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Still Spending: Senate Set to Bust Budget Caps by \$32 Billion

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Federal spending in 2006 is set to rise 9 percent, the largest increase since 1990 and enough to earn Congress near failing grades from the Heritage Foundation's third quarter report card.¹ Most families facing steep new expenses would cut back on additional spending. However, the Senate is preparing to bust fiscal year (FY) 2007 discretionary spending caps by at least \$32 billion to:

1. Reimburse the Pentagon for the \$9 billion raided from its budget earlier this year and given to domestic programs, as well as fund additional defense and border security programs (\$26.8 billion in total);
2. Fund another massive farm subsidy bailout despite high subsidy levels and a booming farm economy (\$4.2 billion); and
3. Reimburse NASA for funds that lawmakers had diverted into parochial pork projects (\$1.0 billion).

And in addition, lawmakers have promised \$2 billion to \$3 billion more for the labor, health, and education programs. Senators classify much of this new spending as “emergency” so that it does not technically count against the budget caps. But this spending is foreseeable—and often the predictable result of budget gimmickry—and so is not an “emergency.” For the sake of taxpayers, Congress needs to set its budgetary priorities, make tough choices, and offset any increases.

The implementation of the extraordinarily expensive Medicare drug entitlement, the persis-

tent costs of Iraq and Afghanistan, as well as Gulf Coast rebuilding following Hurricane Katrina have each put enormous pressure on an already bloated federal budget. Now is not the time for further spending increases.

Three “Emergencies”

The Senate has added more than \$32 billion in “emergency” spending to its appropriations bills in three broad categories:

1. Defense, Border Security, and Domestic Funding Gimmicks: \$26.8 Billion

Earlier this year, the Senate shifted \$9 billion of President Bush's FY 2007 defense spending request into domestic programs. Then, just *four months later*, the Senate discovered a defense funding gap needing \$13.1 billion in “emergency” funds. This gimmick is straightforward: Senators lacked the votes to add \$9 billion of domestic spending to the budget and so they shifted the funds from defense, knowing that they would have no choice but to reimburse the Pentagon later. This is akin to a family spending its grocery money on expensive vacations because it knows the food stamp program will eventually bail it out.

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Exactly as expected, the House-Senate conference committee agreed to keep both defense and domestic discretionary spending well above their budget resolution levels.¹ In all, Defense will receive an additional \$16 billion: conferees underfunded the President's defense request by \$4 billion but then added \$20 billion in emergency defense funding (on top of the \$50 billion "bridge" fund that had been planned in the budget resolution).² Despite the Senate reversing the defense cuts, domestic discretionary programs are still scheduled to keep the entire \$9 billion increase the Senate had originally provided. Finally, an additional \$1.8 billion in "emergency" border security funding that the Senate had also added to the Defense appropriations bill will likely be shifted into the Homeland Security appropriations bill. Altogether, the net effect will be to increase spending by \$26.8 billion above the budget resolution levels.

While this additional defense spending may be necessary, much of it could have been funded within regular appropriations bills, rather than given an "emergency" designation in order to make room for billions in additional domestic spending. Border security funding may also be necessary, but the only reason to classify it as an "emergency" is to evade budget caps and avoid making responsible offsets in lower-priority programs.³

Domestic discretionary programs, the main beneficiaries of the Senate's gimmickry, are not underfunded or in need of the additional \$9 billion. Discretionary spending, excluding defense and homeland security, has increased by 40 percent under President Bush. That 7.0 percent annual increase nearly doubles the 4.2 percent annual

increase under President Clinton.⁴ These programs do not need yet another large increase.

2. Agriculture: \$4.2 Billion

After averaging less than \$14 billion during the 1990s, annual farm subsidies have topped \$25 billion in the current decade, following the passage of the most expensive farm bill in American history in 2002. Yet even as net farm income in 2005 topped \$72 billion for only the second time ever, Senators Byron Dorgan (D-ND) and Conrad Burns (R-MT) secured an amendment to the Senate agriculture appropriations bill providing over \$4 billion in nationwide agriculture disaster assistance. Lawmakers attempted to attach this funding, which was not requested by the Department of Agriculture, to the Iraq supplemental bill earlier this year until Presidential Bush threatened to veto it.

Lawmakers claim that aid is needed for farmers suffering natural disasters. However, this bill would give a 30 percent bonus payment to *every* farmer in America currently receiving fixed payments, regardless of whether they suffered any crop losses or not. The bill would also provide additional crop disaster payments, even to farmers who refused to buy their own crop insurance.

Proponents justified the massive 2002 farm bill by asserting that its enormous generosity and subsidy increases that trigger automatically when crop prices drop would end the need for annual emergency aid. Yet lawmakers passed "emergency" packages of \$3.1 billion in 2003 and \$3.5 billion in 2004, as well as Katrina-related emergency aid in 2005.⁵ This year would mark the fourth consecutive year for "emergency" subsidies.

