



Integrity and Competence in Government Relations

2111 Wilson Blvd., Suite 700
Arlington, Virginia 22201

phone 703.351.5057
fax 703.522.1738

MEMORANDUM

TO: COLLINS & COMPANY CUSTOMERS

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

SUBJECT: C&C APPROPRIATIONS UPDATE

DATE: MARCH 23, 2005

THERE WILL BE “REALITY AND SOBRIETY AT THE END OF THE DAY.”

- Senator Norm Coleman (R-MN) on a tax cut reconciliation figure during the Senate debate on the FY2006 budget.

“DUTY IS MINE. OUTCOMES BELONG TO GOD. MY DUTY IS TO STAND FOR THE PRINCIPLES OF FISCAL DISCIPLINE FOR WHICH MY PARTY USED TO BE CELEBRATED.”

- Rep. Mike Pence (R-IN) on the fiscal conservative Republican Study Committee’s efforts to ensure budgetary spending limits.

Congress has recessed for the Spring District Work Period and will not reconvene until April 4. Before the break however, there was significant movement on both the FY2005 Supplemental Appropriations bill and on the Budget Resolution.

Supplemental Appropriations

The Senate Appropriations Committee will take up the President’s \$81.9 billion FY2005 War on Terrorism/Foreign Aid request when they return from the break. The House version of the bill passed last week by a vote of 388-43. This lopsided vote belies the fierce fights that took place over some of the request’s provisions that many Republicans did not believe should have been contained in an emergency spending bill, most notably, the \$592 million requested to construct an embassy in Baghdad. The House bill was amended on the floor to prohibit funds from being used for any embassy construction activities, although the amendment did not remove the \$592 million intended for the embassy. It is not clear now for what these funds will be used.

In a procedural move, the House leadership was able to attach to the Supplemental H.R. 418, the Real ID Act, a bill passed earlier this year that contains some controversial immigration provisions that are not likely to be well received by the Senate. The Real ID Act would rapidly implement federal regulations for security standards on State-issued driver's licenses and other identification documents. The House leadership had promised Judiciary Committee Chairman James Sensenbrenner (R-WI) that it would reach the floor in the early part of the 109th Congress after he successfully delayed action on last year’s Intelligence Reorganization bill. Although the

immigration provisions are strongly supported by GOP conservatives, it is unclear if they will survive as part of the supplemental or if they will be stripped from the bill during conference.

The Supplemental's military spending total of \$76.8 billion includes \$37.5 billion for military operations and maintenance spending, \$15.5 billion for Army personnel, and \$18.2 billion for new weapons procurement. It also provides \$48 million more than requested for add-on vehicle armor kits; \$401 million more, or over twice the amount requested, for new trucks; 50% more than requested for night-vision equipment; and \$50 million in unrequested funds for radio jammers to disrupt attempts by Iraqi insurgents to explode remote controlled bombs and mines. The bill appropriates \$656 million in direct assistance for tsunami disaster relief for countries affected by the Dec. 26, 2004, earthquake and tsunami, provides \$222 million to reimburse the U.S. military for expenses incurred in providing emergency relief to the tsunami victims, and \$23 million to build and deploy 35 new tsunami-detection buoys in the Pacific, Atlantic, Caribbean and Gulf of Mexico to provide warning to communities of approaching tsunamis.

Budget Resolution

The House adopted its Budget Resolution (H. Con. Res. 95) on March 17 by a party-line vote of 218-214. The House resolution calls for mandatory spending cuts of \$69 billion and tax cuts totaling \$106 billion, including \$45 billion in tax cuts that would be protected from a filibuster in the Senate. The House also set a discretionary spending ceiling of \$843 billion, in keeping with President Bush's request.

But the Senate — before adopting its version of the Budget Resolution (S. Con. Res. 18) on a 51-49 vote — voted, 52-48, to strip out \$15 billion of the \$32 billion in mandatory spending cuts over five years envisioned by the Senate Budget Committee. It also increased the overall discretionary spending cap by \$5.4 billion and nearly doubled — to \$129 billion — the net amount of tax cuts that would enjoy protection from a filibuster in the Senate.

The reduction in mandatory spending cuts came in the form of an amendment by Sen. Gordon Smith (R-OR), that deleted reconciliation instructions to the Finance Committee to find \$15 billion in savings from programs under its jurisdiction — about \$14 billion of which was expected to come from Medicaid, the federal-state health insurance program for the poor.

Meanwhile, the House Budget Resolution instructs its Energy and Commerce Committee to find \$20 billion in savings, most of which is expected to come from Medicaid. House conservatives are sure to demand more savings from mandatory spending programs, including Medicaid, than the Senate approved. Given the vast differences between the two bills, reconciliation will be rocky at best.

However, the House does have strong incentives to reach a final budget agreement that can be adopted by both chambers. A final Budget Resolution would trigger the "Gephardt amendment," which automatically passes a debt limit increase in the House, allowing lawmakers to avoid what is usually a contentious vote on the issue. Secondly, a budget agreement with reconciliation instructions would protect any agreed-to tax cuts and mandatory spending reductions —

including legislation permitting oil and gas drilling in Alaska's Arctic National Wildlife Refuge — from filibuster in the Senate, allowing them to be passed by simple majority vote.

The next step for the Budget Resolution will be reconciliation of the two bills in conference. For the reasons stated above, this is likely to be a long and controversial process. While the Budget Committees lay out the broad picture in terms of federal spending, the Appropriations Committees determine how the discretionary funds will be allocated. Using the Budget Resolutions, the House and Senate Appropriations Committees' chairmen will divide the total amount of funding available among the subcommittees.

As always, we will keep you updated on the appropriations process as it develops.

Compiled by John-Paul Hayworth