

### **Fiscal 2007 Budget Arrives on Capitol Hill**

On Feb. 6, President Bush sent up a budget proposal for Fiscal 2007 that attempts to resurrect the dead Social Security privatization proposal, using exactly the same arguments as last year, and proposing “reforms” that would reduce Medicare spending by \$36 billion over the next five years, and cut a total of \$65 billion from all mandatory programs. On the discretionary side, it proposes \$15 billion in cuts, all to allow making the 2001 and 2003 tax cuts permanent, and to continue the wars in Afghanistan and Iraq, for which the budget asks for \$70 billion in 2006, and another \$50 billion in 2007. The defense budget tops out at \$439 billion, a 7% increase over 2006. It continues the reorientation of the military towards Rumsfeld’s “long war,” with large increases for Special Operations, including psychological operations and civil affairs, intelligence and surveillance capabilities, and the reorganization of the Army into information-age modular brigades.

The budget also proposes a number of draconian measures to “enforce spending restraint.” Among these are a resurrection of the line-item veto, and a joint budget resolution which would require the signature of the President. These two reforms, along with others proposed, would bring the Executive branch even more intimately into the process of legislating spending, yet another clear violation of the separation of powers and Congress’s “power of the purse.”

### **House Narrowly Passes Budget-Cut Bill**

On Feb. 1, the House finally disposed of the conference report on Fiscal 2006

budget reconciliation bill which will slash \$40 billion from Medicare, Medicaid, student loans, and other entitlement programs over the next five years. The House had originally passed the bill on Dec. 19 by a 212 to 206 vote, but the Senate subsequently struck three provisions from the bill for being in violation of the budget reconciliation rules, necessitating another vote in the House. The second time around, the bill passed by a narrower vote of 216 to 214.

Democrats argued that the bill proved that little had changed in the GOP caucus despite the upheaval caused by the Abramoff scandal. Rep. John Dingell (D-Mich.) charged that the original bill was the product of special-interest lobbying “and the stench of special interest hangs over the chamber as we consider it today.” He also noted that the bill had been brought to the floor in the dead of night, and put up for a vote without any members having had a chance to read it. “Special interests and their lobbyists who were well represented, won,” he said. “Everybody else was excluded, and everybody else lost.”

Just what everybody else lost, Dingell said, has since been reported by the Congressional Budget Office: A Senate cut of \$36 billion in payments to HMOs, which would have saved \$26 billion, was reduced to a cut of only \$4 billion. Also dropped was a Senate provision that would have eliminated a program to give HMOs \$10 billion to participate in the Medicare drug program. Together, these two changes provide HMOs with a \$32 billion windfall. The Republicans are taking this money for the HMOs, from beneficiaries in the form of benefit reductions, increased co-pays, and rules changes that make it harder for the elderly to gain access to nursing homes. “They sweated it out of the hides of

the poor and the unfortunate,” Dingell said.

### **Warner: Iraq Corruption Endangers Military Mission**

Senate Armed Services Committee chairman John Warner (R-Va.) delivered an unusually blunt warning to the Bush Administration, on Feb. 7, regarding the situation in Iraq. He noted, as he had during a Senate Intelligence Committee hearing the previous week, “the increasing level of corruption and criminality in Iraq,” and the difficulties that that imposes on U.S. military forces “in performing military missions in the face of this very significant corruption and criminality.” Warner expressed concern that other agencies of government have failed in the non-military tasks that are also required in Iraq. He reported that he has been told that there is no administration of justice and no jobs, the lack of which “is the root cause, in all probability, for this exponential rise in criminal activity, and the graft.”

Warner, speaking at a committee hearing in which Secretary of Defense Donald Rumsfeld, chairman of the Joint Chiefs of Staff Gen. Peter Pace, and Army Chief of Staff Gen. Pete Schoomaker were the witnesses, added that “we have failed to bring together all of the resources necessary” to do the job. He, as well as other members of the committee, reminded Rumsfeld of then-Deputy Secretary of Defense Paul Wolfowitz’s assurances in early 2003 that Iraqi oil revenues would pay for the reconstruction of Iraq, but now, three years later, oil production is “slipping.”

Some members of the committee also expressed concern about Pentagon plans for the National Guard. Sen.

