

Enabling a Spending Explosion:
The Trend in Supplemental Spending
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June 15, 2006

Abstract

Supplemental appropriations provide additional funding to an agency during the course of a fiscal year for programs and activities that are considered too urgent to wait until the next year's budget. Though supplemental spending was kept under control throughout the 1980s and 1990s, the general trend since 1998 has been a sharp increase in the amount of discretionary supplemental appropriations and a precipitous decline in offsetting rescissions. In 1998, supplemental spending amounted to \$7 billion, while in 2005, it was \$143 billion (in inflation-adjusted dollars). Both the President and Congress share the blame for this recent increase in supplemental spending. The increased reliance on supplemental spending is problematic because the lack of detail in supplemental budget requests—combined with their expedited approval process—leaves little room for Congressional oversight. In addition, the reduced budget discipline for supplemental bills attracts earmarks and other projects that wouldn't be funded on their own merits.

Further, the increased use of supplemental appropriations has enabled a spending explosion. Supplemental appropriations designated as emergencies do not count against the annual budget limits set by Congress, and since the expiration of certain budget constraints in 2002, supplemental appropriations that exceed the limits no longer trigger automatic cuts. Consequently, supplemental bills, and emergency supplementals in particular, have become the tool of choice for Congress and the Administration to evade annual budget limits and increase spending across the board. Funding the military—even predictable, non-emergency needs—through supplementals hides skyrocketing defense costs and allows Congress to boost regular appropriations for both defense and non-defense programs. It is essential to address the supplemental spending shell game that Capitol Hill and the White House have been playing for years. Some simple reforms would achieve that goal.

Section 1: Introduction

In November 2004, Congress enacted \$823 billion in its regular discretionary appropriations for FY2005.¹ Almost two years later, the total FY2005 budget authority for discretionary spending, however, turned out to be \$984 billion.² The \$161 billion difference stems from supplemental spending bills.

In theory, supplementals aim to provide funding that cannot wait until the next appropriations cycle, or for programs whose authorizations were just enacted or renewed. Supplementals are supposedly used to avoid a deficiency by replenishing various accounts before they become over-obligated. They are also used to face unexpected costs due to natural disaster or war. These bills are a normal part of the appropriations process and have been used to finance federal spending since the second session of the first Congress in 1790.³

Recently, however, serious concerns have emerged about the size of supplemental appropriations. Emergency supplemental bills do not count against the budget caps the House and Senate set in place, thus allowing projects to be funded with the appearance that discretionary funding is under control. As a result, supplemental bills have become the tool of choice for Congress and the Administration to avoid caps set by annual budget resolutions and to increase spending across the board in a dramatic fashion.

This paper looks at the use of supplemental spending over the last 25 years. Section 2 examines some of the budget rules that lawmakers are subject to. It explains that, under the Budget Enforcement Act of 1990, emergency spending—most of which takes place through supplemental bills—is given special exceptions from budgetary rules.⁴

Section 3 looks at the trend in supplemental appropriations. It reveals an increase in spending since 1998, including a dramatic hike after 2002. This explosion coincides with the expiration of some budget rules that constrained supplemental bills.

Section 4 demonstrates how the White House and Congress—especially since FY2002—have abused their powers to request and pass supplemental bills. It exposes many of the tricks used by lawmakers to increase spending, such as trimming defense spending in the regular appropriations process to boost non-defense spending, knowing that they could replenish the defense budget later in the year through supplemental appropriations. The paper concludes that in recent years supplemental bills have been effectively used to expand the spending ability of Washington.⁵ In addition, because of a serious lack of congressional oversight, supplemental bills have also become a magnet for earmarks and other projects that wouldn't be funded on their own merits.

Section 2: Budget Rules and Supplemental Appropriations

Supplemental appropriations provide additional funding to an agency during the course of a fiscal year for programs and activities that are considered too urgent to wait until the next year's budget. Over the years, supplemental appropriations have been subject to a variety of budgetary rules, mainly out of concerns that they would become must-pass magnets for unrelated pet projects.

The Congressional Budget and Impoundment Control Act of 1974 is the first law that provided Congress with a comprehensive process for considering budgetary matters, including

mandating the use of a budget resolution. The budget resolution sets out requirements for the fiscal year beginning on the following October 1, and for at least four subsequent fiscal years as well. These requirements include the levels of total new budget authority and outlays; total federal revenues, including the amount, if any, by which the level of federal revenues should be increased or decreased by legislative action; the surplus or deficit in the budget; new budget authority and outlays for each major functional category; and the public debt.

Section 302(a) of the act requires the budget resolution to allocate the total spending levels among the Congressional committees.⁶ In other words, a committee's "302(a) allocation" prohibits consideration of legislation that would cause new budget authority or outlays to exceed, or revenues to fall below, the levels set forth in the conference budget resolution.⁷

Another important aspect of the 1974 law is that for the first time it required the President's annual budget request to include an allowance for expected supplemental spending.⁸ Congress also tried to mitigate the effects of supplemental spending with offsetting rescissions. Rescissions cancel budget authority provided in earlier appropriation laws but not yet obligated.

The Balanced Budget and Emergency Deficit Control Act of 1985, commonly referred to as the Gramm-Rudman-Hollings Act after the authors of the original bill, set maximum amounts for the deficit. In each year, the deficit targets would decrease, until the budget was balanced in FY1991. If the deficit limits were exceeded, the President was required to cut non-exempt spending by a uniform percentage to bring the budget back in balance, a process called "sequestration."

Following the passage of this law, the Office of Management and Budget (OMB) instructed agencies that supplemental requests for discretionary appropriations would require offsetting current-year budget cuts. Exceptions would be granted only if the agency could provide a "fully justified explanation" for why the cuts were not possible.⁹

After the Bipartisan Budget Agreement of October 1987, OMB issued tougher requirements. No supplemental requests would be allowed in 1988 and 1989 "except in dire emergencies." Such emergency appropriations would not require offsetting spending cuts.¹⁰ The 1987 Balanced Budget and Emergency Deficit Control Reaffirmation Act also extended the deficit limits through FY1992.

In 1990, because the budget exceeded the deficit limit by nearly \$100 billion and Congress had exempted so much spending from sequestration, the Gramm-Rudman-Hollings framework would have required many spending programs to be cut by about a third. In response, Congress passed the Budgetary Enforcement Act of 1990, which specified two new deficit reduction mechanisms: pay-as-you-go (PAYGO) rules and statutory discretionary spending caps.

PAYGO required across-the-board cuts in non-exempt mandatory spending if the sum of proposed new spending and revenue measures would increase the deficit. Large categories of spending were exempt from PAYGO, including Social Security, and cuts in Medicare spending were limited to 4 percent. Importantly, the Act also specified that emergency provisions, including supplemental bills designated as emergency bills, were exempt from enforcement of PAYGO.

The caps limited budget authority and outlays for discretionary spending from FY1991 to FY1993 in three categories: defense, domestic, and international. For FY1994 and FY1995, the caps applied to total discretionary spending. The caps were enforced by presidential sequestration.

In 1993, the discretionary caps and PAYGO rules were extended through FY1998, and the Budget Enforcement Act of 1997 extended the budget procedures again, through FY2002.

