



# BUDGET BULLETIN



COMMITTEE ON THE BUDGET Republican Staff

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## INFORMED BUDGETEER:

### SECOND SUPPLEMENTAL

- This week the Senate took up its version (S. 1054) of the second supplemental appropriation bill for fiscal year 2009 (budgeteers with keen memories will recall that the first supplemental was the stimulus bill enacted in February).
- When the President submitted his initial supplemental request on [April 9, 2009](#), it totaled \$83.4 billion. But on [April 30](#), the Administration added to the request by asking for \$1.5 billion in supplemental funding for measures to combat a potential H1N1 (swine) Flu pandemic. Finally, on [May 12](#), the Administration submitted a third supplemental request seeking Congressional approval of the U.S. pledge of increased participation in the International Monetary Fund (IMF). This third request was not included in the House version of the supplemental (H.R. 2346), which passed the House on May 14.
- The accompanying table displays the totals and subtotals for the President's request, the House-passed bill, and the Senate measure brought to the floor by the managers from the Senate Appropriations Committee. Some major budgetary and policy differences follow:
- **Procurement:** For the House bill, almost all of the \$6.8 billion increase over the President can be explained by more funds for procurement. While the Senate bill stays close to the request, the House-passed bill added \$6.2 billion in military hardware. Principal adds include \$2.2 billion for eight C-17 airlifters (note that Secretary Gates, in his major program review, recommended terminating production of the aircraft on the basis that the Air Force's airlift capacity was sufficient); \$2.2 billion for additional Mine Resistant Ambush Protected (MRAP) vehicles suitable for Afghanistan (the MRAPs deployed in the flat terrain of Iraq are unsuitable for the mountainous and practically roadless countryside of Afghanistan); and \$940 million for 11 C-130 tactical airlifters.
- **Military personnel:** The House and Senate bills increase the President's request for this account by 13% and 8%, respectively, but the major policy change is the House's addition of \$734 million to make payments to 170,000 service members who, since September 11, 2001, have been prevented from leaving the military on schedule with the term of their contracts under the Stop Loss policy. This is a kind of retroactive bonus for their involuntary service.
- **Operations and Maintenance:** Both bills reduce the request by \$900 million; the House provided \$300 million more than the request for the Defense Health Program.
- **Military Construction:** While the Senate bill slightly reduces the Administration's \$2.3 billion request by \$44 million, the House added \$905 million, primarily for military hospital construction and to accelerate completion of the already-planned hospitals at Bethesda and Fort Belvoir.
- **International Assistance:** The House added substantially to the request for International Security Assistance: \$86 million more for Afghanistan for development, governance, and rule of law programs; \$591 million above the request for Pakistan, to provide development assistance, alleviation of the economic emergency, help for displaced persons, and governance programs; and \$336 million above the request for Iraq, including stabilization and governance programs. While the Administration requested no appropriation for AID's Economic Support Fund for assisting Jordan, the House added \$250 million, and the Senate bill adds \$150 million. Conversely, the

Administration asked for \$95 million in energy assistance for North Korea, but in view of that country's withdrawal from the Six Party Talks Agreements, both chambers declined to fund the request.

