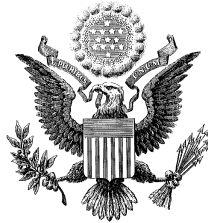


# CONGRESSIONAL APPROPRIATIONS: AN UPDATED ANALYSIS



## A JOINT ECONOMIC COMMITTEE STUDY

**Congressman Jim Saxton (R-NJ)**

**Joint Economic Committee  
United States Congress**

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### **Executive Summary**

This analysis examines trends in congressional appropriations and finds that recent congressional budget policy has not only slowed the growth of discretionary spending, but has also significantly changed the pattern of such outlays. During the first half of the 1990s, large increases in non-defense outlays were offset by even larger reductions in defense outlays. The data reveal a reversal of this pattern during the 104<sup>th</sup> and 105<sup>th</sup> Congresses, when defense spending was held roughly constant and non-defense outlays were limited to historically low growth rates. The principal findings (in inflation-adjusted 1999 dollars) include:

- Total discretionary appropriations dropped \$16.5 billion between the end of the 103<sup>rd</sup> Congress and the end of the 105<sup>th</sup> Congress (fiscal years 1995-1999).
- Non-defense discretionary outlays increased just 2.1 percent between 1995 and 1999. Over the two previous four-year cycles, non-defense spending grew 14 percent (1991-1995) and 12 percent (1987-1991).
- Spending restraint imposed on non-defense discretionary spending produced savings equal to more than one-fourth (28 percent) of the current budget surplus, totaling \$107 billion over the last four years.
- Defense spending has reversed several years of steady decline, to level off during the last four years. The \$0.37 billion increase in 1999 was the first real increase in defense spending in eight years.

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# CONGRESSIONAL APPROPRIATIONS: AN UPDATED ANALYSIS

## I. INTRODUCTION

In March 1999, the Congressional Budget Office (CBO) reported that the federal government ran a \$69 billion budget surplus during fiscal year 1998.<sup>1</sup> CBO further projected that federal surpluses will continue for the next ten years, with excess revenues totaling \$2.6 trillion over 2000-2009. These large budget surpluses are largely attributable to tax revenue generated by the sustained economic expansion that began in early 1991. On the spending side of the ledger, significant savings have been realized by restraining the growth rate of federal outlays, in terms of both congressional appropriations and entitlement reform.

This report updates a 1998 Joint Economic Committee analysis of trends in congressional appropriations, also known as discretionary spending.<sup>2</sup> That report concluded that congressional budget policy had successfully restrained the long-term upward growth of non-defense spending. This updated analysis reexamines spending trends and incorporates newer data.

The data presented in this analysis show that discretionary spending continues to grow at a restrained rate. Although appropriated spending increased in 1999, total discretionary outlays this year are still \$16.5 billion lower than they were in fiscal year (FY) 1995 at the end of the 103<sup>rd</sup> Congress (all amounts are in inflation-adjusted 1999 dollars).<sup>3</sup> Defense spending leveled off during the last four years, after a sustained decline during 1991-1995. Non-defense discretionary spending increased \$6.2 billion, or 2.1 percent, between 1995 and 1999, and fell 0.4 percent as a share of gross domestic product (GDP). For the 105<sup>th</sup> Congress as a whole, non-defense discretionary spending reached a record low of 3.4 percent of GDP.

The overall pattern of discretionary spending has changed significantly during the last four years. During the first half of the 1990s, large increases in non-defense outlays were offset by even larger reductions in defense outlays. The data show that this pattern has been reversed in the 104<sup>th</sup> and 105<sup>th</sup> Congresses: defense spending has been held roughly constant in real terms, while non-defense outlays were limited to historically low growth rates.

The purpose of this report is to present data on discretionary spending in a straightforward manner. Although discretionary spending accounts for just one-third of total federal outlays (the remainder consisting of mandatory outlays), it is the only type of spending that requires new legislation each year. In contrast to mandatory spending in which outlays occur even if Congress

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<sup>1</sup> Congressional Budget Office, *An Analysis of the President's Budgetary Proposals for Fiscal Year 2000: A Preliminary Report* (Washington, DC: Congressional Budget Office, 1999), 32.

