

Congressional Closeup by Carl Osgood

Bush Budget Faces Uncertain Fate in Senate

On March 28, the House passed the budget resolution for fiscal year 2001 by a party-line vote of 222-205. The resolution provides a blueprint for the Bush Administration's \$1.95 trillion budget, which includes \$1.6 trillion in tax cuts over ten years and a \$324.6 billion defense budget. Budget Committee Chairman Jim Nussle (R-Iowa) claimed that the resolution provides for \$2.3 trillion in debt reduction, Medicare modernization to include a prescription drug benefit, and "saving" Social Security.

Democrats disputed GOP claims. John Spratt (D-S.C.), the ranking Member on the Budget panel, said that there is nothing in the GOP plan that deals with Medicare, and that the proposed \$153 billion drug benefit is paid for out of the Medicare trust fund. What this does, he said, is "it shortens the solvent life" of the trust fund.

The GOP budget also provides a \$526 billion reserve fund, although it is unclear where this money will come from. The fund is to be available primarily for defense, agriculture, Medicare, and Social Security. The defense budget, for example, will not include any increases this year, except for a military pay raise and other quality-of-life issues, until the strategic review currently under way is completed later this Spring. The anticipated increases in defense spending are then supposed to come out of this fund, as is funding for emergency aid for farmers.

Democrats were no more impressed with the reserve fund than with any other part of the budget. Jim Davis (D-Fla.) said that what the reserve fund indicates, is that "there is universal acknowledgment that in this upcoming fiscal year, there will be a spending increase for agriculture and, more significantly, in defense, but we are not

going to confront those facts in terms of how much it is going to cost."

While the GOP easily turned back Democratic alternatives in the House, the budget faces an uncertain future in the Senate. There, Lincoln Chaffee (R-R.I.) has indicated that he will vote against it, while Zell Miller (D-Ga.) has said he will vote for it. During a April 1 appearance on CBS News' "Face the Nation," Senate Minority Leader Tom Daschle (D-S.D.) indicated that he thought there might be two or three other Republicans considering voting against the bill. James Jeffords (R-Vt.) and Arlen Specter (R-Pa.) are said to be wavering. Republicans are counting on at least one more defection from the Democrats, Ben Nelson (D-Neb.), though he has yet to indicate which way he will vote. A defeat of the resolution in the Senate would give Democrats a strong negotiating position with respect to the size and distribution of the tax cuts.

Another Piece of Bush's Tax Package Clears House

On March 29, the House passed the repeal of the so-called marriage penalty tax by a vote of 282-144. The bill's major provisions include changing the standard deduction for married couples to 200% of that for single filers, a six-year schedule for making the maximum taxable income for a married couple double that of a single filer, and increasing the child tax credit to \$1,000 by 2006.

Democrats accused Republicans of devoting most of their tax cuts to the richest 1% of Americans, and questioned the wisdom of a tax cut based on ten-year projections. Bob Matsui (D-Calif.) warned that if the marriage penalty bill and the estate tax repeal are both signed into law, "you

are going to see a reduction in Social Security benefits over the next three or four years." Lloyd Doggett (D-Tex.) said that the bill discriminates against single people, especially those who have lost a spouse or become divorced.

Democrats proposed an alternative that would provide an immediate \$300 rebate to all taxpayers (\$600 to married couples), lower the 15% tax bracket to 12% for the first \$20,000 of income, and increase the earned income tax credit. Minority Leader Richard Gephardt (D-Mo.) said that the Democratic bill "recognizes that we are in a period of economic uncertainty, so we give people immediate tax relief."

Secret Evidence Repeal Bill Introduced in House

On March 28, House Minority Whip David Bonior (D-Mich.) and Bob Barr (R-Ga.) introduced a bill to repeal the provision of the 1996 Anti-Terrorism and Effective Death Penalty Act that allows the use of secret evidence in immigration proceedings. Bonior and Barr, joined by John Dingell (D-Mich.) and Sheila Jackson-Lee (D-Tex.), appeared at a press conference flanked by representatives of about a dozen Arab-American and civil liberties organizations to announce the bill.

The bill requires that in cases involving classified material, an unclassified summary of secret evidence be made available to the defendant and be used as the basis for a trial. The bill also makes the Classified Information Procedures Act applicable to immigration, as well as criminal, cases.

