



APPROPRIATIONS ANALYSIS

BY THE COMMITTEE ON THE BUDGET, REPUBLICAN CAUCUS

B-71 Cannon House Office Building
Washington, DC 20515
Representative Paul D. Ryan, *Ranking Republican*

Phone: (202)-226-7270
http://www.house.gov/budget_republicans/
Augustine T. Smythe, *Republican Staff Director*

THE CONTINUING RESOLUTION FOR FISCAL YEAR 2011 (H.R. 3081)

8 October 2010

SUMMARY

On 30 September 2010, President Obama signed a continuing resolution [CR] (Public Law 111-242), a stopgap measure to provide temporary funding for Federal agencies through 3 December 2010. Although its total spending is roughly the same as the past year's, the CR exploits two already-scheduled spending declines to boost funding in other favored areas. Consequently, its bottom line is actually \$8.4 billion higher than if Congress had simply frozen funding agency by agency. (Most of the spending increases are termed "anomalies," and are described later in this analysis.) Moreover, the House can still increase spending substantially after the CR expires.

The legislation (H.R. 3081) also violates the Congressional Budget Act by breaching levels allocated to two of the 12 Appropriations subcommittees, but the point of order that would lie against the bill was waived.

The CR is necessary because none of the annual appropriations bills needed to keep the government running had been enacted by the start of the new fiscal year, 1 October 2010. Without it, all Federal Government activities not deemed "essential" would have shut down.

When calculated on an annualized basis, as is customary, the CR provides \$1.088 trillion in base discretionary budget authority [BA] when calculated on an annualized basis, about \$2.7 below the fiscal year 2010 enacted level. It also provides an annualized \$159.4 billion for U.S. operations in Iraq and Afghanistan, a reduction of \$4 billion compared to 2010.

COMPLIANCE WITH THE BUDGET ACT

Because the House failed to pass a budget resolution this year – an event unprecedented since the 1974 Budget Act became law – the budget for fiscal year 2010, S. Con. Res 13, remains in effect for enforcement purposes. In July, that measure was modified in the House by a limited "deeming" resolution, which established a new total spending level for House appropriations.¹ Subsequently, the Appropriations Committee divided the total into suballocations – known as 302(b)s – for each of its subcommittees, just as if a new budget resolution were in place.²

¹ The Conference Report on S. Con. Res. 13, adopted on 29 April 2009, modified by H. Res. 1493, a resolution deemed agreed to on 1 July 2010.

² Report 111-565, House Appropriations Committee report ordered to be printed on 26 July 2010.

While the CR is a single bill, it incorporates spending from all 12 of the regular appropriations bills which, in normal circumstances, would be passed and enacted separately. Within the jurisdiction of two subcommittees, Agriculture and Interior, spending in the CR exceeds the amounts budgeted for the subcommittees (see Table 1), causing a point of order to lie against the CR.³ The point of order was waived, however, allowing consideration of the CR even though it violated the terms of what remains of congressional budget enforcement.

SPENDING BY APPROPRIATIONS SUBCOMMITTEE

As noted, the bill is a temporary measure, but its funding amounts are described on an annualized basis. On those terms, the legislation provides \$1.088 trillion for the Federal Government's discretionary spending programs. Although the total is essentially the same as the 2010 level, it is \$33 billion less than the \$1.121 trillion in base discretionary spending called for in the House "deeming" resolution (see Table 1). When the House returns for its planned lame duck session, the Majority can still increase annualized discretionary spending by \$33 billion, as intended by the "deemer."

Table 1: Continuing Resolution by Appropriations Subcommittee
(annualized budget authority in millions of dollars)

Appropriations Subcommittee	2010 Scored	Fiscal Year 2011 302(b) ^a	Fiscal Year 2011 CR	2011 CR vs 2010	2011 CR vs 2011 302(b)
Agriculture	23,254	23,100	23,337	83	237
Commerce-Justice Science	64,416	60,536	56,721	-7,695	-3,815
Defense	506,306	523,870	508,692	2,386	-15,178
Energy and Water	33,465	34,669	33,870	405	-799
Financial Services	24,186	24,500	23,350	-836	-1,150
Homeland Security	42,665	43,636	42,555	-110	-1,081
Interior	32,240	32,240	32,272	32	32
Labor-HHS-Education	164,825	176,412	169,347	4,522	-7,065
Legislative Branch	4,656	4,656	4,654	-2	-2
MilCon-VA	78,005	75,998	75,190	-2,815	-808
State-Foreign Operations	48,764	53,983	50,744	1,980	-3,239
Transportation-HUD	67,875	67,400	67,194	-681	-206
Totals (excluding war funding)	1,090,657	1,121,000 ^b	1,087,956	-2,701	-33,044
Overseas Contingency Ops [OCO]	129,991	159,337	129,991	0	-29,346
War-Related Emergencies	33,394	0	29,387	-4,007	29,387
Total War	163,385	159,337	159,378 ^c	-4,007	41
Totals	1,254,042	1,280,337	1,247,334	-6,708	-33,003

^a Allocations as determined in House Appropriations Committee Report 111-565.

