Congressional Closeup by Carl Osgood

Emergency Spending Bill Passes House

On Nov. 28, the House passed a $317 billion fiscal year 2002 Defense Appropriations bill, by a vote of 406 to 20. Attached to it was a $20 billion emergency supplemental appropriation, which is the second half of the $40 billion in emergency spending that was voted up in the wake of the Sept. 11 terror attacks.

The overwhelming vote in favor of the bill reflects bipartisan agreement on the content of both the defense and emergency spending. Democrats were angry about what was not in the bill. Jerrold Nadler (D-N.Y.) opposed the bill on the basis that "the supplemental funding provision included in the bill actually cuts funding that was intended to help New York recover from the terrorist attacks. . . . The bill before the House today breaks the solemn pledge; not only breaks it but repudiates the solemn pledge made to the state that suffered the brunt of the attack on our nation."

David Obey (D-Wisc.) offered a substitute amendment that would have provided additional funding, over and above the $20 billion, for needs such as 800 more inspectors on the Canadian border, another 800 agents to inspect cargo ships coming into U.S. ports, $322 million for state and local health departments, $500 million to the Post Office for equipment to sanitize the mail, $250 million for strengthening airplane cockpit doors, among other things. Appropriations Committee Chairman Bill Young (R-Fla.) acknowledged that the needs raised by Obey had to be met, but, he said, "there is a lot of money in the pipeline already for the $40 billion and the President has said that when we reach the point that we need additional funding, he will immediately ask for a supplemental appropriations bill from the Congress." Obey replied that the problem with that is that there's no guarantee that such a supplemental bill will move quickly.

The House didn't vote on Obey's amendment because it was struck down for violating the House rule that prohibits legislation on an appropriations bill.

Deficit Politics Returns To Washington

On Nov. 28, Office of Management and Budget Director Mitchell Daniels predicted that the Federal budget will be in deficit for at least the next three years. He attributed this situation to slowed economic growth, and increased spending resulting from the Sept. 11 attacks. He suggested that the budget may return to surplus by fiscal year 2005, but "within the next two years things will have to break right for us to do that." Daniels' remarks unleashed a torrent of "I told you so's" from Congressional Democrats.

Senate Budget Committee Chairman Kent Conrad (D-N.D.) trotted out a new analysis, made on the heels of Daniels' speech, purporting to show that the real factor in the renewed deficits was not the economy or the war on terrorism, but the $1.35 trillion tax cut passed earlier this year. According to Conrad's analysis, 49% of the reduction in surplus is accounted for by the tax cut, 35% by the economic slowdown, and only 16% by increased spending resulting from Sept. 11. He forecast that if the GOP stimulus plan is passed into law, it will add another $136 billion to the deficit over the next three years. He summarized by saying, "For Director Daniels to talk about the deterioration in our fiscal condition and not mention the tax cut is like reporting on the sinking of the *Titanic* without mentioning the iceberg."

Daniels proposed to transfer at least a portion of entitlement spending into the discretionary side of the budget, so that the Appropriations Committees would have more control over these programs. With the economy tanking, Conrad certainly wasn't going to suggest repealing the tax cut. Instead, he said, "It's going to take spending restraint. . . . It is going to take looking at every part of the Federal budget to get us back to a point where we are respecting the integrity of the [Medicare and Social Security] trust funds."

Terrorism Insurance Bill Voted Up By House

On Nov. 29, the House passed, by a vote of 227 to 193, a bill to provide financial assistance to the insurance industry in the event of another attack, like those of Sept. 11. The bill imposes a limit on assistance of $100 billion, and is to be in effect for one year, which can be extended by up to two more years by the Secretary of the Treasury.

The bill also included tort reform provisions which impose strict limitations on punitive damages and on trial lawyers' fees. Democrats were particularly angered over this provision, because it was added to the bill in the Rules Committee, and turned a bipartisan effort in the Financial Services Committee into another partisan squabble. Financial Services Committee ranking member John LaFalce (D-N.Y.) told the House that the Republicans had "snatched defeat from the jaws of victory," by adding "extraneous material" which is based on the principle that "we must restrict victims' rights."

