the path to a balanced budget should be a substantial increase in Federal spending, yet that is precisely what is called for in the budget resolutions adopted by the House and Senate. ... I will recommend the President veto any appropriations bill that exceeds his request until Congress demonstrates a sustainable path that keeps discretionary spending within the President’s topline of \$933 billion and ensures that the Department of Defense has the resources necessary to accomplish its mission.”^a

“The President has proposed a balanced budget without raising taxes. To achieve a balanced budget, the Administration supports a responsible discretionary spending total of not more than \$933 billion, which is a \$60 billion increase over the FY 2007 enacted level. The Democratic Budget Resolution and subsequent spending allocations adopted by the House Appropriations Committee exceed the President’s discretionary spending topline by \$22 billion causing a 9 percent increase in FY 2008 discretionary spending and a 9 percent increase in the projected deficit for FY 2008. In addition, the Administration opposes the House Appropriations Committee’s plan to shift \$3.5 billion from the Defense appropriations bill to non-defense spending, which is inconsistent with the Democrats’ Budget Resolution. This bill and the Democrats’ budget would lead to spending and tax increases that put economic growth and a balanced budget at risk.”^b

From Rep Jerry Lewis, Ranking Member, House Committee on Appropriations: “This spending level already reflected a very generous increase of \$60 billion over the 2007 enacted spending level. Obviously, such an increase was not enough to satiate the spending lust of our new majority, and they determined to pile another \$20 billion on top of the \$60 billion. ... With regard to the majority’s plan to spend \$80 billion over the 2007 enacted budget levels, I would submit to you that this represents exactly the kind of unfettered spending that so closely identifies the differences of our philosophies. It’s pre-1995 all over again. ‘If you see a problem, throw money at it.’ ”^c

^a OMB Director Portman, letter to chairmen and ranking members of the budget committees, May 11, 2007.

^b OMB, Statement of Administration Policy on HR 2638, The Department of Homeland Security appropriations bill, June 12, 2007.

^c Rep. Jerry Lewis, Statement on the FY 2008 302b Allocations, June 5, 2007.

- Although funding for the domestic appropriations bills would be about \$21 billion above the President’s request, these bills would not cause a \$21 billion *increase* in funding. The President has proposed more than \$16 billion in *cuts* in the programs funded in the domestic bills. Most of the \$21 billion difference reflects the decision by the congressional majority to reject those cuts; as noted, the proposed increase for the domestic appropriations bills is only \$5 billion.

In other words, the bulk of the allegedly irresponsible increase in funding for appropriated programs reflects the President’s own request for additional military and security funding. The increase that congressional leaders plan for domestic discretionary programs is quite small.

The notion that this modest domestic increase of \$5 billion, which follows several years of cuts in these programs, could have a noticeable effect on the \$14 trillion U.S. economy is not credible. Nor is the claim that funding for domestic discretionary programs would put significant pressure on the deficit and force a tax increase, since these programs would grow *less rapidly* than either the economy or tax revenues.

Military, Homeland Security, and International Funding: Congressional Plan Largely Conforms to Administration's Request

