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Supplemental Success: Conference Report Meets President's Challenge

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Against all odds, the conference committee report for the Iraq and Katrina supplemental meets President Bush's challenge to maintain fiscal discipline. The President's hard line on this supplemental provided a compass for the conference committee to steer by. While the committee report is not perfect, it stays the course and keeps total spending within the President's \$94.5 billion limit. Equally important, conferees stripped out much of the objectionable non-emergency and earmarked spending in the Senate's version of the bill. The House Leadership's strong stand on this bill was also instrumental in crafting this significant return to fiscal discipline. If passed in its present form, this is a bill that the President can sign with pride.

Though some senators supported the President's efforts to derail excess spending, others fiercely defended their addiction to special interest spending—some even proposed an across-the-board cut for all spending in the Senate's version of the supplemental in order to live within the President's spending target. This unconscionable maneuver would have protected pork barrel spending at the direct expense of U.S. troops fighting abroad. The President's repeated insistence that he would sign the bill only if it met his spending target and did not contain non-emergency or wasteful spending prevailed in the end. Funding for Iraq and the war on terrorism stayed basically within the President's request, allowing the troops to carry out their mission, while the most objectionable special interest spending was eliminated or sharply reduced.

The six most egregious Senate add-ons were addressed by the conference committee as follows:

1. **“Railroad to Nowhere.”** Conferees eliminated the Senate's \$700 million plan to relocate a perfectly functioning privately owned rail line in Mississippi a few miles northward. According to reports, the move would have made room for waterfront development along Mississippi's Gulf Coast—specifically a Las Vegas-style “centralized gaming district.” Local economic development projects are a state and local responsibility, and so the conferees made the right choice.
2. **Farm Bailout.** The original Senate bill would have spent \$4 billion on a farm bailout for nearly every farmer in America who currently receives subsidies, regardless of need. This additional spending is unnecessary: Farm subsidy spending has tripled over the past decade, and the past two years have seen the highest net farm income levels ever. Conferees cut the subsidies down to \$500 million and targeted them to those who have suffered from Hurricane Katrina and other natural disasters.

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3. **Highway Spending.** Less than one year after enacting a mammoth \$286 billion highway bill, senators added \$594 million in additional highway spending that is not even targeted to the Gulf Coast. Conferees upped this expenditure to \$703 million but offset it by rescinding an equal portion from the highway bill. If there are no hidden gimmicks in the rescission, this provision would merely reshuffle highway spending and not increase the size of government.
4. **Fisheries.** The Senate bill would have spent \$1.14 billion to redevelop the fisheries and seafood industries affected by Hurricane Katrina. The Administration had requested only \$21 million because these industries should have access to most of the emergency relief and community redevelopment funds already appropriated for the Gulf Coast. The \$118 million in the conference report is still more than necessary, but it is a substantial improvement over the original \$1.14 billion.
5. **AmeriCorps.** Conferees halved a Senate provision to spend \$20 million subsidizing AmeriCorps work in the Gulf Coast. While its volunteers' efforts are laudable, AmeriCorps mismanages its finances, say critics. Giving the program additional funding on top of its bloated \$325 million budget is a poor use of money that could be used to rebuild homes and infrastructure.
6. **Avian Flu.** President Bush supported and conferees retained a \$2.3 billion item to prepare for a potential avian flu outbreak. This comes on top of \$3.8 billion appropriated just six months ago. Lawmakers should have included this spending in the regular budget process or at least offset it with reductions in lower-priority spending.

Other Key Provisions

- **Border Security.** Conferees accepted President Bush's request to add \$1.9 billion for border security, offset with reductions in lower-priority military procurement spending.
- **Transit aid.** Conferees rejected the Senate's \$200 million in additional transit aid for the Gulf Coast.

Table 1		WM 1121		
Conferees Rejected Most of the Senate's Additions to the Supplemental Bill				
Net Costs (\$millions)				
	House	Senate	Conf.	
Six Concerns Identified by Heritage Analysts				
"Railroad to Nowhere"	0	700	0	
Farm bailout	0	3944	500	
Highway repair backlog	0	594	0*	
AmeriCorps	0	20	10	
Fisheries bailout	21	1140	118	
Pandemic flu	0	2589	2300	
Other Issues				
Transit assistance	0	200	0	
Gulf Coast education grants	0	880	285	
Armed Forces Retirement Home rebuilding	0	176	176	
Community Development Block Grants	4200	5200	5200	
Border security	0	0	0**	
* \$703 million offset with the rescission of other highway spending.				
** \$1.9 billion offset elsewhere in bill.				

- **Education.** Although not requested by the Administration, the Senate added \$880 million for education spending in the Gulf Coast. Conferees brought that total down to \$285 million.
- **Armed Forces Retirement Home.** Conferees retained the Senate's \$176 million plan to rebuild the Hurricane-damaged Gulfport, Mississippi, Armed Forces Retirement Home. Critics contend that the Administration did not request this funding and that the home could be repaired for far less.
- **Community Development Block Grants.** Conferees accepted the Senate's provision to add \$1 billion to the original \$4.2 billion request.
- **Pork.** Conferees did retain some pork, such as Army Corps of Engineers earmarks for North Padre Island, Texas, Sacramento, California, and water systems across Hawaii.

The Budget Resolution and the Next Gimmick

In addition to addressing supplemental spending, the conferees overcame major hurdles to write a responsible fiscal year 2007 budget. The House of Representatives had followed the President's lead by passing a budget resolution allocating \$873 billion in discretionary spending, a 3.5 percent increase over FY 2006. Senators had added \$16 billion to that total (half of which came from the gimmick known as "advance appropriations"), for a bloated 5.7 percent increase in discretionary spending. Conferees added a provision deeming for the Senate the House total of \$873 billion. This more responsible spending target will save billions not only in 2007, but also in future years due to a lower discretionary spending baseline.

But there is still room for maneuvering by Members who would bust the \$873 billion budget cap. Both the House and Senate are considering funding gimmicks to evade the budget caps set in the supplemental. They would do this by decreasing Department of Defense (DOD) appropriations, by \$4 and \$9 billion respectively according to recent reports, and then increasing spending elsewhere in the budget commensurately. Later in the year, when the DOD runs low on funds, Congress would make it whole with supplemental appropriations that don't count against budget caps—even though

these funds should have been appropriated from the beginning. It is particularly egregious that these discussions come directly on the heels of a hard-fought victory on responsible spending. The need for fundamental budget process reform, starting with reining in emergency spending, could not be better illustrated.

Conclusion

The pressing financial need of the Department of Defense, which is quickly running out of funds for the troops deployed abroad, makes the accomplishments of the conferees, House Leadership, and the President all the more remarkable. Usually, in these "must-pass" situations, legislation emerges more weighed down with special interest spending, not less. This was the Senate's vision for the bill.

But that end is not inevitable. One clear lesson has emerged from the success of this supplemental spending story: When fiscal restraint is principled, clearly defined, and strongly championed, good things can happen, even in Congress. Congratulations are due to the President for this impressive outcome.

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