House Judiciary Committee Chairman James Sensenbrenner (R-Wisc.), whose committee would normally have jurisdiction over tort reform issues, gave a ringing endorsement of the provision. He claimed that it will protect small businesses and individuals from being bankrupted as a result of terrorism-inspired litigation. He added that the provision would protect the taxpayer, whereas those who oppose it "wish to turn the key to the United States Treasury over to the plaintiffs' bar."

The Senate has yet to take up its terrorism insurance bill. On Nov. 30, Majority Leader Tom Daschle (D-S.D.) expressed disappointment with the tort reform provisions in the House bill, and indicated that the Senate bill is still under negotiation. He predicted that if tort reform remains in the bill, "we would not be able to complete our work before the end of the year . . . because there are too many people opposed to it."

Railroad Retirement Bill Taken Up In Senate

On Nov. 27, the Senate began debate on a motion to proceed to a bill that will partially privatize the railroad retirement system. The bill amends the 1974 Railroad Retirement Act to lower the retirement age for railroad workers from 62 to 60, increase benefits for retirees and widows, and lowers the payroll tax rate paid by the railroads from 16.1% to 14.75%. It also allows investment of a large portion of the $19 billion railroad retirement trust fund into the financial markets, whereas, under current law, it can only be invested in U.S. Treasury bonds.

Even though this sounds very much like recent schemes to privatize Social Security, it was the Democrats who moved to proceed to the bill, and the Republicans who objected, to force a cloture vote. The GOP doesn't object to turning over a Federal retirement trust fund to the private markets, but rather complained that the bill doesn't go far enough. Phil Gramm (R-Tex.) said that the bill "pilfers" $15 billion out of the trust fund, on behalf of retirees and the railroads, but leaves taxpayers liable for future shortfalls. "I will be happy to let the employees and the railroads work out whatever benefit package they so desire," he said, "as long as they are liable."

Democrats promoted the bill as giving railroad retirees the same opportunities to invest their retirement funds in the markets that private sector retirees have. Tom Carper (D-Del.) said, "If you look at the performance of mutual funds, the stock market, the corporate bond market, over time they will out-perform Treasuries," giving retirees better benefits and railroads lower costs. However, given the effects that the collapse of the energy trading giant Enron is having on pension funds that invested in its stock, Democrats and their labor union allies should take another look at such proposals.

House Is Set To Take Up Trade Bill

House Majority Leader Dick Armey (R-Tex.) has set Dec. 6 as the day the trade promotion authority (TPA) bill will come to the floor. The Bush Administration has been arguing that it can't really start trade negotiations under the new World Trade Organization agreement brokered in Qatar in November, unless Congress grants it the negotiating authority. This also applies to the proposed Free Trade Area of the Americas, set to be concluded by 2005.

The schedule, however, is surrounded by uncertainty as to whether the GOP has the votes to pass the bill. Armey has expressed determination to go ahead with the vote anyway, and is calling on wavering GOPers to support President George Bush as they have in the war on terrorism. He said that House members must choose between "a vote of timidity and fear . . . or a vote for adventuresome new frontiers in trade."

Democrats are concerned about labor and environmental standards, and say that the bill passed out by the Ways and Means Committee does not provide sufficient protections. On Nov. 29, Minority Leader Richard Gephardt (D-Mo.) told reporters that what the Democrats support "is a sensible, common sense, reasonable position, that puts us in the right place with regard to worker concerns, human rights concerns, and environmental concerns." On the other hand, Republicans, he said, "continue to demonstrate again a 'my way or the highway' out-of-the-mainstream approach to trade."

News reports on Dec. 4 indicated that the GOP is negotiating with House members from states that are producers of textiles, steel, and citrus, on how trade liberalization will affect their states. However, Rules Committee Chairman David Dreier (R-Calif.) said that amendments will only be allowed if they "are not moving in the direction of protectionism."

In the Senate, Majority Leader Tom Daschle (D-S.D.) promised that the Senate will take up a TPA bill, but, he said, "I think it has to be the right TPA. . . . We want it to be good policy, and I'm hopeful that we can create that framework for good policy sometime next year."