

# Hicks-Ray Associates



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TO: WESTCAS Membership  
FROM: Fred B. Hicks and Tom Ray  
SUBJECT: State of the Union Speech

The latest buzz in the Federal community is the reported request of the President to include a three year freeze in Federal domestic discretionary spending as a part of his FY11 budget submission to Congress. Such a freeze would exempt spending on Medicare, Medicaid, Defense, the Veterans Administration, and obviously interest on the national debt since those who hold US debt expect to be paid. It would fall on programs important to WESTCAS such as those at USEPA, the Bureau of Reclamation, the Corps of Engineers, and others.

The expectation is that this plan will save \$250 billion over 10 years which would be less than 2% of the nearly \$15 trillion in national debt. Those who support the plan argue that it is at least a gesture that the Federal government is getting serious about spending.

Being involved in the Federal process for many years is much like standing at a carnival and watching a merry-go-round as it spins. After a while, you figure out that you're seeing the same horses flash by time after time. The proposal for a Federal domestic spending freeze is one that comes around regularly from both Democrats and Republicans.

Freezing domestic spending but exempting entitlement and defense is a little like the fellow who steps up to the counter at the fast food restaurant and says, "supersize my meal, give me an extra order of fries, lots of ketchup, and a couple of those fried pies. Oh, and a Diet Coke."

Those placing orders at the fast food restaurant feel very good about themselves because regular soft drinks have lots of sugar and are very fattening. Others might question how important the diet soft drink is if accompanied by the "super-sized" meal.

If such a "freeze" is implemented for FY11-13 we would have to look carefully at the various Federal domestic discretionary spending programs that WESTCAS members depend on and calculate their impact. For example, Bureau of Reclamation funding in FY09 was \$920,259,000. In FY10 was \$951,158,000. So it would appear that some Federal agencies already have what amounts to a freeze in place. Stay tuned.

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