^b Total base discretionary spending called for in House resolution "deemed" agreed to by H. Res. 1493.

^c Includes OCO and war-related emergency amounts for agencies other than the Department of Defense. The Defense Department total alone is \$157,636.

Within the CR's overall level, some programs or agencies receive increases, and some reductions. Two significant spending categories – the decennial census and the Base Realignment and Closure process – already were scheduled for reductions totaling \$11.1 billion in 2011 because their activities are winding down. Instead of capturing these savings for deficit reduction,

³ Congressional Budget Office Estimate of Senate Amendment 4674 (Continuing Appropriations Act, 2011) to H.R. 3081 (29 September 2010); section 302(f) of the Congressional Budget Act of 1974.

however, the CR reallocates \$8.4 billion of those sums to other non-war-related areas. In terms of Appropriations subcommittees, marked increases occur in Labor-Health and Human Services-Education, State-Foreign Operations, and Defense (see Table 1).

The breakdown of budget authority among the 12 Appropriations subcommittees is as follows:

- *Agriculture, Rural Development, Food and Drug Administration, and Related Agencies.* These activities receive 23.3 billion in annualized BA, a fractional increase of \$83 million over the fiscal year 2010 level.
- *Commerce, Justice, Science, and Related Agencies.* This portion of the CR receives a \$7.7-billion reduction from 2010, to \$56.7 billion. Most of the cut, \$6 billion, occurs naturally due to the conclusion of the decennial census. These savings are not captured in the CR's bottom line, but instead are spent in other programs. (See discussion of "anomalies" below.)
- *Defense.* The \$2.4-billion increase in the base (non-war-related) defense budget, to \$508.7 billion, is a negligible percentage increase from the 2010 level of \$506.3 billion. The CR also provides for an annualized sum of \$159.4 billion to continue war fighting activities in Iraq and Afghanistan.

The mechanism for war spending is consistent with 2010, when funding was provided in two tranches. The first, totaling \$130 billion, was provided in the Defense Appropriations Act as non-emergency Overseas Contingency Operations [OCO] funding. Under the terms of the fiscal year 2010 budget resolution, funding designated this way did not count against the discretionary spending cap.⁴ The second tranche of \$33 billion was designated as emergency spending in the 2010 Supplemental Appropriations Act. The 2011 CR provides funding in the same two categories, but consistent with the President's request for fiscal year 2011, the total is \$4 billion less than 2010.

Combining both base defense and war funding, the total annualized funding for the Department of Defense is \$666.3 billion. (This figure excludes OCO and war-related funding for agencies other than the Defense Department.)

- *Energy and Water Development, and Related Agencies.* The \$33.9 billion in BA includes a \$624-million increase for the National Nuclear Security Administration in connection with the New Strategic Arms Reduction Treaty [START] submitted by the Obama administration for Senate consideration. (See anomalies discussion.)
- *Financial Services and General Government.* These activities are provided \$23.4 billion, essentially unchanged from 2010 except for technical factors.
- *Homeland Security.* The annualized funding for Homeland Security is \$42.6 billion, effectively identical to the 2010 level.
- *Interior, Environment, and Related Agencies.* The CR provides \$32.3 billion in BA for these activities. The amount includes a \$25-million increase to the Minerals Management

⁴ Section 423 of the Conference Report on S. Con. Res. 13.

Service to step up inspections of off-shore oil and gas facilities, and a rescission of \$25 million in unobligated balances. The net effect of these two changes has zero impact on the Interior Department's overall budget level.

- *Labor, Health and Human Services, Education, and Related Agencies.* The CR provides a \$4.5-billion increase, to \$169.3 billion. This includes an extension of the Temporary Assistance for Needy Families Program [TANF] block grant, a replenishment of the TANF Contingency Fund, and an extension of the Child Care Entitlement to States at its current rates. While these extensions would normally be scored as increasing budget authority, the replenishment of the TANF Contingency Fund was scored as savings, which offset these costs (see anomalies discussion).
- *Legislative Branch.* Congress and its agencies are level-funded at \$4.7 billion.
- *Military Construction, Veterans Affairs, and Related Agencies.* The CR provides \$75.2 billion, a \$2.8-billion reduction from fiscal year 2010. This includes a cut of \$5.1 billion that reflects reduced costs associated with the Base Realignment and Closure [BRAC]. But the CR as reported also reflects advance appropriations for veterans' health care provided last year, which accounts for the difference between the lowered BRAC funding level and the overall MilCon/VA reduction in the CR. (See anomalies discussion.)
- *State, Foreign Operations, and Related Programs.* The \$50.8 billion provided here is about \$2 billion above the 2010 level. This includes increases of \$374 million for Diplomatic and Consular Programs; \$965 million for the Foreign Military Financing Program; and \$700 million for the Pakistan Counter-Terrorism and Counter-Insurgency Fund. (See anomalies discussion.)
- *Transportation, Housing and Urban Development, and Related Agencies.* Although the \$67.2-billion total is essentially unchanged from 2010, it includes a net increase for costs associated with extending authority for Fannie Mae, Freddie Mac, and the Federal Housing Administration to continue guaranteeing mortgages at a maximum principal value of \$729,750 (see anomalies below).

