



# APPROPRIATIONS ALERT

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## CONFERENCE REPORT EMERGENCY SUPPLEMENTAL, FISCAL YEAR 2009 H.R. 2346

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The supplemental appropriations conference report scheduled for the floor this week provides \$105.9 billion in budget authority [BA], exceeding the President’s amended request by \$15.9 billion. It also substantially increases spending above the House-passed and Senate-passed versions of the supplemental troop funding bill, as well as the amount assumed in the 2010 budget resolution (S. Con. Res. 13).

The conference report on the supplemental appropriation (H.R. 2346) principally funds ongoing military, diplomatic, and intelligence activities in Iraq, Afghanistan, and elsewhere. The measure also includes billions in unrelated and non-emergency items, essentially pre-funding fiscal year 2010 accounts outside the regular discretionary budget, despite an 8-percent increase above the enacted 2009 level already provided in the fiscal year 2010 budget resolution, and some \$267 billion in domestic discretionary spending in the “stimulus” bill enacted earlier this year.

As shown in Table 1 below, funding in the measure – mainly intended to fund overseas contingency operations and related activities – is spread among a variety of agencies. Key elements of the conference report are the following:

- **Department of Defense.** The conference report provides \$79.9 billion for the Department of Defense [DoD], of which \$49.9 billion funds military personnel and operation and maintenance. The bill also provides \$26.4 billion for procurement, which is \$3.6 billion above the request. The majority of this “emergency” funding increase is for cargo aircraft that the President proposed to terminate, and Mine Resistant Ambush Protected vehicles. Other DoD funding supports security activities in Iraq, Afghanistan, and Pakistan; procurement; and various hospital and child care construction projects in the United States.
- **Department of State.** The State Department receives \$3.7 billion in international funding, an increase of \$670 million above the request. The largest increase is \$997.9 million for diplomatic and consular programs – primarily operations and security in Iraq – \$403 million above the request.
- **Army Corps of Engineers.** A sum of \$797 million in budget authority is included for the Corps of Engineers, including \$43 million for Operations and Maintenance, and \$754 million for Flood Control, of which \$439 million is directed toward storm damage reduction along the Mississippi Gulf Coast. Nearly 4 years after Hurricane Katrina, the Congress is still providing emergency funding for reconstruction.

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- **House Pay-Go.** The conference report evades the House pay-as-you-go [pay-go] rule by adding a net of \$425 million in outlays over the 2009-19 period for items that would normally be considered direct spending and would require offsetting spending reductions or tax increases. These include funding for Build America Bonds (\$162 million), military retirement (\$125 million), and veterans benefits (\$182 million). Because these items are included in an appropriations bill, they are exempt from the pay-go rule that normally would apply.
  - **International Monetary Fund [IMF].** The conference report for H.R. 2346 includes the President's request to increase the IMF's borrowing authority from the Treasury by \$108 billion to bolster its lending capacity. The Congressional Budget Office estimates this will cost \$5 billion. Among the troubling aspects of this provisions are the following:<sup>1</sup>
    - It promotes further "mission creep" at the IMF rather than maintaining its focus as an international monetary authority serving as a lender of last resort. The IMF has been expanding beyond its role as an international lender of last resort, straying into quasi-development issues such as poverty reduction. The provision in the supplemental would further encourage this trend.
    - It allows the IMF to triple its lending capacity, while shrinking its capital reserves. The IMF wants the U.S. to grant it additional authority to borrow from the Treasury, while selling part of its gold stocks to fund an \$11.6-billion endowment for the Fund's internal operations, and to provide off-budget aid to low-income countries. Those gold stocks, nearly half of which were contributed by the U.S., *are* the IMF's capital reserves – so this combination will reduce the IMF's backup resources while vastly increasing its lending authority.
    - The provision could weaken the U.S. dollar. The dollar is the world's currency, which equates to economic power to the benefit of the United States. This provision would allow the IMF to print \$250 billion more of its own currency ("special drawing rights," or SDRs), which could then be exchanged for dollars by member countries. That expansion could result in the dollar flooding international markets, potentially weakening its value. China has suggested replacing the U.S. dollar as the world's currency with IMF-issued SDRs.
  - **"Cash for Clunkers."** The conference report includes \$1 billion in spending for electronic vouchers to subsidize the purchase or lease of "fuel-efficient" cars and trucks between 1 July 2009 and 1 November 2009, in combination with the trade-in of eligible scrapped vehicles. This provision was not included in either the House-passed or Senate-passed versions of H.R. 2346, but was added in conference.
  - **Extraneous Changes to Existing Law.** The conference report includes changes to existing law, including requiring the Treasury Secretary to ensure multi-lateral development banks use greenhouse gas accounting, and increase their support for climate change activities. H.R. 2346 amends the Federal Deposit Insurance Act, and the Title 17

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<sup>1</sup> For further details, please see the full House Budget Committee analysis at [http://www.house.gov/budget\\_republicans/press/2007/pr20090603imf.pdf](http://www.house.gov/budget_republicans/press/2007/pr20090603imf.pdf)

Loan Guarantee program;<sup>2</sup> increases the Federal share of selected disaster assistance loans; and allows recipients of “stimulus”<sup>3</sup> funds for transit capital projects to use up to 10 percent of their funds for operating costs.

**Table 1: Summary of Supplemental Spending Conference Report, Fiscal Year 2009**  
(budget authority in millions of dollars)

	Request	House-Passed	Senate-Passed	Conference
Department of Defense				
<i>Military Personnel</i>	16,658	18,828	18,013	19,260
<i>Operation and Maintenance</i>	32,268	31,848	31,789	30,670
<i>Procurement</i>	22,860	29,054	22,582	26,416
<i>RDT&amp;E</i>	759	571	-221	-76
<i>Military Construction</i>	2,295	3,199	2,251	2,726
<i>Revolving Funds and Other</i>	843	846	860	861
Total: Department of Defense	75,683	84,346	75,274	79,857
Department of State	3,013	3,970	3,104	3,683
International Assistance Programs	8,860 <sup>a</sup>	5,516	8,809 <sup>a</sup>	11,040 <sup>a</sup>
Other Funding, by Executive Branch Agency				
Department of Agriculture	500	700	901	971
Department of Commerce	–	–	40	40
Department of Energy	90	55	90	85
Department of Health and Human Services	–	1,850	82	7,732
Department of Homeland Security	130	130	288	288
Department of Housing and Urban Development	–	–	30	30
Department of the Interior	50	50	50	50
Department of Justice	47	17	162	162
Department of Transportation	–	–	–	1,000
Department of the Treasury	–	–	8	12
Executive Office of the President	1,503	3	1,503	3
Corps of Engineers	–	–	842	797
Securities and Exchange Commission	–	–	10	10
Broadcasting Board of Governors	–	11	11	10
Legislative Branch	72	72	74	74
Judicial Branch	–	–	10	10
<b>Totals<sup>b</sup></b>	<b>89,945</b>	<b>96,717</b>	<b>91,284</b>	<b>105,851</b>

Source: Congressional Budget Office

<sup>a</sup> Includes funding for the International Monetary Fund.

<sup>b</sup> Totals may not add due to rounding.

<sup>2</sup> This is a Department of Energy program that provides loan guarantees for various clean energy activities and projects.

<sup>3</sup> H.R. 1, Public Law 111-5.