SUPPLEMENTAL APPROPRIATIONS IN THE 1970s

Staff Working Paper

July 1981



SUPPLEMENTAL APPROPRIATIONS IN THE 1970s

The Congress of the United States Congressional Budget Office Unless otherwise indicated, all years referred to in this paper are fiscal years.

PREFACE

This analysis was prepared at the request of Chairman Jamie Whitten of the House Committee on Appropriations. It investigates the reasons for passage of supplemental appropriation bills during the 1970s and analyzes the possible impact of the Congressional Budget Act on the scope and magnitude of supplemental appropriations. In keeping with the mandate of the Congressional Budget Office (CBO) to provide objective and impartial analysis, the paper makes no recommendations.

The data for the study was collected by the Scorekeeping Unit of CBO's Budget Analysis Division, with special assistance by Kim Arnall. An automated data base system was designed and developed for the study by Dan Zimmerman and Jerry Cumberland of the division's Budget Data Systems Unit. The study was written by James Blum, Assistant Director for Budget Analysis, and Elisabeth Rhyne of the Budget Process Unit. Patricia H. Johnston edited the manuscript and Nancy Wenzel prepared it for publication.

Alice M. Rivlin Director

July 1981

CONTENTS

																	Page
PREFACE.	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	iii
SUMMARY	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	xi
CHAPTER I.	SU	JPP	LEN	IEN	ITA	LA	γPP	ROF	RI.	ATIO	ON:	S PC	OLIC	CIE	S		
	Αľ	ND :	PR A	AC1	ICE	ES											1
							olen	nent	al A	Appı	ropi	iat	ions	•	•	•	2
CHAPTER II.	RI	EAS	ON:	S F	OR	SU	PPL	.EM	EN´	ΓAL	. AF	PR	0-				
		RIA'			nde	in S	Sumr	olem	• en t	· al A	Anni	•	•	•	•	•	7
		pr.	iati	ons	•	•	•	•	•	•	•	•	•	•	•	•	9
	M							iqqi				•	•	•		•	12
	Su			nta itte		ppro	opri	atio	ns l	by S	iub-						20
OLLA DEED III	C.	-					, DD	n o i	r	A 177	~ N.1:	· •	· · ·	No	·	·	
CHAPTER III													UKI	ŊĠ			
								1976				77	•	•	•	•	23
	Th	ne R	ole	of	Eco	nor	nic	Con	dit	ions	•	•	•	•	•	٠	23
	Cl	nang	ge o	f A	dmi	nis	trat	tions	•	•	•	•	•	•	•	•	26
CHAPTER IV													I TH	ΙE			••
								DGE	ETI	PRC	CE	SS	•	•	•	•	29
	Sc	hed	lulir	ng C	:har	nges	s .	•	•	•	•	•	•	•	•	•	29
	Tł	ne B	udg	et I	Res	olui	tion	s.	•	•	•	•	•	•	•	•	32
APPENDIX.	SU	JPP	LEN	ИEN	NTA	L A	\PP	ROI	PRI	ATI	ON	LE	GIS	-			
	1.	4 TI	N.	FIG	C A	.T \	/FA	RS	197	'O_ 1'	979					_	37

TABLES

					Page
TABLE 1.	APPROVAL RATE OF PRESIDENTIAL REQUESTS	•	•	•	4
TABLE 2.	SUPPLEMENTAL APPROPRIATIONS IN BUDGET AUTHORITY AND AS A PERCENT OF ALL APPROPRIATIONS	•	•	•	8
TABLE 3.	REASONS FOR SUPPLEMENTAL APPROPRIATIONS	•	•	•	11
TABLE 4.	SUPPLEMENTAL APPROPRIATIONS FOR FEDERAL PAY RAISES	•	•	•	13
TABLE 5.	NUMBER OF MONTHS BETWEEN ENACT- MENT OF PAY SUPPLEMENTAL AND END OF FISCAL YEAR	•	•	•	14
TABLE 6.	SUPPLEMENTAL APPROPRIATIONS FOR NEW LEGISLATION	•	•	•	16
TABLE 7.	REASONS FOR SUPPLEMENTAL APPROPRIATIONS FOR EXISTING LEGISLATION .	•		•	18
TABLE 8.	SUPPLEMENTAL APPROPRIATIONS FOR OTHER UNFORESEEN NEEDS IN FISCAL YEAR 1980	•	•	•	20
TABLE 9.	RELATIVE CONTRIBUTION OF APPRORIATIONS SUBCOMMITTEE TO REGULAR AND SUPPLEMENTAL BUDGET AUTHORITY		•	•	22
TABLE 10.	SUPPLEMENTAL BILLS BY TOTAL NUMBER BUDGET AUTHORITY, AND NUMBER OF ITEMS	, .	•	•	31

FIGURES

		Pa	ge
FIGURE 1.	SUPPLEMENTAL APPROPRIATIONS, FISCAL YEARS 1970-1980	•	1
FIGURE 2.	TREND LINE SHOWING RATE OF INCREASE IN SUPPLEMENTAL APPROPRIATIONS, FISCAL YEARS 1970-1980	•	7
FIGURE 3.	LEGISLATIVE CIRCUMSTANCES OF SUPPLEMENTAL APPROPRIATIONS, FISCAL YEARS 1970-1980	•	9
FIGURE 4.	SUPPLEMENTAL APPROPRIATIONS FOR ECONOMY-RELATED PROGRAMS AND ALL OTHER SUPPLEMENTALS, FISCAL YEARS 1970-1980	. 2	24
FIGURE 5.	NUMBER OF ITEMS IN SUPPLEMENTAL APPROPRIATIONS BILLS, FISCAL YEARS 1970-1980	. 2	27

_ _ _

a contraction of the contraction	 	

SUMMARY

Supplemental appropriations provide additional funds to those contained in regular appropriation bills, for a fiscal year already in progress. Supplementals are used to meet urgent needs—ranging from disaster relief to changed economic conditions—not anticipated when the regular bills were passed.

In every year of the 1970s, supplemental appropriations were the final phase of the budget process, arising only after the budget resolutions and regular appropriations had been enacted. By the time supplemental appropriations were considered, the next fiscal year's Congressional budget process was already underway. Because they arise after the central work of budgeting has been finished, supplemental appropriations often receive relatively little attention in studies of the budget process.

THE REQUEST AND REVIEW PROCESS

Through the Office of Management and Budget (OMB), the Administration discourages agencies from requesting supplemental appropriations unless the need is too urgent to be delayed until the next fiscal year. Although this practice places a burden of proof on the agencies, it still gives them broad discretion to determine which programs should be funded through supplemental appropriations.

After the Administration has approved agency requests for supplementals, the President transmits the requests to the Congress, where they are referred to the Appropriations Subcommittees in the same way as regular appropriation requests. Though the Congress is free to accept or reject any request and to originate its own supplemental funding items, the Appropriations Committees attempt to limit approval to urgent items. During subcommittee hearings, the requesting agencies are asked to justify not only the legitimacy of the need, but also its emergency nature. Despite this added scrutiny, the Congress generally approves about 95 percent of the funds requested, an approval rate not significantly different from that of regular appropriations.

Because supplemental appropriations are used to fund unanticipated needs, they have generally been granted for federal activities that are difficult to plan for in advance. These include changes in entitlement programs because of unexpected economic conditions, programs for economic stimulus, pay raises for federal employees, disaster relief, and programs newly enacted by Congress. In the late 1960s defense emergencies were an additional reason for supplemental appropriations.

TRENDS IN THE USE OF SUPPLEMENTAL APPROPRIATIONS

During the 1970s, there was a gradual rise in the amount of budget authority provided through supplemental appropriations. This rise paralleled the increase in all appropriated budget authority over the same period, making supplementals a generally constant proportion of all appropriations—ranging from 4 to 8 percent. This gradual increase was interrupted for three years in the middle of the decade (1975, 1976, and 1977), when supplementals rose to an average of 12.2 percent of all appropriations (see Summary Table). This increase was caused by additional entitlement and economic stimulus funding to offset the severe 1973–1975 recession and its aftermath. Aside from these large recession—linked supplementals in the mid-decade years, the pattern of supplemental appropriation uses has been generally stable through the 1970s.

SUMMARY TABLE. SUPPLEMENTAL APPROPRIATIONS IN BUDGET AUTHORITY AND AS A PERCENT OF ALL APPROPRIATIONS, FISCAL YEARS 1970-1980 (Budget authority in millions of dollars)

Fiscal Year	Budget Authority	Percent of All Appropriations		
1970 1971	5,994 9,871	4.4	OVOTO GO	
1971	11,599	7.1	average, 1970-1974:	
1973	11,371	6.5	6.5 percent	
1974	14,796	7.7		
1975	27,588	13.2	average,	
1976	24,636	9.8	197 <i>5</i> -1977:	
1977	36,724	13.7	12.2 percent	
1978	16,054	5.0	average,	
1979	13,845	4.1	1978-1980:	
1980	19,461	5.0	4.7 percent	

For the purposes of this paper, supplemental appropriations have been divided into four categories, depending on their relationship to authorizing legislation.

Federal Pay Raises. The annual pay comparability increases for federal military and civilian employees are not included in regular appropriations because OMB and the Congress ask the agencies to meet some of the increased costs by absorbing them into their administrative operations. The absorption efforts take place during the first half of the fiscal year, and only after absorption are the exact remaining costs known. This special treatment necessitates pay raise supplementals every year. Pay supplementals have been between \$2 and \$4 billion per year, or about 15 percent of all supplemental appropriations.

