

**MEMORANDUM**

**TO: COLLINS & COMPANY CUSTOMERS**

**FROM: RICHARD COLLINS  
JIM BOND  
ERIC NEWSOM**

**SUBJECT: C&C APPROPRIATIONS UPDATE**

**DATE: FEBRUARY 8, 2005**

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**"WE'VE HAD A HISTORY OF BEING SUCCESSFUL IN TERMS OF PASSING GOOD, STRONG BUDGETS. AND SO I'M VERY OPTIMISTIC THAT WE CAN DO SO AGAIN THIS YEAR."**  
*- President Bush on the submission to Congress of the Fiscal Year 2006 Federal Budget.*

**"EVERYONE'S OX GETS GORED."**  
*- Senator Judd Gregg (R-NH), Chairman of the Senate Budget Committee, on the "lean" budget proposed by President Bush.*

**"I'M THE LADY WITH THE CHECKBOOK."**  
*- Senator Barbara Mikulski (D-MD) on the lack of funding for repairing the Hubble Space Telescope in the President's Budget.*

The President's Fiscal Year 2006 Budget was submitted to Congress Monday, February 7. As expected, the Budget calls for major cuts in domestic discretionary spending, including eliminating or significantly reducing 150 federal programs. The \$2.5 trillion dollar budget seeks to hold federal spending below inflation, and would help the President reach his campaign promise of cutting the deficit in half by 2009. Below is a brief overview of various department's budgets.

**Agriculture**

USDA agencies involved in combating bioterrorism, developing a vaccine bank, and protecting the food system fare well in the new plan, and the popular Conservation Reserve Program would be financed at about this year's level. But overall, the department's discretionary budget authority would be trimmed by about \$2 billion, and would be 9.6 percent less than fiscal 2005's \$21.4 billion, with cuts spread between research, marketing, land acquisition, watershed protection and other accounts.

The plan brought a rebuke from Sen. Tom Harkin (D-IA), ranking Democrat on the Senate Agriculture Committee. "If acted on by Congress, the president's budget numbers will take away funds promised for farm, rural development, conservation, renewable energy, nutrition and other critical needs," he said.

The FY 2006 Budget for the Cooperative State Research, Education, and Extension Service (CSREES) includes discretionary funding totaling over \$1 billion. Program increases totaling \$38 million are proposed. These increases are offset by the elimination of \$181 million in Congressional earmarks. The FY 2006 Budget supports the Administration's commitment to competitive programs and to the streamlining of program delivery. In a time of limited resources, this is accomplished by increasing funding for the National Research Initiative (NRI), and adding the new State Agricultural Experiment Stations Competitive Grants Program, while simultaneously reducing funding for the Hatch Act and McIntire-Stennis Cooperative Forestry programs, eliminating the Animal Health and Disease, Section 1433 Research Program, and transferring programs authorized by Section 406 of the Agricultural Research, Extension, and Education Reform Act of 1998 to the NRI and new State Agricultural Experiment Stations Competitive Grants Programs.

### **Defense and Homeland Security**

The Departments of Defense and Homeland Security will see an increase in their budgets under the President's request, including an additional \$19 billion for DoD. However, this is somewhat misleading as the Budget contains cuts to numerous Defense programs including the DD(X) destroyer, the next generation of nuclear submarines, and the Air Force's FA-22 stealth fighter. Further, the President proposes billions of dollars in cuts to the Missile Defense Shield in the coming years. The increases in the Defense budget are largely marked for personnel programs including a 3.1% pay increase and \$4.1 billion for Special Operations forces.

The President's Budget does not include any money for continued operations in Iraq, Afghanistan or the War on Terror. It is expected that he will submit another supplemental appropriations bill for approximately \$80 billion in the coming weeks for these expenses.

Homeland Security is one of the few agencies that would not suffer an overall spending cut in FY 2006 under the Administration's Budget. The new spending largely comes from a proposed \$3 dollar increase in airline passengers fees, raising the cost from \$2.50 to \$5.50 for each leg of a round-trip ticket. This fee increase would generate \$4.8 billion in fees — 60 percent more than is expected in the current fiscal year. However, there are cuts within the Homeland Security budget including \$420 million cut to state and local coordination efforts, such as first responders.

