



APPROPRIATIONS ANALYSIS

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APPROPRIATIONS GROWTH IN FISCAL YEAR 2010

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INTRODUCTION

The Committee on Appropriations this week has begun the process of implementing the discretionary spending portion of the President's budget, as reflected in the budget resolution for fiscal year 2010 (S. Con. Res. 13). The committee this week released its subcommittee spending allocations, and has marked up the first of its spending bills.

This document previews Appropriations Committee action on fiscal year 2010 bills – which will total more than \$1 trillion – and reviews the Congressional Budget Office [CBO] re-estimate of the discretionary spending levels in the President's budget. The discussion explains the following key points:

- Non-defense discretionary spending for 2010 rises by at least 11 percent from the current year.
- Total discretionary spending rises by 8 percent.
- The largest reduction taken by the House Appropriations Committee relative to the President's budget is in the Department of Defense budget, which is cut by \$3.5 billion.
- Both the President's budget and the Majority's budget resolution have unrealistic assumptions on discretionary spending levels in the out-years – which means they will either make deep reductions in this spending, or increase deficits and debt above the record levels projected in their budgets.

APPROPRIATIONS 302(b) ALLOCATIONS

Under section 302(a) of the Congressional Budget Act, the annual budget resolution provides the Appropriations Committee with an allocation of discretionary budget authority and outlays. Under section 302(b) of the Budget Act, the Appropriations Committee takes this "302(a)" allocation and divides it among its spending subcommittees, of which there are currently 12 in the House. These suballocations are frequently referred to as the "302(b)s."

The fiscal year 2010 budget resolution provides the Committee on Appropriations a 302(a) allocation of \$1,089.7 billion in budget authority, which represents an 8-percent overall increase

from the 2009 scored level. Table 1 below illustrates the distribution of 302(b) allocations by subcommittee, and compares these amounts to the scored levels for the past 2 years.¹

The amount to be allocated to the Department of Defense [DoD] cannot be ascertained, because the DoD is funded by both the Defense and the Military Construction/Veterans Affairs Subcommittees. But because the allocation to the Defense Subcommittee is \$3.5 billion less than the President’s request (which is assumed in the congressional budget resolution), it can be surmised that defense grows at a slower rate than the 4.2 percent requested by the President and assumed in the budget resolution, and non-defense discretionary spending grows at a rate faster than the 11 percent in the budget.

Table 1: Appropriations Subcommittee Allocations

(budget authority, in millions of dollars)

Subcommittee	2008 Scored	2009 Scored	2010 Request ^{a,b}	2010 House ^b
Agriculture	18,093	20,456	22,980	22,900
Commerce-Justice-Science	51,803	57,652	64,511	64,314
Defense	459,332	487,737	511,540	508,040
Energy and Water	30,888	33,261	34,393	33,300
Financial Services	20,599	22,697	24,228	24,150
Homeland Security	34,852	42,164	42,838	42,384
Interior	26,555	27,579	32,325	32,300
Labor, HHS, Education	144,841	152,255	163,452	163,400
Legislative Branch	3,970	4,402	5,154	4,700
Military Construction, Veterans' Affairs	60,213	72,863	76,260	76,500
State, Foreign Operations	32,800	36,620	52,043	48,843
Transportation, HUD	48,821	55,000	68,870	68,821
Discretionary Totals^c	932,767	1,012,686	1,098,594	1,089,652

Source: Congressional Budget Office.

^a Figures are based on the Congressional Budget Office estimate of the President’s budget. Figures reflected here assume Pell Grants, and all Low Income Home Energy Assistance Program funding, remain discretionary spending. Figures do not assume the President’s proposal to use general fund budget authority to fund Highway and Transit programs.

^b Includes cap adjustments.

^c Totals may not add due to rounding.