These laws, as well as other legislation, also added new categories of discretionary spending subject to caps.

Under the Budget Enforcement Act rules, supplemental appropriations had to comply with all the budget limits. If supplementals enacted before July 1 violated the caps, the President was required to sequester the funds within 15 days. Supplemental appropriations enacted after July 1 that exceeded the caps reduced the relevant cap in the following fiscal year by the amount of the violation.

In FY2002, the President and Congress allowed the Budget Enforcement Act to expire.¹¹ Consequently, supplemental appropriations that exceed the budget caps no longer trigger automatic cuts. In theory, they are still subject to the 302(a) allocation limits unless Congress makes an exception. However, in the last four years, it seems that the exception has become the rule. For instance, in the FY2005 budget resolution, Congress exempted “supplemental appropriations for fiscal year 2005 for contingency operations related to the global war on terrorism” from the limits. For FY2006, Congress made the same exemption, but limited the exempted amount to \$50 billion. The current version of the FY2007 budget resolution also exempts “appropriations for fiscal year 2007 for contingency operations directly related to the global war on terrorism, and other unanticipated defense-related operations,” but without a limit on the amount.

The expiration of the Budget Enforcement Act did not change the treatment of emergency spending. It is still true that if Congress and the President agree that a supplemental bill is necessary for an emergency, they don’t have to make offsetting cuts. The only limit on emergency spending is that members of Congress can raise a point of order to protest the emergency designation—but historically, this happens rarely, if ever.

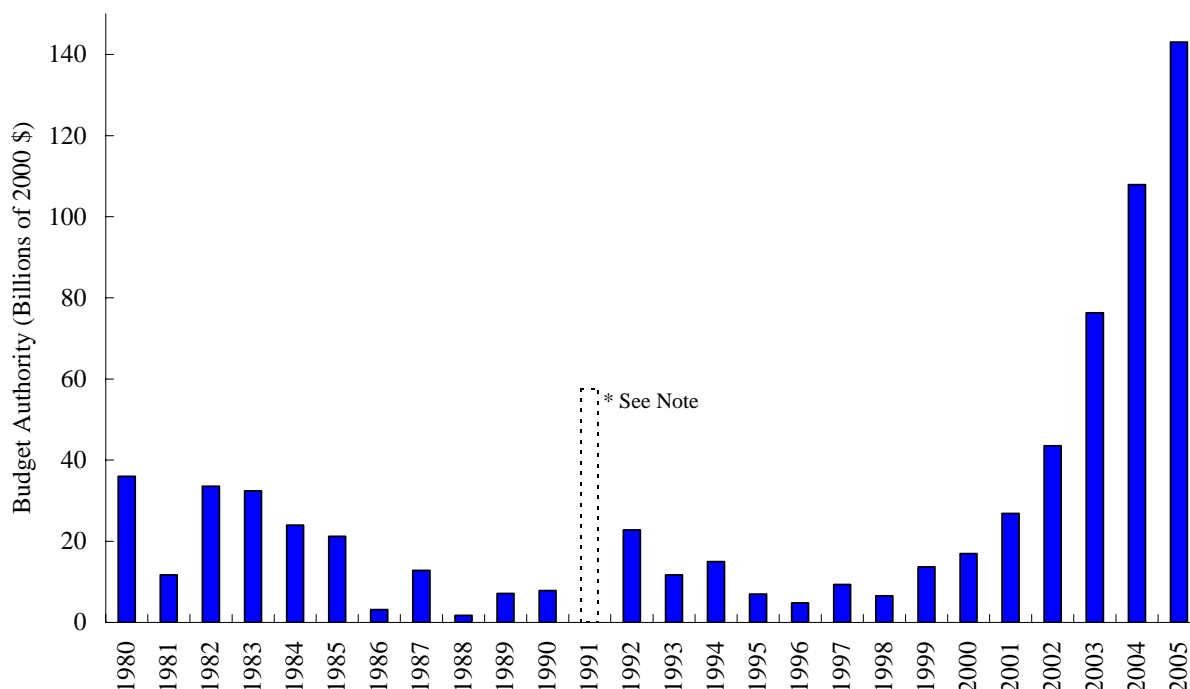
Consequently, in recent years, the emergency designation and the use of supplementals have proven controversial. A particularly controversial point is that supplemental and emergency spending is not included in deficit accounting. Many scholars and lawmakers have been concerned that supplementals are being used not to respond to unanticipated needs, but to evade constraints on spending and reduce the appearance of budget deficits.

Section 3: The General Trend in Supplemental Appropriations Since the 1980s

3.1. Increasing Use of Supplementals

Over the past 25 years, Congress and the President have enacted between one and eight supplemental appropriations bill each year. During that period, these supplemental appropriations have varied in size from a low of \$1.3 billion in FY1988 to a high of \$160.4 billion in FY2005. More importantly, the general trend reflects a dramatic increase in the size of supplemental bills since 1998.

Figure 1: Real Supplemental Appropriations (1980-2005)

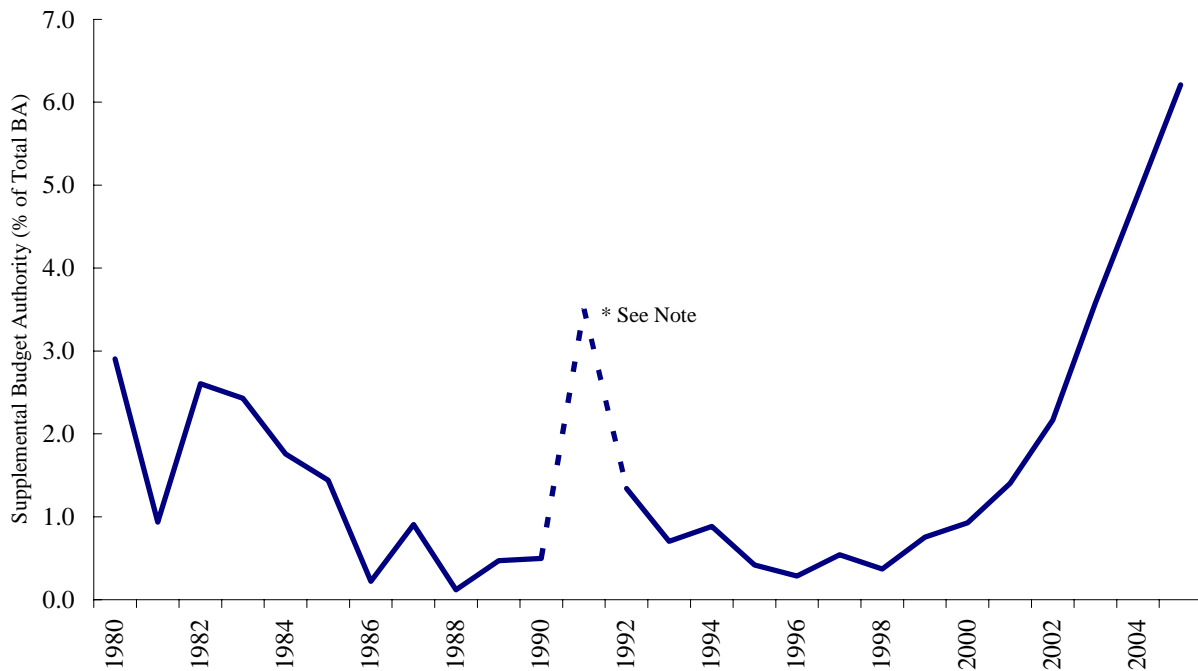


Sources: Congressional Budget Office, "Supplemental Appropriations in the 1970s" (1981), "Supplemental Appropriations in the 1980s" (1990), "Supplemental Appropriations in the 1990s" (2001), and "Supplemental Appropriations from 2000 to 2006" (2005). *Note: Uptrend reflects Supplemental Spending for Desert Storm, the costs for which were repaid through allied burden-sharing.