### **Education**

The administration is requesting \$56 billion for the Department of Education, a reduction of a half billion dollars, or 0.9 percent, from the current spending plan -- which would be the first cut in overall federal education spending in a decade.

The budget would eliminate the Perkins loan program, which provides low-interest loans to low- and middle-income college students. The budget also would end Perkins loan forgiveness for members of the armed services and Peace Corps volunteers. The budget would redirect those savings to increase spending on Pell Grants, raising the maximum award \$100 to \$4,150 -- the first of five annual Pell increases planned by the White House.

In all, 48 education programs would be terminated, including those providing college-readiness training to low-income high school students and federal vocational education initiatives that the White House claims are not performing well or duplicate other federal efforts. Some of the savings would be used to increase spending in other programs, including \$1.5 billion to extend federal No

Child Left Behind testing and accountability requirements into high schools. The federal Title I program for disadvantaged students would increase by 4.7 percent, or \$603 million, to \$13.3 billion, and funding for disabled students would increase \$508 million to \$11.1 billion.

### **Justice**

The Administration proposes cutting Justice Department spending authority by \$1.1 billion, or 5.5 percent, for a total budget of \$19.1 billion, primarily by slashing popular grants to communities that hire extra police officers or shoulder a financial burden by jailing undocumented aliens. The administration says it is not persuaded that the former program -- begun by the Clinton administration and championed by many Democrats -- has actually cut crime, and says the latter program has misspent its past funds. The Community Oriented Policing Services -- COPS -- program would shrink from \$499 million to \$22 million. The Office of Violence Against Women's current budget of \$383 million would be cut by \$19 million.

### **State Department and International Assistance**

The Department of State and other key international affairs programs would increase by \$4.3 billion, an increase of nearly 16 percent, for a total of \$31.8 billion if the President's Budget were adopted. State alone would have an increase of more than 18 percent in budget authority, for a total of \$13.3 billion, with major increases set for diplomatic programs and the global initiative to fight HIV/AIDS.

The President has requests \$22.82 billion in the Foreign Operations account, an increase of \$3.11 billion or 15 percent over the FY2005 level. However, Development assistance funding would decline under the Presidents' budget from \$1.44 billion in FY05 to \$1.10 billion in FY06 -- a decrease of \$345 million

Overall, international assistance would increase about 14 percent. The largest single increase would go to the Millennium Challenge Corporation, which is funded at \$3 billion -- an increase of \$1.51 billion over the FY05 level. MCC is a new foreign aid tool that ties foreign assistance to a country's development policies including: ruling justly, investing in people and economic freedom. However, MCC has never been funded at the levels requested by the President.

### **State and Local**

Many of the programs the Administration's budget proposes to eliminate would affect local or state governments. The budget would curtail Medicaid spending, limit community and economic development programs, erase operating subsidies for Amtrak and scale back dozens of other programs that support state and local services. Former Ohio Governor, Senator George Voinovich (R-OH), has become the leader of a group of former governors in the Senate who will likely protect state and local governments from major cuts. Senator Voinovich said, "We're going to look at what he (President Bush) proposes. But we are not going to just slash funding for states. We're not going to rip up the safety net."

### **Committee Reorganization**

Although the Appropriations Committees in the House and Senate have not yet officially organized, it is expected that the debate over the reorganization plan proposed by House Appropriations Chairman Jerry Lewis (R-CA) will come to a close soon, possibly even this week. Chairman Lewis has submitted his list of 10 Subcommittee chairmen to the GOP Leadership for approval. This is

three less Subcommittees than currently exist, and would cement his proposal to abolish three of the standing Subcommittees. Senate Appropriations Committee Chairman Thad Cochran (R-MS) has the support of his Committee in opposing the massive changes to the committee structure proposed by House Chairman Lewis.

Committees that have already organized began holding hearings on the Budget on Tuesday, February 8. The hearings process in the authorizing and appropriating committees is likely to be contentious considering the restraint lawmakers will need to have if they are to adhere to the President's "lean" Budget.

For your information, the two tables at the end of the newsletter, respectively, break down discretionary spending by category (defense, homeland security, and all others); and show discretionary budget authority by agency, with actual FY2002-2004, enacted FY2005 and proposed FY2006 numbers included.

We will, of course, provide you with more detailed FY06 Budget information in the days and weeks to come.

*Compiled by John-Paul Hayworth*