THE PRESIDENT’S DISCRETIONARY REQUEST

Both the President and his budget director have highlighted non-defense discretionary spending as examples of fiscal austerity.² But the contrast between the administration’s rhetoric and the

¹ The table provides the scored levels and does not take into consideration rebasing. Scoring rules require any changes the appropriators make in mandatory programs to be charged to the appropriators (this applies to savings as well as direct spending proposals). These proposals are then moved to the appropriate committees of jurisdiction when the baseline is adjusted.

² On 14 April 2009, in his speech at Georgetown University, the President said: “Altogether, this budget will reduce discretionary spending for domestic programs as a share of the economy by more than 10 percent over the next decade to the lowest level we’ve seen since we began keeping records nearly half a century ago.” On 3 March 2009, in testimony before the House Budget Committee, Budget Director Orszag said: “And the budget reduces non-defense discretionary spending – that is, the spending

actual budget request is striking. The administration request increases total discretionary spending by 8.5 percent, with non-defense discretionary rising by 12.8 percent – the latter increase being unprecedented in modern times. These increases are mounted on to an already substantial fiscal year 2009 boost resulting from the \$787-billion “stimulus” bill, which included \$311.2 billion in discretionary budget authority.

The President makes a number of proposals to treat discretionary programs differently from the way they have been in the past. (For instance, he proposes converting Pell Grants and a portion of the Low Income Home Energy Assistance Program to mandatory spending, which has the effect of reducing the administration’s discretionary spending request.) For the purposes of this paper – and to make multiyear comparisons more accurate and meaningful – the figures used in this document do not assume adoption of the President’s proposals to recategorize discretionary spending. Highlights of the request:

- Base Department of Defense [DoD] spending grows by 4.2 percent from 2009 to 2010. Thereafter, the average annual growth rate is 2.2 percent. This “base” DoD funding does not include the \$130 billion requested for 2010 for Iraq and Afghanistan operations (overseas contingency operations), and \$50 billion in each subsequent year as a placeholder. Average annual DoD spending over the past decade has increased by 7 percent (excluding emergencies).
- Non-Defense Discretionary [NDD] spending grows by 12.8 percent from 2009 to 2010. The non-defense discretionary programs grow at an average annual rate of 2.9 percent over the rest of the budget window. Average annual NDD spending has increased by 5.2 percent over the last decade (excluding emergencies).

Table 2: Discretionary Spending Totals
(budget authority in billions of dollars)

	2009 ^a	President FY 2010 ^b	Percent Change	Budget Res. FY 2010 ^b
Department of Defense (Function 051)	511.8	533.5	4.2%	533.5
Non-Defense Discretionary ^c	500.9	565.2	12.8%	556.1
Total ^d	1,012.7	1,098.6	8.5%	1,089.7

^a Levels for 2009 are as scored and have not been rebased.

^b Includes cap adjustments.

^c For comparison, figures reflected here assume Pell Grants, and all Low Income Home Energy Assistance Program funding, remain discretionary spending. Figures do not assume the President’s proposal to use general fund budget authority to fund Highway and Transit programs.

^d Totals may not add due to rounding.

FUNDING CLIFFS

The President’s budget creates outyear cliffs by using “stimulus” spending to pre-fund education programs – education being one of the President’s highest stated priorities – and then failing to

appropriated each year outside of defense – to its lowest level as a share of GDP since data began to be collected in 1962. Let me underscore this last point. The average level of non-defense discretionary spending between 1969 and 2008 was 3.8 percent of GDP. In 2009, such spending is estimated to represent 4.1 percent of GDP.”

fund these programs in the future. Thus the budget assumes one of two alternatives: 1) that two high-priority education programs will be sharply cut in the future; or 2) that the President's outyear discretionary spending levels will not be met. Specifically:

- The President's budget dramatically cuts Title I Grants (education for the disadvantaged) by \$1.5 billion in fiscal year 2010. The presumed funding stream is as follows:
 - Fiscal year 2008: \$13,898.9 million.
 - Fiscal year 2009: \$14,492.4 million.
 - Fiscal year 2010 (as requested) : \$12,992.4 million.