COMPARISON OF SUPPLEMENTALS (\$ BILLIONS)			
	President's Request	House Passed	Senate Reported
<b>FY 2009 Supplemental Appropriations</b>	<b>89.9</b>	<b>96.7</b>	<b>91.3</b>
<b>Department of Defense</b>	<b>75.7</b>	<b>84.3</b>	<b>75.3</b>
<i>Procurement</i>	22.9	29.1	22.6
<i>Military Personnel</i>	16.7	18.8	18.0
<i>Operation and Maintenance</i>	32.3	31.8	31.8
<i>International Reconstruction</i>	*	*	--
<i>Research, Development, Test &amp; Evaluation</i>	0.8	0.6	-0.2
<i>Military Construction</i>	2.3	3.2	2.3
<i>Revolving and Management Funds</i>	0.8	0.8	0.9
<b>International Assistance Programs</b>	<b>8.9</b>	<b>5.5</b>	<b>8.8</b>
<i>International Security Assistance</i>	3.1	4.8	3.0
<i>Agency for International Development</i>	0.7	0.7	0.7
<i>International Monetary Fund</i>	5.0	--	5.0
<b>Department of State</b>	<b>3.0</b>	<b>4.0</b>	<b>3.1</b>
<i>Embassy Security</i>	0.9	1.0	0.8
<i>Diplomatic &amp; Consular Program; IG Contributions to International Peacekeeping Activities</i>	0.8	0.8	0.9
<i>International Narcotics Control &amp; Law Enforcement</i>	0.4	0.5	0.4
<i>Global Health &amp; Child Survival</i>	--	0.3	0.1
<i>Migration &amp; Refugee Assistance</i>	0.3	0.3	0.3
<b>Executive Office of the President<sup>a</sup> - Flu</b>	<b>1.5</b>	<b>--</b>	<b>1.5</b>
<b>Department of Health &amp; Human Services<sup>a</sup></b>	<b>--</b>	<b>1.9</b>	<b>0.1</b>
<i>Centers for Disease Control (flu)</i>	--	0.2	--
<i>Departmental Management (flu)</i>	--	1.7	--
<i>ACF - Refugee Assistance</i>	--	--	0.1
<b>Department of Agriculture</b>	<b>0.5</b>	<b>0.7</b>	<b>0.9</b>
<i>Foreign Agriculture Service -- PL 480</i>	0.3	0.5	0.7
<i>Forest Service -- Fire Management</i>	0.2	0.2	0.2
<b>Department of Justice</b>	<b>--</b>	<b>--</b>	<b>0.2</b>
<i>General Administration</i>	--	--	0.1
<i>Other</i>	--	--	0.1
<b>Department of Homeland Security</b>	<b>0.1</b>	<b>0.1</b>	<b>0.3</b>
<i>United States Coast Guard</i>	0.1	0.1	0.1
<i>Customs &amp; Border Protection</i>	--	--	0.1
<i>FEMA</i>	--	--	*
<i>Immigration &amp; Customs Enforcement</i>	--	--	0.1
<b>Department of Energy</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>
<b>Other Agencies</b>	<b>0.1</b>	<b>0.1</b>	<b>1.0</b>
<i>Corps of Engineers</i>	--	--	0.8
<i>Interior -- Wildland Fire Management</i>	0.1	0.1	0.1
<i>Other</i>	--	--	0.1
<b>Legislative Branch -- Capitol Police &amp; CBO</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>
<b>Judicial Branch --</b>	<b>--</b>	<b>--</b>	<b>*</b>
<b>Courts of Appeals, Salaries &amp; Expenses</b>	--	--	*

Source: Congressional Budget Office

NOTE: Details may not add due to rounding

\* Less than \$50 million

a. The President's request for funds to combat H1N1 influenza specified creation of a new account within the Executive Office to the President to maintain flexibility in the use of funds. The House bill does not create the new account, but provides funding through HHS.

- The House ignored the President's request for the IMF (see below for more detail). The Senate bill includes the IMF

proposal; the Senate's changes to the rest of the President's request for international programs are around the margins.