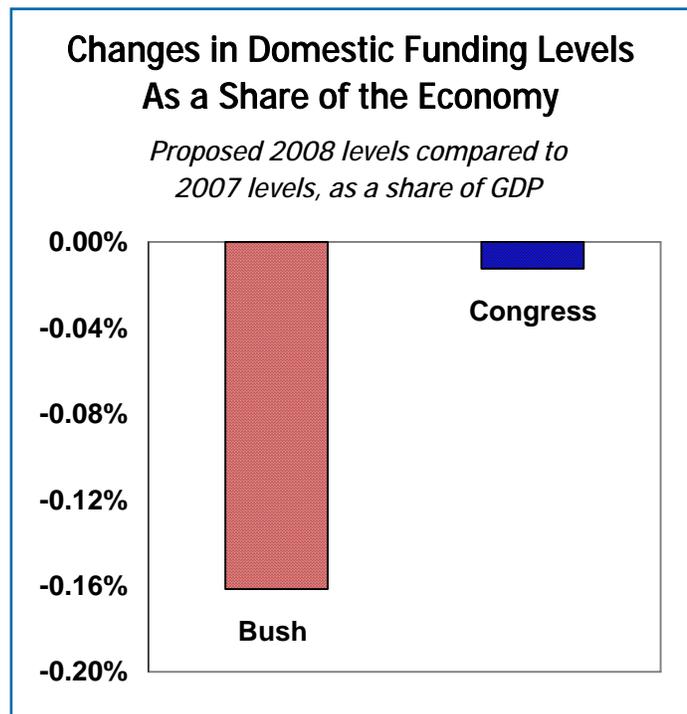
The President has requested substantial increases for military, homeland security, and international programs. Congress essentially intends to go along with the President's request, rearranging the funding increases only modestly.

- As Table 1 indicates, the Administration requested a \$43 billion funding increase for military and homeland security programs, relative to the 2007 funding levels adjusted for inflation. (Again, this excludes the emergency funding requested by the President for Iraq and Afghanistan.) This represents an increase of 8.4 percent, after adjustment for inflation.
- The appropriations committees would shift a small fraction of the President's requested Pentagon increase to veterans' and homeland security programs and would raise the overall increase for military and homeland security programs from 8.4 percent to 9.6 percent.
- In the international area, the President requested a \$3.1 billion increase for programs and activities covered by the State Department and foreign operations bill. The appropriations committees plan to provide most (\$2.4 billion) of this request.

Domestic Discretionary Funding: Congressional Plan Rejects Administration's Cuts

As noted, the President has called for cuts in domestic discretionary programs, which Congress intends to reject. The appropriations committees have set the funding levels for the eight domestic appropriations bills some \$5 billion (1.4 percent) above the 2007 level, adjusted for inflation.

- Funding for the eight domestic appropriations bills currently represents 39 percent of total discretionary funding. Under the President's budget, the domestic share would shrink to 36 percent. Under the congressional plan, it would shrink to 38 percent.
- Of the \$53 billion increase that Congress plans for discretionary programs as a whole, some \$48 billion, or nine out of every ten dollars, would go for military, homeland security, and international programs. (See Table 1.)
- The domestic funding increase planned by Congress — which, as noted, amounts to \$5 billion after adjustment for inflation — amounts to



\$1.8 billion, or 0.5 percent, after adjustment for *both* inflation and population growth. Many analysts, including those at CBPP, believe it is preferable to adjust for population growth as well as inflation when comparing funding levels over time. Population growth spreads the cost of government among more families. In addition, in areas such as transportation, a growing population requires an increase in expenditures over time to maintain adequate infrastructure.

- In contrast to the domestic funding increase planned by Congress of \$1.8 billion in real per-capita terms, the funding increases that are planned for military, homeland security, and international programs would total \$43.2 billion — or 24 times as much. (See Appendix Table B3.)

Conclusion

The vast bulk of the increase in overall appropriations under the congressional plan reflects Congress's decision essentially to go along with the President's request for sizeable increases in military funding.

For domestic programs, in contrast, the Administration is insisting on cuts and is threatening to veto appropriations bills unless those cuts are made. Claims that Congress's rejection of those cuts represents "spending lust" are unfounded. The question is not whether there should be large increases in domestic appropriations — since large increases are not on the table — but whether domestic programs should be cut (as the President demands) or increased modestly (as the Congressional majority favors).

In addition, the Administration is threatening to veto the defense appropriations bill because the large increase it is slated to contain — \$29 billion, or almost six times the increase in the eight domestic appropriations bills combined — is a few billion dollars *less* than the increase the Administration wants. Also, the Administration is seeking hundreds of billions of dollars more in deficit-financed tax cuts over the next five years than the congressional budget plan authorizes. All of this indicates that in the emerging battle over the fiscal year 2008 appropriations bills, the Administration and its supporters are misrepresenting a disagreement over budget priorities as a disagreement over fiscal responsibility.