<sup>2</sup> A few mandatory programs, however, are funded through the appropriations process. Joint Economic Committee, United States Congress, *Trends in Congressional Appropriations: Fiscal Restraint in the 1990s*, December 1998.

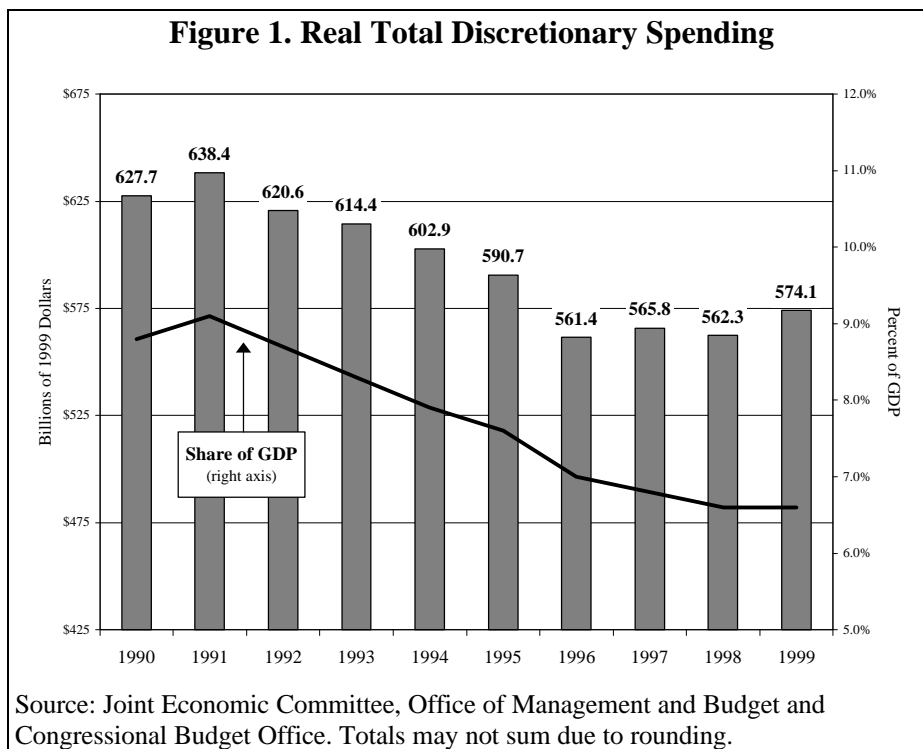
<sup>3</sup> Unless otherwise noted, all years are fiscal years. Figures for 1999, the current fiscal year, are based on legislation already enacted into law, although the amounts may be changed through supplemental appropriations bills.

passes no new legislation, discretionary spending is the most immediate reflection of congressional budget policy. A full set of historical tables is included at the back of the paper.

## II. TRENDS IN DISCRETIONARY SPENDING

A comparison of discretionary spending levels over time should account for differences attributable to inflation and economic growth. The present analysis therefore examines discretionary outlays measured two ways: in real terms (adjusted for inflation) and as a share of gross domestic product.<sup>4</sup> The analysis further distinguishes between two types of discretionary outlays: defense and non-defense.

Two trends are evident in the overall levels of discretionary spending, depicted in Figure 1. First, the level of outlays relative to the economy continues to decline. Total discretionary



spending has fallen from around 9 percent of GDP in 1990 to just 6.6 percent in 1999. The current level of 6.6 percent is the lowest GDP share for discretionary spending on record.

