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COMMENTARY

## The Safety Valve Has Become a Fire Hose

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WASHINGTON -- If Benjamin Disraeli were around today, he would need to revise his famous quote: "There are four types of lies . . . lies, damned lies, statistics and *budget estimates*." Controlling the federal budget and reducing the deficit are difficult enough without obscuring the numbers. But, that is exactly what is happening today -- the federal government is keeping two sets of books.

Back in 1990, Congress and the executive branch agreed on a new framework to govern the federal budget. The Budget Enforcement Act, which essentially replaced the Gramm-Rudman-Hollings balanced budget law, created statutory budget limits or "caps" to control annual appropriation bills and force both branches to live within financial constraints. Before finalizing the law, some questioned the lack of flexibility to accommodate unforeseen natural or man-made disasters. In response, the then-Democratic congressional leadership and the administration of President George H.W. Bush included a safety valve providing for "emergency" spending if necessary.

The safety valve has become a fire hose, so much so that to understand budget estimates one needs to know not only the budget, but the "shadow budget" as well. We discuss regular spending "within the caps" and emergency spending "outside the caps"; but emergency spending is considered "free money" because it is not controlled or offset vis-à-vis other federal spending. The White House regularly transmits and the House and Senate Appropriations Committees report bills containing "emergency" spending above budget allocations and controls. This emergency spending is charged straight to the U.S. government's deficit and debt, like a credit card, with our kids and future generations paying the interest.

During the 1990s, even taking into account Operation Desert Storm and Kosovo operations, Congress and the administration averaged \$22 billion of emergency spending per year. More recently, emergency spending is averaging over \$100 billion in spending per year. Just two weeks ago, on a vote of 27-1, the Senate Appropriations Committee not only approved \$92.2 billion in additional spending justified by the administration as "emergency," but it added a mere \$14.3 billion more in amendments! Included were such highly important items as oyster restoration, more foreign aid, relocation of a library on a military base and ongoing regular Army procurement programs that the Pentagon moved to the "emergency"

supplemental ledger so they do not have to compete with ships, aircraft and personnel costs.

On a bipartisan basis, the nation's elected leaders are abusing the process. If a program doesn't compete well against other priorities, one need only shift it to the next emergency supplemental appropriations request.

The defense budget is a good example. One set of books said the Defense Department and related national security functions would require \$434 billion this year, about a 3% increase over the previous year. When emergency funding is factored into the equation, the true set of books show that defense will be provided at least \$558 billion, or almost a 12% increase above the previous year. For fiscal 2007, the president's budget states that Defense Department spending will decline by 8.7%! The Defense Department freely admits that the budget is intentionally understated, as they intend to pick up the difference in the next emergency supplemental.

Another example is Hurricane Katrina. Emergency relief has totaled over \$100 billion and an additional \$27 billion has been proposed. Clearly, this was a huge national disaster. But just as clearly, federal spending for this disaster is unprecedented and still growing. Each "special" disaster program, such as Katrina tax relief, will become the benchmark for what the federal government will be expected to provide in response to future natural disasters.

Is spending for the Iraq War and natural disasters important? Of course. But there is no such thing as free spending, even in Washington. These emergency supplemental appropriations bills are added to the nation's debt and our kids are handed the bill.

So what should be done? First, we have to restructure the budget rules again. They have been bent so many times, they have been rendered meaningless. The Fiscal Year 2007 Budget Resolution passed by the Senate proposes to limit the use of the "emergency loophole." Our budget allocated \$90 billion for high priority emergency spending in 2007, such as operations in Iraq and Afghanistan, border security and supplies to prepare for the avian flu threat. That number represents the average cost of the war over the last four years. The budget resolution was transparent and counted the cost of the war "on budget." Our budget provides the Congress and the president with \$963 billion for discretionary spending next year and requires that three-fifths of the Senate approve any spending above this ceiling.

Second, we need to move forward with overall budget process reform. President Bush's line item veto/expedited rescission proposal is a good start. Many have suggested we need "two year budgeting." I would respectfully suggest that a better approach would be to require "one year budgeting" -- that is, force Congress and the president to live within this year's budget -- period. Let's recreate a Gramm-

Rudman-Hollings-type sequester if the deficit limits are exceeded.

Uncontrolled federal spending could derail our nation's economic growth and our economy. It should not require an external event, like the 1987 stock market plummet, for America's elected leadership to step up and control federal spending.

Budget process reform alone cannot force fiscal responsibility, but it can help drive action. It is time to rein in so called "emergency spending" and to adopt substantive budget reform. It is time to plug the hole in the budget and maintain just one set of books.

*Sen. Gregg is chairman of the Senate Budget Committee.*