Reauthorization Delays. According to the rules of the House and Senate, appropriations cannot normally be enacted for programs lacking authorizing legislation. The authorizing committees are frequently unable to complete their work in time for consideration in appropriations bills. In such cases, most Appropriations Subcommittees seek a rule allowing them to waive this point of order against their bills. At certain times, the subcommittees either do not seek or fail to get the rule, and must leave the programs out of the regular appropriations bill. When authorization is finally passed, a supplemental appropriation is required to provide budget authority. This type of supplemental has been needed most often for programs under the Subcommittees for Labor, Health and Human Services, and Education and Housing and Urban Development-Independent Agencies. Amounts for delayed reauthorization supplementals have fluctuated widely, from zero to \$6 billion per year, but averaged 11 percent of all supplementals during the 1970s.

New Legislation. This category includes supplemental appropriations for new programs and amendments to old ones that are put into effect in the same fiscal year in which they are passed. In some cases, new legislation supplementals may be required for programs that were planned well before the start of the fiscal year but were delayed in the Congress beyond the expected timetable. These supplementals are similar to supplementals for delayed reauthorizations in that both are caused by delays in Congressional scheduling. About half of all supplemental appropriations under new legislation are for changes in entitlement programs, such as the \$5 billion unemployment compensation supplemental in 1975. New legislation supplementals were particularly large in 1977, as the Congress approved much of the legislation proposed by the new Carter Administration. Supplemental appropriations for new legislation accounted for about \$4.1 billion per year, or a quarter of all supplementals in the 1970s.

Existing Legislation. A variety of circumstances can lead to supplemental requests for existing programs: natural disasters, defense emergencies, unexpected rises in procurement costs, or poor estimation of budget needs. During the 1970s, the largest of the supplementals for existing programs were to meet unexpected economic conditions. Many involved automatic increases in entitlement programs (see next section). Defense emergencies, though an important source of supplemental requests during the peak of the Vietnam War, have been virtually nonexistent in the 1970s. Natural disaster relief, accounting for about 5 percent of all supplemental appropriations, is intentionally funded through such appropriations, as the size of needed relief payments cannot be exactly predicted in advance. This prevents relief agencies from having unobligated funds at the end of the year, which might then be distributed to nonemergency claimants. remainder of supplemental appropriations under existing law, one-sixth of all supplementals, are for miscellaneous items not easy to classify further. These include inflation-related supplementals in discretionary programs and emergencies, such as the recent influx of Cuban refugees into the country. Existing legislation supplementals accounted for \$8.6 billion per year, 49 percent of all supplemental appropriations in the 1970s.

ECONOMY-RELATED SUPPLEMENTAL APPROPRIATIONS

Supplemental appropriations to meet unexpected economic circumstances were enacted throughout the 1970s, but were extraordinarily large during the years 1975, 1976, and 1977, accounting for about half of all budget authority approved through supplemental bills. The mid-decade years appear as exceptions to the general trend of supplemental appropriations use, largely because of economy-related items intended to deal with the recession of 1973-1975 and recovery programs in 1976 and 1977.

The largest portion of the supplemental appropriations to meet unexpected economic conditions came from increases in entitlement programs, such as food stamps and unemployment insurance. These were automatic increases following the rise in the number of eligible recipients caused by higher than expected unemployment. Other supplementals, such as the 1977 economic stimulus bill, attempted to stimulate the economy by activating discretionary programs, such as public service employment and countercyclical revenue sharing.

Inflation may also have an effect on supplemental appropriations, though the effect is smaller and harder to trace than that of unemployment. Inflation may make the cost-of-living indexing of entitlements larger than expected, and it may raise the operating costs of discretionary programs above their budgeted levels.

Many of the supplementals to meet economic conditions could have been avoided if the original estimation of budgetary needs had been more accurate. Because the economic assumptions needed to calculate estimates are often overly optimistic, there may be a bias towards underestimation of program needs, and thus higher supplementals. It should be noted that high supplementals for economic circumstances are not the result of evasion of budgetary discipline, but rather of intended flexibility designed into entitlement and other economic programs for the purpose of exerting countercyclical effects.

A further reason for large supplemental appropriations in 1977, the year of the highest amounts, was the attempt by the new Carter Administration to revise the budget it inherited to meet its new priorities.

THE BUDGET ACT AND SUPPLEMENTAL APPROPRIATIONS

The Congressional Budget Act of 1974, although it does not explicitly address the use of supplemental appropriations, has altered the process for Congressional consideration of the bills. These changes in process do not appear to have caused a change in the uses or volumes of supplemental appropriations; the use of supplemental spending is stable throughout the decade, except for the large amounts explained by unusual economic conditions.

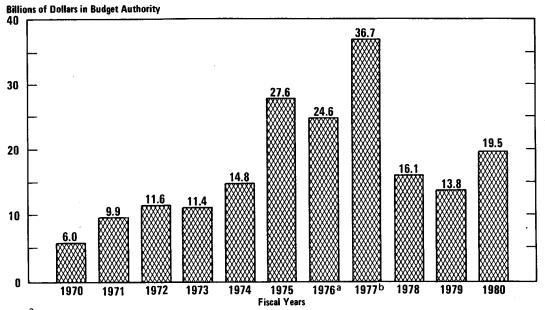
The most important change brought about by the Budget Act was the shift from passage of two omnibus supplemental bills per year to one omnibus bill, plus a large number of single-item bills. This shift has occurred in three years, 1977, 1979, and 1980, and is expected to continue. The Budget Act caused this change by shifting the time at which supplementals could be considered until well into the fiscal year, leaving time for passage of only one major supplemental bill. The Budget Act led to the shift in timing in two very different ways. First, it changed the beginning of the fiscal year from July to October, altering the way consideration of supplemental bills can be coordinated with other Congressional business. Because of the fall and Christmas recesses and the business accompanying the beginning of new legislative sessions, the Congress has no opportunity to consider supplemental requests until spring or early summer, six to nine months into the fiscal year. Second, large supplemental appropriations have required revisions in the binding second budget resolution before they could be enacted, and these revisions have been considered in May along with the first resolutions for the upcoming fiscal year. Again, major supplementals have been delayed until the fiscal year is more than half over.

The creation of the Budget Committees and the budget resolutions has opened up an opportunity for another layer of Congressional scrutiny of

supplemental requests. This additional layer does not appear to have significantly influenced the size of supplementals enacted in either direction. Each year, the first and second resolutions have allowed room for supplementals, but the amounts allowed have proved too conservative, requiring revisions to the second resolution. In 1979 and 1980, the Budget Committees attempted to use the revision of the resolution to restrict the size of supplementals, but it is difficult to determine any measurable impact on size attributable to the revision. What is certain is that action on budget resolution revisions has focused greater attention on the size and use of supplemental bills.

In each of the past eleven fiscal years, the Congress has passed at least two supplemental appropriations bills. A supplemental appropriation provides additional budget authority beyond the amounts contained in regular appropriation bills and for a fiscal year that has already begun. The President can request and the Congress can pass supplemental appropriations whenever they find that a need for additional funds is too urgent to be delayed until the following fiscal year. During the 1970s, the amount of budget authority provided through supplemental appropriations ranged from a low of \$6 billion in 1970 to a high of \$37 billion in 1977 (see Figure 1). The trend of supplemental appropriations during the decade was a slow rise—generally paralleling the increase in all appropriations—interrupted by three years of unusually large amounts from 1975 to 1977.

Figure 1. Supplemental Appropriations, Fiscal Years 1970-1980



^a Data for the transition quarter is not included.

b A \$13.1 billion supplemental appropriation for annual rent contribution contracts for assisted housing
has been omitted. The supplemental resulted from a change in the method of accounting for the contracts.
 It had no effect on outlays.

This paper examines the use of supplemental appropriations during the 1970s by reviewing the kinds of programs for which supplemental appropriations were required and discussing developments in the Congressional approval process. The rest of this chapter describes the formal steps needed to enact supplemental appropriations. Chapter II, using data at the budget account level, discusses the major purposes for which supplemental appropriations have been used. Chapter III looks at the causes of the unusually high supplemental appropriations from 1975 to 1977, explaining that the large amounts were occasioned by economic problems and by the change of administrations in 1977. Chapter IV discusses developments in the process of enacting supplemental appropriations, with primary emphasis on the possible effects of the new budgeting procedures mandated by the Congressional Budget Act of 1974.

This report presents two general conclusions about supplemental appropriations. First, the most important source of variation in the size of supplementals from year to year is the state of the economy. Deteriorating economic conditions increase demands on appropriated entitlement programs and for Congressional spending to provide economic stimulus. These additional costs often require large supplemental appropriations. Second, aside from those supplemental appropriations used to meet unexpected economic conditions, there has been little change in the proportion of all appropriations filled through supplementals or in the program uses of supplementals. Even the 1974 Budget Act, although it has influenced the timing and packaging of supplemental bills, has not had an observable impact on their uses or dollar size.

STEPS TO ENACT SUPPLEMENTAL APPROPRIATIONS

In the regular appropriations process, 13 appropriations bills are passed each year, corresponding to the program areas covered by the 13 subcommittees of the Appropriations Committees. (Roughly 60 percent of all federal budget authority is appropriated annually; the remainder includes authority included in permanent appropriations and trust funds, among other items.) The regular appropriations bills are based on the President's annual budget requests, as acted upon by the Congress. The bills are to be enacted into law before the start of the fiscal year to which they apply, although not all of them meet this deadline every year and the affected programs have to be funded under continuing resolutions.

After the regular appropriation bills are passed, if further funding needs arise, a supplemental appropriation is required before additional funds can be obligated for the current fiscal year. Under the Budget and Accounting Act of 1921, the President may send supplemental appropriation

requests to the Congress that "in his judgement (1) are necessary for laws enacted after the transmission of the annual budget, or (2) are otherwise in the public interest." 1/ The Congress may also initiate supplemental appropriations whenever it sees fit, but in practice almost all requests come from the Executive agencies through the President.