1. Spending numbers from the White House FY 2006 Mid-Session Review, July 11, 2006. See Table S-1 at <http://www.whitehouse.gov/omb/budget/fy2007/pdf/07msr.pdf>. For Congress's grades, see Brian M. Riedl, Ronald D. Utt., Ph.D., and Alison Acosta Fraser (editors), "Third-Quarter Report Card for Congress: Improvement Needed," Heritage Foundation Backgrounder No. 1947, June 27, 2006, at <http://www.heritage.org/Research/Budget/bg1947.cfm>.
2. "Conferees Approve FY 2007 Defense Spending Bill" Senate Appropriations Committee, Press Release, September 21, 2006, at <http://appropriations.senate.gov/hearings/DefensePRConference07.mht>.
3. Some point out that an advantage to emergency spending is that agencies can spend it immediately after the spending bill is signed, rather than having to wait until the October 1 start of the new fiscal year. However, these bills will not be finished until around or after October 1 anyway, and so the emergency designation will not speed fund availability.
4. Heritage Foundation calculations based on data from the Office of Management and Budget.

These farm subsidies exemplify Congress's economic illiteracy and wastefulness. Designed to aid farmers harmed by low crop prices, subsidies actually encourage farmers to plant more crops, lowering prices further. Then, after paying those farmers to plant *more* crops, Washington turns around and pays other farmers a total of \$1.3 billion to plant *fewer* crops. This policy has been described as "one foot on the gas, one foot on the brake."

The targeting of the subsidies is also arbitrary and irrational. Nearly 90 percent of all subsidies go to growers of just five crops (wheat, cotton, corn, soybeans, and rice), while growers of nearly all other crops flourish in a free market without subsidies. A recent *Washington Post* investigation discovered suburban families receiving large farm subsidies for the grass in their backyards—subsidies that many of these families never requested and do not want.⁶

Agriculture is increasingly moving away from family farmers and is being consolidated into the hands of large, profitable agribusinesses. Consequently, farm subsidies are no longer necessary to keep most farmers solvent. For instance, the average farmer now earns 17 percent more than the national average and has a net worth of more than twice the national average. Furthermore, two-thirds of all farm subsidies are distributed to the wealthiest 10 percent of farmers, most of whom report household incomes above \$135,000. Lawmakers, Fortune 500 companies, and even celebrity hobby farmers such as Ted Turner, David Rockefeller, and Scottie Pippen collect subsidies that dwarf what the average family farmer receives.⁷

The promising and effective reforms of the 1996 Freedom to Farm Act were based on a recognition

of the changed nature of American agriculture but were wastefully undone in the 2002 farm bill. Rather than pile on more corporate welfare agriculture spending in "emergency" spending, lawmakers should prepare to overhaul these programs as part of their 2007 reauthorization. Returning to the principles of the Freedom to Farm Act would be a good start.

3. NASA: \$1.04 billion

Those who suggest that earmarks do not raise total spending should examine NASA. Congress has earmarked \$3 billion in NASA funds since 2001, and this did not leave enough money left over for NASA's authorized operations. So Senators added over \$1 billion in "emergency" funds to the Commerce-Justice-State appropriations bill to pay for NASA's basic operations.

A recent *USA Today* investigation found that lawmakers are now siphoning \$500 million annually from NASA's \$16 billion budget to fund pork projects such as planetarium and museum renovations across the country, university classroom expenses, the Gulf of Maine Aquarium, and a sprawling headquarters for a West Virginia nonprofit organization created by U.S. Rep. Alan Mollohan.⁸

That same *USA Today* investigation revealed that NASA Administrator Mike Griffin recently wrote to the House Science Committee to express his concern that "the growth of these unrequested congressional directions is eroding NASA's ability to carry out its mission of space exploration and peer-reviewed scientific discovery."⁹

Rather than cut back on pork, Senators added \$1 billion in "emergency funding" for basic, non-emergency activities like returning the space shuttles to orbit following the Space Shuttle Columbia

5. Ralph Chite, "Emergency Funding for Agriculture: A Brief History of Supplemental Appropriations, FY 1989 – FY 2006," Congressional Research Service Report RL31095, July 3, 2006.
6. Dan Morgan, Gilbert Gaul, and Sarah Cohen, "Farm Program Pays \$1.3 Billion to People Who Don't Farm," *Washington Post*, July 2, 2006.
7. Brian M. Riedl, "Another Year at the Federal Trough: Farm Subsidies for the Rich, Famous, and Elected Jumped Again in 2002," Heritage Foundation *Backgrounder* No. 1763, May 24, 2004, at <http://www.heritage.org/Research/Budget/bg1763.cfm>.
8. John Kelly, "Pork Threatens NASA Plans: Congress' Pet Projects Take \$3 Billion From Budget," *USA Today*, June 12, 2006.
9. *Ibid.*

tragedy (even though the space shuttles had already returned to space over a year ago) and repairing facilities damaged by Hurricane Katrina (also over a year ago). Had Congress resisted the urge to earmark NASA's budget in 2005 and 2006, the agency would have enough money to fund these activities.

Conclusion

Budgets are about setting priorities and making trade-offs. With the first baby boomers only 15 months away from their first Social Security checks, it is reckless and irresponsible for lawmakers to bust the budget by more than \$32 billion.

Calling these routine expenditures "emergencies" has no effect other than to allow lawmakers to misleadingly claim that they stayed within the spending limits. But taxpayers will not be fooled when they receive the inevitable tax bill for Congress's excess. Lawmakers wishing to improve their grades on fiscal responsibility should offset any necessary emergency spending on national security and NASA and eliminate the additional farm subsidies.

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