



# CENTER ON BUDGET AND POLICY PRIORITIES

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## THE EMERGENCY RESERVE AND THE ADMINISTRATION'S BUDGET

Some question has arisen as to the level of increase that the Administration's budget proposes in funding (or budget authority) for discretionary programs in fiscal year 2002. The Administration says the overall increase is four percent. A Center analysis of the increase in funding for *domestic* discretionary programs finds the increase for the domestic programs to be 1.5 percent, which is below the inflation rate. The Center analysis also finds that the amount of funding the budget contains for domestic discretionary programs in 2002 falls \$9 billion below the CBO baseline, which adjusts for inflation.

One reason the Administration's figures overstate the increase is the unorthodox treatment the Administration accords a proposal included in its budget to establish a reserve fund for major natural disasters, starting in 2002. The Administration proposes to place \$5.6 billion in this fund, which it says is the historical average of annual spending for major natural disasters. Under this proposal, money would be released from the reserve only if, and when, natural disasters occurred. The money could not be used for any other purpose. If no disasters occurred in a year, the money would remain unused.

This represents a departure from current practice, under which funds are not set aside in advance for disasters but are appropriated as each major disaster occurs. This Administration proposal is a reasonable one. Unfortunately, however, the Administration has inappropriately used this proposal to inflate what it says is the level of increase it is seeking in domestic discretionary programs.

So far this year (i.e., so far in fiscal year 2001), \$1.7 billion in funds have been provided for relief from major natural disasters. In part, this low figure reflects the fact that the current fiscal year is only half over. By the time that fiscal year 2001 has ended, the level of disaster funding is very likely to be higher. The fact that disaster funding is only \$1.7 billion to date in 2001 also reflects the fact that nature has been relatively benign so far this year.

But the figures the Administration is using to calculate the increase in funding it says its budget provides for discretionary programs assume that the Administration has requested a \$3.9 billion increase in disaster funding in 2002. This \$3.9 billion amount is the difference between the \$1.7 billion provided *to date* in 2001 and the \$5.6 billion that would be placed in the natural disaster reserve for 2002. Portraying the Administration as seeking a \$3.9 billion increase in this area simply is not valid. If there are major disasters later this year, as there may well be, Congress will fund emergency efforts to respond to them and the funds provided will be in addition to the \$1.7 billion provided to date in 2001. Moreover, if there are no disasters next

year, none of the \$5.6 billion would be provided. *There is no basis for considering the President's budget as providing either an increase or a decrease in natural disaster funding.*

Stated another way, Congress will provide funds to repair damage caused by major natural disasters whether or not the President's budget proposes to set funds aside in advance for this purpose, and Congress will *not* provide such funds if no disasters occur. It does not "increase" the budget for a president to propose setting some money aside in advance for this purpose, as the Bush Administration has done for 2002 but not 2001, any more than it "decreases" the budget or saves money if Congress and the President provide money as each disaster occurs without putting funds in a reserve in advance.

### **Funding Totals for Fiscal Years 2001 and 2002**

The fiscal year 2001 budget contains \$341.8 billion in funding for *ongoing* domestic discretionary programs. It also includes the just-noted \$1.7 billion in disaster funds provided so far this year. The Bush budget requests \$347.1 billion in funding for ongoing domestic programs in 2002, an increase of 1.5 percent (or \$5.3 billion) over the \$348.1 billion level for the current fiscal year.<sup>1</sup>

In calculating the increase that it says it is proposing for discretionary programs in 2002, the White House has added the \$1.7 billion in disaster funding provided to date in 2001 to the total of discretionary funding for the current fiscal year and then added the \$5.6 billion that would be placed in a reserve to the total level of funding it is seeking for 2002. This approach distorts the comparison and pads the increase. To get an accurate sense of the change in funding levels the Administration is proposing for domestic discretionary programs, one must exclude the natural disaster funds from the totals for both years.

The proposed reserve for natural disasters is a reasonable idea from a budget accounting standpoint and merits consideration. The proposal makes estimate of future surpluses more realistic by acknowledging that some major natural disasters are likely to occur and to result in some federal expenditures. This acknowledgment is a step forward; previous administrations generally prepared budget projections without acknowledging the likelihood of some major disasters. But such a proposal does not alter the basic reality that \$341.8 billion is the existing level of appropriations for ongoing domestic programs in 2001 and \$347.1 billion is the level the Bush budget proposes for these programs in 2002, which represents an increase of 1.5 percent.

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<sup>1</sup> For completeness, the figures in this discussion include funding for discretionary programs financed from the highway and aviation trust funds, which for technical reasons are omitted from the discretionary funding totals. If these transportation programs were not included in the analysis, the increase in domestic discretionary funding from 2001 to 2002 would appear smaller — 0.9 percent. For a discussion of this issue, see Appendix 3 of *The Myth of the 4 Percent Spending Increase*, Center on Budget and Policy Priorities, April 11, 2001.