- The budget also holds flat funding for the Individuals with Disabilities Education Act [IDEA]:
 - Fiscal year 2008: \$10,947.5 million.
 - Fiscal year 2009: \$11,505.2 million.
 - Fiscal year 2010 (as requested): \$11,505.2 million.

The administration can propose these lower levels of funding because of huge increases provided for the two programs in the "stimulus" bill; but this stimulus money is set to run out in 2011. Yet even with the reductions in these programs in 2010, the President is still requesting a 10-percent increase for Education in 2010. After the stimulus funding runs out in 2011, and when the administration will need to find funding to just maintain these programs, the funding increase for Education for 2012-19 averages 2.8 percent annual growth.

Over the next decade, the President proposes slowing spending growth in NDD programs to nearly 2½ percentage points less than the growth they have received on average over the past decade – a time during which some suggested that these programs were being "starved." The President's policies, however, show no indication of how he plans to achieve or sustain these reductions (other than reclassifying Pell Grants as mandatory spending).

NO ENFORCEMENT

Despite the OMB director's assurances that "the President's budget holds NDD spending to historic lows," without some sort of enforcement mechanism or statutory cap, these assertions are hollow. From 1990 through 2002, there were statutory limits (or "caps") on discretionary spending. The President does not propose to set such caps.

If past is prelude, these projections are at best a fond wish, and at worst a misleading distortion. The Majority's fiscal year 2009 budget resolution offers an example. It provided a 4.6-percent non-defense discretionary spending increase in 2009, and then projected a 2.3-percent increase in 2010. One year later, they are boosting non-defense discretionary spending by \$45.2 billion, or 8.9 percent above what they proposed just a year ago.

The administration is selling the President's budget on restraint that will materialize in 10 years, with no enforcement mechanism.

DISCRETIONARY SPENDING BY AGENCY

The “new era of responsibility” declared by the President clashes with the spending spree the administration and the Democratically controlled Congress have undertaken. Table 3 below illustrates the point. It shows the growth in agency funding over the past 2 years, and that proposed in the President's budget request. The table shows “stimulus” spending, but does not include it in the percent changes, as those figures show only the base funding level for each agency, excluding emergency spending. The growth enjoyed by a vast majority of the agencies far exceeds both inflation and growth in gross domestic product. Therefore, notwithstanding the President's promises of outyear restraint, the record to date is a cause for skepticism.

Table 3: Discretionary Spending by Agency

(budget authority, in billions of dollars, excluding emergencies)

	2008	2009	2009 'Stimulus'	2010 Request ^a	% Change 2009-10 ^d	Avg. Annual % Change 2008-10 ^d
Cabinet Departments						
Agriculture	21.5	24.0	6.9	26.4	10%	11%
Commerce ^b	7.1	9.5	7.9	13.9	47%	40%
Defense	479.1	513.4	7.4	533.7	4%	6%
Education	57.2	58.6	97.4	64.6	10%	6%
Energy	24.0	26.5	38.7	27.7	5%	8%
Health and Human Services ^c	70.9	77.3	21.8	82.1	6%	8%
Homeland Security	35.1	42.1	2.8	41.5	-1%	9%
Housing and Urban Development	37.1	40.8	13.6	45.5	12%	11%
Interior	11.2	11.2	3.0	12.0	7%	4%
Justice	23.0	25.7	4.0	26.7	4%	8%
Labor	11.8	12.8	4.8	13.3	4%	6%
State	17.8	20.5	0.6	27.5	34%	24%
Treasury	12.2	12.7	0.2	13.4	6%	5%
Transportation ^c	15.5	16.7	48.1	18.1	8%	8%
Veterans Affairs	39.4	47.6	1.4	53.0	11%	16%
Other Agencies or Programs						
Corps of Engineers - Civil Works	5.6	5.4	4.6	5.1	-5%	-5%
Environmental Protection Agency	7.5	7.6	7.2	10.5	37%	19%
Executive Office of the President	0.3	0.4	0.1	0.6	53%	30%
General Services Administration	-0.1	0.6	5.9	0.6	12%	NA
International Assistance Programs	14.6	15.7	0.0	24.0	53%	28%
National Aeronautics and Space Administration	17.1	17.8	1.0	18.7	5%	4%
National Infrastructure Bank	—	—	—	5.0	100%	NA
National Science Foundation	6.0	6.5	3.0	7.0	9%	8%
Office of Personnel Management	0.3	0.2	—	0.2	-1%	-12%
Other Defense - Civil	0.2	0.2	—	0.3	37%	24%
Other Independent Agencies	8.6	8.4	0.3	8.8	6%	2%
Small Business Administration	0.6	0.6	0.7	0.8	27%	17%
Social Security Administration	8.1	8.5	1.1	9.3	9%	7%
Judicial Branch	5.8	6.1	—	6.6	9%	7%
Legislative Branch	4.0	4.5	0.0	5.2	17%	14%