Although there is no legal restriction on when supplementals are appropriate, the working agreement between the Congress and the Executive Branch is that every effort should be made to avoid them by waiting until the next fiscal year to procure the needed funds. In its Circular A-11 to Executive agencies on preparing and submitting the federal budget, the Office of Management and Budget (OMB) attempted to define what circumstances constitute sufficient urgency. The document lists five conditions, at least one of which must be met before an agency can submit a supplemental request: 2/

- (a) existing law requires payments to be made within the fiscal year (e.g., pensions, entitlements, etc.);
- (b) liability accrues under the law, and it is in the Government's interest to liquidate the liability as soon as possible (e.g., claims on which interest is payable);
- (c) an emergency situation arises that requires unforeseen outlays for the preservation of life or property;
- (d) increased workload is uncontrollable except by statutory change; or
- (e) new legislation enacted after the submission of the annual budget will require additional funds within the fiscal year.

Since the Congress has issued no guidelines to the Executive Branch, the OMB statement provides the only widely recognized statement of supplemental appropriations policy. The clause allowing for "emergency situations" gives the agencies broad discretion in making their requests.

The majority of supplemental requests are submitted to the Congress with the January budget for the following fiscal year. The Congressional

^{1/ 31} U.S.C. 14(a) (1976).

^{2/} Office of Management and Budget, Circular A-11, Sec. 39.1, 1980.

review process for a supplemental request is much the same as that for a regular appropriation. The subcommittee that normally handles the program holds hearings during which the requesting agency presents its reason for submitting a supplemental rather than waiting until the new fiscal year. According to Appropriations Committees staff members, the reviews are often conducted more leisurely than those for regular appropriations, but are likely to go into the same level of detail. The Appropriations Committees then package many supplemental items into an omnibus bill once or twice a year. They also report single item bills from time to time.

The Congress has generally approved less than the full amount of the supplementals requested by the President. In all but three of the past eleven years, the requests have been larger than the amounts enacted; the average annual amount enacted was approximately 95 percent of all Presidential requests—about the same proportion as that for regular appropriations requests (see Table 1).

TABLE 1. APPROVAL RATE OF PRESIDENTIAL REQUESTS, FISCAL YEARS 1970-1980 (Budget authority in billions of dollars)

Fiscal Year	President's Request	Enacted by the Congress	Difference	Percent Enacted of Amount Requested
1970	6.5	6.0	-0.5	92
1971	10.4	9.9	-0.5	95
1972	11.6	11.6	0.0	100
1973	11.4	11.4	0.0	100
1974	17.0	14.8	-2.2	87
1975	27.1	27.6	+0.5	102
1976	25.1	24.6	-0.5	98
1977	38.7	36.7	-2.0	95
1978	16.2	16.1	-0.1	99
1979	14.4	13.8	-0.6	96
1980	31.3	19.5	-11.8	62 <u>a</u> /

a/ The large difference in 1980 results from the Congressional decision to consider the Foreign Assistance appropriations separately from the omnibus supplemental bill. The President's request included full fiscal year funding for foreign assistance programs, which were operating under continuing resolution. If the \$9.5 billion for Foreign Assistance were omitted from the President's request, the approval rate for 1980 would rise to 89 percent.

During the 1970s, supplemental appropriations were used to fund a wide range of activities. The most important of these were: comparability pay raises for federal employees, natural disaster relief, changes in entitlement programs caused by unexpected economic conditions, economic stimulus programs newly enacted by Congress, and ongoing federal programs whose appropriations were delayed by late reauthorizing legislation. The large residual supplementals for miscellaneous uses is hard to classify further. If the period under review had included the late 1960s, funding of national defense emergencies would have been another important reason for supplemental appropriations.

Because they occur after the heart of the budget cycle is completed, supplemental appropriations receive relatively little attention from observers of federal budgeting. The Appropriations Committees and the Congress may wish to review periodically the use of supplemental appropriations. This review could ask such questions as the following:

- o Since supplementals permit government spending to exceed amounts previously voted upon in concurrent resolutions as appropriate levels of federal activity, are supplementals being used to circumvent budgetary controls?
- o In the interest of rational planning, there is a general presumption that supplemental appropriations should be as small as possible. Do large supplementals in a given year indicate a failure of planning, or a response to unforseeable conditions?

The analysis of supplemental uses during the 1970s provided in this paper is intended to assist the Congress in consideration of such questions.

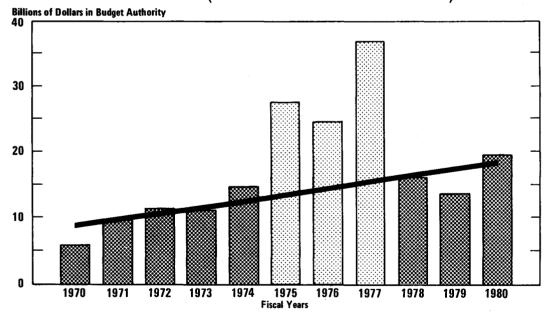
	 and the second second

During the first half of the 1970s, supplemental appropriations averaged \$10.7 billion per year. This average rose to \$29.6 billion in 1975, 1976, and 1977, and fell again to an average of \$16.5 billion during the most recent three-year period. The three mid-decade years, particularly 1977, the first year of the Carter Administration, stand out as deviations from the other years (see Figure 1 on page 1). If these three years were omitted from consideration, a trend line could be drawn for the remaining years which would show a gradual rise in the dollar amounts of supplemental appropriations. This is done in Figure 2.

Except for the mid-decade years, supplemental appropriations have remained a relatively constant proportion of all appropriations, fluctuating between 4 and 8 percent. In all but the 1975-77 period, the yearly fluctuations from the trend line are relatively minor. This suggests that there is an underlying pattern of supplemental use through the decade. The

Figure 2.

Trend Line Showing Rate of Increase in Supplemental Appropriations, Fiscal Years 1970-1980 (1975-1977 Omitted from Trend)



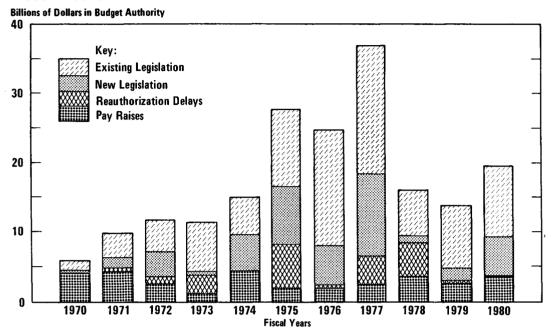
existence of such a pattern is confirmed by comparing the amounts provided in supplemental appropriations to the total of regular appropriated spending for each year (see Table 2). This explains the upward slope of Figure 2's trend line: the gradual growth in supplemental appropriations during the decade parallels a gradual growth in all appropriations. The mid-decade years aside, the Congress has not relied on supplemental appropriations to fund an increasing portion of federal activity.

TABLE 2. SUPPLEMENTAL APPROPRIATIONS IN BUDGET AUTHORITY AND AS A PERCENT OF ALL APPROPRIATIONS, FISCAL YEARS 1970-1980 (Budget authority in millions of dollars)

Fiscal Year	Budget Authority	Percent of All Appropriations		
1970	5,993	4.4		
1971	9,870	6.8	average,	
1972	11,599	7.1	1970-1974:	
1973	11,371	6.5	6.5 percent	
1974	14,796	7.7	•	
197 <i>5</i>	27,587	13.2	average,	
1976	24,636	9.8	197 <i>5</i> -1977:	
1977	36,723	13.7	12.2 percent	
1978	16,053	5.0	average,	
1979	13,845	4.1	1978-1980 :	
1980	19,461	5.0	4.7 percent	

This underlying pattern could be considered the predictable part of supplemental appropriations. In view of emergency and other unforeseen needs for supplementals, it may seem unusual that some supplementals are more predictable than others, but such is the case. The predictable portion consists of items for which a supplemental is required almost every year, such as federal pay raises and disaster relief. During the 1970s, all reasons for supplementals, except those for economic conditions, fall into the underlying pattern. Though the amounts required fluctuate from year to year, the pattern of use of supplementals at the first of the decade is similar to that at the end (see Figure 3). During the three mid-decade years, extraordinary circumstances called for additional supplemental appropriations, on top of the more predictable items.

Figure 3.
Legislative Circumstances of Supplemental Appropriations,
Fiscal Years 1970-1980



The remainder of this chapter investigates the general pattern of supplemental appropriations. Chapter III explains the unusually large amounts for 1975-77.

GENERAL TRENDS IN SUPPLEMENTAL APPROPRIATIONS

Supplemental appropriations may be sorted into four categories that illustrate the relationship between the appropriation and its authorizing legislation:

o Federal civilian and military employee comparability pay raises, the exact cost of which is not known until after action is completed on regular appropriation bills. 1/

^{1/} Supplemental appropriations to pay legal claims and judgements against the United States are included with pay supplementals, for

- o Delay of legislation reauthorizing current programs beyond the time that the Congress acts on the regular appropriation bills.
- o New legislation enacted after action is completed on the regular appropriation bills, and expected to take effect before the start of the next fiscal year.
- o Existing legislation requiring funding for certain programs or activities because of circumstances not foreseeable at the time of the regular appropriation bills.

Any division of supplemental appropriations into categories is somewhat arbitrary, because substantive reasons for the requests often overlap. The above breakdown, which uses legislative rather than substantive circumstances, is constructed to eliminate any overlap. As Figure 3 and Table 3 show, and the rest of the chapter will confirm, there has not been a consistent shift in the major reasons for supplemental appropriations, either away from or toward any particular reason, during the 1970-1980 period.