Figure 1 shows the dollar amount, adjusted for inflation, of supplemental spending between 1980 and 2005.¹² The data shows that supplemental spending increased from \$36 billion in FY1980 to \$143 billion in FY2005. More significantly, the amount of money appropriated through supplementals as a share of total new budget authority has also increased drastically. Figure 2 shows that the amount of new budget authority contained in supplemental appropriation bills increased from over 3 percent of total new budget authority in FY1980 to over 6 percent in FY2005.

Figure 2 also shows that the amount of new spending appropriated through supplementals fell throughout the 1980s. After 1981, it decreases from over 3 percent of total budget authority to 0.1 percent in 1988. The early 1980s were characterized by high inflation and then a severe recession. The recession of 1981 and 1982 increased outlays for unemployment compensation and means-tested transfers to the unemployed. Some of this unexpected spending was funded through supplemental appropriations.¹³ As the economy recovered after 1982, the need to meet unanticipated outlays was removed, and supplemental appropriations fell.

Figure 2: Supplemental Appropriations as a Percentage of Total Appropriations (1981-2005)



Sources: Office of Management and Budget, "President's Budget for Fiscal Year 2007," Historical Tables, Table 5.4.; Congressional Budget Office, "Supplemental Appropriations in the 1970s" (1981), "Supplemental Appropriations in the 1980s" (1990), "Supplemental Appropriations in the 1990s" (2001), and "Supplemental Appropriations from 2000 to 2006" (2005). *Note: Uptrend reflects Supplemental Spending for Desert Storm, the costs for which were repaid through allied burden-sharing.

However, according to the Congressional Budget Office, there is no doubt that the provisions in the Congressional Budget Act of 1974 also contributed to the reduction in supplemental appropriations in the late 1970s and early 1980s.¹⁴ This phenomenon was reinforced throughout the 1980s as Congress and President Reagan agreed that supplemental appropriations should not be considered except for dire emergencies. And during his 8 years in the White House, President Reagan often made credible threats to use his veto powers if non-emergency spending was included in the supplemental bills.

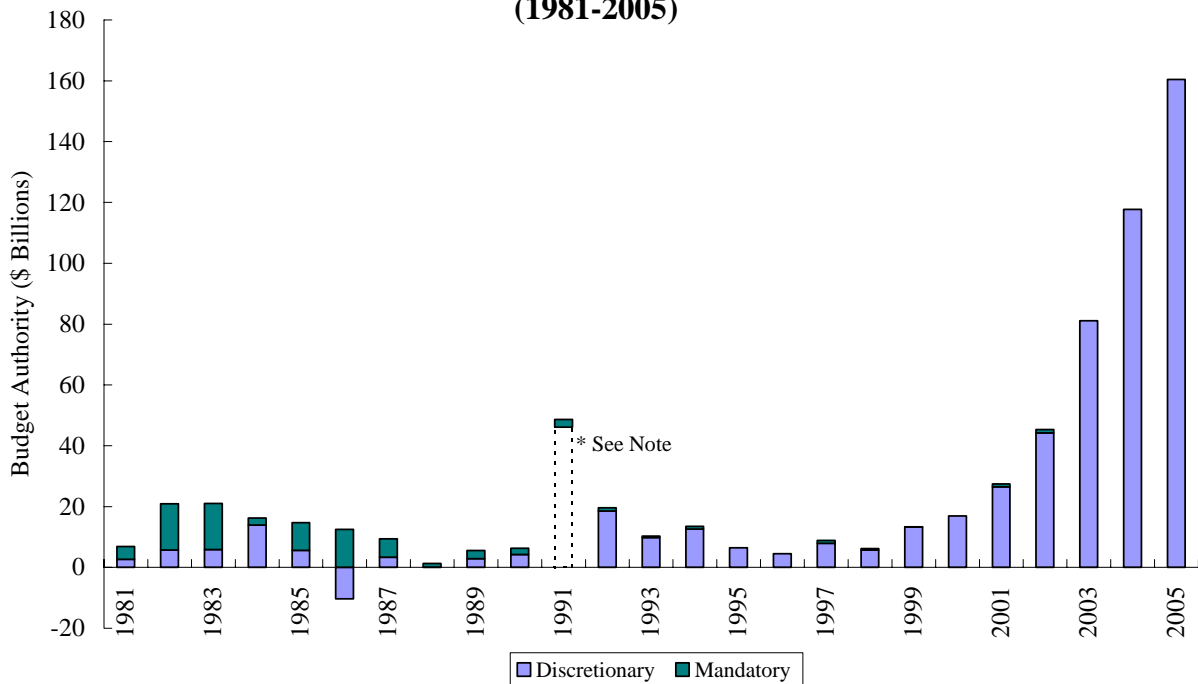
Except for a sharp spike in 1991 to fund the first Gulf War, supplemental appropriations remained below 1 percent of total budget authority throughout most of the 1990s. And according to the Congressional Research Service, most of the cost for the first Gulf War operations was eventually offset over the 1990s by burden-sharing contributions from allied nations.¹⁵ Once adjusted for these payments, supplemental appropriations remained at less than 1 percent of total budget authority in the 1990s.

After 1998, supplemental appropriations began to rise, and after 2002, they started increasing at an even faster rate to meet the funding needs for the wars in Iraq and Afghanistan, and the war on terrorism. By 2005—three years after the September 11th attacks and two years after the start of the war—supplemental appropriations reached an all-time high of 6.2 percent of budget authority. It is important to note that this time around, the United States will not be able to offset any of the war spending with allies' contributions.

Another interesting trend in supplemental spending over the past 25 years is that the major purposes of supplemental appropriations have changed drastically. Figure 3 distinguishes

between discretionary and mandatory supplemental spending. In the 1980s, almost half of supplemental appropriations were for mandatory programs such as unemployment compensation, and the rest was for discretionary spending. One large discretionary item in supplemental appropriations during this time was civilian pay raises.