Appendix A: The Data Used in This Analysis

In this analysis, dollar amounts are for non-entitlement or “discretionary” funding — the annual appropriations provided by the appropriations committees. These amounts represent about one-third of the total federal budget. Domestic discretionary programs (as that phrase is used in this analysis) represent about one-seventh of the total federal budget.

The House and Senate appropriations committees are limited in the total funding they can provide for fiscal year 2008 to the amount established in the budget resolution Congress adopted in early May. That plan allocated \$953 billion to the appropriations committees, and the House and Senate committees recently divided that allocation among their 12 subcommittees (i.e., among the 12 appropriations bills). The House and Senate distributions by subcommittee are very similar (see Appendix B). We average the House and Senate distributions for each subcommittee to derive the subcommittee distributions that we call “the congressional appropriations plan.”

We also increase the total amount of discretionary funding under the congressional plan from \$953 billion to \$956 billion for the purposes of this analysis, for two reasons.

- The congressional budget plan withholds \$1 billion of its intended funding from the appropriations committees; this amount will be released to the appropriations committees if the appropriations bills provide specified dollar increases for certain “program integrity” purposes intended to save money, including improved IRS tax enforcement and continuing reviews of disability claims under the Social Security Act. There is little question that the appropriations committees will fund these increases, since under the terms of the congressional budget plan the amounts cannot be used for any other purpose. Accordingly, we increase the initial allocation by \$1 billion.
- In addition, the congressional budget resolution increases the limit on the amount of “advance appropriations” by \$2 billion. This additional \$2 billion in 2009 advance funding is intended for education or similar domestic programs whose 12-month program year spans the end of fiscal year 2008 and the beginning of fiscal year 2009. In these programs, an increase in 2009 funding is equivalent to an increase in 2008 funding, since either way the money is made available for the same school year. For that reason, we treat the \$2 billion in increased advance appropriations for 2009 as being, in effect, a 2008 funding increase.

Our funding figures for the President’s budget are as CBO reestimated them in March. Our figures for “2007 funding adjusted for inflation” are the CBO baseline for 2008, issued in March; CBO uses a baseline projection methodology that assumes existing 2007 funding will grow with inflation in subsequent years. (Under the CBO baseline rules, personnel costs grow with the employment cost index, while non-personnel costs grow with the GDP price index, so the exact amount of the inflation adjustment in any budget account depends on the mix of personnel and non-personnel costs in that account.)

All amounts of discretionary funding *exclude* costs that have been designated as “emergency.” This means that the costs of the Iraq and Afghanistan wars are not included in either the 2007 or 2008 figures. It also means that the large defense increase requested by the President is for underlying activities of the Defense Department, not for the “surge” or any other aspect of the Iraq war.

Appendix B

Table B1
2007 and 2008 funding levels by subcommittee (in billions of dollars)

Appropriations Subcommittee	2007 levels			Proposed 2008 levels			
	nominal	adj. for inflation	adj. for inflation & population	Bush	House	Senate	Congress (House / Senate avg.)
Military & homeland security:	501.4	514.7	519.3	557.8	560.3	560.5	560.4
Defense	419.6	430.8	434.6	462.9	459.3	459.3	459.3
Military construction, Veterans	49.8	51.2	51.7	60.7	64.7	64.7	64.7
Homeland security	32.0	32.7	33.0	34.2	36.3	36.4	36.3
State Dept. and Foreign Operations	31.3	31.9	32.2	34.9	34.2	34.2	34.2
Domestic programs:	346.6	356.4	359.6	340.1	361.5	361.3	361.4
Labor, HHS, & Education	144.8	147.6	148.9	140.9	153.7	151.9	152.8
Commerce, Justice, & Science	52.0	53.5	54.0	51.2	53.6	54.4	54.0
Transportation & HUD	51.3	53.4	53.9	48.0	50.7	51.1	50.9
Energy & Water Development	30.3	31.2	31.5	30.5	31.6	32.3	31.9
Interior & Environment	26.4	27.2	27.4	25.7	27.6	27.2	27.4
Financial Services	19.5	20.6	20.8	21.7	21.4	21.8	21.6
Agriculture	18.5	19.0	19.2	17.8	18.8	18.7	18.8
Legislative Branch	3.8	3.9	3.9	4.3	4.0	4.1	4.0
GRAND TOTAL	879.3	903.3	911.1	932.8	956.1	956.1	956.1

May not add due to rounding.

