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## DISCRETIONARY FUNDING UNDER THE NEW CONGRESSIONAL BUDGET PLAN – A BIG INCREASE OR A MODEST OFFSET TO RECENT CUTS?

by Richard Kogan

On May 11, the Director of the Office of Management and Budget sent a letter to Congress on behalf of the Bush Administration, threatening to veto any 2008 appropriations legislation that exceeds the levels requested by President Bush. As apparent justification for the threat, the OMB letter charged that the congressional budget plans approved by the Senate and the House of Representatives would “increase federal spending by hundreds of billions of dollars.” Three points stand out.

- The conference agreement on the Congressional budget resolution, announced May 16, contains no net increase in entitlement spending. It does allow a \$53 billion increase in appropriations relative to the Congressional Budget Office’s baseline (i.e., relative to the existing levels adjusted only for inflation). But the vast bulk of that \$53 billion increase — \$40 billion — is for national defense and is exactly the amount the President asked Congress to provide for defense.<sup>1</sup>
- Over the five-year period 2008-2012, the congressional plan assumes a \$313 billion increase in funding for discretionary programs, relative to the CBO baseline. Almost four-fifths of that amount — \$246 billion — is for national defense and is, again, the exact amount the President requested.

### KEY FINDINGS

- The Administration has threatened to veto any 2008 appropriations legislation that exceeds the President’s requested levels, and has portrayed the Congressional budget plans as containing dramatic increases in appropriated spending. In fact, the vast bulk of the increase in appropriations in the new House-Senate budget agreement is for defense, and it is exactly the amount the President requested in this area.
- For *non*-defense appropriations, the new congressional budget plan calls for \$452.3 billion for fiscal year 2008, a 3.1 percent increase over the current level of funding, adjusted for inflation.
- In historical terms, this level for non-defense appropriations is modest. Relative to the size of the economy, this level would be *lower* than the amount provided in every year from 2001 through 2006, and lower than the average level for 1990-2007.
- Similarly, in real per capita terms — i.e., after adjusting for inflation and population growth — this level of funding would be below the levels in 2002, 2003, 2004, and 2005. It would fall more than 6 percent below the 2004 level.

<sup>1</sup> All figures in this analysis exclude “emergency” funding for the Iraq and Afghanistan wars and other purposes; consequently, defense increases discussed in this analysis are for purposes other than prosecuting those wars.

- The OMB letter states that funding for discretionary programs in 2008 must not exceed the total requested by the President, and that the President’s \$40 billion defense increase must be provided in full. Together, these conditions mean that funding for *non*-defense programs must be limited to the President’s requested level if the 2008 appropriations bills are to avoid vetoes. The OMB letter does not point out, however, that the President has requested a net *cut* of almost \$10 billion in 2008 funding for non-defense programs, relative to the CBO baseline. In short, the OMB letter is not designed to limit the total growth of funding; rather, it insists upon both a hefty increase in defense funding and upon a cut in non-defense programs.

The remainder of this analysis discusses the level of non-defense funding assumed in the new Congressional budget plan that the House and Senate conferees have approved. That level entails modest increases above 2007 levels. Either as a share of the economy or when funding levels are adjusted for inflation and population growth, the non-defense funding levels for 2008 and subsequent years that are included in the new budget plan are *lower* than the levels provided in recent years. It is ironic that the President might veto non-defense appropriations that constitute a smaller share of the economy and the budget, and that provide lower levels of services (i.e., are lower in real per capita terms) than earlier appropriations that he willingly signed.

### Funding Levels for 2008 in the New Congressional Budget Resolution

The Congressional budget resolution approved by House and Senate conferees calls for \$956.1 billion in funding for 2008 for annually appropriated, or “discretionary,” programs. Of this total amount, \$503.8 billion — the amount requested by President Bush — is intended for national defense, leaving \$452.3 billion for non-defense discretionary programs. (Note: these figures include \$2 billion effectively made available in 2008 by a change in the restriction on advance appropriations for 2009; see the box on page 4).

The Congressional budget plan assumes that funding for non-defense appropriations for 2008 will be increased by \$13.5 billion, or 3.1 percent, above the CBO baseline level, which equals the 2007 funding level, adjusted only for inflation. (See Table 1.) President Bush’s budget, in contrast, calls for non-defense funding to be *cut* \$9.7 billion, or 2.2 percent below the CBO baseline.