Figure 3: Discretionary versus Mandatory Supplemental Appropriations (1981-2005)

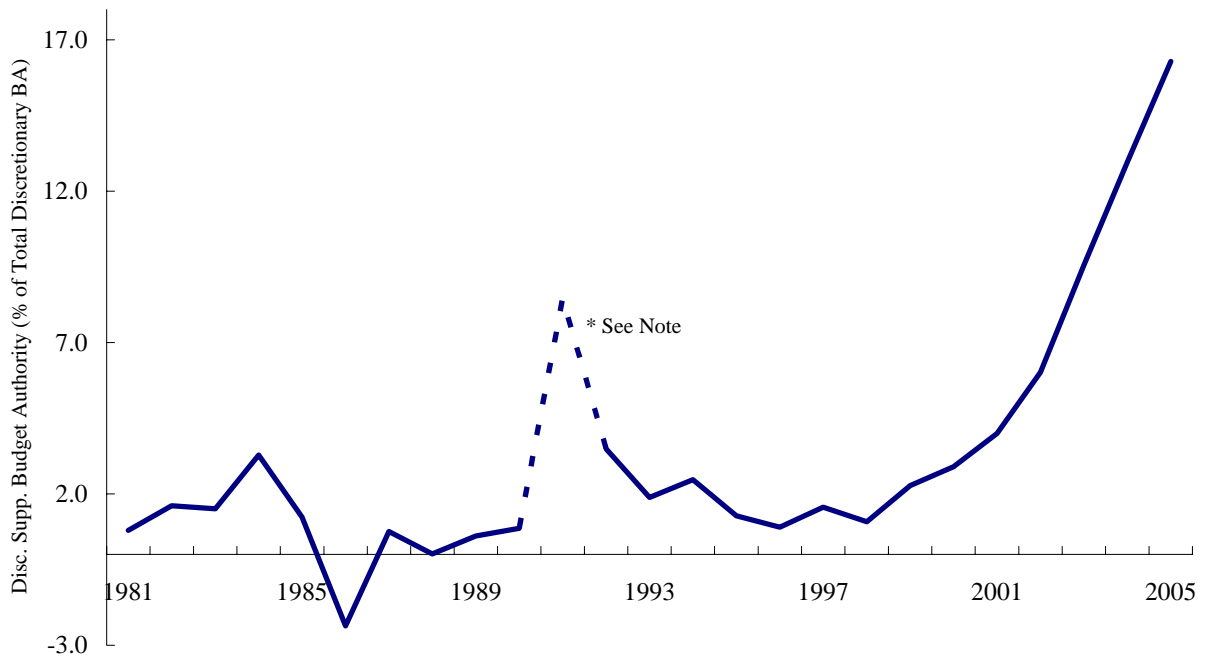


Sources: Congressional Budget Office, "Supplemental Appropriations in the 1980s" (1990), "Supplemental Appropriations in the 1990s" (2001), and "Supplemental Appropriations from 2000 to 2006" (2005). *Note: Uptrend reflects Supplemental Spending for Desert Storm, the costs for which were repaid through allied burden-sharing.

With the end of the recession and high inflation in the early 1990s, and once agencies were required to absorb the full amounts of pay raises, the purposes of supplemental appropriations shifted to funding natural disaster relief.¹⁶ After 1990, close to 100 percent of supplemental appropriations were for discretionary spending (Figure 3).

As a result, the true measure of the increase in supplemental spending is best observed by looking at supplemental spending as a share of new discretionary spending. Figure 4 shows that as a share of discretionary spending, the use of supplementals exploded after 1998. In FY2005, over 16 percent of new discretionary spending was appropriated through supplemental process, a drastic increase from the 0.9 percent level of FY1990.

Figure 4: Discretionary Supplemental Appropriations as a Percentage of Total Discretionary Appropriations (1981-2005)



Sources: Office of Management and Budget, "President's Budget for Fiscal Year 2007," Historical Tables; Congressional Budget Office, "Supplemental Appropriations in the 1970s" (1981), "Supplemental Appropriations in the 1980s" (1990), "Supplemental Appropriations in the 1990s" (2001), and "Supplemental Appropriations from 2000 to 2006" (2005). *Note: Uptrend reflects Supplemental Spending for Desert Storm, the costs for which were repaid through allied burden-sharing.

This increase should also be considered in the context of a lack of offsets for supplemental spending. Table 1 shows the trend in supplemental appropriations and rescissions since 1981.

Fiscal Years	Total Supplemental Appropriations	Total Rescissions	Percent of Supplemental Appropriation Rescinded (nominal)	Percent of Supplemental Appropriation Rescinded (present value)
1981-1985	\$103.3	\$23.2	22.4 percent	25.5 percent
1986-1990	\$38.6	\$15.7	40.7 percent	43.5 percent
1991-2002	\$206.6	\$55.2	26.7 percent	27.0 percent
2003-2005	\$360.8	\$1.6	0.4 percent	0.4 percent

Source: Congressional Research Service, "Supplemental Appropriations: Trends and Budgetary Impacts Since 1981," RL33134, 2 November 2005.

According to the Congressional Research Service, since FY1981, an average of 36 percent of supplemental appropriations was offset by rescissions.¹⁷ After FY2002, only 0.4 percent of supplemental appropriations was offset through rescissions. Even though some argue that the

offsetting rescissions were merely budget authority that was unlikely to have ever been spent, the fact is that since FY2002, no real attempt has been made to offset supplemental appropriations.

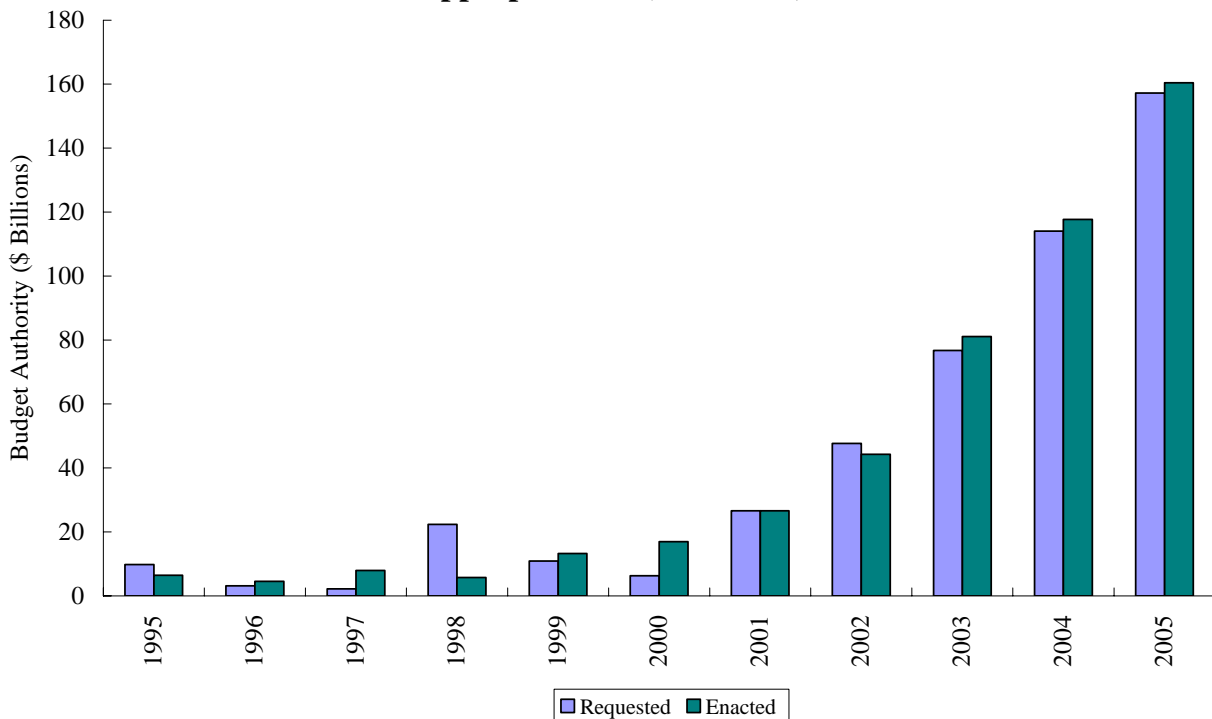
This lack of offsets has had a significant budgetary impact. The Congressional Research Service notes that “had supplemental appropriations been fully offset since 1981, federal debt held by the public could have been reduced by 18 percent or \$830 billion.”¹⁸ The report adds that, if just 25 percent of the supplemental appropriations in FY2003 through FY2005 had been offset (the average offset for previous years), the federal debt held by the public would have been reduced by over 1 percent or almost \$65 billion.¹⁹ This is no small change.