Table B2
Dollar and percentage increases or decreases (-) requested by President Bush
compared with the 2007 levels (in billions of dollars)

Appropriations Subcommittee	vs 2007 nominal		vs 2007 adj. for inflation		vs 2007 adj for inflation & population	
	\$	%	\$	%	\$	%
Military & homeland security:	56.4	11.3	43.1	8.4	38.5	7.4
Defense	43.3	10.3	32.1	7.5	28.3	6.5
Military construction, Veterans	11.0	22.1	9.5	18.6	9.1	17.6
Homeland security	2.1	6.7	1.5	4.5	1.2	3.5
State Dept. and Foreign Operations	3.6	11.5	3.1	9.6	2.8	8.7
Domestic programs:	-6.5	-1.9	-16.4	-4.6	-19.5	-5.4
Labor, HHS, & Education	-3.8	-2.7	-6.7	-4.5	-8.0	-5.4
Commerce, Justice, & Science	-0.7	-1.4	-2.3	-4.3	-2.8	-5.1
Transportation & HUD	-3.4	-6.6	-5.4	-10.2	-5.9	-11.0
Energy & Water Development	0.2	0.6	-0.7	-2.4	-1.0	-3.2
Interior & Environment	-0.8	-2.9	-1.5	-5.7	-1.8	-6.5
Financial Services	2.2	11.2	1.1	5.2	0.9	4.3
Agriculture	-0.7	-3.8	-1.2	-6.1	-1.3	-6.9
Legislative Branch	0.6	14.8	0.4	11.0	0.4	10.0
GRAND TOTAL	53.5	6.1	29.8	3.3	21.8	2.4

May not add due to rounding. Shaded figures appear in the main body of the analysis.

Table B3
Dollar and percentage increases or decreases (-) proposed by Congress (House and Senate
average), compared with the 2007 levels (in billions of dollars)

Appropriations Subcommittee	vs 2007 nominal		vs 2007 adj for inflation		vs 2007 adj. for inflation & population	
	\$	%	\$	%	\$	%
Military & homeland security:	59.0	11.8	45.7	8.9	41.1	7.9
Defense	39.7	9.5	28.6	6.6	24.7	5.7
Military construction, Veterans	15.0	30.1	13.5	26.4	13.1	25.3
Homeland security	4.3	13.4	3.6	11.0	3.3	10.1
State Dept. and Foreign Operations	2.9	9.2	2.4	7.4	2.1	6.5
Domestic programs:	14.9	4.3	5.0	1.4	1.8	0.5
Labor, HHS, & Education	8.0	5.6	5.2	3.5	3.9	2.6
Commerce, Justice, & Science	2.0	3.9	0.4	0.8	0.0	-0.1
Transportation & HUD	-0.4	-0.9	-2.5	-4.7	-3.0	-5.5
Energy & Water Development	1.6	5.4	0.7	2.3	0.5	1.4
Interior & Environment	1.0	3.6	0.2	0.7	-0.1	-0.2
Financial Services	2.1	10.9	1.0	4.9	0.8	4.0
Agriculture	0.2	1.3	-0.2	-1.2	-0.4	-2.1
Legislative Branch	0.3	7.0	0.1	3.4	0.1	2.5
GRAND TOTAL	76.8	8.7	53.1	5.9	45.0	4.9

May not add due to rounding. Shaded figures appear in the main body of the analysis.