A 3.1 percent funding increase is not especially large, and with this increase, 2008 funding for non-defense appropriations would remain modest by recent historical standards. When inflation and population growth are taken into account, funding for non-defense appropriations in 2008 under the new budget plan would be *below* the levels of funding provided in 2002, 2003, 2004, and 2005. The 2008 funding level would be more than 6 percent below the level reached in 2004, after adjusting for inflation and population growth.<sup>2</sup> (See Figure 1 on page 3.)

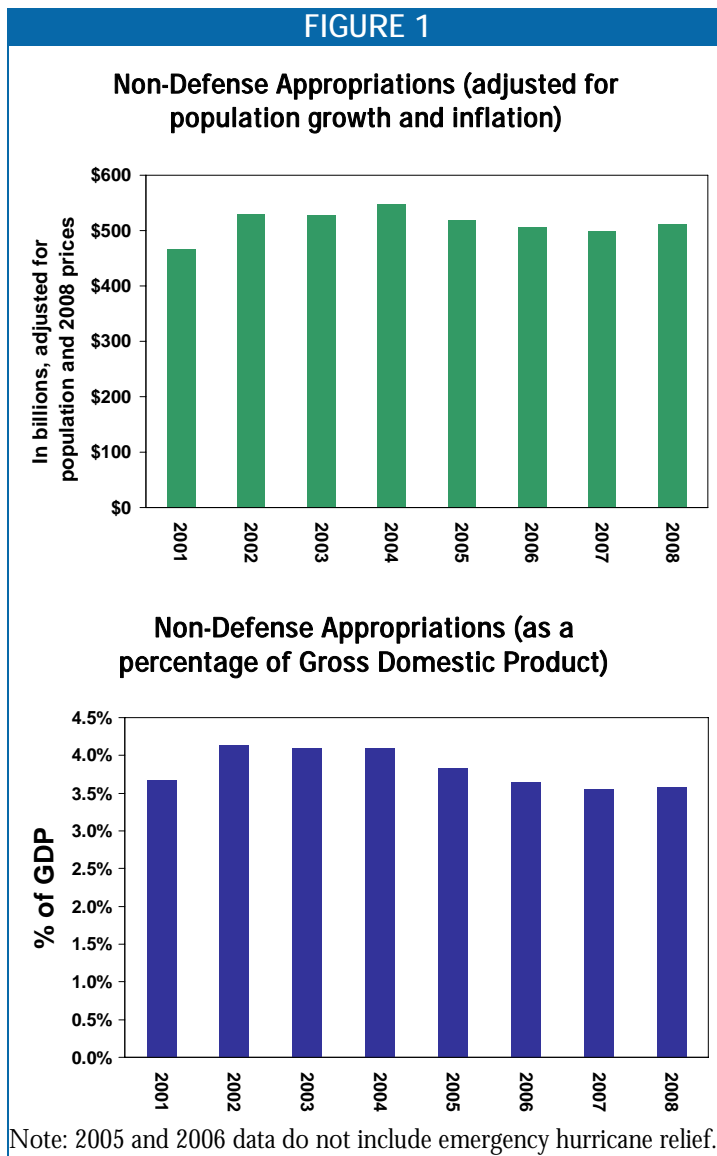
	Total Funding (billions)	Difference from CBO	
		Billions	Percent
CBO baseline	\$438.8	N/A	N/A
Congressional budget	\$452.3	+\$13.5	+3.1%
President’s budget	\$429.0	-\$9.7	-2.2%

<sup>2</sup> In portraying the funding levels in the congressional budget resolution and those in earlier years in real per-person terms (this paragraph) and as a percentage of GDP (next paragraph), we have adjusted all figures to account for timing

The story is particularly striking when non-defense funding is examined as a share of the economy. As a share of the Gross Domestic Product (the basic measure of the size of the U.S. economy), non-defense discretionary funding would be lower in 2008 under the new congressional budget plan than the 1990-2007 average. It also would be lower than in every year from 2001 through 2006, and almost one-seventh below the levels reached in the years 2002-2004. (See Figure 1.)