3.2. Who’s to Blame?

The current government is certainly profligate, but the increased use of supplementals began during the final Clinton years. As explained earlier, after 1998, supplemental appropriations began to rise as the federal budget began running surpluses. An interesting question is whether Congress or the White House was responsible for the increase in supplemental spending.

One way to assess responsibility for supplemental spending increases is to compare Presidential requests for discretionary supplemental spending to that actually approved by Congress (Figure 5). Note that between FY1995 and FY2001, President Clinton was in the White House and the Republicans controlled Congress, while since FY2002, Republicans have controlled both Congress and the White House.

Figure 5: Requested versus Enacted Discretionary Supplemental Appropriations (1995-2005)



Sources: Congressional Budget Office, "Supplemental Appropriations in the 1990s" (2001) and "Supplemental Appropriations from 2000 to 2006" (2005).

With few exceptions, Congress has systematically enacted more supplemental spending than the President has requested. Between FY1994 (President Clinton's first budget request) and FY2001, supplemental spending remained relatively small even though it started increasing in size after 1998. Beginning in FY2002 (President Bush's first budget request), a different pattern emerged. Each year, President Bush has proposed larger supplemental bills, and with the exception of FY2002, the Republican Congress has enacted even larger ones. Between FY2002 and FY2005, enacted supplemental spending was \$7.9 billion higher than the spending proposed by President Bush. By contrast, between FY1994 and FY2001, actual spending approved by Congress ended up \$700 million less than the spending proposed by President Clinton.

These trends suggest that both the President and Congress share the blame for the recent large increases in supplemental spending. For example, President Bush requested roughly \$157 billion in supplemental spending last year (FY2005)—a 36 percent larger supplemental request than the previous year—and actual spending was about \$160.4 billion.

Section 4: Supplemental Bills Are Enabling a Spending Explosion

In recent years, the use of supplemental spending bills has increased drastically. This increase in supplemental spending is part of a significant boost in the overall size of government. Since FY2002, the Bush administration, aided by a willing Congress, has been responsible for a massive expansion in the federal budget. As a result, total outlays have risen from 18.5 percent of gross domestic product in FY2001 to 20.8 percent by FY2006.²⁰ Recent annual increases in federal spending have been much higher than during the 1990s—sometimes as much as three times higher. In FY2006, total outlays will be up a remarkable \$850 billion from FY2001, when President Bush first came into office.²¹

A close look at the data and the trends in supplemental spending reveals how supplementals have enabled lawmakers to increase overall spending.

4.1. The Emergency Loophole

At the heart of the problem is the concept of an emergency. As explained earlier, emergency bills are given special exceptions from budgetary rules designed to restrain spending. The OMB has set the following five criteria for emergency spending:

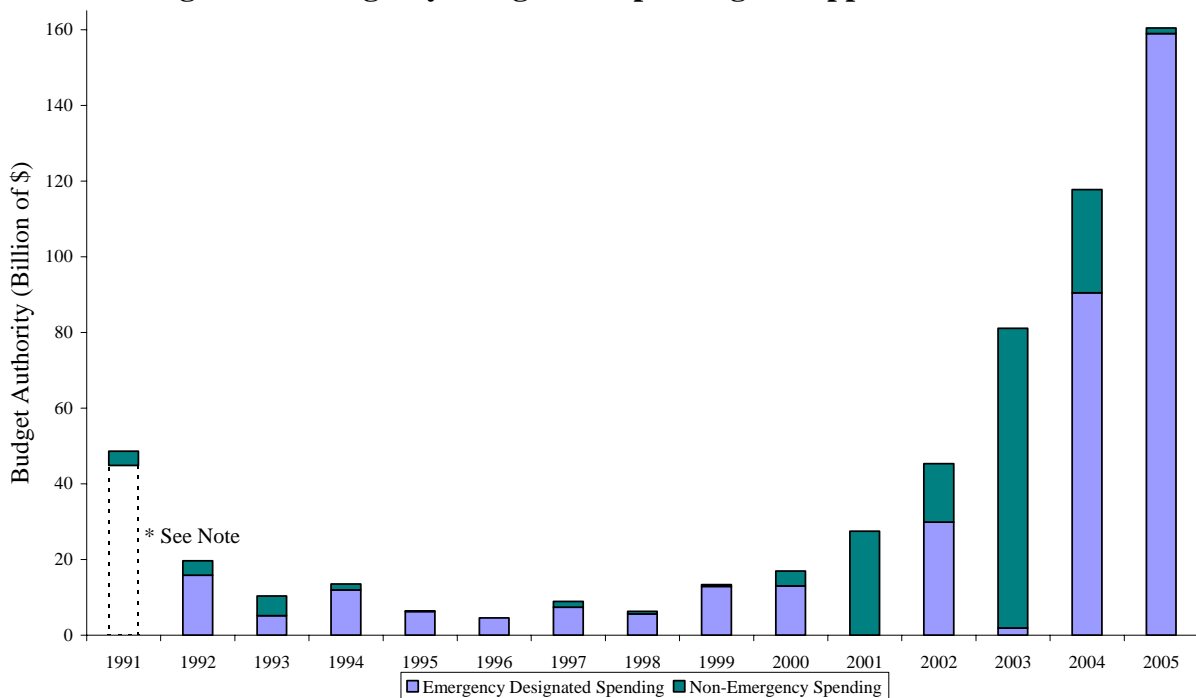
- Necessary expenditure: an essential or vital expenditure, not one that is merely useful or beneficial;
- Sudden: quickly coming into being, not building up over time;
- Urgent: pressing and compelling need requiring immediate action;
- Unforeseen: not predictable or seen beforehand as a coming need (an emergency that is part of an aggregate level of anticipated emergencies, particularly when normally estimated in advance, would not be “unforeseen”); and
- Not permanent: the need is temporary in nature.