Source: Congressional Budget Office. Figures for 2008 and 2009 have been rebased.

^a For comparison purposes, mandatory changes in the President's budget have been removed.

^b The Department of Commerce increase includes the ramp-up for the census.

^c Pell Grants and all Low Income Home Energy Assistance Program are treated here as discretionary spending. Figures do not assume the President's proposal to use general fund budget authority to fund Highway and Transit programs.

^d Does not include the effect of “stimulus” spending.

Additional information on the flaws with the claims of discretionary savings in the President's budget can be found in the following papers:

Fabricated Savings, the Administration's False Claim of Discretionary Spending Restraint, 11 March: http://www.house.gov/budget_republicans/press/2007/pr20090309spendingrest.pdf

War Games, the President's Budget and the \$1.5 Trillion in War 'Savings', 13 March 2009, http://www.house.gov/budget_republicans/press/2007/pr20090313wargames.pdf

APPENDIX
APPROPRIATIONS TOTALS: SCORED VERSUS REBASED

The Appropriations Committee at times makes changes in mandatory spending programs to count as savings in discretionary spending. These provisions are referred to as Changes in Mandatory Proposals [CHIMPs], and include measures such as delaying obligations to the Crime Victims Fund or rescinding mandatory contract authority for Federal-aid Highways.

Scoring rules require any changes the appropriators make in mandatory programs – both savings and direct spending proposals – to be charged to the Appropriations Committee. Table A-1 below shows scored levels without taking into account rebasing. These proposals are then moved to the appropriate subcommittees of jurisdiction when the baseline is adjusted. The table also shows the commensurate actual numbers for 2008 (which have been rebased), as well as the rebased figures for 2009.

Table A-1: Appropriations Subcommittee Totals

(budget authority, in millions of dollars)

Subcommittee	2008 Scored	2008 Actuals	2009 Scored	2009 Rebased
Agriculture	18,093	18,613	20,456	21,456
Commerce-Justice-Science	51,803	54,003	57,652	60,286
Defense	459,332	459,193	487,737	489,025
Energy and Water	30,888	31,161	33,261	33,261
Financial Services	20,599	21,204	22,267	22,758
Homeland Security	34,852	35,311	42,164	42,050
Interior	26,555	26,564	27,579	27,636
Labor, HHS, Education	144,841	145,267	152,255	153,952
Legislative Branch	3,970	3,980	4,402	4,403
Military Construction, Veterans' Affairs	60,213	60,302	72,863	72,864
State, Foreign Operations	32,800	32,549	36,620	36,622
Transportation, HUD	48,821	53,279	55,000	57,789
302(a) Totals^a	932,767	941,426	1,012,686	1,022,111

Source: Congressional Budget Office

^a Totals may not add due to rounding.