The first two categories involve special features of the budgeting process: increased pay costs and delays in authorizing legislation. Funding of yearly federal pay increases for civilian and military employees has been a small portion of all supplementals, accounting for 15 percent of the total for the eleven-year period. The granting of pay raises is the most predictable of all events leading to supplementals. In contrast to supplementals justified as unforeseeable in advance, pay supplementals are a routine part of the yearly budget process for reasons that are discussed in the next section. The fluctuations in size of pay supplementals from year to year have been smaller than the fluctuations in the size of supplementals for any other purpose.

Supplementals necessitated by delayed reauthorizations, on the other hand, vary greatly from year to year, depending on the success with which the authorizing committees handle the scheduling of their workload. During the period as a whole, reauthorization delays accounted for 11 percent of all

both represent the elimination of a deficiency status in the budget. The use of supplementals to pay legal claims and terminate other deficiencies has never involved large sums, accounting for only 2 percent of all supplementals during the 1970s. Legislation in 1977, P.L. 95-26, provided permanent spending authority for claims against the United States, eliminating the need for supplemental appropriations.

supplemental budget authority, though in several years there were no supplementals for this reason. Thus, for these two categories, the need for supplemental appropriations has little to do with the nature of the program being funded—pay supplementals are a deliberate part of the budget process, and reauthorization delay supplementals are the by-product of a temporary failure in the process.

TABLE 3. REASONS FOR SUPPLEMENTAL APPROPRIATIONS, FISCAL YEARS 1970-1980 (Budget authority in millions of dollars)

Fiscal Year	Increased Pay Costs <u>a</u> /	Reautho- rization Delays	New Legislation	Existing Legislation	Total Enacted
1970	4,025		162	1,806	5,993
1971	4,276	502	1,351	3,741	9,870
1972	2,372	1,391	3,341	4,495	11,599
1973	970	2,824	519	7,058	11,371
1974	5,289		5,330	5,289	14,796
1975	1,970	6,205	8,143	11,270	27,587
1976	2,031	162	5,778	16,665	24,636
1977	2,364	4,207	11,687	18,466	36,723
1978	3,724	4,924	1,057	6,349	16,053
1979	2,738	247	1,731	9,129	13,845
1980	3,731	54	5,537	10,139	19,461
Total	32,378	20,516	44,636	94,407	191,934
Percent Total	of				
Enacted	17	11	23	49	100

a/ Includes legal claims and other deficiency payments through 1977. See footnote 1 on page 9.

Justification for the remaining three-quarters of all supplementals follows directly from the needs of the programs themselves. The circumstances may involve an unforeseen development in almost any program. One-third of this remainder (or almost a quarter of the total) is requested to institute newly enacted programs or amendments making major changes in previously enacted ones. The final category, comprising slightly over half of all supplementals, is appropriations enacted on the basis of existing legislation (without major new amendments). This includes funding to respond to natural disasters, defense emergencies, and economic conditions.

Supplementals may be enacted for discretionary, mandatory or entitlement items. Entitlements funded through general revenues rather than trust funds require appropriations before spending can occur, and therefore may appear in supplemental bills. All pay supplementals are classified as mandatory, and all delayed reauthorization supplementals are classified as discretionary. All three types of items are found in the new and existing legislation categories. During the period studied, 55 percent of all supplemental budget authority was for discretionary items, 32 percent for entitlements, and 18 percent for other mandatory requirements.

MAJOR CATEGORIES OF SUPPLEMENTAL APPROPRIATIONS

Federal Pay Raises

The Congress relies on supplemental appropriations to meet federal pay increases, because their exact costs are not known until after passage of the regular appropriations bills. The exact amounts have varied from year to year, but have generally been in the range of \$2 to \$4 billion (see Table 4).

Pay increases are determined through a series of steps, whose schedule is not synchronized with the regular appropriations process. In the January budget, the President makes a highly tentative recommendation for the next fiscal year's pay raise. The recommendation is usually very conservative because a low estimate of the requirement gives the appearance of fiscal restraint. During February and March, the Bureau of Labor Statistics (BLS) studies the comparability of federal and private pay. It submits this study to the President's pay board, which draws up a recommended new pay schedule. In September, one month before the start of the fiscal year, the President submits his second, and more realistic, recommendation for pay increases to the Congress. He may adopt the schedule of the pay board, though in recent years he has recommended smaller increases. recommended increases become effective on the first day of the new fiscal year, unless the Congress disapproves them, even though appropriations for them have not yet been enacted. In late January, the President submits his final request for pay supplementals for the current fiscal year, based on the earlier recommendation. The amounts requested are smaller than the full pay increase announced in September, reflecting demands by the President, through OMB, that the agencies "absorb" much of the increased cost through various administrative economies. Pay supplementals are requested only for amounts agencies have not been able to absorb. Additional absorption must take place if the Congress trims back the supplemental requests before approving them.

If the timing of the BLS comparability study and various recommendations were pushed back several months, the need for pay supplementals could be virtually eliminated. Though it would require a change in law, it would be possible for the President to submit his revised pay schedule in time for regular appropriations bills. The Congress has found it beneficial to leave the schedule as it is, so that it can require additional absorption as late into the fiscal year as possible. The Congress considers that the economies obtained through absorption contribute to good agency manage-Most of the absorption, however, results from the negotiations between the agencies and OMB (see Table 4, column three). In recent years, only a quarter of the total amount absorbed is attributable to Congressional pressure. The Congress has usually reduced the request as presented by the President by \$100 to \$300 million. In 1980 Congressional pressure took the form of requiring agencies to absorb pay raise costs by transferring funds from accounts with excess funds into those which could not absorb as much as had been hoped. If agencies anticipate that a certain amount of absorption will be necessary, they may adjust their original requests accordingly, and pressure from OMB and the Congress will then achieve little in terms of forcing more efficient agency management.

TABLE 4. SUPPLEMENTAL APPROPRIATIONS FOR FEDERAL PAY RAISES, FISCAL YEARS 1970-1980 (Budget authority in millions of dollars)

Fiscal Year	Fully Increased Costs <u>a</u> /	Absorption Required by the President (Through OMB)	Absorption Required by the Congress	Enacted Supple- mental <u>b</u> /
1970	5,600	1,200	400	4,000
1971	5,000	600	300	4,100
1972	2,900	300	300	2,300
1973	1,400	400	100	900
1974	4,100	500	300	3,300
1975	2,400	400	200	1,800
1976	3,300	1,200	200	1,900
1977	2,800	600	100	2,100
1978	3,800	500	100	3,200
1979	3,700	1,200	100	2,400
1980	4,200	200	300	3,700

a/ CBO estimates.

b/ Differs from Table 3 because claims and deficiencies are excluded.

There is some speculation that the timing of supplemental appropriations, particularly pay supplementals, may contribute to accelerated year-end spending. Although agencies must begin paying their employees at a higher rate on the first of the fiscal year, they do not know how much they will actually receive for this purpose until much later, when the supplemental is finally passed. To cope with the uncertainty, agencies may withhold discretionary funds to cover the contingency that the absorption requirement will be higher than expected. If the supplemental turns out to be relatively generous, these agencies will find themselves with a reserve of discretionary funds, which must be spent before the fiscal year ends or they will revert to the Treasury. The date of passage of pay supplemental bills was close enough to the end of the fiscal year in 1978 and 1979 that it may indeed have resulted in excess year-end spending (see Table 5). 2/

TABLE 5. NUMBER OF MONTHS BETWEEN ENACTMENT OF PAY SUPPLEMENTAL AND END OF FISCAL YEAR, FISCAL YEARS 1976-1980

Fiscal Year	Number of Months	
1976	4	
1977	5	
1978	. 1	
1979	2	
1980	$\overline{4}$	

Reauthorization Delays

The rules of the House and Senate generally prohibit the Appropriation Committees from reporting appropriations for activities not previously authorized by law. 3/ A major share of on-going federal activities are authorized for limited periods of time and must be reauthorized when the time limits expire before additional appropriations can be provided. In recent years, the number of budget activities requiring annual authorizations has increased substantially, and in any given year a large number of

^{2/} For a discussion of the extent of this phenomenon, see General Accounting Office, Government Agencies Need Effective Planning to Curb Unnecessary Year-End Spending (July 28, 1980).

^{3/} House Rule XXI, Clause 2 and Senate Rule XVI, paragraph 2.

multiyear authorizations expire. About 30 percent of the new appropriations requested in the 1980 budget were for programs requiring authorization prior to enactment of appropriations. Delays in enacting the necessary authorizing legislation present the Appropriations Committees with a serious problem. When such a delay occurs, the committees must either seek a waiver of the rules to permit funding of on-going programs in the regular appropriation bill or delay action until a supplemental bill.

The Appropriation Subcommittees vary widely in their response to delays in authorizing legislation. Some subcommittees provide funds in a regular appropriation bill for on-going programs requiring reauthorization if either the House has passed an authorization bill or a committee has reported it, thus eliminating the need for a supplemental. Other subcommittees, such as the Subcommittee on Labor, Health and Human Services (HSS), and Education, frequently choose to delay appropriating funds until after the authorization legislation is enacted. About 60 percent of all supplementals attributable to delayed reauthorizations during the past ten years have been reported from this subcommittee. Most of the remainder has come from the Housing and Urban Development (HUD)-Independent Agencies Subcommittee.

Delayed authorizations have not been a major reason for supplemental appropriations in the 1970s. Only about 11 percent of all funds authorized through supplementals during the past ten years can be attributed to such delays, and the amounts are concentrated in four years: 1973, 1975, 1977, and 1978. The budgets for each of these fiscal years, except 1978, were prepared during the second session of a Congress, suggesting that during its last few months the Congress faces so many tasks that the authorizing committees have difficulty completing their required business on time.

When a supplemental for delayed authorizations is needed, it funds the entire program rather than, as in the case of other supplementals, only the marginal additions to the regular budget. This leads to the widely fluctuating, all-or-nothing pattern seen in Figure 3.