Proposals to incorporate these criteria into law have not been successful, but this general language is typically included in the annual budget resolutions. Committees must explain how

any proposed emergency legislation meets the criteria. The Republican staff of the Senate Budget Committee notes, however, that “[t]o date, this requirement has been ignored.”²²

Indeed, the emergency designation does not depend on this requirement being fulfilled, nor does it depend on any evaluation of whether the criteria are met.²³ The only enforcement is a point of order rule, which is rarely invoked. In recent years, lawmakers have increasingly abused their power in funding emergency spending bills. According to the Congressional Research Service, “emergencies” have recently reached an all time high, with emergency appropriations in FY2004 and FY2005—\$115.6 billion and \$164.2 billion, respectively—accounting for 62 percent of the total for the last ten years.²⁴

Figure 6. Emergency Designated Spending in Supplemental Bill



Sources: Congressional Budget Office, "Supplemental Appropriations in the 1980's" (1990), "Supplemental Appropriations in the 1990's" (2001), "Supplemental Appropriations from 2000 to 2006" (2005); Congressional Research Service, "Emergency Spending," Memorandum to Sen. Tom Coburn (2006). *Note: Uptrend reflects Supplemental Spending for Desert Storm, the costs for which were repaid through allied burden-sharing.

Figure 6 shows the trend in emergency-designated and supplemental spending since 1991. Not all emergency-designated spending is appropriated through supplemental bills; some goes through the regular appropriations process. For instance, in December 2005, \$50 billion of emergency funds for Hurricane Katrina relief was added to a defense appropriations bill. That is, the spending was designated as emergency but was appropriated through the regular process.

Furthermore, not all supplemental spending is designated emergency spending—but a large share is. With the exception of FY2003, the great majority of supplemental spending each year has been designated as emergency spending (Figure 6). The recent increased use of emergency spending has allowed lawmakers to exempt a growing amount of money from budget limits. And supplemental bills are the main vehicle for this increased emergency spending.

Relying on supplemental funds instead of regular appropriations for emergencies is problematic. Supplemental budget requests include much less detail about how the money will

be spent. While some flexibility is important to be able to respond to unpredictable emergency needs, there is, as analyst Christopher Hellman (2005) notes, “a fine line between ‘flexibility’ and ‘carte blanche.’”²⁵ Too much flexibility effectively gives the departments and agencies of the Executive Branch a “blank check.”²⁶

Another difference between supplemental and regular appropriations is that supplementals tend to move through Congress more quickly. The argument is that the money needs to be made available as soon as possible, but on the other hand, the expedited process—combined with the lack of detail in supplemental budget requests—leaves little room for Congressional review. As Senator John McCain has complained, the emergency supplemental process “removes from [Congress’] oversight responsibilities the scrutiny that these programs deserve.”²⁷

The political effect of the word “emergency” is to increase public pressure for quick passage of the bill. In this charged atmosphere, effective oversight is even more important, yet the “emergency” label actually weakens congressional oversight. No member wants to vote against emergency aid money aimed at supporting U.S. troops in Iraq or helping victims of the devastated Gulf region.

4.2. Using Supplementals to Increase Spending Across the Board

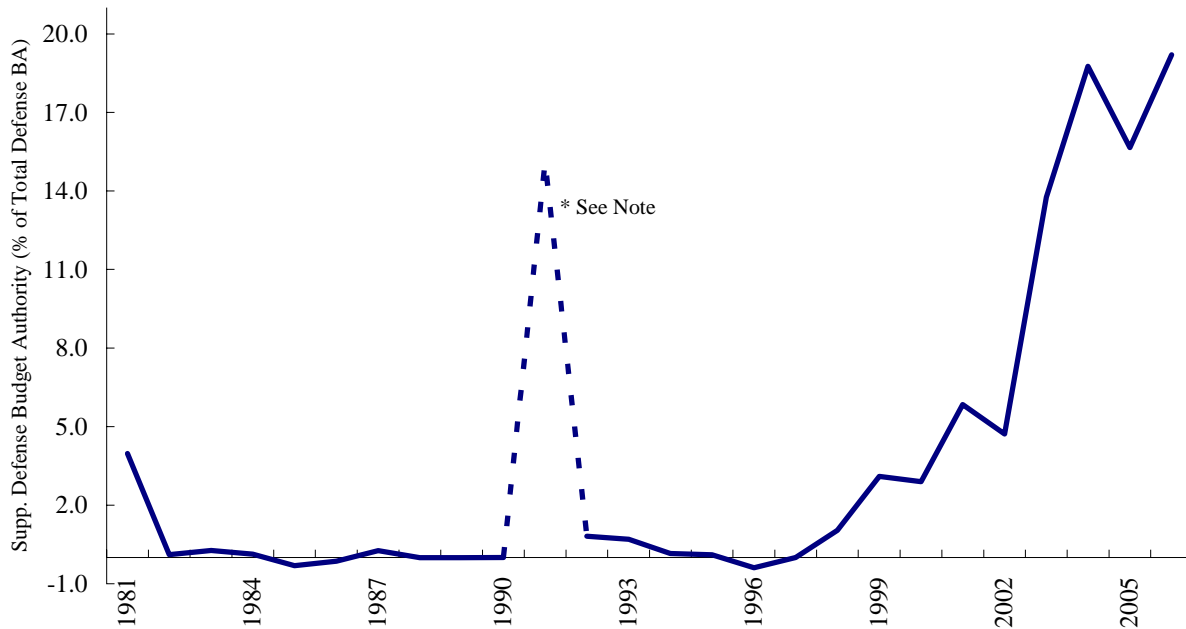
Supplemental spending is increasingly used to go around budget caps to increase overall spending.

Defense Spending

In the last few years, many have criticized using only emergency supplemental appropriations to fund U.S. operations in Iraq and Afghanistan instead of the regular appropriations process. For instance, the FY2007 defense budget request submitted by the President in February 2006 did not include funding for the military operations and covered only the Department of Defense’s normal peacetime funding requirements (the budget request was \$439 billion).²⁸ Just few weeks later, the administration submitted a \$67.6 billion supplemental FY2006 budget request to Congress for Operation Iraqi Freedom and Operation Enduring Freedom.²⁹ In June 8, Congress agreed to provide \$65.8 billion in emergency supplemental appropriations for the military operations in FY2006.³⁰

Figure 7 shows the percentage of defense spending appropriated via supplementals since 1981. It demonstrates that in spite of the Cold War in the 1980s, most defense spending went through the regular appropriations process, not supplementals, until recently. Once we account for the offsetting contributions from American allies during the first Gulf War, it is clear that very little defense spending came from supplemental appropriations.

Figure 7: Supplemental Defense Appropriations as a Percentage of Total Defense Appropriations (1981-2006)



Sources: Office of Management and Budget, "President's Budget for Fiscal Year 2007," Historical Tables; Congressional Budget Office, "Supplemental Appropriations in the 1980s" (1990), "Supplemental Appropriations in the 1990s" (2001), "Supplemental Appropriations from 2000 to 2006" (2005). *Note: Uptrend reflects Supplemental Spending for Desert Storm, the costs for which were repaid through allied burden-sharing.

In 1998, however, things started to change. The share of new defense spending appropriated through supplementals increased from 1 percent in FY1998 to a projected 19.2 percent in FY2006.³¹ The FY2006 projection includes the \$66 billion House and Senate negotiators agreed upon for defense spending in H.R. 4939. It also includes the \$50 billion in additional Department of Defense funds for Iraq that are in an extra title of the regular defense appropriations act.

