

MEMORANDUM

TO: COLLINS & COMPANY CUSTOMERS

FROM: COLLINS & COMPANY

SUBJECT: C&C APPROPRIATIONS UPDATE

DATE: MARCH 15, 2005

“WE’RE SIMPLY TRYING TO HAVE A BUDGET THAT IS NOT A MIRAGE.” – *Rep. Jeff Flake (R-AZ) on the Republican Study Committee’s, a group of fiscal conservatives, disagreements with the House leadership on the FY06 budget.*

“OVER THE PAST FIVE YEARS, CONGRESS HAS IGNORED THE LIMITS SET IN BUDGET RESOLUTIONS AND MORPHED INTO A GIGANTIC OUT-OF-CONTROL SPENDING MACHINE.” – *Citizens Against Government Waste President Tom Schatz on the FY06 Budget. His group supports tighter fiscal restraint advocated by the Republican Study Committee and Blue Dog Democrats.*

Budget Resolution

The House of Representatives began strategic wrangling over the fiscal year 2006 budget resolution soon after the President’s Budget was delivered in February. The budget resolution provides broad guidelines for federal spending in a fiscal year. Once passed, the budget resolution will provide a foundation for Appropriations Committee chairmen to establish 302(b) allocations. 302(b) is a term for the total amount of money each appropriations bill must not exceed. Fiscal conservatives on both sides of the aisle have been on the attack and have vowed to ensure that the budget will help to reign in the massive deficits currently carried by the federal government.

The Majority Leadership is taking these threats seriously. Majority Whip Rep. Roy Blunt (R-MO) has said that the budget resolution (H. Con. Res. 95) will not be brought to the floor until there are enough votes to pass it although the House leadership is hoping to bring it to the floor before the two week Spring District Work Period begins on Friday.

The Senate is also poised to vote on their budget resolution, with passage likely by mid-week. The major hindrance in the Senate is a flood of amendments proposed by members on both sides of the aisle. These include an amendment that would restore the pay-as-you-go rule under which increases in entitlement spending such as Medicare or Social Security or tax cuts must be paid for with offsetting tax increases or spending cuts as well as a procedural question as to whether the Senate should be able to consider tax cuts under special protections that prevent filibusters and allow them to be passed with a simple majority. The protection procedure, known as

"reconciliation," was designed to help lawmakers make tough deficit-cutting moves, putting spending cuts and tax increases on a fast track that would shield them from being filibustered. In recent years, reconciliation has been used to grease the way for tax cuts.

Last year, the pay-as-you-go (or PAYGO) provision debate resulted in a budget resolution deadlock in the Senate. The Senate passed a PAYGO provision, but the White House and House of Representatives balked at the provision and refused to accede to it. The standoff effectively ended any chance of passing a budget resolution. This year, Senator George Voinovich (R-OH) has joined Senators Olympia Snowe (R-ME), Susan Collins (R-ME), John McCain (R- AZ.) and Lincoln Chafee (R-R.I.) and virtually every Democrat in supporting the pay-go provision. This could mean that the budget resolution will again fail to pass. If that happens, it increases the likelihood of an end-of-year omnibus appropriation bill that would contain multiple appropriations bills.

Supplemental Appropriations

As you will recall, in February the President submitted an emergency supplemental appropriations request to Congress. The request included almost \$75 billion in spending for the Department of Defense and an additional \$7 billion for foreign aid, tsunami relief and some domestic projects like the FBI, Director of National Intelligence and Coast Guard. GOP members in both Houses have deemed many of these unsuitable for an emergency supplemental. Many of the provisions have been stripped from the supplemental and are to be considered in the regular appropriations process. Currently, the bill stands at \$81.3 billion, but it is possible that further cuts from the foreign aid title will occur before final passage.

On Monday, March 14, the House Rules Committee agreed to an open-rule for the supplemental bill. This means that Members will have the right to propose an unlimited number of amendments. One possible amendment would eliminate \$580 million for United Nations peacekeeping around the globe by either shifting the request to a different appropriations bill or by being struck entirely from the bill. Another amendment would cut into tsunami relief funds, possibly through past appropriations. A third amendment would strike \$200 million in the bill for Palestinian assistance. Numerous amendments would add funding for veteran programs or for military service personal currently deployed in Iraq or Afghanistan. The White House has called for the funding so far cut by Congress to be restored before final passage, but also has said that they strongly support an expedited passage of the bill.

It is likely that the supplemental will be brought to a vote in the House by mid-week, but the Senate will not bring it to the floor until after the two week Spring District Work Period that begins this weekend.