Delayed action by authorizing committees often creates the need for supplementals for new as well as on-going programs. As discussed below, some of the requests for supplementals for new legislation can be attributed to slow authorizations, though the exact amount is difficult to determine. The figures for the delayed reauthorization category, therefore, understate the magnitude of the supplementals necessitated by Congressional scheduling problems.

New Legislation

When the Congress passes an act establishing a new program or amending an old one, it often prefers to put the new law into effect immediately rather than wait for the start of the next fiscal year. When it does so, a supplemental appropriation is necessary. During the 1970s, new legislation accounted for roughly one-fourth of all supplemental budget authority.

Many of the individual items under new legislation are very small. New commissions and Congressionally mandated research projects are frequently funded through supplemental appropriations. These numerous items do not add a great deal of budget authority. In some years large supplemental items are the result of amendments to entitlement programs, such as new eligibility rules or changes in interest rates (see Table 6). For example, of the \$1.7 billion in supplemental appropriations under new legislation in 1979, nearly \$1.6 billion came from changes in three entitlement programs: student loans, HEW's social services, and veterans' pensions. If the effective date of the changes had been set after the beginning of the next fiscal year, there would have been no need for supplementals for these programs.

TABLE 6. SUPPLEMENTAL APPROPRIATIONS FOR NEW LEGISLATION, FISCAL YEARS 1970-1980 (Budget authority in millions of dollars)

Fiscal Year	Entitlement and Other Mandatory Programs	Discretionary Programs	Total New Legislation
1970	158	4	162
1971	816	535	1,351
1972	127	3,214	3,341
1973	83	436	[*] 519
1974	338	4,992	5,330
1975	7,620	[*] 523	8,143
1976	784	4,994	5,778
1977	5,837	5,850	11,687
1978	500	[*] 557	1,057
1979	1,567	164	1,731
1980	<u>779</u>	4,758	5,537
Total	18,609	26,027	44,636

Some of the supplementals for newly enacted programs result from late passage of the authorizing legislation by the Congress. In many cases a new program is proposed, and a rough timetable for enactment and implementation sketched out. When legislative snags hold up the bill until late in the year, the regular appropriations acts are passed with no mention of the new program. The agency or the Congressional sponsors request a supplemental appropriation so that implementation will not fall behind schedule. In such a case, the Congressional budget totals may have already included an allowance for the proposed programs. It is difficult to tell whether many of the new legislation supplementals were required because of late authorization. An estimate of the proportion could only be found by tracing the legislative history for the legislation establishing each new program.

The first year of the Carter Administration, 1977, showed the heaviest use of supplementals for new programs during the decade (see Figure 3). The Carter Administration took office four months into the fiscal year 1977 budget. In order to place its stamp on the budget and to deal with the sluggish economy, the Administration requested a number of new programs, to be enacted as soon as possible. The Congress passed an "Economic Stimulus Supplemental" in May 1977, which included \$10.2 billion in budget authority under new legislation. 4/ While dependence on supplementals is likely to be significant whenever an Administration changes and inherits a budget, the change in Administration parties and economic circumstances of 1977 created a particularly dramatic shift.

Existing Legislation

The requests based on unexpected developments in already authorized programs are the final category for supplemental appropriations (see Table 7). Supplemental appropriations have been enacted under existing authority for programs from flood clean-up to excess costs of construction projects. In some of those cases, the expenditure is well within the guidelines set for supplementals; it follows an unforeseeable event requiring immediate action. In others, the need may be less pressing or may spring from deficient planning during the appropriation stage (whether by the Administration or by the Congress).

A classic source of supplemental appropriation requests are natural disasters. In 1980, supplementals for disaster relief totaled nearly \$2.8 billion, of which almost \$2 billion stemmed from the eruption of Mt. St. Helens. Throughout the 1970s, about 14 percent of existing legislation

^{4/} These programs included Economic Development Administration public works and countercyclical revenue sharing, among other things.

supplementals, or 5 percent of all supplementals, were used to deal with the aftermath of natural disasters. These amounts have fluctuated widely over the years, in a manner unrelated to the overall level of supplemental appropriations. Costs for fighting forest fires have traditionally been funded through supplemental appropriations, as have Small Business Administration disaster loans and some activities of the Federal Emergency Management Agency. For these programs, the President's budget usually seeks some standard operating level of funding in its regular appropriations requests, and asks for additional funds only when it becomes apparent that these funds will be insufficient.

TABLE 7. REASONS FOR SUPPLEMENTAL APPROPRIATIONS FOR EXISTING LEGISLATION, FISCAL YEARS 1970-1980 (Budget authority in millions of dollars)

Fiscal Year	Natural Disasters	Changed Economic Conditions/ Economic Stimulus	Other Unforeseen Needs <u>a</u> /	Total for Existing Legislation
1970	305	879	622	1,806
1971	485	1,737	1,519	3,741
1972	61	3,313	1,121	4,495
1973	2,805	2,396	1,857	7,058
1974	384	1,259	3,646	5,289
1975	132	8,743	2,395	11,270
1976	242	14,189	2,234	16,665
1977	904	12,035	5,527	18,466
1978	3,308	347	2,694	6,349
1979	1,452	2,862	4,815	9,129
1980	2,797	5,411	1,931	10,139
Total	12,875	53,171	28,361	94,407

a/ Includes defense emergencies in 1979 and 1980.

It is generally agreed that this funds-as-needed method is suitable for natural disasters. The need to appropriate disaster funds quickly has not created particular difficulties for appropriating committees or executive agencies. Overfunding would necessitate rescissions if the anticipated disasters failed to materialize, or might encourage agencies to award disaster relief in situations where the problems are not severe. It may well be possible to refine the funding for natural disasters: the regular appropriations could be brought closer in line with expected disaster needs, or the

responses of certain disaster relief programs could be more automated to shorten implementation. These changes could shift up to roughly \$0.5 billion to regular appropriations, or \$1.5 billion if Small Business Administration loans were included. 5/ While this might be useful, it would have only a small effect on the overall pattern of supplemental appropriations.

National defense emergencies fit the guidelines for suitable treatment by supplementals, and during the 1960s there were a series of defense-related supplementals for the Vietnam War. Throughout most of the 1970s there have been no defense requirements of the same urgency. Most Defense Department supplemental requests have been used to meet needs other than national defense emergencies. Recently, with the signing of the Egyptian-Israeli peace treaty in 1979 (which included military aid from the United States to the two nations) and military reinforcement in the Indian Ocean because of the Iranian crisis, supplementals have been used to respond to unforeseen defense requirements. During the 1970s it is hard to make a clear distinction between quasi-emergency needs such as these and supplementals arising from on-going operations of the Defense Department. For this reason, defense emergencies have not been placed in a separate category here, but are classified with other unforeseen needs.

The largest category of supplementals under existing legislation results from changed economic conditions and attempts to provide economic stimulus. Most of the supplementals in this category occur in the large entitlement programs, for which funding requirements increase automatically and which may be so dependent on changeable economic indicators that their needs are difficult to estimate in advance. Economy-related supplementals were particularly large in 1975, 1976, and 1977. Chapter III examines the reasons for this, and describes the effects of economic conditions on supplementals in greater detail.

The remainder of the supplemental requests under existing authorization fall into no particular pattern. These are the miscellaneous requests, many of them quite small, which a large percentage of all agencies make. About two-thirds of all items in supplemental bills (excluding pay supplementals) are in this category of other unforeseen needs. A sixth of the budget authority for all supplementals during the eleven-year period has funded such requests. Among this multitude are requests resulting from unexpected inflation in procurement costs (see Chapter III), true emergencies, poor management, and even deliberate underestimation of budget

^{5/} This figure was estimated by adding the average yearly supplemental need for the disaster programs requiring supplementals almost every year. It is an order of magnitude estimate only.

needs. It is difficult to sort the true emergencies from the cases that might be open to questions of poor budget discipline. In 1980 a clearly urgent reason for many requests was the influx of large numbers of Cuban refugees into the country. In contrast, the \$285 million for increased costs of building the space shuttle was put in a supplemental appropriation not because of its urgency, but because the House Appropriations Committee requested that the National Aeronautics and Space Administration (NASA) provide more proof of the need for the funds than it had given during the regular appropriations review (see Table 8).

TABLE 8. SUPPLEMENTAL APPROPRIATIONS FOR OTHER UNFORE-SEEN NEEDS IN FISCAL YEAR 1980 (Budget authority in millions of dollars)

Item	Budget Authority
P.L. 480 Food For Peace	143
Dept. of Defense, Military Personnel	110
Dept. of Defense, Operation and Maintenance (largely fuel costs)	2,708
Refugee Assistance	50
Uranium Enrichment Activities	182
Atomic Energy Defense Activities	32
Army Corps of Engineers, Construction	180
Nuclear Regulatory Commission	32
GNMA Special Assistance Fund	150
NASA Space Shuttle Program	285
Tennessee Valley Authority	74
Rescissions and Other Items	<u>-2,015</u>
Total	1,931

SUPPLEMENTAL APPROPRIATIONS BY SUBCOMMITTEE

Because of the uses for which supplemental appropriations have been required, some Appropriations Subcommittees have been more likely to report supplemental appropriations than others. That is, some subcommittees account for a larger share of total supplemental budget authority

than would be expected, given their share of all appropriations (see Table 9). The Labor, HHS, and Education Subcommittee reports the largest share of supplemental budget authority (36 percent), followed by the HUD-Independent Agencies Subcommittee (24 percent) and the Defense Subcommittee (14 percent). The percentages for all appropriations differ: Defense is highest with 37 percent of appropriated budget authority, followed by HUD-Independent Agencies (20 percent) and Labor-HHS (19 percent). These differences in pattern do not necessarily indicate that budget planning in some programs is less accurate than in others, or that some subcommittees have looser criteria for supplemental appropriations than others. The more likely explanation is that the supplemental-prone subcommittees have jurisdiction over programs whose needs are particularly hard to anticipate. The Labor-HHS Subcommittee has jurisdiction over entitlement programs for which most increases are automatic and must be approved, and which have involved the largest supplemental items in the 1970s. The Military Construction Subcommittee, at the other extreme, has not been faced with major shifts in the level of costs after their regular budget planning is completed.

