



Earmarks and the Federal Budget

When President Barack Obama discussed earmark reform last week, he favorably cited the recently enacted American Recovery and Reinvestment Act as an example of legislation devoid of any congressional earmarks. But this gargantuan \$787 billion “stimulus” plan that he championed is not devoid of new spending, which accounts for more than two-thirds of the bill’s total cost.



There were also no earmarks in the congressional measure authorizing a second round of \$350 billion in TARP funding to bail out major financial institutions. Like the stimulus legislation, a dearth of earmarks did not mean a dearth of spending.

Earmarks are generally associated with “pork-barrel” spending. Appropriations that are earmarked can be wasteful, excessive, and unconstitutional. However, as the stimulus and TARP legislation surely demonstrate, appropriations that are not earmarked can also be wasteful, excessive, and unconstitutional.

The Congress can and does decide how much money to appropriate for various programs. When the money is provided in a huge lump sum without any earmarks, the executive branch is able to decide exactly how to use the appropriated funds within the broad parameters of the legislation. This is exactly what happened with the first \$350 billion wave of TARP funding, and is now happening with the second \$350 billion wave, with the Obama administration deciding how much money to transfer to this or that financial institution. However, if the Congress instead had designated exactly how to allocate the \$700 billion via earmarks, then the executive branch would have been bound to allocate the funds according to those earmarks.

The presence or absence of earmarks in legislation does not determine whether the money is spent; but the presence or absence of earmarks does determine how much control the Congress exercises over the spending compared to that of the executive branch. However, in a political atmosphere where earmarks are equated with wasteful and hidden spending, few are making this point.

An exception is Congressman Ron Paul, who in remarks on the House floor opined that the money Congress appropriates should be earmarked.

According to Paul, “Congress is reneging on our responsibilities [when it does not earmark] because it is the responsibility of the Congress to earmark. That’s our job. We’re supposed to tell the people how we’re spending the money not to just deliver it in a lump sum to the executive branch and let them deal with it. And then it’s dealt with behind the scenes. Actually, if you voted against all the earmarks, there would be less transparency. Earmarks really allow transparency and we know exactly where the money is being spent.”

Regarding the second round of TARP funding specifically, Paul said:



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Just think of the \$350 billion that we recently appropriated and gave to the Treasury Department. Now everybody's running around and saying now we don't know where the money went. We just gave it to them in a lump sum. We should have earmarked everything. It should have been designated where the money is going. So instead of too many earmarks we don't have enough earmarks. Transparency is the only way we can get to the bottom of this, and if you make everything earmarked it would be much better.

But relatively little of the money Congress appropriates is earmarked. Consider the omnibus appropriations bill for the current fiscal year that was signed into law by President Obama last week. That legislation, which contains 8,500 earmarked projects totaling \$7.7 billion, was generally portrayed by the media as a \$410 billion spending bill. But that hefty price tag takes into account only the bill's "discretionary" spending; when "mandatory" spending is also included the total cost of the bill is actually \$1.046 trillion. This means that the earmarked provisions account for less than two percent of discretionary spending and less than one percent of total spending.

Yet a number of Republican lawmakers led by Senator John McCain focused on earmarks as their central criticism of the bill, despite the fact that 40 percent of the earmarks were requested by Republicans. Of course, there was plenty of other spending they could have focused on, including spending increases from the previous fiscal year. According to *Congressional Quarterly*, the omnibus appropriations bill provides "more than \$31 billion, or 8 percent, more than the total discretionary funding in the fiscal 2008 versions of the nine bills in the package." There's also the so-called mandatory spending that Congress has put on automatic pilot. Yet it was the earmarks that Republicans railed against and that largely defined the debate over the bill.

President Obama discussed the overall spending in his March 11 remarks on earmark reform, prior to signing what he acknowledged was "an imperfect omnibus bill" later in the day. He said that the bill "addresses the immediate concerns of the American people by making needed investments in line with our urgent national priorities." He continued:

That's what nearly 99 percent of this legislation does — the nearly 99 percent that you probably haven't heard much about.

What you likely have heard about is that this bill does include earmarks.

Not that President Obama is against earmarks *per se*. "Done right, earmarks have given legislators the opportunity to direct federal money to worthy projects that benefit people in their districts, and that's why I've opposed their outright elimination," he said. But he added that "on occasion, earmarks have been used as a vehicle for waste, and fraud, and abuse" and that reform is needed, including actively involving the executive branch in the process. "If my administration evaluates an earmark and determines that it has no legitimate public purpose, then we will seek to eliminate it, and we'll work with Congress to do so," he said.

Obama obviously supports almost all of the spending in the bill, which of course helps to explain why he signed it into law. If Congress had eliminated the bill's earmarks while preserving the funding, the total cost of the bill would be the same but the Obama administration would have more control over the use of the funds — as is now the case with TARP. And if the actual funding that Congress earmarked had been eliminated along with the earmarks, then the total cost of the bill would have been reduced by less than one percent.

It is therefore ironic that Senator John McCain is often portrayed as a fiscal conservative because he



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decries earmarks, while Congressman Ron Paul is sometimes portrayed as inconsistent in his opposition to big government because he requests earmarks for his congressional district. McCain, after all, has supported gargantuan spending bills that dwarf the costs of earmarks. Last year, for example, he lobbied his fellow Republicans in support of the legislation that established the \$700 billion (earmark-less) TARP program. Ron Paul routinely votes against appropriations bills that include funds he requests earmarks for; he opposes those spending bills while believing that Congress has a responsibility to designate exactly how appropriated money must be spent.

In his House floor remarks on earmarks, Ron Paul said: “The big issue is the spending. If you don’t like the spending, vote against the bill.” Though fiscal conservatives could debate whether Paul should request earmarks his constituents may seek for his district, there is no question that if more congressmen were to join him in voting against the spending, there would be less spending.

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