- **H1N1 Influenza Pandemic:** While the Senate-reported bill matches the request, the House-passed bill added \$550 million: \$350 million to assist State and local governments, and \$200 million for global monitoring. (Note that the President requested flu funds in the Unanticipated Needs account under the Executive Office of the President; the House and Senate provide the funds through HHS accounts.)
- **Guantanamo Detainees:** The Administration requested \$50 million for the Department of Defense (DOD) and \$30 million for Justice to fund the closure of the Guantanamo Bay terrorist detainee facility and the potential transfer, trial, or release of detainees. The House declined to fund the request. While the Senate-reported bill included \$30 million for Justice (but only for the purpose of reviewing detainee status and not for the purpose of transfer or re-incarceration of detainees in the United States) and the requested \$50 million for DOD, the managers in the Senate have decided to remove the funding related to Guantanamo from the bill by offering the first amendment to the bill to strike those earmarks. Adopted by the Senate on a 90–6 vote, the amendment reduces spending in the bill by only \$30 million because DoD would be able to retain its portion (\$50 million) for other purposes.
- **International Monetary Fund:** The Administration did not submit a formal supplemental budget request for increasing the U.S. commitment to the IMF until May 12, after the House Appropriations Committee had already marked up its bill; the full House declined to act on the request. The Senate Appropriations Committee includes the Administration's request in its bill. The Administration submitted three IMF proposals:
  - A \$100 billion U.S. commitment to the IMF's New Arrangements to Borrow (NAB). This is part of a planned \$500 billion increase in the NAB agreed to at the G-20 summit. This program constitutes a backstop to address severe stresses in the global economy.
  - An \$8 billion increase in the permanent U.S. quota subscription in the IMF. This increase is part of a planned proportionate increase in the quotas for all 185 countries participating in the IMF. The \$8 billion would maintain the U.S. voting share in the institution at about 17 percent, high enough for the U.S. to be able to exercise a veto on key IMF decisions that require 85% of membership approval.
  - Authorization to approve the sale of 13 million ounces of the IMF's stock of 103 million ounces of gold. At the current price of \$925/oz., the sale would yield about \$12 billion. The purpose is to: a) endow the IMF so as to provide a more stable funding base for IMF administration; and b) provide low-interest loans to the poorest countries.
- The four Budget Committee Chairmen and Ranking Members, along with CBO and OMB, decided that credit reform scoring (adjusted for market risk) should be used to estimate the budget impact of the NAB and the quota increase. CBO estimates that, together, the provisions score at \$5 billion in BA in 2009, and \$5 billion in outlays over the 2009-2012 period. The gold sales would not have an impact on the federal budget; the gold that the IMF would sell does not belong to the U.S.
- **Parliamentary Situation:** Because the Appropriations Committee has already enacted all the money available to it under its 2009 allocation from the 2010 budget resolution, one would think that the additional funds provided in this supplemental would either exceed that allocation or must be designated as an emergency, right? No.
- Section 401(c)(4) of the 2010 budget resolution allows the Chairman of the Senate Budget Committee to adjust the allocation of the Appropriations Committee by up to \$90.745 billion in budget authority for a bill that provides appropriations for "overseas deployments and other activities."
- The Senate-reported supplemental bill provides a net \$89.2 billion in BA for accounts with that designation, so Chairman Conrad has increased the Appropriations Committee's 302(a) allocation by a commensurate amount. Chairman Inouye has in turn translated the increase in his allocation into new 302(b) suballocations for the 12 subcommittees that match the amounts provided in the supplemental added to amounts already enacted for 2009.
- Beyond the amounts provided for overseas deployments, the bill provides new non-emergency (aka "regular") BA of \$256 million. To offset that amount, the bill contains a rescission of \$947 million in BA of previously appropriated (non-emergency) funds. As a result, the bill does not have a committee allocation (302(f)) point of order against it, but there is a problem looming when the Senate goes to conference on this bill with the House.
- Under section 423 of the 2010 budget resolution, the House is not limited to only \$90.745 billion in BA adjustments for overseas deployments. In the House, the sky's the limit, so if the conference committee wants to provide more than \$90.745 for the wars and avoid a 302(f) point of order in the Senate, it will have to designate additional amounts as an emergency or offset them.
- The key point of order that does apply to the Senate-reported bill is the 306 point of order. Because Title XIII of the bill directs CBO to score the IMF provisions on a credit reform (adjusted for market risk) basis and because scorekeeping is in the jurisdiction of the Budget Committee, the bill violates section 306 of the Congressional Budget Act, which prohibits consideration of legislation within the jurisdiction of the Budget Committee that has not been reported or discharged by the Committee. If a member raises the 306 point of order against the bill and it is sustained, the supplemental bill would be ruled out of order.