

**SUPPLEMENTAL
APPROPRIATIONS
IN THE 1970s**

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**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.

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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	5,994	4.4
1971	9,871	6.8
1972	11,599	7.1
1973	11,371	6.5
1974	14,796	7.7
1975	27,588	13.2
1976	24,636	9.8
1977	36,724	13.7
1978	16,054	5.0
1979	13,845	4.1
1980	19,461	5.0

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. The 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 counter-cyclical 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 counter-cyclical 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.

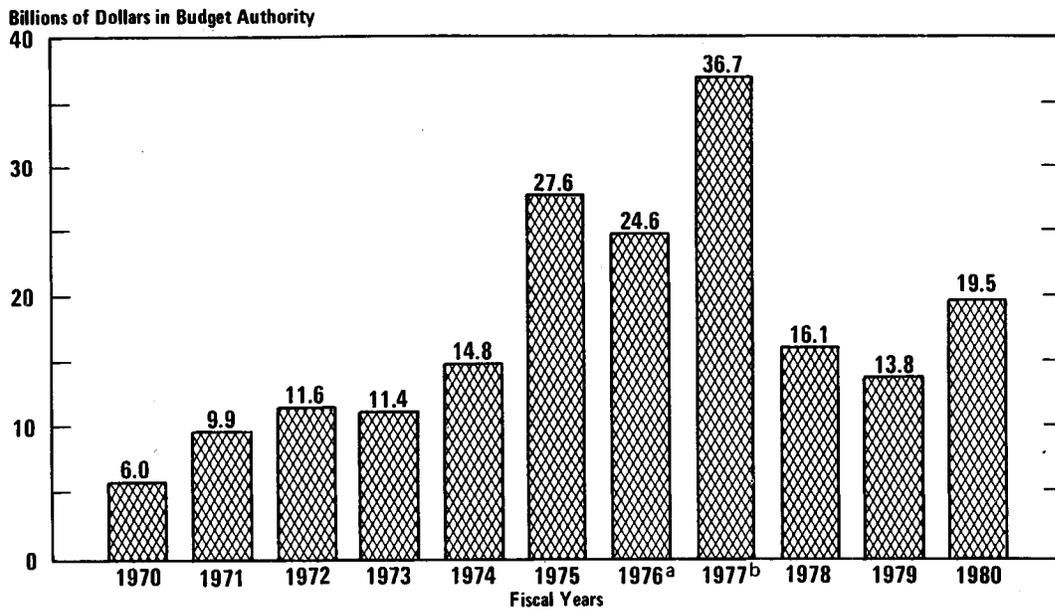
The creation of the Budget Committees and the budget resolutions has opened up an opportunity for another layer of Congressional scrutiny of

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.

CHAPTER I. SUPPLEMENTAL APPROPRIATIONS POLICIES AND PRACTICES

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.