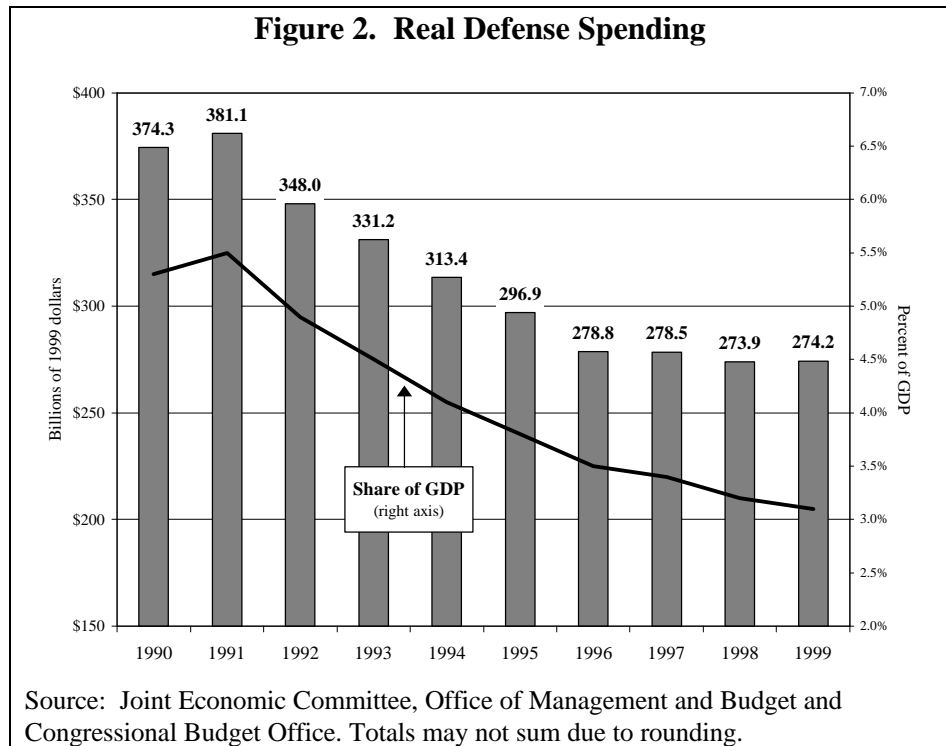
The second trend is that after a sharp drop in 1996, discretionary outlays remained essentially flat for three years. Outlays for 1999 increased 2.1 percent over the previous year. Even with the \$11.8 billion increase in 1999, overall

discretionary outlays are still \$16.5 billion, or 2.8 percent, lower than they were in 1995 at the end of the 103<sup>rd</sup> Congress.

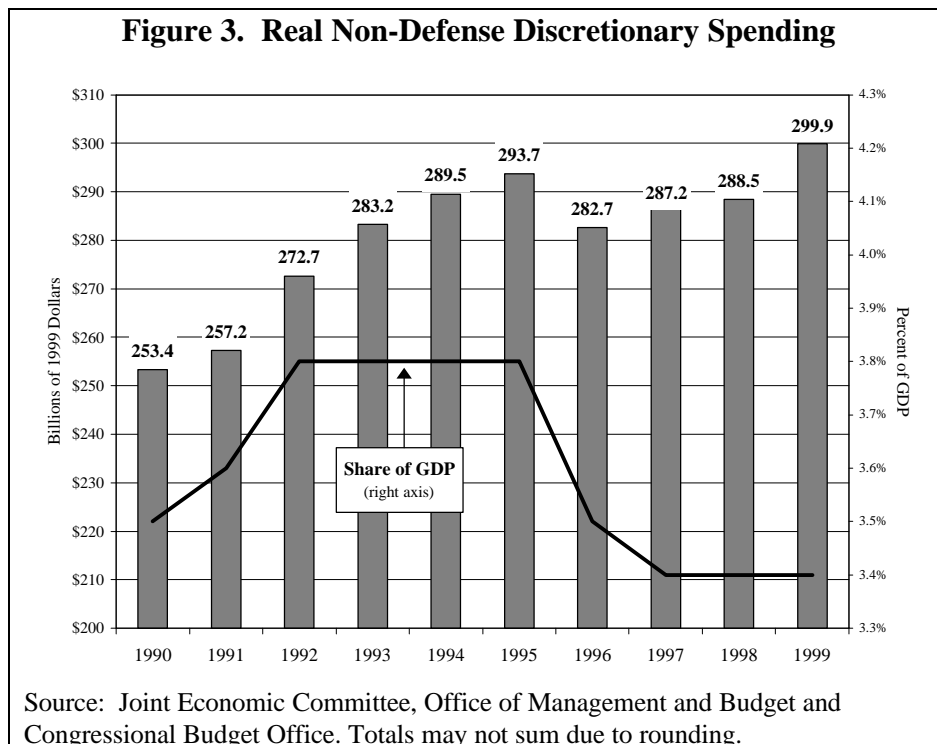
The decline in total discretionary outlays in the first half of the 1990s is attributable to a relatively simple formula: large increases in non-defense spending were offset by even larger cuts in defense spending. The past four years have witnessed a deviation from this pattern.