‘ANOMALIES’

The CR contains a number of spending increases and other provisions termed “anomalies.”⁵ Among them are the following:

- *Fannie Mae, Freddie Mac, and Federal Housing Administration.* Sections 145 and 146 of the CR contain provisions that extend through fiscal year 2011 the higher conforming loan limits – up to \$729,750 – for Fannie Mae, Freddie Mac, and the Federal Housing Administration [FHA] first established in the Economic Stimulus Act of 2008.⁶ Although

⁵ A release from the House Appropriations Committee, dated 29 September 2010, says: “To meet today’s requirements at last year’s funding levels, the CR includes a number of sections addressing specific situations, known as ‘anomalies’ . . .”

⁶ Public Law 110-185. Fannie Mae and Freddie Mac are formally the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation.

the provisions appear to be almost identical in the CR, their budgetary effects are different. The Congressional Budget Office [CBO] scores Fannie and Freddie against a “fair-value” estimate, which uses a discount rate that is *adjusted for market risk*. FHA, on the other hand, is scored with “credit reform” accounting, which uses a discount rate pegged to Treasury rates *without* an adjustment for market risk. As a result, extending higher conforming loan limits for Fannie and Freddie increases outlays by \$155 million, while the same policy applied to FHA reduces outlays by \$44 million.

- *Decennial Census*. During fiscal year 2010, the Department of Commerce was given a one-time \$7-billion appropriation to conduct the decennial census. The administration’s request for census activities in fiscal year 2011 was \$1 billion – a \$6-billion reduction from the 2010 level – to reflect census activities coming to a close. The CR provides funding at the administration’s requested level. But because the overall CR level does not decline by this amount, the \$6-billion reduction is used to increase other spending, rather than being saved.
- *Base Realignment and Closure [BRAC]*. The Department of Defense has estimated that the one-time costs of implementing the congressionally approved BRAC recommendations will total \$34.5 billion. Funding to support implementation of BRAC recommendations has been spread out over a number of years starting in 2006 and ending with a statutory deadline of no later than 15 September 2011. This schedule also anticipates a gradual reduction of spending as the number of activities remaining to complete BRAC implementation declines. Hence, the administration’s BRAC request for fiscal year 2011, the final year of the program, is \$2.4 billion, down from the 2010 request of \$7.5 billion. As with the census, however, the CR does not capture the savings from this reduction, but instead spends the money elsewhere.
- *Temporary Assistance for Needy Families*. Section 130 of the CR purports to save \$106 million by “reducing” spending for the Temporary Assistance for Needy Families Contingency Fund. But the savings are illusory, an artifact of CBO baseline scoring rules.

In fiscal year 2010, Congress made a payment of \$612 million from the contingency fund due to the continued effects of the recession. Under baseline scoring conventions, CBO assumes the program will continue to spend \$612 million indefinitely, even though the payment was a one-time contingency. The CR provides for a new appropriation of \$506 million from the fund. But this spending increase is scored as a \$106-million reduction solely because it is less than the amount assumed in the baseline.

- *State Department and Foreign Operations*. The CR includes approximately \$2 billion in spending increases for programs usually funded in the State Department and Foreign Operations Appropriations Act. This funding is provided for three purposes.
 - Section 136 provides \$374 million to fund the costs of increasing staffing levels at the Department of State. The administration has sought to increase the number of foreign services officers by 25 percent over fiscal year 2008 levels.
 - Section 137 provides \$965 million for full-year funding for the Foreign Military Financing Program’s grants.

-
- Section 138 provides \$700 million for the Pakistan Counterinsurgency Capability Fund [PCCF]. The PCCF was originally funded in the fiscal year 2009 Supplemental Appropriations Act, but funds were not exhausted by the end of that fiscal year, and were sufficient to maintain operations during fiscal year 2010. For that reason, no PCCF funding was provided in the fiscal year 2010 appropriations bills. The increase in the CR provides appropriations necessary to continue spending at the original levels.
 - *National Nuclear Security Administration.* Section 122 provides a \$624-million increase for the National Nuclear Security Administration [NNSA]. This level increases funding for nuclear weapons modernization and stockpile maintenance, which have been particular concerns as the Senate considers the New START nuclear arms agreement submitted by the administration earlier this year. Spending levels in the CR are generally consistent with levels approved by the authorizing committees of jurisdiction for NNSA.

This document was prepared by the Republican staff of the Committee on the Budget, U.S. House of Representatives. It has not been approved by the full committee and may not reflect the views of individual committee members.