### Funding Levels for 2009 – 2012

The new congressional budget plan also contains appropriations targets for each year through 2012. The figures after 2008 do not constitute binding limits, because they likely will be revised in subsequent congressional budget plans. Nonetheless, it should be noted that the levels in 2009 through 2012 are increasingly constrained. While the dollar level of the targets will grow each year in nominal terms, the level of funding will continue to fall as a share of GDP, shrinking to 3.2 percent of GDP by 2012. *This appears to be the lowest level of funding as a share of GDP since the Hoover Administration.*



and scorekeeping anomalies that would otherwise distort year-to-year comparisons. For a discussion of these adjustments, see the Appendix of “The Omnibus Appropriations Act: Are Appropriations for Domestic Programs out of Control?” Center on Budget and Policy Priorities, February 1, 2004. (The biggest adjustment is to include discretionary amounts for highway and mass transit programs, which are not officially counted as discretionary “budget authority” but should be.) The congressional budget plan does not make the detailed program assumptions we would need to adjust the assumed 2008 funding levels in the same way that we have adjusted prior funding levels. For comparability we assume that the amount of these adjustments — such as the level of funding from highway programs — will grow from 2007 to 2008 at the same rate as officially scored budget authority, for which we have both historical data and the figures in the congressional budget plan.

Had we made *no* adjustments to official funding figures, the essential conclusions of these two paragraphs would still be the same: the non-defense funding level for 2008 that is reflected in the congressional budget plan is lower in real per-person terms than the funding actually provided in 2002-2005, and is lower as a percentage of GDP than the funding actually provided in 2001-2006.

Even so, the 2012 level in the congressional plan does not fall as low as the level for 2012 called for by President Bush. The President's proposed level is one-tenth smaller than the level in the congressional plan.

### **What does the \$452.3 billion figure represent? What does it include?**

The \$452.3 billion figure used in this analysis represents the amount of 2008 funding (or "budget authority") that the Congressional budget plan assumes for non-defense discretionary programs — that is, for non-defense programs whose funding is determined annually by the Appropriations Committees. This figure reflects the binding limit of \$956.1 billion that the plan sets for all appropriations, minus the level assumed to be provided for defense programs. The Congressional plan assumes that defense appropriations will equal the amount requested by President Bush, or \$503.8 billion, which means that the plan leaves \$452.3 billion for non-defense programs.\*

Non-defense appropriations comprise about one-sixth of the overall budget, which totals almost \$3 trillion.\*\* Major non-defense appropriations include education, transportation, medical care for veterans, law enforcement, biomedical and other scientific research, the environment, housing, and the Treasury, among other program areas.

The figure of \$452.3 billion also excludes any non-defense amounts that may be enacted under "emergency" procedures, such as funding for Katrina relief or for reconstruction activities in Iraq and Afghanistan. However, the non-defense figure of \$452.3 billion and the total figure of \$956.1 billion both include two amounts that are not shown in the funding amounts that the budget resolution allocates to the Appropriations Committee:

- The \$452.3 billion figure includes \$1 billion for specified "program integrity" purposes, such as increased funding for continuing reviews of disability cases by the Social Security Administration or investigations of health care fraud. Under the budget resolution, these amounts will be allocated to the Appropriations Committees only if those committees fund the specified initiatives.
- The \$452.3 billion figure also reflects a \$2 billion increase in "advance appropriations" for fiscal year 2009 in those education or training programs whose 12-month "school year" spans part of 2008 and part of 2009. In such programs, increasing the advance appropriation for 2009 is effectively identical to increasing the programs' 2008 funding (although the increase in advance appropriations for 2009 is not officially counted as 2008 budget authority in either the budget resolution or the estimates of 2008 appropriation bills); either way, funding for school-year 2008-2009 will be \$2 billion greater. We consequently count this increase as 2008 funding in reaching our total of \$452.3 billion.

\* The Congressional budget resolution does not directly provide any 2008 funding. Actual funding will be provided in the various appropriations bills that Congress will debate over the course of the summer and fall.

\*\* Defense appropriations, which cover ongoing activities of the Department of Defense plus the costs of the Iraq and Afghanistan wars, account for about a fifth of the budget. About two-thirds of the budget, including funding for entitlement programs like Social Security and Medicare, and interest on the debt, sits outside of the control of the Appropriations Committees.