WebMemo
Published by The Heritage Foundation
No. 2127
November 10, 2008

Emergency Spending: $333 Billion Tab Busted the Budget in 2008

Brian M. Riedl

Congress and President Bush enacted at least $333 billion in "emergency" spending in the just-completed 2008 fiscal year. This total excludes the $700 billion financial market rescue, $42 billion in tax rebate outlays from the first economic stimulus package, and a $61 billion stimulus package that passed the House but not the Senate.[1]

While some of this spending may have been for worthy programs, much was routine expenditures given the emergency designation simply to evade spending caps and Pay-As-You-Go (PAYGO) rules. If President-elect Barack Obama and Congress continue this practice, it will further drive up the budget deficit and render all budget controls obsolete.

The "Emergency" Loophole. The budgetary impact of this "emergency" spending has been enormous. President Bush and Congress spent nearly a year arguing whether to cap fiscal year (FY) 2008 discretionary spending at $933 billion or $955 billion. Congress eventually agreed to the President's $933 billion level—and then both sides agreed to add $257 billion in "emergency" discretionary spending to bring the final 2008 total to $1,190 billion. The remaining $76 billion went toward entitlement programs.[2] Only in dysfunctional Washington will politicians fight for a year to save $22 billion in discretionary spending and then quickly agree to spend $257 billion.

Emergency spending pushed the FY 2008 budget deficit to $455 billion and may give America its first trillion-dollar deficit in FY 2009. House Speaker Nancy Pelosi (D–CA) has already called for $300 billion to be spent on what would likely be the first of many "emergency" economic stimulus bills this year.

The first $70 billion in FY 2009 funding for American troops in Iraq and Afghanistan has already been enacted, and the final total will likely match last year's $190 billion (even if many troops are brought home). Add perhaps $40 billion for various natural disaster relief packages, and FY 2009 "emergency" spending could approach $1 trillion. All of this is in addition to an 8 percent increase in non-emergency spending approved in the budget resolution. Given the cost of the financial bailout and recession-depleted tax revenues, this is the wrong time to engage in such a large spending spree.

In the 1980s and 1990s, emergency spending typically ranged between $5 billion and $20 billion annually and was often limited to true natural disasters.[3] Large annual "emergency" farm aid payments in the late 1990s were followed by President Bush's decision to fund the entire war on terrorism through emergency bills. Over time, Congress began attaching unrelated domestic priorities to these war emergency bills, and the floodgates opened. Today,

This paper, in its entirety, can be found at:
www.heritage.org/Research/Budget/wm2127.cfm

Produced by the Thomas A. Roe Institute
for Economic Policy Studies

Published by The Heritage Foundation
214 Massachusetts Avenue, NE
Washington, DC 20002–4999
(202) 546-4400 • heritage.org

The Heritage Foundation
LEADERSHIP FOR AMERICA

Congress essentially keeps two set of budget books: the capped spending levels put forth in the annual budget resolution and the "emergency" spending consisting of all additional spending that Congress does not want to offset.

Effects of Abusing the Emergency Designation. Congress and the President's addiction to "emergency" spending has three main drawbacks:

1. **Loophole for Additional Spending.** Each year, Congress passes a budget resolution capping discretionary spending for the following year. Any spending above that level must be offset with reductions elsewhere. However, Congress can exempt any expenditure from these constraints simply by declaring it an "emergency." Predictably, this loophole has invited abuse.

   Congress has occasionally tried to rein in emergency spending. Senate rules mandate that an emergency expenditure must be vital (not merely useful or beneficial), sudden, unanticipated, and temporary.[4] Yet the Senate has chosen to simply bypass this rule whenever it decides that offsetting additional spending would be burdensome.

   In addition to discretionary spending, Congress is now using the emergency designation to create expensive new permanent entitlements. In January 2007, the Democratic congressional majority enacted PAYGO rules requiring that all new tax and entitlement legislation be offset. After loudly proclaiming that these new PAYGO rules would usher in a new era of fiscal responsibility, they quickly declared a new $63 billion veterans' entitlement an "emergency" in order to exempt it from all PAYGO offsets. This abuse of the emergency loophole revealed PAYGO as just another empty talking point to be discarded at the slightest inconvenience.