TABLE 9. RELATIVE CONTRIBUTION OF APPROPRIATIONS SUBCOM-MITTEES TO REGULAR AND SUPPLEMENTAL BUDGET AUTHORITY (In percents)

Subcommittee	Percent Of All Regular Appropriations <u>a</u> /	Percent Of All Supplemental Appropriations <u>b</u> /
Agriculture	5	6
Defense	37	14
District of Columbia	<u>c</u> /	<u>c</u> /
Environment and Public Works	3	<u>c</u> /
Foreign Assistance	2	4
HUD-Independent Agencies	20	24
Interior	4	2
Labor, HHS, Education	19	36
Legislative Branch	<u>c</u> /	<u>c</u> /
Military Construction	1	<u>c</u> /
State, Justice, Commerce	3	6
Transportation	2	2
Treasury, Postal Service	2	5

NOTE: Details may not add to totals because of rounding.

 $[\]underline{a}$ / Average of 1975-1980; data not available before 1975.

b/ Average of 1970-1979.

c/ Less than 0.5 percent.

Supplemental appropriations during 1975, 1976, and 1977 departed from the underlying pattern of supplemental use prevailing throughout the 1970s. The deviations from the norm were caused by special circumstances in those years: the poor performance of the economy and, in 1977, the change of Administrations.

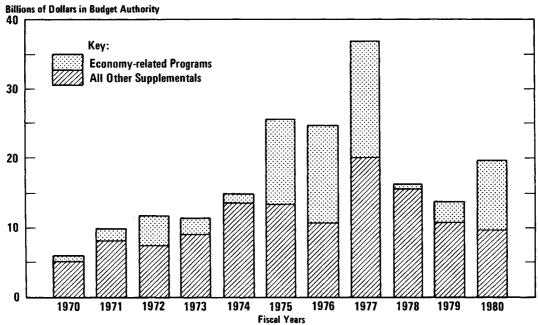
THE ROLE OF ECONOMIC CONDITIONS

The most important reason for supplemental appropriation requests during the 1970s was unexpected economic conditions. Poor economic performance was the justification for about one-quarter of all the funds appropriated in supplemental bills. Some of these were included in the category of new legislation, but most were authorized under existing programs. The amounts for economic conditions were not distributed evenly throughout the decade, however, but were concentrated in the 1975 to 1977 period, as a result of the severe recession in 1973-1975 and recovery programs in 1976 and 1977. While in all the other years, economy-related programs accounted for an average of 15 percent of all supplemental budget authority, from 1975 through 1977 they accounted for an average of 48 percent. If it were not for this concentrated increase, the volume of supplementals from 1975 through 1977 would be much closer to the overall Excluding the supplementals related to economic conditions, the volumes of supplemental appropriations for fiscal years 1975-1977 fall within the general trend of the whole period, although they are on the high side of the trend (see Figure 4).

Both unemployment and inflation, when higher than anticipated, can create the need for supplemental appropriations in entitlement programs. 1/ Many of the nation's income security programs have built in stabilizers which cause program costs to rise whenever unemployment increases. When people lose their incomes through unemployment, they become eligible for a number of benefits, such as unemployment compensation and food stamps. Because these programs are entitlements, federal spending must rise with the eligible population, and the Congress has no

<u>1</u>/ Entitlements are benefits prescribed by law for all persons meeting a program's eligibility requirements.

Figure 4.
Supplemental Appropriations for Economy-Related Programs and All Other Supplementals, Fiscal Years 1970-1980



choice but to approve the supplemental authority for them. 2/ The effect of inflation on supplemental appropriations is harder to trace. When inflation is unexpectedly high, automatic cost-of-living adjustments across a range of social programs raise benefits to maintain the real value of the funds provided; supplemental appropriations might then be required, though the adjustments lag so far behind changes in price indexes that the effect on supplementals may not be large.

Many of these automatically fluctuating programs are funded out of trust funds and do not require appropriations action, the prime example being Social Security. For other programs, such as Supplemental Security Income, Medicaid, and military retirement pay, the government cannot

^{2/} Although since fiscal year 1978 the food stamp program is no longer officially an entitlement, it still has the automatic increases in obligations of an entitlement, but only up to a legislated ceiling on the whole program.

obligate funds without appropriations. Changes in entitlement programs were the major reason for economy-linked supplementals during 1975 and 1976. Extended unemployment benefits, those received from the 27th to 39th weeks of unemployment during times of high unemployment rates, required a \$5 billion supplemental in each of those years.

High unemployment and inflation may also create demand for supplementals for discretionary programs. During recessions the Congress may wish to provide further economic stimulus in the form of jobs programs. For example, the public service employment programs of the Comprehensive Employment and Training Act were used to help stimulate demand in 1977, and a \$9.5 billion supplemental was enacted. When the price of goods and services rises faster than expected, the costs for almost any federal program can rise above the original budget estimate. As a result, a large number of agencies may ask for supplementals in order to maintain their planned levels of operations. Most of these do not involve large amounts. An exception in 1980 was the \$2.7 billion supplemental appropriation for increased costs for the Defense Department (see Table 8 in Chapter II).

When the inflation-related requests are small and numerous, it is difficult to distinguish them from the other miscellaneous reasons for supplemental requests. For example, increased costs for a construction program might be attributable in part to higher material prices and in part to unexpected structural problems encountered in the midst of the project. Furthermore, higher procurement costs might be a convenient justification for an agency's supplemental request, even if the fundamental reason for the request were something else. There is, accordingly, no satisfactory measure of the impact of inflation on discretionary program supplementals. Supplementals of this sort are included in the figures and tables in this report in the existing law category, under the "other unforeseen needs" heading.

One question raised by high supplementals caused by economic conditions is why the proper amounts could not have been anticipated enough in advance for inclusion in regular appropriations, particularly in the case of entitlement programs. Estimating errors may arise simply because the science of projecting future claims is not exact. These errors are unavoidable and should not cause systematic bias toward underestimation of needs. When inflation and unemployment are an important part of the estimators' model, there may be a tendency, particularly on the part of Administration analysts, to rely on overly optimistic forecasts, which would lead to underestimation of the amounts needed in regular appropriations and higher supplemental requests later.

There are many arguments supporting the extensive use of supplementals to respond to economic conditions. The countercyclical effects of

social program funding are an intended part of macroeconomic policy, and depend on speedy implementation for their effectiveness. The same can be said for the discretionary portions of economic stimulus--the employment programs--which are most successful when little time is lost between the identification of an economic problem and policy implementation. Automatic stabilizers are a reflection not of an inability to control spending during the regular appropriations process, but of explicit policy instituted in previous years by the Congress. They stem from a Congressional decision that government transfers should be used to counteract downturns in the business cycle. If the Congress decides such a policy has become too expensive, it may alter the characteristics of the programs. This is what it has attempted to do by placing a ceiling on the food stamp program. ceiling has not reduced the amounts authorized for the program in supplementals, however. In spite of the fact that the effects of economic changes were anticipated in time for regular appropriations, large supplementals were required for food stamps in both 1979 and 1980, because previously authorized ceilings could not be raised in time. Legislation raising the ceiling to accommodate the new conditions was not passed until midway through both fiscal years.

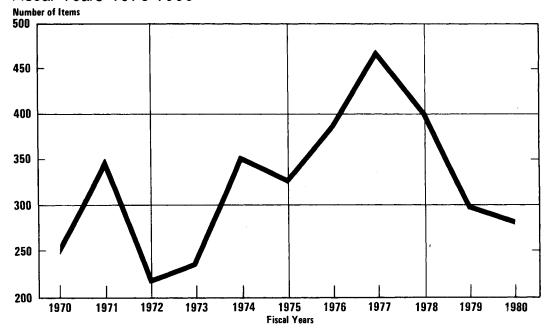
Although some may disapprove of the large supplementals appropriated for entitlement programs or of the use of public service employment programs, the legitimate focus for concern is the substance of the programs themselves, not the fact that they were funded through supplemental appropriations. The large supplementals should be seen as signs that the government's built-in and discretionary fiscal policy mechanisms are operating as intended. They are artifacts of fiscal policy choices and of an economy that since 1975 has made accurate macroeconomic forecasting very difficult. Whenever the economy does not perform as expected, these supplementals will again be large. They should be understood as a symptom of underlying economic problems, not of inadequate budgetary control.

CHANGE OF ADMINISTRATIONS

After taking office in January 1977, the Carter Administration relied heavily on supplemental appropriations to promote economic recovery and to reorient the fiscal year 1977 budget it inherited towards its own objectives. In 1977 these actions appeared in the large amount of supplemental budget authority authorized under new legislation (see Figure 3 in Chapter II). The effect of the change of Administrations shows even more clearly in the number of individual items passed than in the supplemental totals. In 1977 the number of items was far higher than in any other year during the decade (see Figure 5).

Figure 5.

Number of Items in Supplemental Appropriations Bills, Fiscal Years 1970-1980



Since the transition from President Nixon to President Ford did not involve a commitment to a new set of initiatives, one would assume that there was no increase in supplementals resulting from that transition. The Carter election, however, involved a return to a Democratic president after eight years of a Republican. Though the extra number of bills may have placed an added burden on the Congress, and may have used valuable time, the Congress has generally been willing to cooperate expeditiously with a new President in making changes and redirecting government activities according to the President's program objectives. In 1977, because the White House and the Congress were controlled by the same party, Congressional willingness was even greater. In mid-Administration years, the number of separate supplemental requests should subside, as happened in 1979 and 1980, though in 1978 the number of items was still high.

