

Federal Budget Impasse Squeezes the Economy

by Carl Osgood

The longer the Republican Party has been in control of the U.S. Congress, the more nonfunctional the Congress has become. After its 1994 election sweep, the GOP was focused on ramming its agenda down the throat of the Clinton Administration, and when there was gridlock, they could always blame President Clinton for not accepting their agenda. The last two years, however, have witnessed the spectacle of the Republicans controlling House, Senate, and White House; and yet, being incapable or uninterested in taking care of the Constitutional business of government, especially where that relates to the general welfare.

The present state of the annual appropriations process is illustrative of the problem. Only one of the 13 annual spending bills for Fiscal Year 2005, the defense bill, had been signed into law as of Oct. 11—FY2005 has been under way since Oct. 1. Three others, the bills funding the Department of Homeland Security, military construction, and the District of Columbia, have been sent to President Bush for his signature. The remainder are to be put off until at least November.

The result of this impasse is that the Federal government's proper role in reviving the collapsing economy is completely deadlocked: on the one side, by a Congress run by synarchists such as House Majority Leader Tom DeLay (R-Tex.); and on the other side, by President Bush. The White House demands austerity in the name of "fiscal discipline" on domestic programs, including those that impact the physical economy, but hysterically defends pouring resources, month after month, into the flames of Iraq. The cost of military operations alone in Iraq, is approaching \$100 billion since January of 2003. The GOP's fiscal discipline has produced a Fiscal 2004 budget deficit of about \$425 billion.

'Ideological Zealotry'

The most recent inflection point in this process came on Sept. 29, when the House and Senate passed a continuing resolution (CR) to keep the government open until Nov. 20, while they try to work some sort of agreement among Republicans on the remaining appropriations bills. The House has passed 12 of its 13 versions of the appropriations bills, and the Senate, so far, only six. Rep. David Obey (D-Wisc.), the ranking Democrat on the House Appropriations Committee, took note of the situation during debate on the CR. He noted that the funding in the House-passed bills for programs such as health care, veterans' health, law enforcement and trans-



Under the ideological whip of "Hammer" Tom DeLay (above) and Dennis Hastert, the Republicans who control House, Senate, and White House have been unable to enact the most fundamental legislation, like the budget.

portation "have been so stingy that Senate Republicans didn't even want to take them up"; and so, the Republican leadership is ducking those tough issues until after the election. Obey called the CR "ideological zealotry" and a "monument to institutional failure. This Congress is failing to meet even the most basic and minimal expectations that the country has for it," he said.

Of the 13 bills, five have particular impact on either the physical economy or the social welfare, and those five are among the most contentious. They are the appropriations for Agriculture; Energy and Water; Labor/Health and Human Services/Education; Transportation/Treasury; and Veterans Affairs/Housing and Urban Development. All but the VA/ HUD bill have been passed by the full House, but none of them have been taken up by the Senate.

The Energy and Water Development bill includes the funding for the Army Corps of Engineers civil works program, for which the Bush Administration requested less than \$4.2 billion, but which the House boosted to \$4.8 billion on June 25. The House level is still \$50 million *below the funding of two years ago*. Rep. Peter Visclosky (D-Ind.) warned that without a "transforming increase" in the funding provided to the Corps as well as the Bureau of Reclamation, "completion of construction and maintenance projects and studies will continue to take too long and major new projects will languish." Instead, the Corps is laying off engineers and can only carry out some repairs on an emergency basis.

Health-Care Cuts and Homelessness

As for veterans health care—one of the subjects referred to by Obey—the House Appropriations Committee passed a bill, back in July, that provides \$19.5 billion for medical ser-

vices to veterans, which is \$1.7 billion above the Fiscal 2004 level and \$1.2 billion above the White House budget request. That increase, however, appears to be funded in part by cutting the rest of the budget of the Veterans Health Administration—the House bill reduces spending for administration, facilities, and medical and prosthetic research by about \$500 million.

Obey and Rep. Alan Mollohan (D-W.Va.), the ranking Democrat on the Veterans Affairs/Housing and Urban Development Appropriations Subcommittee, noted, in a statement of minority views, that the VA health system is already overburdened with both aging World War II and Korean War veterans, and wounded and returning veterans from the current war in Iraq. They argued, as had the Veterans Affairs Committee, that the Appropriations Committee should have provided \$2.5 billion more than the White House asked for. “The bill reported by the committee fails to adequately address the health care needs of veterans,” they wrote.