The bill was prompted by numerous cases of Arab immigrants being detained for as long as four years without ever being informed of what the evidence or charges against them

were. Bonior said that this practice “violates our deepest trust in the right to due process, and violates our democracy’s most sacred document, the United States Constitution.” Barr said, “Secret evidence will no longer be allowable in immigration proceedings such as has had held individuals in jails for years.”

Barr and Bonior indicated that, as a candidate, George W. Bush endorsed last year’s bill to repeal secret evidence. Barr said that the Congress’ job is to get a bill to the President’s desk that reflects “the principles as annunciated by George W. Bush” during the election campaign.

However, no one could say with certainty that President Bush still supports the bill. Bonior said that he raised this issue during the first meeting with the Congressional leadership at the White House, and that Bush “acknowledged” the efforts of the backers of the bill. Barr added, “With the backing we hope we will have from the Administration, we have laid the groundwork for very swift passage.”

Campaign Finance Reform Clears First Hurdle

For the first time in almost two decades of efforts, the Senate voted 59-41 on April 3 in favor of campaign finance reform. The vote followed three weeks of debate, in which compromises by supporters boosted backing for the bill, especially among Republicans. Twelve Republicans voted for the bill, whereas it was never able to get more than seven GOP votes previously. The growing support for the bill led its opponents to give up any filibuster attempt and seek other ways to defeat the bill.

The bill now heads to the House, where a version co-sponsored by

Marty Meehan (D-Mass.) and Chris Shays (R-Conn.) awaits a date with the House floor. The Shays-Meehan bill has been passed in each of the last two Congresses, and even its opponents, led by House Majority Whip Tom DeLay (R-Tex.), concede that it would pass the House again, if given a chance. But, DeLay has vowed to do everything he can to kill the bill.

President Bush has indicated that he will likely sign the bill, but opponents see two opportunities to kill it. One, would be in conference committee, where a “poison pill” amendment could be added to the bill. The second, is in the courts once the bill is signed into law. Sen. Mitch McConnell (R-Ky.) has already announced that he will be the plaintiff in a court challenge to the bill as unconstitutional. McConnell is especially concerned about the provision banning so-called “issue ads” within 60 days of an election, by groups not expressly advocating a specific candidate, but targeting one on the basis of a particular issue. Past U.S. Supreme Court rulings have held such ads to be unregulated. A provision added to the bill to provide for expedited court review would likely allow for the issue to be decided before the 2002 Congressional elections.

Gramm Vows To Repeal Utility Law This Year

At a March 29 hearing of the Senate Banking Committee, committee chairman Phil Gramm (R-Tex.) said that he believes that the time has finally come to repeal the 1935 Public Utility Holding Company Act (PUHCA), a dream, he said, he has been “cherishing” since 1979. The PUHCA was key in protecting Americans from looting during the Depression.

Gramm said that he intends to get this through Congress this year, and has already scheduled a markup on a repeal bill. He was supported by panelists representing the Federal Energy Regulatory Commission, the Securities and Exchange Commission, and two energy holding companies, Mid-American Energy, owned by Warren Buffett’s Berkshire Hathaway, and Xcel Energy, Inc.

Panelists and several Senators on the Committee, including bill sponsor Richard Shelby (R-Ala.), used the California energy crisis to hype the repeal. Everyone acknowledged that repeal would lead to greater concentration, but, they said, this does not necessarily mean greater market power. The representative of Iowa-based MidAmerican claimed that his company cannot currently invest above a certain level in out-of-state utilities unless they dissolve their ties to Berkshire Hathaway.

Witnesses downplayed the concerns, which had led to the creation of the PUHCA in the 1930s, saying that it would be impossible today for a holding company to use its energy customers to bail out losses in another financial entity that it controlled. They said their books would be open at all times to state regulators. However, one witness, Charles Acquard, Executive Director of the National Association of State Utility Consumer Advocates, was skeptical that state utilities regulators, who have no staff or resources, could control international holding companies.

Pressure from the energy cartel to set up regional transmission organizations (RTOs) is also behind the drive to repeal the PUHCA. Under the PUHCA, certain holding companies cannot invest in the transmission systems under the control of regulated utilities. FERC is promoting the RTOs.