<sup>4</sup> Nominal outlays were adjusted to 1999 dollars using the implicit price deflator for each type of spending. Totals may not sum due to rounding. Figures for 1998 and 1999 are estimates provided by the Congressional Budget Office and do not include any supplemental appropriations for 1999. All historical outlay and economic data are from Office of Management and Budget, *Historical Tables of the Budget of the United States Government, Fiscal Year 2000* (Washington, DC: Government Printing Office, 1999), 117-120, 169-170.

After years of steady and significant decreases, defense spending has leveled off during the last four years (Figure 2). Defense outlays in 1995 were off \$84 billion from the Gulf War peak of \$381 billion in 1991. Between 1991 and 1995, real defense outlays dropped 22 percent. In contrast, there have been no major decreases in defense outlays during 1997-1999, and the \$0.37 billion increase in 1999 was the first increase in eight years.



The other category of discretionary spending is non-defense outlays for international and domestic programs (Figure 3). Examples of non-defense spending include transportation outlays, AmeriCorps, the Federal Bureau of Investigation and the National Park system. Outlays



for non-defense spending grew dramatically in the decade prior to the 104<sup>th</sup> Congress. Between 1987 and 1991, non-defense outlays grew 12.3 percent in real terms, and by more than 14 percent over the subsequent four years (1991-1995). As a share of GDP, non-defense outlays increased by 0.3 percent over these eight years. In the four years since the end of the 103<sup>rd</sup>

**Table 1. Four-Year Trends in Discretionary Spending**  
(amounts in billions of 1999 dollars)

	Dollar Change		Change in GDP Share
	Amount	Percent	
<b>Defense</b>			
1995-99	-\$22.7	-7.6%	-0.7%
1991-95	-\$84.2	-22.1%	-1.7%
1987-91	+\$0.9	+0.2%	-0.6%
<b>Non-Defense</b>			
1995-99	+\$6.2	+2.1%	-0.4%
1991-95	+\$36.5	+14.2%	+0.2%
1987-91	+\$28.2	+12.3%	+0.1%
<b>Total Discretionary</b>			
1995-99	-\$16.5	-2.8%	-1.0%
1991-95	-\$47.7	-7.5%	-1.5%
1987-91	+\$29.2	+4.8%	-0.5%

Note: Figures indicate change between the two years given in the left-most column.  
Source: Joint Economic Committee, Office of Management and Budget and Congressional Budget Office. Totals may not sum due to rounding.

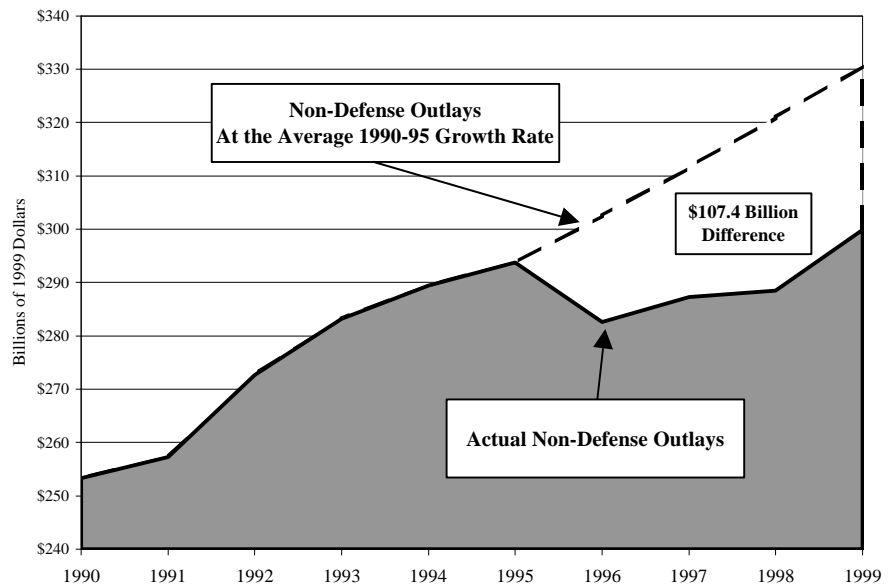
Congress, however, non-defense outlays have increased by just 2.1 percent, and have actually *fallen* 0.4 percent as a share of GDP.

