

What's the Emergency?

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Rarely does a fiscal year pass without some type of emergency requiring a response from the federal government. When a disaster strikes, lawmakers need prompt access to federal funds, which is provided by the supplemental spending process. In theory, supplemental bills fund programs that cannot wait until the next appropriations cycle or programs whose authorizations were just enacted or renewed.

Recently, however, serious concerns have emerged about the nature and size of supplemental appropriations bills. Once a small blip among federal outlays, emergency spending exploded after 2002 when the Republican Congress let a key legislative restriction on their use expire. In May 2007, for instance, President Bush signed into law the biggest supplemental bill in history, \$120 billion, to fund military operations in Iraq and Afghanistan and pay for hurricane recovery and agriculture-disaster relief at home. As this goes to press in the late spring of 2008, there is talk that this year's supplemental could be as much as \$193 billion. By contrast, the average annual amount of emergency supplemental spending in the 1990s —

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a decade that saw interventions in Iraq, Somalia, Haiti, Bosnia, and Kosovo — was just \$13.8 billion.

The government's appetite has no limits. To that end, supplemental bills have become the tool of choice for Congress and the White House to avoid budget caps designed to promote fiscal responsibility, resulting in dramatically increased government spending.

BUDGET RULES While the regular appropriations process does include some emergency funding, the majority of emergency funding goes through the supplemental process. However, not all spending in a supplemental bill is for emergencies; the bills often contain both emergency and non-emergency appropriations.

In Fiscal Year 2006, \$165 billion of federal spending received an emergency designation. Emergency allocations in the regular appropriations process accounted for \$70 billion. The remaining \$95 billion came through the supplemental process and formed almost the entire total of FY 2006's \$96 billion in supplemental spending.

The distinction between emergency and non-emergency funding is important because normal budget controls do not constrain emergency-designated funds. Until recently, the Bud-

get Enforcement Act of 1990 (BEA) regulated emergency and supplemental appropriations. Under BEA rules, emergency-designated spending was given special exceptions from budgetary rules designed to restrain spending. For instance, emergency requests were exempted from pay-as-you-go rules that required across-the-board cuts in spending if the sum of the proposed new spending and revenue measures increased the deficit. Also, emergency bills were exempted from spending caps limiting budget authority and outlays for discretionary spending.

However, because emergency requests lack the usual detail used to justify the federal government's annual budget request, the BEA also strongly suggested that the emergency exemption only be used in case of dire emergency and that as much funding as possible be offset with rescissions.

In FY 2002, the president and Congress allowed the BEA to expire and they relaxed the dire-emergency and offset rules. In theory, supplemental bills are still subject to budget caps unless Congress makes an exception. However, since 2002, the exception has become the rule.

Since 2002, the budget resolution has exempted from the budget rules "appropriations for contingency operations directly related to the global war on terrorism, and other unanticipated defense-related operations." In addition, Congress rarely places limits on the amount it may spend above the budget caps.

During the last 25 years, single supplemental bills net of rescissions have varied in size from a low of \$1.3 billion in FY 1988 to a high of \$120 billion in FY 2007. But supplemental spending as a share of total discretionary spending gives a true measure of its increase. Since 1991, nearly all supplemental

appropriations have gone toward discretionary spending.

As indicated in Figure 1, the trend is striking. Except for a sharp spike in 1991 to fund the first Gulf War — which was largely offset later — emergency appropriations remained a very small share of new discretionary spending — less than 3 percent — through most of the 1990s. Compare that to 2007, when Congress appropriated over 14 percent of all discretionary spending through the supplemental process.

Moreover, the data show that after the expiration of the BEA, the amount of supplemental appropriations offset by rescissions dropped significantly from 40 percent to only 0.4 percent. This has a serious cost. According to the Congressional Research Service, if just 25 percent of the supplemental appropriations in FY 2003 through FY 2005 had been offset, the offset would have reduced the federal debt held by the public by over 1 percent, or almost \$65 billion.

SPENDING EXPLOSION Today, the White House and Congress use supplemental spending to circumvent budget caps in order to increase overall spending. 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. However, Congress has never defined the term "emergency" specifically other than to say that they must be necessary, sudden, urgent, unforeseen, and temporary.

Lawmakers have used this loophole to fund many non-emergency items through emergency bills instead of using regular appropriations. For instance, most of the cost of the wars in Iraq and Afghanistan — approximately \$900 billion through

the end of 2008 — has been funded through supplemental bills — effectively on top of the Pentagon's regular budget. While the costs of the wars may be necessary and not permanent, they are by no means sudden or unforeseen.