CHAPTER IV. SUPPLEMENTAL APPROPRIATIONS IN THE CONGRESSIONAL BUDGET PROCESS

The Congressional Budget Act of 1974 established new procedures to help Congress manage the work of budgeting, set relative priorities among major federal activities, and make the budget consistent with fiscal policy goals. The act did not explicitly alter the supplemental appropriations process, but some of its provisions could have a potential impact on their use. Some observers have suggested recently that the Budget Act reforms have contributed to increased use of supplemental appropriations. The charge is based primarily on the coincidence of the new budget procedures and the large supplemental appropriations of the mid-1970s. The large supplementals during those years were due primarily to volatile economic conditions, as discussed in Chapter III, and therefore cannot be attributed to changes in the budget process. The new procedures have, however, resulted in focusing greater attention on supplementals, and have affected the number and timing of supplemental bills.

SCHEDULING CHANGES

A principle feature of the Congressional Budget Act is the establishment of a timetable for the phases of the Congressional budget process. The beginning of the fiscal year was changed from July 1 to October 1 in order to give the Congress more time to finish its authorizing and appropriating business before the budget year begins. The Congressional deadlines leading up to the beginning of the fiscal year start with May 15, the deadline both for passage of the first budget resolution setting budgetary targets and for reporting all bills authorizing new budget Action on the thirteen regular appropriation bills is to be completed by the seventh day after Labor Day, in time for the second budget resolution which sets spending ceilings and revenue floors and is scheduled to be passed by September 15. The May 15 reporting deadline is intended to ensure that authorizations are passed before appropriations so that appropriations will not be delayed for lack of authorizing legislation. That and the appropriations deadline were intended to avert the frequent need for continuing resolution funding when the appropriations were delayed beyond the start of the fiscal year.

If the May 15 reporting deadline had been completely successful, and all authorizations were passed in time for inclusion of funding for them in

regular appropriations, there would be no need for later supplementals because of delayed authorizations. The last several years have witnessed a continuation of the trend toward annual, rather than multiyear, authorizations, which has multiplied the workload of authorizing committees. Thus, the authorizing committees have found it impossible to complete action on all bills before appropriations bills must be prepared. As a result, the category of supplementals attributable to late authorization still exists, and there were large supplementals of this type during 1977 and 1978. Although the Budget Act reform did not solve this problem, neither has it exacerbated it.

It is possible that the deadline for passage of appropriations acts leads to larger supplemental requests later. Before the Budget Act, there was no requirement in law for the Appropriations Committees to complete their business before a certain date, and appropriations were frequently delayed until after the start of the fiscal year. The Budget Act schedule, which has set up such a requirement, may have increased the time pressure on the Appropriations Committees. In the rush to enact a bill on time, the Appropriations Committees may omit some items or fund what they know to be only part of the need, knowing that the requests can be considered at greater leisure in supplemental bills several months hence. If this does happen, it is a marginal effect only, as it has not shown up in shifts in the types of programs authorized by supplementals (see Chapter II).

The most significant changes brought about by the new budget process schedule arise from the change in the beginning of the fiscal year. Under the new schedule, the President's January budget, containing all appropriation requests, is submitted not five but eight months in advance of the beginning of the fiscal year. These extra months may introduce greater chance for error in the estimates of program needs, which will have to be corrected later through supplementals. This could lead to increases in the volume of supplemental appropriations. Such a change is likely to be small, however, because the Appropriations Committees continue to accept revised estimates of program needs until shortly before the bills are passed.

The far more important change attributable to the new date for the start of the fiscal year is not the amount of budget authority approved through supplementals but the number of separate bills enacted. Prior to the establishment of the new budget process, there were usually two omnibus supplemental bills per year, the "wrap-up" supplemental at the end of a session and a second, or spring, supplemental (usually including federal pay raises), nearer the end of the fiscal year (see the Appendix for dates of passage of supplemental bills). The two-bill pattern disappeared in 1977, 1979, and 1980 (see Table 10). In these three years, there was one omnibus bill, the spring supplemental, plus several single purpose bills, the largest

being the 1977 Economic Stimulus Supplemental. Though this shift in pattern is relatively new, Congressional budgeteers think it may continue.

TABLE 10. SUPPLEMENTAL BILLS BY TOTAL NUMBER, BUDGET AUTHORITY, AND NUMBER OF ITEMS, FISCAL YEARS 1970-1980

		Budget Au	uthority	Number in All	
Fiscal Year	Total Number of Bills	Greater than \$1 Billion	Less than \$1 Billion	More than 20	Less than 20
1970	2	1	1	2	0
1971	4	3	1	2	2
1972	7	4	3	2	5
1973	5	4	1	2	3
1974	5	3	2	2	3
1975	7	3	4	2	5
1976	7	4	3	2	5
1977	11	3	8	2	9
1978	10	2	8	2	8
1979	3	1	2	1	2
1980	4	2	2	1	2

This new pattern is largely the result of moving the beginning of the fiscal year so that it occurs near the end of the Congressional session. As long as the fiscal year began in July, the Congress had several months in which to gather and act on supplemental requests before the session ended in the fall. When the Congress reconvened after its Christmas recess, more requests had accumulated and the Congress again had several months to collect and act on them. The second supplemental was usually passed in May or June before the fiscal year ended.

Now there are only one or two months left in the session after the fiscal year starts in October, not time enough for supplemental requests to be transmitted and acted upon, especially given the end-of-session crush of business. The Executive Branch has held its supplemental requests for inclusion in the January budget for the next fiscal year. When the Congress reconvenes in January, it spends several months in organizing its leadership (during the first session) and on preparing for the year's business (in both sessions). This pushes the spring supplemental back until early summer. After the spring supplemental, there are only

three to four months remaining in the fiscal year and the Appropriations Committees have been attempting to handle any supplemental needs in this period through single item bills, perhaps to avoid the additional time it might take to push a multipurpose bill through the Congressional process. Thus, the change in budgetary scheduling partially accounts for the increase in the number of separate bills passed during the last several years.

Another reason for the long period between the start of the Congressional session and the spring supplementals in 1977, 1979 and 1980 was that the budget authority requested in these bills was large enough to violate the ceilings on the budget enacted in the second budget resolutions. Revised budget resolutions, thus, were required before the supplementals could be acted on. This interaction is discussed at greater length in the following section.

THE BUDGET RESOLUTIONS

The concurrent budget resolutions are the heart of the new procedures instituted by the Congressional Budget Act of 1974. In May the Congress passes a first resolution setting targets for aggregate and functional budget totals for the coming fiscal year. In the September second resolution, it revises the totals and makes them binding ceilings. If it becomes necessary to expand the budget above the ceiling, a third budget resolution is needed. The budget resolutions allow the Congress to act collectively on the budget as a whole rather than separately on individual pieces of legislation as it had before the Budget Act.

The ceilings of the second budget resolution place a new kind of limit on supplemental appropriations, which fits awkwardly with the timing of supplemental consideration. The Congress is caught in a bind when preparing the second budget resolution. If a margin of allowance is left in the budget resolution for supplemental appropriations, the charge could be raised that the needs were anticipated in advance, and therefore should have been included in regular appropriations. The margin of allowance might then be interpreted as a tacit approval by the Congress of supplemental budget requests, which might encourage Executive agencies to submit the full measure of the margin in supplemental requests rather than moderating their demands. If no allowance is made in the second resolution, supplemental appropriations necessitate a third resolution and disturb the carefully planned agreements of the Congressional budget.

In fact, since the new budget process was implemented, the Congress has encountered both problems. Despite inclusion of allowances for

additional appropriations, a third resolution or revised second resolution has been needed to accommodate supplemental requests for every year except 1978. In the 1980 second resolution, for example, a margin of about \$10.7 billion was allowed, but the eventual supplemental total was over \$19 billion. A margin is provided for several reasons. First, and most important, estimates of budget authority needs cannot be precise, particularly in the case of mandatory programs that depend on macroeconomic forecasts. Second, although the need for an omnibus supplemental bill can be predicted ahead of time, the exact amounts cannot be, nor can the distribution of the supplemental needs among agencies be accurately anticipated. Federal pay raises, for example, are an anticipated source of supplemental requests.

As stated in the House Budget Committee's explanation of the Budget Act:

The framers of the Budget Act anticipated that, in addition to the May and September resolutions, Congress may adopt at least one additional resolution each year, either in conjunction with a supplemental appropriations bill or in the event of sharp revision in revenues or spending estimates brought on by major changes in the economy. 1/

These revisions are a reflection of the fact that conditions affecting the federal budget are constantly changing, much more so in recent years than predicted at the time the budget resolutions have been passed.

The need for a third budget resolution may offer an opportunity for additional control over supplemental appropriations. The Budget Committees are the vehicle for that control; if they wish to limit the size of supplemental appropriations, they can hold down their recommendation for the revised ceiling. The Budget Committees represent an additional layer of Congressional review not available before passage of the Budget Act. In 1979 the Budget Committees attempted to limit the revision to accommodate changes for inflation and other economic problems. In 1980 the Budget and Appropriations Committees agreed to raise the budget ceiling by as small an amount as possible, meeting supplemental requests through transfers from other programs rather than new budget authority.

The revised second budget resolutions have generally been passed at the same time as the first resolution for the next fiscal year, which has

The Congressional Budget and Impoundment Control Act of 1974: A General Explanation, House Committee on the Budget, 94:2 (August 1976), p. 10.

delayed consideration of the major supplemental bill until May or June. The Congress could pass a revised resolution earlier, if it so desired. It has, however, found it easier to move the revision through with the new first resolution, and this has not caused problems in the supplemental appropriations process.