Thus, even with the remarkable slowdown in the growth rate of non-defense spending, the leveling off of defense spending has resulted in more moderated decreases in total discretionary

outlays. This pattern is apparent in Table 1, which presents four-year changes in discretionary outlays. As the data show, between 1991 and 1995, fiscal restraint was achieved by dramatically reducing defense spending (-1.7 percent of GDP) while increasing non-defense spending (+0.2 percent of GDP). In contrast, over the last four years, savings have come from both defense and non-defense outlays (-0.7 percent of GDP and -0.4 percent of GDP, respectively).

Much attention has been paid to the increase in spending levels for fiscal year

**Figure 4. Actual vs. Trend Growth in Non-Defense Spending**



Source: Joint Economic Committee, Office of Management and Budget and Congressional Budget Office.

1999. After adjustments for inflation, defense outlays rose \$0.37 billion and non-defense outlays increased \$11.4 billion between 1998 and 1999. However, as is true for most time series data, it is important to take into consideration not just single data points but trends over several periods. In the case of discretionary spending, it is worth noting that even with the combined increase of \$11.8 billion in 1999, total discretionary outlays in 1999 were \$16.5 billion (2.8 percent) below their 1995 level at the end of the 103<sup>rd</sup> Congress.

Of particular importance is the deviation from the long-term upward growth in non-defense outlays. Historically, non-defense spending has grown enormously, climbing 157 percent between 1962 and 1995 (in inflation-adjusted terms). Fiscal restraint enacted for 1996-1999 has made the last four years one of the slowest periods of growth in non-defense spending. For example, between 1990 and 1995, non-defense outlays grew at a real annual rate of 3.0 percent. In contrast, non-defense outlays grew at a real annual rate of just 0.5 percent between 1995 and 1999.

Although the difference between 3.0 percent growth and 0.5 percent growth may seem small, the resulting differences in outlays are not. As depicted in Figure 4, if the 104<sup>th</sup> and 105<sup>th</sup> Congresses had not imposed the spending restraint that they did, traditional spending policies would have resulted in an additional cumulative \$107.4 billion in non-defense outlays during 1996-1999. In 1999 alone, this fiscal restraint amounted to nearly \$31 billion, equal to roughly 28 percent of this year's budget surplus.

### III. CONCLUSION

The evidence presented in this paper suggests that fiscal restraint has been achieved in the 1990s. Both in absolute terms and as a share of the economy, discretionary spending levels fell significantly between 1990 and 1999. Congresses at the beginning of the decade achieved this result by cutting defense spending and increasing non-defense spending. The past two Congresses held defense spending roughly level, while significantly reducing the growth rate of non-defense spending. Of particular importance is the remarkable fiscal restraint in the growth of non-defense spending in the last four years, which produced savings equal to nearly one-third of the current budget surplus.

Unfortunately, these hard fought savings are now put at risk by a congressional budget process which makes it easier to spend surpluses rather than return them to the taxpayers. Indeed, it is ironic that the very rules which helped enforce fiscal discipline now act to increase the size of government. The challenge now facing lawmakers is to prevent the dissipation of these budget savings through unwarranted increases in discretionary spending.

