

MEMORANDUM

TO: COLLINS & COMPANY CUSTOMERS

**FROM: RICHARD COLLINS
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ERIC NEWSOM**

SUBJECT: C&C DEFENSE APPROPRIATIONS UPDATE

DATE: JANUARY 10, 2005

“WE HAVE A HISTORIC OPPORTUNITY AND A UNIQUE RESPONSIBILITY TO REFORM THE APPROPRIATIONS PROCESS AND CHANGE THE CULTURE OF THE COMMITTEE. I INTEND TO LEAD A COMMITTEE THAT IS DEDICATED TO FISCAL RESTRAINT AND COMMITTED TO BEING AN INTEGRAL PART OF OUR REPUBLICAN LEADERSHIP’S EFFORT TO REIN IN SPENDING AND BALANCE THE FEDERAL BUDGET.”

- Representative Jerry Lewis (R-CA) on his selection as Chairman of the House Appropriations Committee.

The 109th Congress began its first session on January 4th with the swearing in of Members of the House of Representatives and Senate. The House then chose the Speaker of the House, Rep. J. Dennis Hastert (R-IL). Selection of Committee chairmen in both the House and Senate is moving forward. The composition of House and Senate Leadership in both parties remains the same, except for the replacement of Senator Harry Reid (D-NV) as Senate Minority Leader after the electoral defeat of Senator Tom Daschle (D-SD). Senator Thad Cochran (MS) has taken over the Senate Appropriations gavel from Senator Ted Stevens (AK). As some have not understood the reason for Senator Cochran’s accession to the Chair of the Senate Appropriations Committee, it should be noted that Senator Stevens was required to step down as full committee chairman due to term limits instituted by the Senate Republican caucus. Unless there is a major change in subcommittee structure for the Senate Appropriations Committee, Senator Stevens will remain the Chairman of the Defense Appropriation Subcommittee.

House Republican leaders selected Representative Jerry Lewis of California as Chairman of the House Appropriations Committee. Lewis has been a member of the House for 13 terms and has held the Appropriations Subcommittee on Defense chairmanship for the past six years. Rep. Ralph Regula of Ohio and Rep. Harold Rogers of Kentucky were in the running with Lewis for the position; however, Lewis proved his loyalty to the party in the last election cycle and raised more money for the GOP than Regula or Rogers. "I think Lewis will be a very fine chairman," House Speaker J. Dennis Hastert (R-IL), said. "He helped to build the Republican majority," said John T. Doolittle, R-Calif., adding that Lewis is "a team player." The appointment may be a signal that the budget in FY06 will be even sparser for domestic discretionary spending and more focused on the

defense and foreign fields. In the same light, however, this selection shows that the House GOP leadership does not view seniority as an overriding factor in determining powerful committee chairmanships.

One of the first issues likely to be taken up by the 109th Congress is a bill to provide relief funds for tsunami victims. However, divisions have emerged within the Republican conference on whether the bill should stand alone or whether it should be attached to the next supplemental appropriations bill for the wars in Iraq and Afghanistan. Rep. Jim Kolbe (R-AZ), Chairman of the House Appropriations Foreign Operations Subcommittee, has said he doesn't see the need to separate the two bills. The President is expected to submit a supplemental request in March for war funding, about a month after submission of his FY06 Budget (which is due Feb. 7). Senate Majority Leader Bill Frist (R-TN) has stated that he wants the tsunami relief bill to be "clean" of extraneous provisions and would not support the combination of the bills. Other conservative House Republicans have also stated their opposition to a dual bill citing a number of reasons including the need to provide funding for tsunami victims as soon as possible.

The White House has likely decided not to renominate Michael Wynne as undersecretary of defense for acquisition, technology and logistics. Wynne has been serving as acting undersecretary, but his confirmation has languished in the Senate after opposition to his candidacy was expressed by Senator John McCain (R-AZ) over the Air Force tanker leasing deal came to light. Some sources have said that John Young, currently the Navy's top weapons buyer, is the frontrunner for the spot held by Wynne, but it is our opinion that there are a number of defense CEOs and major campaign contributors that are much more likely to receive the nomination.

The 109th Congress appears to be focused on tackling major issues after what has been seen by some as a mandate for the GOP in the 2004 election. The President and leaders in Congress have promised action on a number of issues including revamping Social Security and major tort reform. However, a number of groups including the U.S. Chamber of Commerce have announced they will push Republican leaders and the White House to seek early successes in the 109th Congress before moving on to issues that are more contentious. Tim Donahue, the President and CEO of the Chamber said that he would like to see Congress enact class action lawsuit and asbestos legislation, a comprehensive energy plan, a surface transportation bill, modifications in clean air rules and a permanent repeal of the estate tax. Donahue said that by plucking this "low-hanging fruit" the administration could avoid bogging down in issues that will require "more time, more debate and be more divisive." Other issues that have been mentioned as possibilities in the 109th Congress are Deficit Reduction, a Gay Marriage/Abortion and Judicial Nominations.