

APPROPRIATIONS ALERT

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SECOND 'STIMULUS' JUST ANOTHER EXCUSE TO SPEND (H.R. 7110)

26 September 2008

The fiscal “stimulus” bill coming to the House floor today (H.R. 7110) will bust the Majority’s budget with provisions that are not timely, or targeted, or temporary, as Democrats previously claimed to advocate for such legislation. It is mainly an infrastructure bill – most of which will take years to spend out – providing a vehicle for a range of other new spending. The bill totals \$61 billion through 2018, and will be considered under a closed rule that waives most points of order. As with the continuing resolution/minibus considered earlier this week, legislative language for H.R. 7110 was made available fewer than 24 hours before Members would be required to vote on it.

- **Budget Cost.** As noted, the bill totals \$61 billion in new spending over the 2009-18 period. This includes \$37 billion in discretionary spending, including for highways, schools, the Corps of Engineers, and job training, and \$21 billion in additional entitlement spending for unemployment insurance, Medicaid, and food stamps.
- **Discretionary Spending.** Key appropriated spending provisions include:
 - \$18.5 billion for transportation infrastructure, including highways, mass transit, Amtrak, and aviation grants.
 - \$7.5 billion for State and Tribal Assistance Grants for water-related projects.
 - \$5 billion for the Army Corps of Engineers.
 - \$3 billion for school construction.
 - \$1 billion for public housing.
 - \$1.6 billion for various renewable energy programs, including \$1 billion for the Advanced Battery loan guarantee program.
 - \$400 million for employment and training, of which \$200 million is for youths.
- **Entitlement Spending.** The bill also provides more than \$21 billion in entitlement spending: \$6.0 billion for unemployment benefits, \$2.7 billion for food stamps, and \$14.7 billion for Medicaid Federal Medical Assistance Percentage [FMAP] funds. These provisions are direct (mandatory) spending that would normally be subject to the House pay-as-you-go [PAYGO] rule, requiring offsets. But by including them in an appropriations bill, the Democrats have once again circumvented PAYGO.

- **Unlikely to ‘Stimulate.’** The Congressional Budget Office [CBO] has noted that public works projects such as those in this bill involve long start-up times, and therefore fail to provide any short-term boost to the economy.

As CBO has put it: “For major infrastructure projects supported by the Federal Government, such as highway construction and activities of the Army Corps of Engineers, initial outlays usually total less than 25 percent of the funding provided in a given year. . . . Some of the candidates . . . such as grant-funded initiatives to develop alternative energy sources, are totally impractical for countercyclical policy, regardless of whatever other merits they may have. In general, many if not most of these projects could end up making the economic situation worse because they would stimulate the economy at the time that expansion was already well under way.”

This is reflected in Table 1 below, which shows that authorized amounts of infrastructure spending (budget authority) take 5 years or more to “spend out” in the form of outlays. By that time, the need for “stimulus” is long passed, and the projects are nothing more than spending increases.

Table 1: Second ‘Stimulus’
(dollars in billions)

		2009	2010	2011	2012	2013	2009-18
Title 1: Infrastructure Investments							
Highway Construction	BA	12,800	0	0	0	0	12,800
	Outlays	4,096	5,760	1,536	1,152	256	12,800
Other Transportation	BA	5,700	0	0	0	0	5,700
	Outlays	1,649	1,702	1,128	1,221	0	5,700
Clean Water	BA	7,500	0	0	0	0	7,500
	Outlays	300	1,520	2,250	870	490	5,799
Flood Control and Water Resources	BA	5,300	0	0	0	0	5,300
	Outlays	2,715	1,375	370	265	175	4,975
Other Infrastructure	BA	5,600	0	0	0	0	5,600
	Outlays	1,095	1,937	1,320	910	300	5,600
Subtotal: Title 1	BA	36,900	0	0	0	0	36,900
	Outlays	9,855	12,294	6,604	910	1,221	34,874
Title 2: Unemployment Compensation and Job Training	BA	6,490	0	0	0	0	6,490
	Outlays	6,115	250	125	0	0	6,490
Title 3: Temporary Increase in Medicaid Matching Rate	BA	12,190	2,475	5	5	5	14,705
	Outlays	12,190	2,475	5	5	5	14,705
Title 4: Temporary Increase in Food Assistance	BA	2,623	30	5	5	0	2,663
	Outlays	2,623	30	5	5	0	2,663
Total	BA	58,203	2,505	10	10	5	60,758
	Outlays	30,783	15,049	6,739	4,428	1,226	58,732

Source: Congressional Budget Office.