A key issue is whether, three years into the Iraq war, Congress should continue to fund military operations in Iraq and Afghanistan primarily with supplemental appropriations. The administration argues that supplemental bills have the advantage of being prepared closer to the time when the funds will be used, allowing for a more accurate assessment of needs and quicker access to the funds. In addition, to ensure that the increased defense spending doesn't become a permanent feature of the budget, the cost of the wars needs to be kept out of the regular appropriations process.³²

Critics of the supplemental funding strategy argue that the monthly cost of the wars can easily be predicted and planned for. In particular, Thomas Donnelly, a resident fellow in defense and security policy studies at the American Enterprise Institute, points out that one of the largest expenditures in the supplementals is the salaries and benefits of Army National Guard personnel and reservists called to active duty.³³ These costs are by no means unpredictable and sudden. They therefore belong in the regular defense budget and not in an emergency supplemental.

According to the Congressional Research Service, while the initial funding for most conflicts—including World War II, the Korean War, the Vietnam War, and the first Gulf War—

has generally been provided through supplemental appropriations, the precedents for later funding are mixed.³⁴ For instance, the Korean War was funded mainly with supplementals, but World War II and the Vietnam War relied on both supplemental and regular appropriations. The report stresses the fact that during the Vietnam War, President Johnson requested funds in regular appropriations bills, “even though troop levels were in flux and the duration of the conflict could not be foreseen.”³⁵

More recently, Congress decided in FY1996 to include all funding for operations in Southwest Asia in regular appropriations bills rather than supplementals. In addition, it directed the administration to request funding for ongoing military operations in the regular defense budget. In the FY1997 defense budget and later requests, President Clinton complied with Congress’s directive, and military operations in Southwest Asia, Bosnia, and Kosovo received funding in the regular appropriation process.³⁶

Today, the most likely explanation for funding the cost of the wars in Iraq and Afghanistan through supplementals rather than regular appropriations has little to do with military strategy. Rather, it has everything to do with the fact that supplementals are not included in calculations of the federal budget deficit. In particular, the use of supplementals to fund the war must be placed within the context of the exponential growth in regular military appropriations since President Bush took office in 2001. His proposed military budget for FY2007 is 48 percent greater than the military budget for FY2001. It is likely that the President would have never been able to request, a 7 percent hike in Pentagon spending for FY2007 if he had had to include the cost of the war in his budget request.³⁷

As a Defense News editorial speculates, “[T]he White House [is] using the supplemental as a thinly veiled political attempt to keep the public from lapsing into sticker shock, and so, losing support for the war.”³⁸ In other words, supplementals are a successful funding mechanism for long and painful wars.

Unfortunately, in recent years, war supplementals have also been increasingly used to fund non-emergency defense items that are not even related to ongoing conflicts. For instance, Christopher Hellman (2005), a defense analyst at the Center for Arms Control and Non-Proliferation, tracked down non-emergency programs that were not funded or were underfunded in the FY2006 Pentagon request and ended up being financed via supplemental appropriations.³⁹ The Army’s “Top-Line” budget was actually decreased, while funding for other services and other branches of the military were increased. The Army’s Operations and Maintenance Account was “woefully underfunded” in the FY2006 budget request. Not funded at all were the Army’s 30,000-troop increase, the Marine Corps’ 3,000-troop increase, and the Air Force’s purchase of 13 Predator Unmanned Aerial Vehicles. All were later funded through supplemental bills.

The main benefit of this practice is to allow the Pentagon to grab a larger budget than it otherwise would. According to Hellman, even the military admits that it is funding non-emergency programs through the supplemental. Army Chief of Staff General Peter Schoomaker, testified before the Senate that the Army preferred to fund 30,000 additional troops through supplementals because if they included the necessary funds in the annual budget request, they “would have to displace other things that are too important to us as we transform -- equipment and other readiness issues. So the department has elected to do it with supplemental funding since we have the options to do so.”⁴⁰ By funding some items through supplemental appropriations, it is possible to boost other parts of the defense budget.

What’s more, Congress has also used defense supplemental appropriations to boost non-defense spending in the regular appropriations process. For instance, by trimming the

Administration's defense spending request and instead relying on supplementals, Congress frees up those amounts for non-defense appropriations.⁴¹ Brian Riedl, a budget analyst at the Heritage Foundation, explains that "The common usage of defense supplemental bills has increased non-defense spending as well. Lawmakers now try to shift budget resolution funds from defense to domestic programs, knowing that these defense funds can be replenished by adding to the next supplemental bill."⁴²

For instance, in early May 2006, House Appropriations Chairman Lewis asked that \$6 billion from proposed defense increases be shifted to boost domestic programs.⁴³ The money would be used in part to erase almost \$4 billion in cuts proposed for programs funded in the FY2007 Labor-HHS measure, bringing funding back to its FY2006 level.⁴⁴ Many more examples like this one can be found.

Unfortunately, these appropriations practices do more than just add spending to an already bloated budget. Donnelly argues that "[r]elying so heavily on supplemental funding distorts the Defense Department's priorities and perverts proper planning." Shifting some of the annual emergency appropriations to the Defense Department's regular budget would "reduce much of the uncertainty that now plagues the Pentagon" and facilitate modernization and transformation.⁴⁵

Nondefense spending

Moreover, the same supplemental spending issues apply almost equally to nondefense spending. In recent years, an ever larger share of nondefense spending has been funded through the supplemental process. According to George Krumhaar (2006), "Although *non*-defense supplemental spending has been irregular, the numbers for FY2005 plot out in a similar fashion as the defense sector: At \$81.2 billion in 2005, non-defense discretionary supplementals stood at 16.1 percent of total non-defense discretionary appropriations."⁴⁶

Because most supplementals do not count against House and Senate budget limits, Congress has used them to get around the Bush Administration's recent request that the growth in non-defense, non-homeland-security budget authority be seriously limited. An increasing amount of non-emergency non-defense programs find their way to supplemental appropriations bills. This tendency leads to a higher overall spending level.

The best example of Congress's propensity to stuff supplemental bills with non-defense, non-emergency items can be found in the emergency supplemental appropriations bill passed by the Senate to fund the war in Iraq and Hurricane Katrina relief in May 2006. This \$109 billion bill-- contained, among other things:

- \$4 billion farm subsidy bailout (even as farm incomes soar);
- \$594 million for national highway projects, including a project as far away as Hawaii;
- \$1.1 billion for fisheries assistance;
- \$2.3 billion for combating the Avian flu

On June 8, House and Senate negotiators struck a deal and agreed on a FY2006 \$94.5 billion fiscal 2006 supplemental spending bill. The final version of the bill is in line with the amount requested by the President earlier in March. As mentioned earlier \$65.8 billion of that amount will be going to the Department of Defense. The rest will account for a large share of the FY2006 nondefense supplemental spending. The bill contains \$19.8 billion for disaster relief efforts, including \$3.7 billion for the Army Corps of Engineers' flood control and levee repair

projects, \$6 billion for the Federal Emergency Management Agency's Disaster Relief Fund, \$5.2 billion for the Community Development Block Grant program, \$550 million for a veterans medical facility in Louisiana, and \$500 million for agriculture assistance (that's a \$3.4 billion decrease compared to the Senate-passed supplemental).⁴⁷ It also includes \$4 billion for the State Department and foreign aid and \$2.3 billion for pandemic flu preparations.⁴⁸ The bill endorses the president's recent request of \$1.9 billion for border security initiatives with \$1.2 billion going to Homeland Security and \$708 million for the National Guard.⁴⁹

In the end, most of these items—earmarks or not—shouldn't qualify as emergency spending and should have been funded through the regular appropriations process. In fact, most hurricane relief efforts could be funded through the regular appropriations process. To be sure, a federal response through the supplemental appropriations process is appropriate for disasters of the largest magnitude—such as last year's Hurricanes Katrina and Rita, which led to unexpected levels of devastation. However, as unpredictable as natural disasters are, a large part of it is predictable. For instance, hurricane season is a predictable event. It happens every year at the same time and devastation costs can roughly be predicted.