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Senior Economist

**Table 2. Federal Outlays in Billions of Nominal Dollars**

<b>Fiscal Year</b>	<b>Discretionary</b>			<b>Mandatory</b>	<b>Net Interest</b>	<b>Total Outlays</b>
	<b>Defense</b>	<b>Non-Defense</b>	<b>Total</b>			
1962	52.6	19.5	72.1	27.9	6.9	106.8
1963	53.7	21.5	75.2	28.3	7.7	111.3
1964	55.0	24.1	79.1	31.2	8.2	118.5
1965	51.0	26.8	77.8	31.8	8.6	118.2
1966	59.0	31.2	90.2	35.0	9.4	134.5
1967	72.0	34.4	106.4	40.7	10.3	157.5
1968	82.2	35.8	118.0	49.1	11.1	178.1
1969	82.7	34.6	117.3	53.7	12.7	183.6
1970	81.9	38.3	120.2	61.1	14.4	195.6
1971	79.0	43.5	122.5	72.9	14.8	210.2
1972	79.3	49.1	128.4	86.8	15.5	230.7
1973	77.1	53.1	130.2	98.1	17.3	245.7
1974	80.7	57.3	138.0	109.8	21.4	269.4
1975	87.6	70.2	157.8	151.3	23.2	332.3
1976	89.9	85.4	175.3	169.8	26.7	371.8
1977	97.5	99.3	196.8	182.5	29.9	409.2
1978	104.6	113.8	218.4	204.8	35.5	458.7
1979	116.8	122.9	239.7	221.7	42.6	504.0
1980	134.6	141.5	276.1	262.3	52.5	590.9
1981	158.0	149.7	307.7	301.7	68.8	678.2
1982	185.9	139.9	325.8	334.9	85.0	745.8
1983	209.9	143.3	353.2	365.4	89.8	808.4
1984	228.0	151.2	379.2	361.5	111.1	851.9
1985	253.1	162.6	415.7	401.3	129.5	946.4
1986	273.8	164.5	438.3	416.1	136.0	990.5
1987	282.5	161.4	443.9	421.5	138.7	1,004.1
1988	290.9	173.2	464.1	448.5	151.8	1,064.5
1989	304.0	184.5	488.5	485.9	169.3	1,143.7
1990	300.1	200.2	500.3	568.7	184.2	1,253.2
1991	319.7	213.3	533.0	596.8	194.5	1,324.4
1992	302.6	231.7	534.3	648.0	199.4	1,381.7
1993	292.4	248.3	540.7	669.9	198.8	1,409.4
1994	282.3	261.3	543.6	715.2	203.0	1,461.7
1995	273.6	271.8	545.4	738.2	232.2	1,515.7
1996	266.0	268.2	534.2	785.3	241.1	1,560.5
1997	271.7	276.9	548.6	808.6	244.0	1,601.2
1998	270.2	284.4	554.7	854.5	243.4	1,652.6
1999	274.2	299.9	574.1	900.9	229.0	1,704.0

Source: Office of Management and Budget and Congressional Budget Office.

Note: Totals may not sum due to rounding.

