

July 18, 2007

## THE 2008 LABOR-HHS-EDUCATION APPROPRIATIONS BILL: Is the Threatened Veto Justified?

by Richard Kogan<sup>1</sup>

The Bush Administration has threatened to veto almost all appropriations bills that provide more funding than the President has requested, such as the bill funding the Departments of Labor, Health and Human Services, and Education for fiscal year 2008, which starts October 1. The President has described congressional appropriations plans as “irresponsible” and “excessive,” declaring that he will “use my veto to stop ... runaway spending...”<sup>2</sup> The Director of the President’s Office of Management and Budget recently described the Labor-HHS-Education bill as the “most problematic” of the appropriations bills and yesterday stated he will recommend it be vetoed.<sup>3</sup> (The Senate and House Appropriations Committees have each approved a version of the bill, which funds such programs as Head Start, child care, Title 1 education for the disadvantaged, Pell Grants, and the National Institutes of Health.)

How valid is the assertion that these bills contain irresponsible, runaway spending? To judge whether funding for this bill — and for the 11 other appropriations bills — is excessive, we compare the funding levels that the pending appropriations bills contain for 2008 with the funding levels enacted for the years from 2002 through 2006, when Republicans generally controlled Congress and the President signed every appropriations bill presented to him. (We exclude

### KEY FINDINGS

- The Administration has threatened to veto the Labor-HHS-Education bill and six other appropriations bills, purportedly on fiscal grounds. Yet these bills would cost less in 2008 than they did in 2002-2006, on average, after adjusting for inflation and population growth.
- The Labor-HHS-Education bill, which funds such programs as Head Start, child care, Pell Grants, and the National Institutes of Health, averaged \$158 billion in 2002-2006. (This amount is adjusted for inflation and population growth.) For 2008 the Senate and House would reduce this amount to \$152 billion and \$154 billion, respectively. The President has proposed a much larger cut, to \$141 billion.
- At the same time, the Administration has not threatened to veto five other appropriations bills that would cost considerably *more* than those bills averaged in 2002-2006.
- Thus, it is difficult to conclude that the planned vetoes are motivated by a desire to restore fiscal discipline by vetoing bills with “excessive” funding levels.

<sup>1</sup> The author wishes to acknowledge the extraordinary contributions of Matt Fiedler, Kris Cox, and Jon Petkun of the CBPP staff in preparing data for this analysis.

<sup>2</sup> President Bush, radio address, June 16, 2007.

<sup>3</sup> OMB Director Rob Portman, press briefing, July 11, 2007, and Statement of Administration Policy, July 17, 2007.

**TABLE 1**

**Proposed discretionary funding for 2008 compared with average funding, 2002-2006**  
(in billions of dollars, with funding for 2002-2006 adjusted for inflation and population growth to be comparable with 2008 funding)

	Average 2002-06	Proposed for 2008		
		Bush	Senate	House
Labor-HHS-Education total*	\$158	\$141	\$152	\$154
The 7 bills Bush is likely to veto (including Labor-HHS-Ed bill)*	377	348	372	372
The 5 appropriations Bush will likely sign	522	585	584	584

Note: Emergency funding (e.g. Iraq and Katrina relief) is not included in the above amounts.

\* Amounts reflect funding for the “program year,” which generally is a 12-month period spanning the latter part of the fiscal year shown above and the beginning of the following fiscal year, increasing the congressional levels by \$2 billion.

emergency appropriations from this analysis, such as for the Iraq War or Katrina relief. We adjust prior funding level for inflation and population growth to make them comparable with 2008 funding levels; see the box on page 4.) We also compare funding growth for the seven appropriations bills that the Administration has signaled the President is likely to veto, such as the Labor-HHS-Education bill, with funding growth for the five bills the President has indicated he likely will sign.

The results show that after adjusting for inflation and population growth, the appropriations bills the President is likely to veto — including the Labor-HHS-Education bill — would cost *less* in 2008 than the corresponding bills cost, on average, during 2002-2006. (See Table 1.) We also find that the appropriations bills that the President will likely sign will cost considerably *more* overall in 2008 than those bills averaged in 2002-2006.