The federal government should start planning for these predictable costs instead of systematically funding them after the fact through supplementals. Almost all states have budget stabilization funds, also known as "rainy day funds." When times are good, states deposit tax revenues in these funds. When the economy takes a downturn, states can then withdraw funds for short-term fiscal relief. In some cases, states allow the rainy day funds to be tapped for disaster relief.⁵⁰

In addition, most states maintain separate emergency accounts specifically for natural disasters. These accounts are funded by annual appropriations, and in the case of emergency, the money is directed to relief. Typically, though, the amount allocated to emergency accounts—ranging from several hundred thousand to several hundred million dollars—is not enough to respond to a large-scale disaster. In fact, the amount allocated is not based on historical evidence of disaster costs. The intent is simply to have some money to start recovery efforts immediately. Generally, if more money is necessary, then the legislature will pass supplemental appropriations, or count on federal assistance.

According to James Blum, a former CBO deputy director, at the federal level there are two options for "prepaying" for disaster relief: 1) via the regular appropriations process, appropriate the average or expected need for each disaster program, or 2) make annual payments to a reserve account, or "rainy day fund."⁵¹ Citizens Against Government Waste, for instance, has suggested that Congress require federal agencies to set aside 1 percent of their annual budgets for emergencies.⁵²

Unfortunately, these recommendations have never been enacted. As a consequence, somewhat predictable hurricane costs are being funded through the supplemental process. That, along with other non-emergency spending channeled through supplementals, has enabled Congress to avoid complying with budget limits and has increased spending significantly.

4.4. More Earmarks

Supplemental and emergency appropriations are not subjected to the same kind of budget discipline as other appropriations. Because of a serious lack of congressional oversight and the fact that supplemental bills will almost always be signed by the President, they attract earmarks and other projects that wouldn't be funded on their own merits.

For instance, in April 2003, Congress passed the \$78.5 billion War Supplemental Appropriations Act. It included 29 unrelated projects totaling \$348 million. Included in the supplemental bill was \$110 million for the National Animal Disease Center in Ames, Iowa. Also, the \$82 billion Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief, 2005 (H.R. 1268) was supposedly passed to help the countries affected by the Asian tsunami and to help with the War on Terror. According to Citizens Against Government Waste, Congress added \$1.13 billion for projects that had nothing to do with either objective, including \$55 million for wastewater treatment in Desoto County, Mississippi, and \$25 million for the Fort Peck Fish Hatchery in Montana.⁵³ And while the first two emergency supplementals passed by Congress and signed into law in the immediate aftermath of Katrina were free of unrelated projects that didn't last.

The recent agreement reached by lawmakers on June 8 on supplemental spending for the war and hurricane relief includes numerous earmark project funds.⁵⁴ For instance, it provides \$30.4 million for Sacramento levee repairs.⁵⁵ Other earmarks in the bill include \$176 million for the construction of a new Armed Forces retirement home in Mississippi and \$140 million for infrastructure improvements for Gulf Coast shipyards. The bill also provides \$150 million for the National Oceanic and Atmospheric Administration. And it increases the funding for the federal highway emergency relief program. The final figure is \$702 million, up from the \$594 million contained in the original Senate bill.⁵⁶

Included here is a short and non-exhaustive list of some of these items found in some of the supplemental bills from the last 3 years.

- \$61 million for claims resulting from the Cerro Grande fires
- \$9.7 million for a tree assistance program to compensate eligible orchardists for tree losses
- \$20 million to fight Mormon cricket infestation in Idaho, Nevada, and Utah incurred since January 1, 2000, in Michigan
- \$1 million for the Geisinger Health System to establish centers for excellence for the treatment of autism in Harrisburg, Pennsylvania
- \$500,000 for the Ohio Alliance Community Center for the Deaf in Worthington, Ohio
- \$5,000,000 for State and Tribal Wildlife Grants
- \$19.3 million for education and human resources for the National Science Foundation
- \$22.7 million for a Capitol power plant
- \$15 million for the Equal Employment Opportunity Commission
- \$9 million for the operation of the National Park Service system
- \$2 million for State and Tribal Wildlife Grants
- \$40,140,000 for Capitol police buildings and grounds
- \$3,300,000 for the European Communities with regard to the European Communities music listening dispute
- \$231,000 for DAIKON Lutheran Social Ministries of Allentown, Pa. for abstinence education and related services
- \$35 million for grants to address drinking water and infrastructure needs in rural and native Alaskan communities
- \$104.5 million for the Emergency Watershed Protection Program
- \$35 million for wastewater infrastructure in De Soto County, Mississippi

- \$5 million for the Fort Peck Fish Hatchery in Montana
- \$27.6 million for the Architect of the Capitol to deal with recent problems related to steam tunnels and asbestos exposure
- \$10 million for the National Institute of Occupational Safety and Health to research and develop mine safety technology
- \$176 million for the construction of a new Armed Forces retirement home in Mississippi
- \$140 million for infrastructure improvements for Gulf Coast shipyards

Conclusion

Republicans often claim to be the party of smaller government. Many Republicans would express support for Ronald Reagan's observation: "Growth, prosperity and ultimately human fulfillment, are created from the bottom up, not the government down."⁵⁷ Unfortunately, after Republicans are elected to political office they tend to fall into the Washington trap of assuming that higher federal spending will solve the nation's problems. Since FY2002, Republican lawmakers have been responsible for a massive \$920 billion expansion in the federal budget.

A close look at the data and the trends in supplemental spending reveals how these "budget cap exempt" bills have enabled lawmakers to explode overall spending especially after FY2002. The data for instance shows that while supplemental appropriations remained at less than 1 percent of total budget authority in the 1990s they began to rise after 1998 to reach an all-time high of 6.2 percent of budget authority in FY2005.

Supplemental bills have become the tool of choice for Congress and the Administration to avoid caps set by annual budget resolutions and to increase spending across the board. In addition, because these appropriations are not subjected to the same kind of budget discipline as other appropriations and a serious lack of congressional oversight, they have become a magnet for pork and other projects that wouldn't be funded on their own merits.

It is essential then to address the supplemental spending shell game that Capital Hill and the White House have been playing for years. Some simple reforms would achieve that goal. As a matter of principle, Congress should be forced to sign a supplemental pork free pledge to prevent special interest projects from creeping into emergency spending bills. More importantly, it should set criteria for what constitutes an emergency and require a house Budget Committee vote to increase spending limit beyond the ones set in the budget resolution. Finally, a federal rainy day fund should be created for an emergency occurs. Several states have successfully adopted that system.

The first step in restoring Republicans' credibility as fiscally responsible would be to rid themselves of using supplementals.

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