

Hicks-Ray Associates



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TO: WESTCAS Membership

FROM: Fred B. Hicks and Tom Ray

SUBJECT: Movement on FY11 Appropriations

Over the next several days, there will be many stories in the mainstream press concerning the attempts of the Congress to cut FY11 spending. Here is a primer on some of the details for how this game will be played.

FY11 is currently operating on a continuing resolution that ends on March 4th. The House has determined to provide for the remaining months of the current fiscal year, which expires on September 30th. This CR will include directions from the Congress with regard to how individual agencies should spend this money but there will be no earmarks.

Last week, Budget Committee Chairman Paul Ryan gave the House Appropriations Committee budget caps for FY11. Then, on Friday, House Appropriations Chair Hal Rogers gave each of his Appropriations Subcommittees their so-called 302b allocations. These allocations are how much each of the Subcommittees can spend. [see attached chart]. The reductions in Federal spending are represented both on how they compare with FY10 spending and also President Obama's FY11 funding request.

It is now the task of each Appropriations Subcommittee Chair to take these 302b allocations and turn them into line-item reductions that will equal the amount of money they have received in their 302b allocations. If you look at the attached chart, you will note that Energy and Water Appropriations which funds the Corps of Engineers and the Bureau of Reclamation is set for a 10% cut from FY10 spending and 15% from the FY11 request. Interior and Environment Appropriations, which funds USEPA is set for an 8% and a 9% cut respectively.

The wildcards with both of these Subcommittees is that Energy and Water Appropriations also funds the Department of Energy which accounts for over 80% of the bill while the Interior and Environment Appropriations bill also funds the Department of Interior. So we cannot yet be sure of the actual impact of these cuts on programs that are of interest to WESTCAS members.

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We will know more by the end of this week when the Subcommittee Chairs announce the line item reductions that they propose in order to cut budgets down to their 302b funding levels. Once these have been announced, they will be debated on the House floor starting next week. This debate promises to be contentious with some Republicans arguing for much larger cuts and other Members trying to defend spending levels for various programs.

Once the House adopts its version of the FY11 Continuing Resolution, the measure will be taken up by the Senate which is in no way required to adhere to what the House has decided. But a number of Senators are pledging an all out effort to pass whatever bill the House sends over.

Bottom line is that we very likely will have a CR for FY11 and it will contain funding cuts. The sobering aspect of all of this is that after a brutal political process these cuts, as currently proposed at just under \$35 billion, represent about 5% of the projected \$1.5 trillion deficit for FY11. Some wonder how much stomach the Congress will have for addressing this 95% after such a bitter fight over the 5%.