In short, the President will likely sign those appropriations bills that are more costly than in the past (after adjusting for inflation and population growth). Yet he is likely to veto — purportedly on fiscal grounds — those appropriations bills, such as the Labor-HHS-Education bill, whose costs are lower than the corresponding bills he signed in the past. Specifically:

- For a selection of children’s programs — including Title 1 education, special education, the child care block grant, and Head Start — funding averaged \$35.3 billion during 2002-2006,

**TABLE 2**

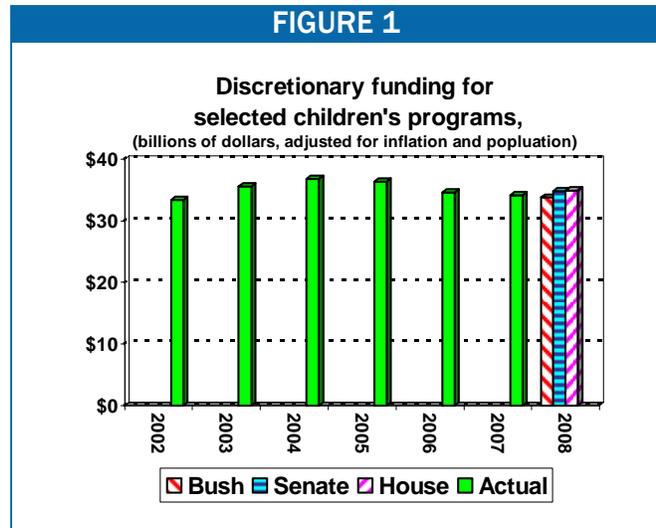
**Selected Children’s Programs in the Labor-HHS-Education Appropriations Bill:**  
**Proposed discretionary funding for 2008 compared with average funding, 2002-2006**  
(in millions of dollars, adjusted for inflation and populations growth)

	Average 2002-06	Proposed for 2008		
		Bush	Senate	House
Child Care (CCDBG)	\$2,401	\$2,062	\$2,062	\$2,137
Title I education for the disadvantaged	13,739	13,910	13,910	14,363
Special Education (for children with disabilities)	10,893	10,492	11,240	10,957
Head Start	7,750	6,789	7,089	6,964
Runaway & homeless youth; child abuse; child welfare	<u>558</u>	<u>495</u>	<u>517</u>	<u>505</u>
<b>Total, above programs</b>	<b>\$35,341</b>	<b>\$33,748</b>	<b>\$34,818</b>	<b>\$34,926</b>

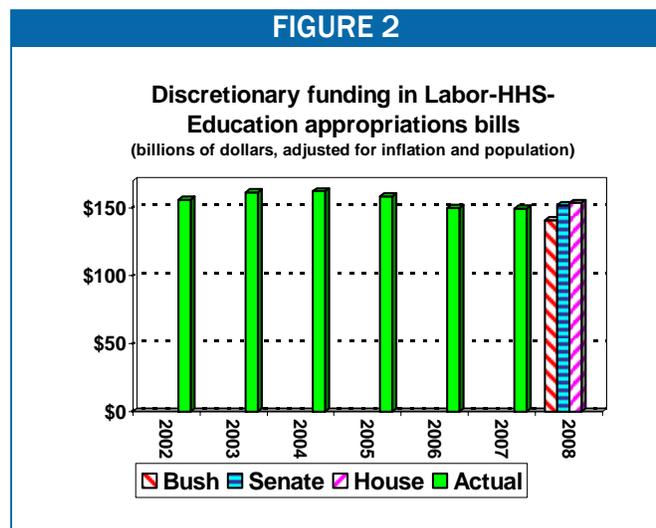
Note: Emergency funding (e.g. Katrina relief) is not included in these amounts. Amounts reflect funding for the “program year,” which generally is a 12-month period spanning the latter part of the fiscal year identified above and the beginning of the following fiscal year.

adjusted for inflation and population growth between then and 2008. The Senate and House bills for 2008 would fund these programs at levels — \$34.8 billion and \$34.9 billion, respectively — that are below the average for 2002 through 2006. The President argues that the funding levels for these programs are still too high. He proposes to shrink funding for these programs further. (See Table 2 and Figure 1.)

- As an example of the ongoing budget squeeze on important programs, consider the Child Care and Development Block Grant (CCDBG), which helps low-income working parents pay for child care. Discretionary funding for CCDBG fell from \$2,596 million in 2002 to \$2,187 million in 2006, adjusted for inflation and population growth. The House Labor-HHS-Education appropriations bill for 2008 proposes to fund this program at a still lower level, \$2,137 million. And the President and the Senate propose a level below that, \$2,062 million. (The child care block grant also receives mandatory funding. This mandatory funding fell by 12 percent between 2002 and 2007, after adjustment for inflation and population growth.)



