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## HOW LARGE ARE THE APPROPRIATIONS FUNDING INCREASES AGREED TO BY CONGRESS AND THE PRESIDENT?

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Congress and the President have reached agreement on the total amount of funding to be enacted in appropriations bills for the coming year. The agreement increases total funding by \$49 billion, or 7.2 percent, over last year's level. (The agreement does not include any emergency funding in response to the terrorist attacks, such as the \$40 billion that has already been enacted.) This increase of \$49 billion for regular, ongoing programs is remarkably similar to the \$50 billion increase the previous Congress enacted last fall.

Accounting for inflation and the growth of the U.S. population, the funding increase is a more modest \$22 billion, or 3.1 percent, above last year's level. About \$19 billion of that \$22 billion increase is for defense. As a result, real, per-person defense funding will increase by 5.8 percent while real, per-person non-defense funding will increase by 0.8 percent. Since education programs will apparently increase by 11.6 percent, the real, per-person levels of services and benefits provided by other non-defense programs will shrink by an average of 0.7 percent. Because the final appropriations bills may deviate slightly from the agreement, the actual increases and decreases may ultimately be slightly different from the figures in this analysis.

### Funding Increases in the 2002 Appropriations Agreement Percentage Change from Last Year's Level

	Nominal percent increase	Real percent increase	Real per-person percent increase
Defense	10.4%	6.8%	5.8%
Non-defense	<u>4.5%</u>	<u>1.7%</u>	<u>0.8%</u>
Education	14.3%	12.7%	11.6%
All other non-defense	<u>3.1%</u>	<u>0.2%</u>	<u>-0.7%</u>
Total	7.2%	4.0%	3.1%

**Background and Analysis.** The President and the bipartisan leaders of the House and Senate Appropriations Committee have reached an agreement on the total level of funding for the coming fiscal year, 2002. While programmatic details are still to be worked out, the overall

funding totals for defense, education, and the remaining non-defense appropriations apparently have been decided.<sup>1</sup>

How large are the agreed upon funding increases, relative to the levels enacted last fall? The answer to that question is subject to certain measurement issues; this analysis attempts to measure increases in the most meaningful way by making minor adjustments to the 2002 figures or to the 2001 base against which increases are measured. These adjustments correct for gimmicks and omissions.<sup>2</sup> After making those minor adjustments, this analysis shows the resulting levels and increases three different ways: 1) without accounting for inflation or population growth; 2) after accounting for inflation; and 3) after accounting for both inflation and population growth.

Table 1, on the next page, shows the dollar and percentage increases over last year's funding levels in nominal terms, i.e., without adjusting for either inflation or the growth of the U.S. population.

One ironic aspect of Table 1 is that the total increase of \$49 billion is remarkably similar to the total increase of \$50 billion enacted by the previous Congress, which the Administration decried as excessive in its August Mid-Session Review.<sup>3</sup> The table also shows that, outside of education, the overall nominal increase for other non-defense programs is quite modest.

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<sup>1</sup> The agreement was announced in a letter signed by the President and released October 2, 2001. The letter says, "I support the bipartisan agreement to set FY 2002 discretionary appropriations levels at a total of \$686 billion. ... Within this total, I understand that defense activities will be funded at the amended budget level. In addition, I understand that an appropriations bill for education will include \$4 billion above my budget request..."

<sup>2</sup> When discussing the levels enacted last year, this analysis counts those amounts enacted last fall by the previous Congress but does not include supplemental amounts enacted this spring. Thus, this analysis compares this Congress to the prior Congress. In addition, the figures for last year do not include \$1.8 billion in non-routine funding for natural disasters and this year's figures exclude the \$40 billion in emergency funds enacted in response to the terrorist attacks. In this way, the analysis focuses on the normal costs of ongoing programs, excluding disasters. The analysis also adjusts the 2001 figures to correct for certain timing gimmicks enacted by the previous Congress. Finally, this analysis includes \$41 billion of transportation funding that comes from the transportation trust funds and is, unaccountably, not "officially scored" as funding. (That is the sole reason the 2002 total is greater than the stated agreement of \$686 billion.) This analysis assumes that such transportation funding will exceed last year's level by \$2.9 billion, since both the House and Senate Transportation Appropriations bills include that amount. For a more complete discussion of these exclusions, inclusions, and adjustments, see the Appendix to *How Realistic Are the Funding Levels in the President's Budget and the Congressional Budget Resolution?* <http://www.cbpp.org/8-3-01bud.htm> Center on Budget and Policy Priorities, August 3, 2001. As in the August analysis, this analysis uses the term "education" to cover the subfunctions 501, 502, and 503 of the budget. These three subfunctions encompass the Department of Education and a few smaller agencies, such as the Smithsonian and the National Endowments, that are outside the Department.