Even before adoption of the Budget Act, large changes from the planned budget occurred, as evidenced by the supplemental appropriations required each year. If the Budget Act had not been in place in 1977, for example, the large supplementals could still have been passed. The budget resolutions, as mentioned above, were designed to allow for such changes, but require that the changes be explicitly approved. Large supplemental appropriations did not receive the intensive Congressional and public scrutiny they now receive as a result of the new Congressional budget process. The need for budget resolution revisions has changed the unpredictability of budget needs from a technical problem to an issue of public concern. Supplemental appropriations, as the proximate cause of the budget resolution revisions, are also brought into bolder relief. In this way, the Budget Act has contributed to the perception of a problem without actually contributing to the problem.

APPENDIX. SUPPLEMENTAL APPROPRIATION LEGISLATION, FISCAL YEARS 1970-1980

TABLE A-1. SUPPLEMENTAL APPROPRIATION LEGISLATION, FISCAL YEARS 1970-1980 (Budget authority in millions of dollars)

Fiscal Year and Session of Congress	Bill Title and Number	Public Law	Date Enacted	Budget Authority Enacted
1970				
91st, 1st	Supplemental, 1970 (H.R. 15209)	91-166	12/26/69	278
91st, 2nd	Second Supplemental, 1970 (H.R. 17399)	91-305	7/06/70	5,715
1971				
91st, 2nd	Supplemental, 1971 (H.R. 19928)	91-665	1/08/71	1,853
92nd, 1st	Unemployment Compensation Supplemental, 1971 (H.J. Res. 465)	92-4	3/17/71	51
92nd 1st	Urgent Supplemental, 1971 (H.J. Res. 567)	92-11	4/30/71	1,038
92nd, 1st	Second Supplemental, 1971 (H.R. 8190)	92-18	5/25/71	6,928
1972				
92nd, 1st	Summer Feeding Program Supplemental, 1972 (H.J. Res. 744)	92-35	6/30/71	17
92nd, 1st	Emergency Employment Assistance Supplemental, 1972 (H.J. Res. 833)	92-72	8/09/71	1,000
92nd, 1st	Department of Labor Supplemental, 1972 (H.J. Res. 915)	92-141	10/15/71	271
92nd, 1st	Supplemental, 1972 (H.R. 11955)	92-184	12/15/71	3,406
92nd, 2nd	Urgent Supplemental, 1972 (H.J. Res. 1097)	92-256	3/21/72	957
92nd, 2nd	Gold Revaluation, 1972 (H.J. Res. 1174)	92-301	5/18/72	1,600
92nd, 2nd	Second Supplemental, 1972 (H.R. 14582)	92-306	5/27/72	4,348

TABLE A-1. (Continued)

Fiscal Year and Session of Congress	Bill Title and Number	Public Law	Date Enacted	Budget Authority Enacted
1973				
92nd, 2nd	Supplemental for Disaster Relief (H.J. Res. 1238)	92-337	7/01/72	200
92nd, 2nd	Disaster Relief Supplemental (H.J. Res. 16254)	92-393	8/20/72	1,587
92nd, 2nd	Supplemental, 1973 (H.R. 17034)	92-607	10/31/72	4,921
92nd, 2nd	Supplemental, 1973 (H.J. Res. 496)	93-25	4/26/73	1,342
93rd, 1st	Second Supplemental, 1973 (H.R. 9055)	93-50	7/01/73	3,321
.974				
93rd, 1st	Gold Revaluation Appropriations, 1974 (H.J. Res. 748)	93-142	10/26/73	2,203
93rd, 1st	Supplemental, 1974 (H.R. 11576)	93-245	1/03/74	3,317
93rd, 2nd	Veterans Administration Supplemental, 1974 (H.J. Res. 941)	93-261	4/11/74	750
93rd, 2nd	Second Supplemental, 1974 (H.R. 14013)	93-305	6/08/74	8,347
93rd, 2nd	Further Urgent Supplemental for the Veterans' Administration (H.J. Res. 1061)	93-321	6/30/74	179
1975				
93rd, 2nd	Supplemental, 197 <i>5</i> (H.R. 16900)	93-554	12/27/74	6,280
93rd, 2nd	Urgent Supplemental (H.J. Res. 1180)	93-624	1/03/75	4,575

TABLE A-1. (Continued)

Fiscal Year and Session of Congress	Bill Title and Number	Public Law	Date Enacted	Budget Authority Enacted
94th, 1st	Further Urgent Supplemental, 1975	94-6	2/28/75	143
94th, 1st	(H.J. Res. 210) Additional Supplemental for the Veterans' Administration, 1975 (H.J. Res. 375)	94-17	4/24/75	639
94th, 1st	Vietnam Refugee Assistance (H.R. 6894)	94-24	5/23/75	405
94th, 1st	Second Supplemental, 1975 (H.R. 5899)	94-32	6/12/75	15,072
94th, 1st	Summer Youth Employment Supplemental, 1975 (H.J. Res. 492)	94-36	6/16/75	473
1976				
94th, 1st	Continuing Approp- riations, 1976 (H.J. Res. 499)	94-41	6/27/75	2,380
94th, 1st	Supplemental, 1976 (H.R. 10647)	94-157	12/18/75	10,300
94th, 2nd	Legislative Supplemental, 1976 (H.J. Res. 811)	94-226	3/09/76	33
94th, 2nd	Railroad Supplemental, 1976 (H.J. Res. 801)	94-252	3/30/76	587
94th, 2nd	Further Continuing Appropriations, 1976 (H.J. Res. 857)	94-254	3/31/76	<u>a</u> /
94th, 2nd	Emergency Supplemental, 1976 (H.J. Res. 890)	94-266	4/15/76	1,942
94th, 2nd	Second Supplemental, 1976 (H.R. 13172)	94-303	6/01/76	9,396
1977				
94th, 2nd	Guam Supplemental (H.J. Res. 1096)	94-438	9/30/76	250
				(Continued)

TABLE A-1. (Continued)

Fiscal Year and Session	Bill Title	Public	Date	Budget Authority
of Congress	and Number	Law	Enacted	Enacted
94th, 2nd	Continuing Appropriations, 1977 (H.J. Res. 1105)	94-473	10/11/76	47
95th, 1st	Urgent Power Supplemental, 1977 (H.J. Res. 227)	95-3	2/16/77	6
95th, 1st	Urgent Disaster Supple- mental, 1977 (H.J. Res. 269)	95-13	3/21/77	200
95th, 1st	Supplemental, 1977 (H.R. 4877)	95-26	5/04/77	28,923
95th, 1st	Economic Stimulus Appropriations, 1977 (H.R. 4876)	95-29	5/13/77	20,101
95th, 1st	Transportation Appropriations, 1978 (H.R. 7557)	95-85	8/02/77	12
95th, 1st	State, Justice, Commerce and the Judiciary Appropriations, 1978 (H.R. 7556)	95-86	8/02/77	212
95th, 1st	Legislative Branch Appropriations, 1978 (H.R. 7932)	95-94	8/05/77	21
95th, 1st	Agriculture Appropriations, 1978 (H.R. 7558)	95-97	8/12/77	50
95th, 1st	Foreign Assistance Appropriations, 1978 (H.R. 7797)	95-148	10/31/77	13
1978				
95th, 2nd	Supplemental, 1978 (H.R. 9375)	95-240	3/07/78	7,800
95th, 2nd	Urgent Power Supplemental 1978 (H.J. Res. 746)	95-246	3/15/78	13

TABLE A-1. (Continued)

Fiscal Year and Session of Congress	Bill Title and Number	Public Law	Date Enacted	Budget Authority Enacted
95th, 2nd	Disaster Relief Supple- mental 1978 (H.J. Res. 796)	95-255	4/04/78	300
95th, 2nd	U.S. Railway Association Supplemental (H.J. Res. 859)	95-282	5/19/78	13
95th, 2nd	SBA Disaster Loan Supplemental (H.J. Res. 873)	9 <i>5</i> -284	5/21/78	821
95th, 2nd	Urgent Grain Inspection Supplemental (H.J. Res. 944)	9 <i>5</i> -301	6/26/78	6
95th, 2nd	Urgent Supplemental for the Deptartment of Agriculture (H.J. Res. 1020)	95-330	7/31/78	57
95th, 2nd	Black Lung Supplemental (H.J. Res. 945)	95-332	8/02/78	254
95th, 2nd	Second Supplemental, 1978 (H.R. 13467)	95-355	9/08/78	6,775
95th, 2nd	Legislative Branch Appropriations, 1979 (H.R. 12935)	95-391	9/30/78	13
1979				
95th, 2nd	Continuing Approp- riations, 1979 (H.J. Res. 1139)	95-482	10/18/78	4
96th, 1st	Supplemental, 1979 (H.R. 4289)	96-38	7/25/79	13,784
96th, 1st	Energy and Water Development Appropriati 1980 (H.R. 4388)	96-69 ons,	9/25/79	57

TABLE A-1. (Continued)

				
Fiscal Year and Session of Congress	Bill Title and Number	Public Law	Date Enacted	Budget Authority Enacted
1980				
96th, 2nd	Urgent Food Stamp Supplemental (H.J. Res. 545)	96-243	5/15/80	2,556
96th, 2nd	Federal Trade Commission Supplemental (H.J. Res. 554)	96-261	6/03/80	50
96th, 2nd	Selective Service Transfer (H.J. Res. 96-521)	96-282	6/25/80	<u>b</u> /
96th, 2nd	Supplemental Appropriations (H.R. 7542)	96-304	6/28/80	16,882
96th, 2nd	Export-Import Bank Supplemental (H.J. Res. 589)	96-334	8/18/80	128
96th, 2nd	Veterans' Administration Urgent Supplemental (H.J. Res. 607)	96-352	9/16/80	67

<u>a</u>/ Less than \$500,000.

b/ Transfer only; no additional budget authority.

	 • • • • • • • • • • • • • • • • • • •		
