



washington dc update

FY 11 Appropriations Update

February 11, 2011

Have you seen one of the latest Geico commercials on TV? We're talking about the one where the announcer asks, "Does it take two to tango?" The scene then shifts to three people dancing the tango.

Although you would know it from the press accounts, the current focus on cutting the FY11 budget requires three to tango and that includes the House of Representatives, the Senate, and the White House. The current focus is almost entirely on the House of Representatives and on whether the House is going to cut \$35 billion; or \$58 billion, or perhaps Republican Freshmen will push this number to \$100 billion from FY11 spending. The real bottom line is whether a bill can be put together that the Senate will agree to and the President sign. We are a long way from that stage at the moment.

Just to recap, the continuing resolution for FY11 that is keeping the Federal government open expires on Friday, March 4th. The intention is to adopt a yearlong CR at that point in time. Both Republicans and Democrats are preparing to include serious reductions in Federal funding for the remaining 7 months of FY11 which will be made a part of the CR. But it is fair to say that House Republicans, and particularly House Freshmen Republicans, are way ahead of everybody else in proposing cuts.

Now let's look at the Congressional calendar. The Congress will be in session next week but will then be in recess until Monday, February 28th. What do you think the chances are that a controversial FY11 Continuing Resolution can be put together next week and the first week of March and then signed by President Obama on Friday, March 4th? We'd put that possibility at pretty near zero. If that doesn't happen, then what's next? It could be a shutdown of the Federal government after March 4th or another CR that would keep things going until a final year-long bill can be hammer out and signed into law. We would bet on the latter.

We have attached a partial list of the proposed cuts that will be in the House version of the CR. Please be aware that this list could be much longer once a final bill comes to the House floor, particularly if House Freshmen Republicans succeed in their quest to cut \$100 billion out of the bill.

Speaking for ourselves, we are very disappointed that the EPA Clean Water State Revolving Fund is proposed to be cut by \$700 million and the EPA Drinking Water State Revolving Fund by \$250 million. If retained in the final bill this would substantially cripple what we consider to be a proven successful Federal/State/local collaboration. State agencies are in place to prioritize and award the funds that are received each year. There are ready answers to the question; "Where did our money go and what did it buy?" And best of all, this is a loan program which helps to build infrastructure essential to human health, survival, and prosperity with the money paid back to the Treasury at interest.

Take a look at the attached list for yourselves. We're sure you will see many items that you feel are "good cuts" and others which are not.

CONCLUSION. While virtually everybody can agree that Federal spending should be cut and indeed will be, it is hard for us to ignore what is a simple fact and that is that these proposed cuts of \$50 billion or even \$100 billion for the remainder of FY11 are coming from about 16% of the Federal budget with the other 84% completely off-limits to any cuts. This would include Social Security, Medicare, Medicaid, Veterans, homeland security, and most Defense programs.

As long as most of the budget is off-limits to any cuts it is a virtual guarantee that the Federal deficit will remain largely untouched and that many worthy programs will be eliminated or severely curtailed. Cut \$50 billion or \$100 billion from FY11 spending, and once the smoke clears, about 95% of the FY11 deficit of \$1.5 trillion is still there.

That is the true challenge.

For a complete report on the individual program cuts and the Appropriations Committee Chair's comments see

http://appropriations.house.gov/index.cfm?FuseAction=PressReleases.Detail&PressRelease_id=25



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