**Table 3. Federal Outlays in Billions of Real 1999 Dollars**

<b>Fiscal Year</b>	<b>Discretionary</b>			<b>Mandatory</b>	<b>Net Interest</b>	<b>Total Outlays</b>
	<b>Defense</b>	<b>Non-Defense</b>	<b>Total</b>			
1962	313.3	114.5	427.8	134.0	33.1	596.2
1963	307.6	120.4	428.0	133.2	36.8	599.2
1964	311.5	129.3	440.9	146.7	38.4	626.9
1965	288.4	139.6	428.0	147.8	39.7	616.2
1966	319.9	157.1	477.0	160.1	42.3	680.0
1967	374.9	170.3	545.2	181.1	44.8	772.1
1968	406.2	171.0	577.2	212.3	46.7	837.4
1969	389.1	155.6	544.6	222.5	51.2	819.7
1970	363.8	161.1	524.8	242.9	55.0	823.8
1971	330.7	170.6	501.4	276.8	54.1	832.9
1972	304.0	181.5	485.4	318.3	53.8	857.8
1973	277.0	187.1	464.1	347.2	57.8	869.2
1974	267.1	188.2	455.3	358.7	66.6	880.8
1975	261.1	208.4	469.5	448.6	65.5	983.2
1976	250.1	235.1	485.2	472.6	70.2	1,027.2
1977	249.6	250.9	500.4	472.6	73.0	1,045.1
1978	250.4	270.5	520.9	494.8	80.8	1,095.3
1979	256.1	271.4	527.5	493.6	89.8	1,109.7
1980	265.1	284.5	549.6	527.4	101.6	1,177.7
1981	278.9	271.0	549.9	554.0	121.1	1,224.4
1982	304.2	237.3	541.5	577.2	139.9	1,259.0
1983	326.5	232.1	558.5	601.5	141.2	1,302.0
1984	331.4	236.1	567.5	572.2	168.2	1,308.9
1985	352.6	245.0	597.6	612.9	189.4	1,401.1
1986	374.1	241.4	615.5	615.9	193.5	1,426.3
1987	380.2	229.0	609.2	604.5	191.7	1,407.1
1988	384.7	237.0	621.7	617.6	202.8	1,444.1
1989	389.7	242.5	632.3	638.4	217.0	1,489.4
1990	374.3	253.4	627.7	713.0	226.7	1,569.2
1991	381.1	257.2	638.4	714.1	229.5	1,583.6
1992	348.0	272.7	620.6	751.3	228.6	1,601.8
1993	331.2	283.2	614.4	756.5	222.0	1,593.9
1994	313.4	289.5	602.9	789.8	221.4	1,614.6
1995	296.9	293.7	590.7	796.2	247.3	1,634.9
1996	278.8	282.7	561.4	831.6	251.8	1,645.7
1997	278.5	287.2	565.8	839.9	250.1	1,656.6
1998	273.9	288.5	562.3	872.0	246.5	1,681.3
1999	274.2	299.9	574.1	900.9	229.0	1,704.0

Source: Joint Economic Committee, Office of Management and Budget and Congressional Budget Office.  
Note: Totals may not sum due to rounding.

**Table 4. Federal Outlays as a Percent of Gross Domestic Product (GDP)**

Fiscal Year	Discretionary			Mandatory	Net Interest	Total Outlays
	Defense	Non-Defense	Total			
1962	9.3%	3.5%	12.7%	4.9%	1.2%	18.8%
1963	9.0%	3.6%	12.6%	4.7%	1.3%	18.6%
1964	8.6%	3.7%	12.4%	4.9%	1.3%	18.5%
1965	7.4%	3.9%	11.3%	4.6%	1.3%	17.2%
1966	7.8%	4.2%	12.0%	4.7%	1.2%	17.9%
1967	8.9%	4.3%	13.1%	5.0%	1.3%	19.4%
1968	9.5%	4.2%	13.6%	5.7%	1.3%	20.5%
1969	8.7%	3.6%	12.4%	5.7%	1.3%	19.4%
1970	8.1%	3.8%	11.9%	6.1%	1.4%	19.4%
1971	7.3%	4.0%	11.4%	6.8%	1.4%	19.5%
1972	6.7%	4.2%	10.9%	7.4%	1.3%	19.6%
1973	5.9%	4.1%	10.0%	7.5%	1.3%	18.8%
1974	5.6%	4.0%	9.6%	7.6%	1.5%	18.7%
1975	5.6%	4.5%	10.2%	9.7%	1.5%	21.4%
1976	5.2%	4.9%	10.1%	9.8%	1.5%	21.5%
1977	4.9%	5.0%	10.0%	9.3%	1.5%	20.8%
1978	4.7%	5.2%	9.9%	9.3%	1.6%	20.7%
1979	4.7%	5.0%	9.6%	8.9%	1.7%	20.2%
1980	5.0%	5.2%	10.2%	9.6%	1.9%	21.7%
1981	5.2%	4.9%	10.1%	9.9%	2.3%	22.2%
1982	5.8%	4.4%	10.1%	10.4%	2.6%	23.2%
1983	6.1%	4.2%	10.3%	10.7%	2.6%	23.6%
1984	6.0%	3.9%	9.9%	9.5%	2.9%	22.3%
1985	6.2%	3.9%	10.1%	9.8%	3.2%	23.1%
1986	6.3%	3.8%	10.0%	9.5%	3.1%	22.6%
1987	6.1%	3.5%	9.6%	9.2%	3.0%	21.8%
1988	5.9%	3.5%	9.4%	9.1%	3.1%	21.5%
1989	5.7%	3.4%	9.1%	9.1%	3.2%	21.4%
1990	5.3%	3.5%	8.8%	10.0%	3.2%	22.0%
1991	5.5%	3.6%	9.1%	10.2%	3.3%	22.6%
1992	4.9%	3.8%	8.7%	10.5%	3.2%	22.5%
1993	4.5%	3.8%	8.4%	10.3%	3.1%	21.8%
1994	4.1%	3.8%	7.9%	10.4%	3.0%	21.4%
1995	3.8%	3.8%	7.6%	10.3%	3.2%	21.1%
1996	3.5%	3.5%	7.1%	10.4%	3.2%	20.7%
1997	3.4%	3.4%	6.9%	10.1%	3.1%	20.0%
1998	3.2%	3.4%	6.6%	10.2%	2.9%	19.7%
1999	3.1%	3.4%	6.6%	10.3%	2.6%	19.4%