For the VA and Housing and Urban Development Department combined, the House bill proposes a 0.7% increase, but specific increases of three times that much are mandated, and would have to be offset by cuts. As a result, three other bills now circulating in the House—HR 3800, 3925, and 3975—all would impose mandatory spending caps or force deep cuts in programs and in compensation for disabled veterans. And HUD is beginning this fiscal year to cut down “Section 8” subsidies that help low-income families afford housing; inflating rents and home prices will render people homeless as a result.

On transportation, the House provided \$34.6 billion for highways—\$1 billion more than the White House budget request—\$3.5 billion for the airport improvement program (the same as the Bush request), \$7.3 billion for mass transit programs (\$1 billion less than two years ago) and a fatal \$900 million for Amtrak, amounting to a 25% cut from FY2004. The full Senate has yet to take up the transportation bill, but the Senate Appropriations Committee reported out, on Sept. 14, a bill that restores the Amtrak budget by \$300 million, and transit programs by \$400 million over the House-passed levels. These compare to Fiscal 2004 funding levels of \$33.6 billion for highways, \$3.3 billion for airports, and \$7.3 billion for transit programs.

Even the draconian House transportation appropriation was \$22 billion too high for the White House, which threatens a veto.

The transportation budget, already complicated by the fact that, legislatively, it is combined with the budget for the Treasury Department, also faces the lack of an authorization bill. Since 1991, highway and transit programs have been authorized in six-year increments. The last six-year program, dubbed the Transportation Equity Act for the 21st Century, or TEA21, expired on Oct. 1, 2003, and has been maintained by temporary extensions ever since. Both the House and Senate passed new legislation to replace TEA21 months ago, but

have failed to agree on a compromise bill—which, in any case, would likely face a veto threat. The Bush Administration, in its Fiscal 2005 budget submission, asked for a \$256 billion six-year program, but the House and Senate both went well over that. The House bill wound up at \$275 billion and the Senate at \$318 billion.

Two Years With No Transportation Bill

The bill got held up over two issues. There are the budget hawks who complain that it contains too much pork; and there are those who complain that their states get shortchanged by the allocation formulas. Sen. Orrin Hatch (R-Utah), speaking on the floor of the Senate, told his colleagues that while such concerns are legitimate, “it is rational for a person to believe as I do, that given the high priority transportation funding plays in each and every state, Congress should have reached a compromise by now, two years after work on this authorization bill initially began.”

With no agreement on the issues cited by Hatch, the House acted, on Sept. 30, to pass yet a sixth temporary extension—which allows for no funding growth—since the expiration of TEA21, with the Senate following suit soon after.

Rep. Peter DeFazio (D-Ore.) noted that “This will be the second year in a row with no increase in transportation infrastructure spending, even with the accelerating rate of deterioration of our bridges, even with growing congestion. . . . This does not get anywhere near what we would consider a good push toward dealing with those problems and putting people back to work.” He put the blame on the White House for its “extraordinarily low number” of \$256 billion, and charging that they would prefer to borrow from the highway trust fund for other purposes “instead of fully investing it in roads, bridges, highways, and mass transit.”

The agriculture, health, and labor budgets haven’t fared much better. While most of the Democratic concerns in the agriculture bill dealt with management issues in the Department of Agriculture, they noted that the House Agriculture Appropriations Subcommittee’s Fiscal 2005 allocation was, again, \$67 million less than for the Fiscal 2004 bill, and \$1.1 billion less than in 2003.

Unemployment programs take hits in the House-passed Labor Department bill—\$236 million less than the Bush Administration request and, once again, \$40 million less than last year’s appropriation; despite, as the Appropriations Committee Democrats noted, the loss of 1.8 million private sector jobs.

Safety net programs, including health and energy assistance programs that come under the Health and Human Services budget, suffer cuts in the House-passed bill. However, depending on how long these programs have to function under a continuing resolution, many of them could suffer even larger cuts than indicated in the budgets, because they continue to run at Fiscal 2004 levels, even as the collapse of the physical economy has created greater need for those programs.