



# Executive Memorandum

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## THE BUDGET SUPPLEMENTAL: HOW SINCERE IS THE COMMITMENT TO FISCAL RESTRAINT?

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The \$2.8 billion supplemental appropriations bill now before Congress should be paid for with offsets to current spending, not by dipping into the first budget surplus in nearly 30 years. Financing the bill through offsets would send a clear message to Americans: Congress is committed to reining in federal spending, sticking to principle, and preserving the surplus to reduce the country's burden of debt and taxes. Failure to find offsets would send an equally clear message: Congress cannot be trusted to keep its word to control spending.

### THE NEED FOR RESOLVE

The \$2.8 billion in supplemental appropriations is needed to pay for the costs of stationing U.S. troops in Bosnia, the military buildup in the Persian Gulf, and helping victims of recent natural disasters. Compared with the \$1.6 trillion federal budget for this year, the emergency package is quite small. Paying for it would require a cut of just 0.5 percent in discretionary spending, or less than 1 percent of all non-defense discretionary spending. The \$2.8 billion supplemental appropriations bill represents less than 0.15 percent of the entire federal budget. It is precisely because the supplemental requires such a small offset that Congress must show its resolve to find savings.

The chairman of the House Budget Committee, John Kasich (R-OH), has suggested two options: (1) Offset the supplemental appropriation with cuts in defense spending and a small across-the-board cut to non-defense discretionary spending, or (2) pay for it entirely through an across-the-board

cut to non-defense discretionary spending. Defense spending, however, already has been scaled back to dangerous levels. But with non-defense discretionary spending projected at \$289 billion for fiscal year 1998, a reduction of less than 1 percent would offset the \$2.8 billion in supplemental appropriations.

Although agencies now are halfway through the fiscal year, and many commitments have been made, there are many ways in which to shave current spending and postpone some expenditures until next year to come up with the reductions. Travel budgets, hiring goals, and consultant fees could be trimmed, for example, and capital expenditures could be delayed a few months. Such a minor exercise in belt tightening is a

commonplace occurrence for families and businesses. With an across-the-board pruning of this kind, agencies would review current spending and find the best way in which to achieve the necessary savings. A government manager unable to delay or eliminate less than 1 percent in expenses should seek other, less challenging work.

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An across-the-board cut of 1 percent in non-defense discretionary spending is not the only option, however. Congress also could save \$2.8 billion from low-priority or wasteful programs, leaving other, higher-priority programs intact.

There are plenty of programs that could be cut back or eliminated. Here is a list of candidate programs, along with their budgets in the fiscal year 1998 budget:

### Corporate Welfare

- Overseas Private Investment Corporation (\$92 million)
- Export-Import Bank (\$683 million)
- National Institute of Standards and Technology (\$622 million)
- Small Business Administration (\$622 million)
- Highway Demonstration Projects (\$9 billion over six years)

### Wasteful and Unnecessary Programs

- Low-Income Home Energy Assistance Program (LIHEAP) (\$1.1 billion)

According to the Congressional Budget Office (CBO):

LIHEAP was created in response to the rapid increases in the price of energy used in the home in the late 1970s and early 1980s. Since 1981, however, inflation in fuel prices has lagged far behind general inflation: fuel prices are up about 25 percent since 1981 in comparison with an overall inflation rate of 70 percent. That fact might now warrant either eliminating or reducing LIHEAP.<sup>1</sup>

- Power Marketing Administrations (\$246 million)

According to the CBO:

Many of the original concerns that gave rise to the current federal role have greatly diminished. Privatization

may offer the best opportunity for enhancing the efficiency of power markets and producing budgetary savings.<sup>2</sup>

- Economic Development Administration (EDA) (\$361 million)

According to the CBO:

Because of the competitive nature of EDA grants, local governments do not incorporate that type of aid into their budget plans; hence, eliminating future EDA funding would not impose unexpected hardships on communities.<sup>3</sup>

### FISCAL RESPONSIBILITY

On March 24, 1998, the House Appropriations Committee passed a proposal that would offset the cost of the supplemental appropriations with funds from the Department of Housing and Urban Development's Section 8 Housing Program, the Airport Grant-in-Aid program, AmeriCorps, and bilingual education. Congress as a whole should honor this commitment to fiscal responsibility by the Appropriations Committee.

Lawmakers worked diligently last year to balance the federal budget; projections now indicate a surplus because Americans are paying more in tax revenue than anticipated. President Bill Clinton has said this surplus should be used to help save the Social Security system. Some leaders in Congress agree with the President, while others would prefer to return the surplus to the American people. If, however, Members of Congress decide to raid the surplus to pay for this supplemental instead of making prudent economies in other discretionary programs, taxpayers reasonably can conclude that Congress's commitment to fiscal integrity counts for very little.

—Geoffrey Freeman is a Research Assistant at The Heritage Foundation.

1. Congressional Budget Office, *Reducing the Deficit: Spending and Revenue Options*, August 1996, p. 305.
2. Congressional Budget Office, *Should the Federal Government Sell Electricity?* November 1997.
3. Congressional Budget Office, *Reducing the Deficit: Spending and Revenue Options*, p. 265.