Source: Office of Management and Budget and Congressional Budget Office.

Note: Totals may not sum due to rounding.

**Table 5. Discretionary Outlays by Congress**

Congress	Billions of nominal dollars			Billions of real 1999 dollars			Percent of GDP		
	Defense	Non-Defense	Total	Defense	Non-Defense	Total	Defense	Non-Defense	Total
87 <sup>th</sup>	106.3	41.0	147.3	620.9	234.9	855.8	9.1%	3.5%	12.6%
88 <sup>th</sup>	106.0	50.9	156.9	600.0	268.9	868.9	8.0%	3.8%	11.8%
89 <sup>th</sup>	131.0	65.6	196.6	694.8	327.4	1,022.2	8.4%	4.2%	12.6%
90 <sup>th</sup>	164.9	70.4	235.3	795.2	326.5	1,121.8	9.1%	3.9%	13.0%
91 <sup>st</sup>	160.9	81.8	242.7	694.5	331.7	1,026.2	7.7%	3.9%	11.6%
92 <sup>nd</sup>	156.4	102.2	258.6	581.0	368.6	949.5	6.3%	4.1%	10.4%
93 <sup>rd</sup>	168.3	127.5	295.8	528.2	396.6	924.8	5.6%	4.3%	9.9%
94 <sup>th</sup>	187.4	184.7	372.1	499.7	486.0	985.7	5.1%	5.0%	10.1%
95 <sup>th</sup>	221.4	236.7	458.1	506.5	541.9	1,048.4	4.7%	5.0%	9.7%
96 <sup>th</sup>	292.6	291.2	583.8	544.0	555.5	1,099.5	5.1%	5.0%	10.1%
97 <sup>th</sup>	395.8	283.2	679.0	630.7	469.4	1,100.1	6.0%	4.3%	10.2%
98 <sup>th</sup>	481.1	313.8	794.9	684.0	481.1	1,165.1	6.1%	4.0%	10.0%
99 <sup>th</sup>	556.3	325.9	882.2	754.3	470.3	1,224.6	6.2%	3.6%	9.8%
100 <sup>th</sup>	594.9	357.7	952.6	774.4	479.5	1,253.9	5.8%	3.5%	9.2%
101 <sup>st</sup>	619.8	413.5	1,033.3	755.4	510.6	1,266.0	5.4%	3.6%	9.0%
102 <sup>nd</sup>	595.0	480.0	1,075.0	679.2	555.9	1,235.1	4.7%	3.8%	8.5%
103 <sup>rd</sup>	555.9	533.1	1,089.0	610.3	583.2	1,193.5	4.0%	3.8%	7.8%
104 <sup>th</sup>	537.7	545.1	1,082.8	557.3	569.9	1,127.2	3.5%	3.5%	7.0%
105 <sup>th</sup>	544.5	584.3	1,128.8	548.1	588.3	1,136.4	3.2%	3.4%	6.6%

Source: Joint Economic Committee, Office of Management and Budget and Congressional Budget Office.

Note: Totals may not sum due to rounding.