



# HOUSE BUDGET COMMITTEE

## Democratic Caucus

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### No Happy Fiscal New Year: Republicans' Complete Budget Breakdown

The Republican Congress has failed to do its job, failing to pass virtually every key budget bill in time for the new fiscal year, which begins today. During the final week of fiscal year 2004, the House leadership scheduled votes on several bills that the Senate has already defeated or is unlikely to consider – and therefore have no chance of becoming law – instead of completing work on a host of vital funding bills. This neglect of its budget responsibilities reflects the pattern Republicans began this spring, when they could not pass a conference report on the 2005 budget resolution.

#### Republican Budget Report Card

| <u>Assignment</u>              | <u>Grade</u> |
|--------------------------------|--------------|
| ▪ Approve budget resolution    | F            |
| ▪ Raise debt limit             | F            |
| ▪ Pass appropriations bills    | F            |
| ▪ Renew budget enforcement     | F            |
| ▪ Pass highway bill            | F            |
| ▪ Finish other budget business | F            |

With the arrival of the new fiscal year, the deficiencies in the Republican budget record become more glaring. Congress not only lacks a budget resolution, but it also has approved only one of thirteen appropriations bills needed to keep the government running. In addition, Republicans failed to renew the budget enforcement laws that brought us from annual deficits to surpluses in the 1990s. The Republican leadership also has failed to address other crucial budget issues such as the need to raise the debt limit, or pass key measures relating to highways, energy, higher education, or trade penalties. Some of the Republican budget failures are outlined below in detail.

#### No Budget Resolution

For the first time in history when the same party controls the White House, the Senate, and the House of Representatives, Republicans this year failed to pass a final budget resolution. The lack of a conference report on the budget resolution confirms that Republicans have no plan to wipe out the record deficits their policies have created. The deficits are producing a mounting national debt and growing interest payments on that debt, a so-called “debt tax” that will average \$4,710 for a family of four in fiscal year 2005.

#### No increase in the Debt Limit

Treasury Secretary John Snow has warned Congress that the national debt will breach its statutory limit “between late September 2004 and early October 2004” unless the ceiling is raised, yet the Republicans have not scheduled a vote to do so. This will be the third time under the Bush Administration that the debt ceiling is breached. The need to increase the debt ceiling should be a call to action to implement a plan to address our mounting national debt. Instead, the White House merely declares in its *Mid-Session Review* that the deficit is “unwelcome,” the Republican Congress pretends the issue will go away, and the Republican deficits only worsen.

### **Only One-for-Thirteen on Appropriations Bills**

Although fiscal year 2005 began today, Republicans have enacted annual appropriations only for the Department of Defense; every other government service is funded at last year's level through November 20, when the current short-term funding bill expires. Neither the House nor the Senate has even approved all the remaining 12 appropriations bills. This leaves every government agency except for Defense unable to plan its budget, undertake new activities, or sign new contracts to provide services.

### **No Extension of Budget Enforcement Laws**

In the 1990s, budget enforcement laws helped transform deficits into surpluses by setting annual caps on appropriations and requiring any new entitlement spending and tax cuts to be offset on a pay-as-you-go basis. But the budget constraints expired in 2002, and the Republican Congress failed to renew them. Instead, this June the House debated several ill-conceived budget process reform measures. Because Republicans were unwilling to compromise, they squandered the opportunity to enact meaningful, bipartisan budget process reform; instead, every major proposal was rejected, including a return to the budget rules that worked throughout the 1990s.

### **Republicans Ignore Other Budget Items**

In addition to the budget issues above, the Republican Congress has ignored other costly items, including:

- **Children's Health** — The Republicans let expire \$1.1 billion of funds for the State Children's Health Insurance Program (SCHIP). As a result, the number of children insured through SCHIP is expected to fall by more than 200,000 by 2007.
- **Highway Bill** — The current surface transportation bill (TEA-21) expired in 2003; instead of enacting a comprehensive reauthorization, the Republican Congress has provided six short-term extensions, the latest of which expires on May 31, 2005. Republicans have been unable to agree on a final price tag for the bill, and it is likely that the 108th Congress will recess without passing a full reauthorization.
- **Higher Education Act** — This week Congress extended the Higher Education Act until November 20, but many costly provisions desperately need an update. One item in particular needs to change immediately: the federal government subsidizes lenders of certain loans up to a guaranteed 9.5 percent rate of return (compared with the usual 3.6 percent rate of return), which has cost the government more than \$600 million so far in 2004.
- **Foreign Sales Corporation/Extraterritorial Income (FSC/ETI)** — Congress has known since 2002 that it needed to repeal the FSC/ETI export tax regime, or else the European Union could raise tariffs on U.S. exports. Republicans did not act. In March, the EU levied a 5 percent tariff on goods from selected U.S. industries, and the tariff has already risen to 11 percent. Instead of quickly repealing the FSC/ETI, Republicans loaded this must-pass legislation with unrelated corporate tax breaks, and have yet to produce a conference report.
- **Welfare Reform** — Republican failure to enact a comprehensive reauthorization of the Temporary Assistance for Needy Families program has left federal policy on welfare reform and child care in limbo for the past two years. The latest short-term extension expires on March 31, 2005. Republicans' inability to move forward on welfare reform has left states in a holding pattern, unable to plan for the future.
- **Energy Bill** — The Republican Congress failed to enact a comprehensive energy bill, leaving future Congresses to renew the debate about the cost and scope of national energy policy.