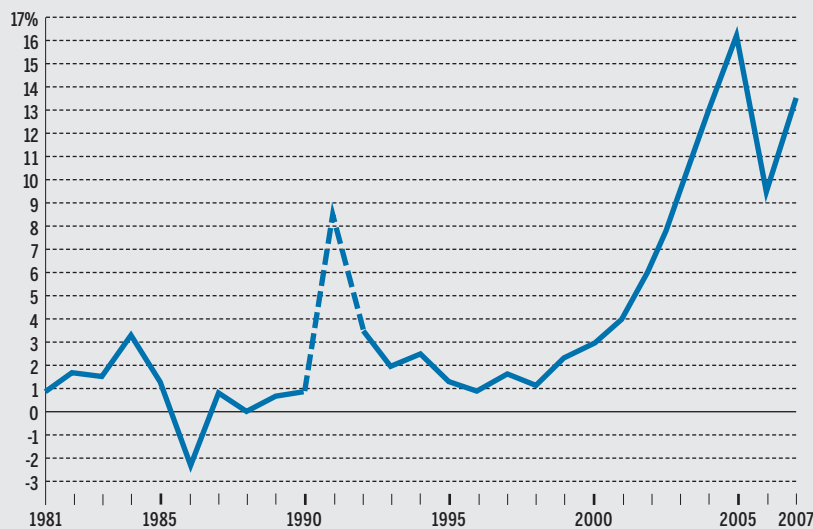
During conflicts in Korea, Vietnam, the Persian Gulf, and Bosnia, supplemental funding was used only initially to finance U.S. military operations. Thereafter, as soon as even a limited and partial projection of costs could be made, the administrations in power during those conflicts funded ongoing military operations through regular appropriations bills. Although clearly capable of projecting costs in Iraq, the current Bush administration has chosen instead to ignore historical precedent.

Not that Congress minds. Lawmakers use the emergency gimmick to increase non-war spending. By transferring some defense spending from the regular Department of Defense budget to an emergency-designated supplemental bill, lawmakers free up space under the spending caps. That allows them to increase defense and non-defense spending in the regular budget.

The latest war bill included 17 transfers,

Figure 1

Discretionary Supplemental Appropriations as a Percentage of Total Discretionary Appropriations (1981–2007)



SOURCES: Author's calculations based on the Office of Management and Budget's "President's Budget for Fiscal Year 2007" historical tables and the Congressional Budget Office's reports "Supplemental Appropriations for the 1970s," "Supplemental Appropriations for the 1980s," "Supplemental Appropriations for the 1990s," and "Supplemental Appropriations from 2000 to 2007."
NOTE: The 1990–1991 uptrend reflects supplemental spending for Desert Storm. Contributions from allied nations repaid those costs.



totaling almost \$800 million, from peacetime budgeting to “emergency” war spending. The transferred money freed the Pentagon to buy one F-15E fighter-bomber (\$65 million), two Littoral Combat Ships (\$440 million), and hundreds of other, smaller purchases. Because most of the regular budget’s procurement accounts have similar gimmicks, Pentagon-watchers say that emergency transfers add up to tens of billions of dollars, allowing the Defense Department to boost other parts of its budget in equal share.

President Bush shares some of the blame. His latest emergency war request included many non-emergency items, some not even related to war. According to a document released by the Senate Budget Committee, \$4.2 billion of the \$196 billion supplemental does not have anything to do with Iraq or Afghanistan, including \$500 million for six electronic warfare planes — neither Iraqi insurgents nor Al Qaeda has an air force or radar — and \$400 million for two developmental aircraft that will not see service until 2013.

An ever-greater number of non-emergency, non-defense programs are finding their way into emergency war bills, increasing overall government spending while avoiding the usual consequences.

The most recent supplemental bill, signed by the president in June 2007, contained \$24 billion in non-emergency spending, including \$120 million for the shrimp and menhaden fishing industries, \$283 million for the Milk Income Loss Contract program, \$60.4 million for salmon fisheries, \$100 million for California citrus growers, \$50 million for asbestos

mitigation at the U.S. Capitol plant, \$1 billion for avian flu, and \$1 billion for NASA.

Also, it has become routine for lawmakers to shift budget-resolution funds from defense to domestic programs, knowing that additions to the next supplemental bill can replenish the defense funds. For instance, in May 2006, then-chairman of House Appropriations Jerry Lewis (R-Calif.) asked that his fellow lawmakers shift \$6 billion of proposed defense increases to erase almost \$4 billion worth of cuts in domestic programs.

CONCLUSION Congress has several options that would fix the current process and stop the abuse. The best one would be to stop exempting emergency spending from budget rules. That means that supplemental spending — whether an emergency or not — should be offset with funding cuts in low-priority programs and should also be

included in deficit accounting. If that option is not available, another would be to retain the emergency exemption but establish specific criteria for designating spending as “emergency.” A third would be to retain the emergency exemption while requiring a supermajority vote of Congress to approve emergency spending. The final option would be to create a reserve fund for emergency spending.

Those options are not mutually exclusive. Lawmakers could combine some of them to form a more thorough method of curtailing emergency spending. But no matter which option prevails, lawmakers must stop pretending that predictable costs are an “emergency.” **R**

Readings

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