Susan Collins (R-Me.) told Rumsfeld that 1,600 of Maine's 2,000 National Guardsmen have been deployed, and 100 of those remaining expect to be alerted for an upcoming deployment before the end of the month. "If the experience of the Maine Army National Guard is typical," she said, "it appears that we are quickly approaching a wall where we will run out of Guard members with time left on their mobilization clocks." Schoomaker and Pace assured her that that is not the case, and that only 50% of the 800,000 people in the Guard and Reserves have been mobilized. Pace also said that the need for Guard forces to be deployed in Iraq will decline over the next year.

## **A**bramoff Scandal Shadows GOP Election

The surprise election of Rep. John Boehner (R-Ohio) as the new House Majority Leader on Feb. 2, beating out Acting Majority Leader and Majority Whip Roy Blunt (R-Mo.) by a vote of 122 to 109, has done little to temper the calls for reforms. Boehner himself said after the election that he did not want to rush any ethics-reform legislation, even though House Speaker Dennis Hastert (R-Ill.) has called such reform a top priority, and the Democrats in both the House and the Senate are also sponsoring legislation. Boehner told reporters on Feb. 3, however, that "transparency, I think, is the best way to ensure that we rebuild the trust between the Congress and the American people." This is possibly a veiled reference to the practice, under former House Majority Leader Tom DeLay (R-Tex.), of passing controversial legislation in midnight sessions without members having had much chance to read what they were voting on.

The GOP campaign was shaped, largely, by the Jack Abramoff lobbying scandal. Rep. John Shadegg (R-Ariz.), who entered the race in mid-January, postured himself as a reformer and gained the endorsement of Rep. Charles Bass (R-N.H.), one of the leaders of the moderate grouping within the GOP caucus. Shadegg also brought in Sen. John McCain (R-Ariz.) to endorse him because of his reputation as a reformer of the way Congress does its business. Shadegg's 40 votes on the first ballot forced a second ballot, from which Shadegg withdrew. Those 40 votes then went to Boehner, giving him the victory over Blunt.

Democrats are not only sponsoring their own legislation, but are also extending the issue to the White House. Thirty-eight Senate Democrats have signed a letter to Attorney General Alberto Gonzales, calling on him to appoint a special counsel in the Abramoff case to remove the investigation from political appointees. "The highly political context of these allegations raises concern that political influence may compromise the investigation," Sen. Charles Schumer (D-N.Y.) said on Feb. 2.

## **T**ax-Cut Fight Cast as Families Versus Investors

The Senate voted 66 to 31 to pass its version of the Fiscal 2006 tax-cut reconciliation bill, on Feb. 2, but it may be headed for a clash with the House on just how the \$70 billion in tax cuts, mandated by last year's budget resolution, are to be distributed. Democrats cast the debate as one of protection for working families versus protection for investors. The Senate bill includes a one-year fix of the alternative mini-

mum tax (AMT), a tax first enacted in 1969, to prevent wealthy taxpayers from reducing their tax liability to zero through the use of deductions. In recent years, however, the AMT has been hitting more and more middle-class families and threatens 19 million of them in the 2006 tax year, unless Congress passes an adjustment to prevent that from happening.

The issue of the AMT dominated the debate, largely because the House version of the bill doesn't include an AMT fix, while the Senate bill includes a one-year fix. The House bill does, however, include extending the tax-rate reductions on capital gains and dividend income, passed as part of the 2003 tax-cut legislation. Senate Finance Committee chairman Charles Grassley (R-Ia.) lacked the votes in committee needed to include those provisions in the Senate bill. Sen. Max Baucus (D-Mont.) called on the Senate to reject the House bill. "Let us remember what our priorities are," he said, "and let us protect the millions of working families now subject to a tax increase, courtesy of the alternative minimum tax."

The argument spilled over into the Finance Committee on Feb. 7, when Treasury Secretary John Snow testified in defense of the Bush Administration's budget plan. When asked, point blank, by Sen. Charles Schumer (D-N.Y.) why the Administration favored the capital-gains and dividends tax-cut extensions over the AMT fix, Snow answered that the capital-gains and dividends provision is "more broadly beneficial to the average American," than the AMT fix. Sen. Olympia Snowe (R-Me.), whose vote Grassley lacked in the committee to pass that provision, responded that Snow's answer demonstrated that the White House was "putting the cart before the horse."