<sup>3</sup> MidSession Review, page 5, OMB, August 22, 2001. When OMB estimated a 2001 increase of \$50 billion, it did not make the sort of minor adjustments discussed in footnote 2. Even with such adjustments, the 2001 increase would likely be quite close to \$50 billion, and so quite similar to the \$49 billion increase agreed to for 2002.

**Table 1: Nominal Funding Increases In the 2002 Appropriations Agreement**  
Dollars in billions

	2001 level	2002 level	Increase	Percent increase
Defense	\$311	\$344	\$32	10.4%
Non-defense	<u>367</u>	<u>384</u>	<u>16</u>	<u>4.5</u>
Education	44	50	6	14.3
All other non-	<u>323</u>	<u>333</u>	<u>10</u>	<u>3.1</u>
<b>Total</b>	<b>678</b>	<b>727</b>	<b>49</b>	<b>7.2</b>

Notes: As discussed in footnote 2, funding includes both “budget authority” (BA) and obligation levels for certain transportation programs. The agreed-upon \$686 billion in budget authority plus a likely \$41 billion in transportation obligation levels produces the figure of \$727 billion in total discretionary funding for 2002. Amounts may not add due to rounding.

The figures in Table 1 do not reflect the effects of inflation. As a result, the increases shown in this table overstate the degree to which this year’s funding can provide more resources, benefits, and services than last year’s funding. Table 2 adjusts the 2001 figures for inflation (that is, it expresses them in 2002 dollars), using CBO’s “baseline” methodology to measure inflation. It is a better reflection of the rate at which federal programs would expand.

**Table 2: Real Funding Increases In the 2002 Appropriations Agreement**  
Adjusting for inflation; dollars in billions

	2001 level, adj. for inflation	2002 level	Real Increase	Percent increase
Defense	\$322	\$344	\$22	6.8%
Non-defense	<u>377</u>	<u>384</u>	<u>6</u>	<u>1.7</u>
Education	45	50	6	12.7
All other non-defense	<u>332</u>	<u>333</u>	<u>1</u>	<u>0.2</u>
<b>Total</b>	<b>699</b>	<b>727</b>	<b>28</b>	<b>4.0</b>

Note: As discussed in footnote 2, funding includes both “budget authority” (BA) and obligation levels for certain transportation programs. The agreed-upon \$686 billion in budget authority plus a likely \$41 billion in transportation obligation levels produces the figure of \$727 billion in total discretionary funding for 2002. Amounts may not add due to rounding.

Table 2 indicates that defense funding will increase four times as rapidly as non-defense funding. Non-defense funding covers programs such as education, biomedical research, energy, housing, veterans medical care, transportation, job training, and law enforcement. Table 2 also indicates that, outside of education, other non-defense programs will receive virtually no increase after accounting for inflation. When the details become final, some of these programs will be increased and others reduced.

Table 2 does not take into account the growth in the U.S. population. The number of people using the services funded by the government increases as the population grows. If funding levels are adjusted only for inflation, the amount of services that can be provided to each person will still decline unless funding is increased to cover population growth. Adjusting for inflation and population is the same standard that President Bush used during his campaign and that the Bush White House used in the spring in describing changes in state spending in Texas during George W. Bush's tenure as governor.<sup>4</sup>

Table 3 makes the same comparisons after adjusting real 2001 funding levels for the growth of the population, as projected by the Census Bureau. By this measure, defense funding increases about seven times as rapidly as funding for non-defense programs. Also by this measure, non-defense programs outside of education would be reduced.

**Table 3: Real, Per-Person Funding Increases  
In the 2002 Appropriations Agreement**  
Adjusting for inflation and population, dollars in billions

	2001 level, adj. for inflation and population	2002 level	Increase	Percent increase
Defense	\$325	\$344	\$19	5.8%
Non-defense	<u>381</u>	<u>384</u>	<u>3</u>	<u>0.8</u>
Education	45	50	5	11.6
All other non-defense	<u>335</u>	<u>333</u>	<u>-2</u>	<u>-0.7</u>
<b>Total</b>	<u>705</u>	<u>727</u>	<u>22</u>	<u>3.1</u>

Note: As discussed in footnote 2, funding includes both "budget authority" (BA) and obligation levels for certain transportation programs. The agreed-upon \$686 billion in budget authority plus a likely \$41 billion in transportation obligation levels produces the figure of \$727 billion in total discretionary funding for 2002. Amounts may not add due to rounding.

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<sup>4</sup> For example, the George W. Bush for President official web site states: "When adjusted for inflation and population, state spending will increase by only 3.6 percent between 1994-1995 and the end of the 2000-2001 biennium." Similarly, the *Dallas Morning News* reported: "Wednesday, [Governor Bush] said an 'honest comparison' of spending growth should take inflation and the state's increasing population into account" (October 28, 1999).