2. **No Coordination of Priorities.** Lawmakers receive virtually unlimited demands for federal spending. The annual budget resolution, which sets broad spending targets for the following year, helps lawmakers build a yearly framework within which to set priorities and make tradeoffs. By brazenly ignoring this framework and layering emergency bill on top of emergency bill, Congress has made a mockery of the budget process. There is no longer any legitimate priority-setting and, consequently, no constraining force on the growth of government.

3. **Misleading the Public.** The budget resolution has become more of a propaganda document than a governing blueprint. Each spring, congressional offices send out press releases trumpeting the "responsible" spending targets in the budget resolution. The American people naturally assume these spending targets will be upheld. But when a budget blueprint assuming a $70 billion discretionary spending increase is followed by hundreds of billions of dollars in additional "emergency" spending, the same congressional offices rarely announce the amended budget totals. This creates a disconnect between the budget restraint the public hears about every spring and the massive spending totals revealed at the end of each year. Piecemeal spending additions with no central coordination obscure the large cumulative total.

President-elect Obama and PAYGO. The increasing use of emergency spending is particularly relevant to President-elect Barack Obama's pledge to uphold PAYGO rules. If Congress continues to declare entitlement expansions as "emergencies," then PAYGO will continue to be more of a rhetorical device than an actual budget constraint. Thus, it is vitally important that the President-elect protects the integrity of PAYGO by declaring that "emer-

1. These figures are excluded because the final cost of the financial markets rescue is completely unknown, the first stimulus package was based mostly on tax relief rather than emergency spending, and the $61 billion stimulus was not enacted.
2. Not all spending was outlayed in 2008. The new veterans' entitlement reflects a 10-year cost.
3. For a terrific tour of "emergency" spending trends, see Veronique de Rugy, "Enabling a Spending Explosion: The Trend in Supplemental Spending," American Enterprise Institute, June 15, 2006, at *http://www.aei.org/publications/pubID.24547/pub_detail.asp* (November 6, 2008).
4. Fiscal Year 2008 Budget Resolution, S. Con. Res. 21, 110th Cong., Section 204 (a)(5).

Major "Emergency" Expenditures Enacted in FY 2008

Date	Public Law	Programs	Amount
Nov. 13, 2007	110-116	Katrina relief and wildfires	$6.4 billion
Nov. 13, 2007	110-116	Iraq and Afghanistan	11.6 billion
Dec. 26, 2007	110-161	Various domestic programs	13.5 billion
Dec. 26, 2007	110-161	Iraq and Afghanistan	70.0 billion
June 30, 2008	110-252	Iraq and Afghanistan	110.4 billion
June 30, 2008	110-252	Veterans* and unemployment benefits	75.9 billion
July 30, 2008	110-289	Community development block grants	3.9 billion
Sept. 15, 2008	110-318	Highway Trust Fund bailout	8.0 billion
Sept. 30, 2008	110-329	Disaster relief and various domestic programs	33.6 billion
		Total	**$333.4 billion**

* Ten-year estimate.
Notes: Figures have been rounded; Iraq and Afghanistan spending is listed separately from domestic spending for comparative purposes.
Sources: Congressional Budget Office and Library of Congress.

Chart 1 • WM 2127 heritage.org

gency" entitlement spending will not be exempt from the rule.

Protect PAYGO. The issue is not whether the spending items in these emergency spending bills should have been funded. Rather, it is Congress' inability to set a budget and make trade-offs within those constraints. Declaring an "emergency" any time Congress does not want to balance priorities makes a mockery of the entire budget process. The emergency designation should be reserved for truly unanticipated national emergencies rather than routine defense and domestic spending.

Congress should require a two-thirds supermajority to pass any emergency bill and make it easier for lawmakers to strike emergency spending that is not vital, sudden, unanticipated, and temporary. Unless this abuse is curtailed, "emergency" spending will continue to push the federal budget toward trillion-dollar deficits.

—Brian M. Riedl is Grover M. Hermann Fellow in Federal Budgetary Affairs in the Thomas A. Roe Institute for Economic Policy Studies at The Heritage Foundation.