- Looking at the Labor-HHS-Education bill overall, we see the same pattern of declining funding. Funding for the discretionary programs in this bill averaged \$158 billion over 2002-2006, in dollars adjusted for inflation and population growth, although by 2006, funding had declined to \$150 billion. The House Labor-HHS-Education appropriation bill for 2008 would set funding for these programs at \$154 billion. The Senate bill would squeeze this funding further, to \$152 billion. Nevertheless, the Administration is likely to veto the Labor-HHS-Education bill — unless Congress reduces funding to \$141 billion, which would be the lowest level of funding for the programs covered by this bill in at least eight years. (See Table 1 and Figure 2.)



The Administration has signaled that the President is likely to veto a total of seven appropriations bills for budgetary reasons. In addition to funding for the Departments of Labor, Health and Human Services, and Education, these vetoes are likely to cover discretionary funding for the Departments of Agriculture, Commerce, Energy, Homeland Security, Housing and Urban Development, Interior, Justice, Social Security, and Transportation, as well as the Environmental Protection Agency, the Army Corps of Engineers, NASA, the National Science Foundation, the

Smithsonian, and the Corporation for Public Broadcasting, among other independent agencies. The Administration has not threatened to veto the other five appropriations bills — covering agencies such as the Departments of Defense, Veterans’ Affairs, State, or Treasury — over the level of funding they provide. (The Administration has threatened to veto one or two of those bills over policy issues not related to funding levels, such as abortion restrictions, but for ease of discussion we categorize these bills as “likely to be signed.”)<sup>4</sup>

Ironically, for the appropriations bills whose 2008 funding is acceptable to the Administration, Congress plans considerable *increases* over the 2002-2006 levels.

- Funding for those bills as a group would rise from \$522 billion during 2002-2006 (adjusted for inflation and population growth) to \$584 billion in 2008, an increase of \$62 billion or 12 percent.
- In contrast, the bills the President is likely to veto because of “excessive

### Adjusting for inflation and population growth

In this analysis, we adjust past funding levels for the inflation and population growth that has occurred since the funding was enacted. This adjustment makes past funding levels comparable to current levels in two respects. First, in determining whether government benefits or services are becoming more or less generous over time, one should account both for inflation and for the fact that benefits and services must be spread across a growing population (e.g., more veterans, schoolchildren, or elderly people who share a program’s benefits). Second, in determining whether financing a program’s costs is becoming more or less burdensome over time, one should again account for inflation and also recognize that the program’s financing will be spread over a larger number of taxpayers as the population grows.

President Bush has said that taking both inflation and population growth into account is the “honest” way to examine spending trends over time. For example, in 2001 the George W. Bush for President official web site defended Mr. Bush against the charge that he had been a “big spender” when he was Governor of Texas by saying, “When adjusted for inflation and population, state spending will increase by only 3.6 percent between 1994-1995 and the end of the 2000-2001 biennium.” Similarly, the *Dallas Morning News* reported on October 28, 1999: “Wednesday, Governor Bush said an ‘honest comparison’ of spending growth should take inflation and the state’s increasing population into account.” Many fiscal policy analysts, including those at CBPP, concur with this judgment.

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<sup>4</sup> As of July 18, the Administration had issued explicit funding veto threats against four bills in “Statements of Administration Policy:” the Labor-HHS-Education bill, the Interior and Environment bill, the Energy and Water Development bill, and the Homeland Security bill. For three other appropriations bills that will include more funding than the President requested, the Administration has not yet issued a formal “Statement of Administrative Policy.” These are the Agriculture bill, the Commerce-Justice-Science bill, and the Transportation-HUD bill. We treat these three bills as subject to the general veto threat that OMB Director Portman issued on May 11 because their funding level exceeds the amount the Administration has requested, bringing the total number of appropriations bills that may be vetoed to seven. (The one exception appears to be that a veto threat will not be issued if the Republican leaders in Congress inform the White House that a veto of a bill can not be sustained, as in the case of the Military Construction-Veterans appropriations bill.)

In the case of the State and Foreign Operations appropriations bill and the Financial Services appropriations bill, congressional funding levels have not prompted either an explicit or implicit veto threat; these two bills are smaller than the President requested. While certain policy changes included in these bills — such as providing aid to international family planning organizations — have prompted veto threats, this analysis is concerned with funding levels and veto threats based on claims of “excessive” funding. The Administration has indicated it will sign these bills at their planned funding levels if the policy changes to which it objects are resolved; we therefore do not include these two bills as facing a veto because of excessive funding.

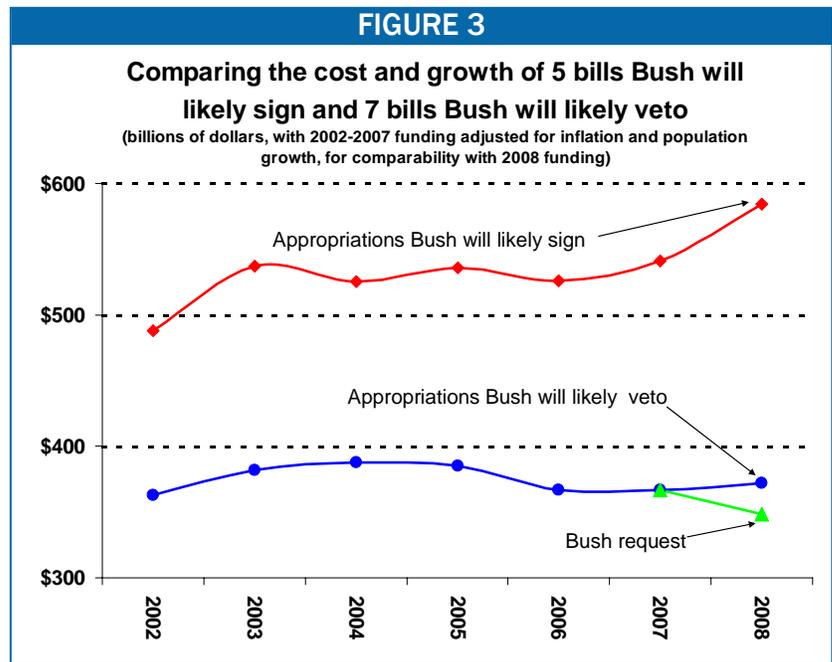
funding” would be reduced from \$377 billion during 2002-2006 period (adjusted for inflation and population growth) to \$372 billion in 2008. The President has indicated he is likely to veto these bills unless their funding is cut to \$348 billion. (See Table 1.) The President’s figure would represent a decline of \$29 billion, or 8 percent, from the average funding levels that prevailed from 2002 through 2006.

During the period from 2002 through 2006, federal deficits averaged 2.6 percent of GDP. In contrast, the deficit for 2008 is likely to be roughly 1.5 percent of GDP. It is unclear why, if it was fiscally prudent for the President to sign Labor-HHS-Education appropriations bills during 2002 through 2006 — when the bills were more expensive and the deficit was higher — it is fiscally imprudent to sign the 2008 Labor-HHS-Education appropriations bill.

As noted, the foregoing analysis compares funding levels in appropriations bills for different fiscal years, adjusting past funding levels for the amount of inflation and population growth that has occurred since the bills were enacted. We would reach very similar conclusions, however, if prior funding were adjusted only for inflation but not for population growth. Specifically, funding for the Labor-HHS-Education bill would be approximately \$1 billion above the 2002-2006 average, adjusting only for inflation. And combined congressional funding for the seven appropriations bills that the President considers excessive and is likely to veto would be only \$9 billion, or 2 percent, higher than it averaged during 2002-2006, adjusting only for inflation. In contrast, for the five appropriations bills the President does *not* intend to veto for budgetary reasons, funding would be \$80 billion, or 16 percent, above the average 2002-2006 levels, adjusting only for inflation.

### Conclusion

Because the President is likely to sign appropriations bills whose costs are substantially increasing (after adjusting for inflation and population growth), but is likely to veto appropriations bills whose costs are lower than they averaged in the past, it is difficult to conclude that his vetoes are motivated by a desire to restore fiscal discipline and halt “runaway spending.” (One also can question claims of fiscal discipline by noting that the Administration advocates the extension of tax cuts whose annual costs are ten times as great as the amount of appropriations funding that is in dispute.)



Observers should seek other explanations for the threatened vetoes. The possible motivations may include a desire to make Congress look ineffective and to exert Presidential power. To override

a veto, both the House and Senate must amass two-thirds “super-majorities.” Since the new majority party commands only 53 percent of the House seats and even a smaller share of Senate seats,<sup>5</sup> the President can — by vetoing legislation — frustrate the policies of the new majority and strengthen claims that Congress has a poor track record of accomplishment. He also can make himself a major player despite his lame-duck status and decline in popularity. Finally, he can appeal to a conservative base that harbors strong anti-government sentiments and still resents his approval of various domestic appropriations bills in previous years.

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<sup>5</sup> The Senate currently has 49 Republicans, 49 Democrats, and 2 Independents who caucus with the Democrats. In cases of tie votes, Vice President Cheney is permitted to break the tie.