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FY06 Budget Update: Overall Spending Parameters Set By Congress: Appropriations Process Set to Move Forward

House and Senate negotiators reached an agreement last week on the FY06 federal budget by passing a budget resolution. The budget resolution is a macro-spending blueprint that guides the development of subsequent individual appropriations bills – legislation that actually funds agencies and programs.

With the budget resolution now in place, the House and Senate Appropriations Committees will be able to give each of their 10 appropriation subcommittees a binding slice of the agreed upon spending pie -- or allocation. This will allow them to now parcel out resources for the agencies and programs under each individual subcommittee's jurisdiction. The goal will be to try and enact these individual appropriations bills by the start of the new fiscal year – October 1, 2005. Congress has not met this deadline in recent years and usually has to resort to a stop-gap temporary continuing resolution until they are able to complete action on the appropriations bills. Whether this will be the year the Congress enacts the appropriations bills into law by October 1, 2005 remains to be seen. Most observers are skeptical but House leaders are adamant about meeting this deadline this year.

What is important about the budget resolution is the overall discretionary spending level it provides. This is the only spending number in the resolution that is binding. All other spending levels stated or assumed in the resolution are merely advisory and are not binding on the Appropriations Committees or their subcommittees. The overall discretionary spending level has been set at \$843 billion for FY06 – the same amount as requested by the President. Within this binding number, the budget resolution assumes that \$419.5 billion will go for defense purposes – a 4.8% increase; \$32.5 billion will go for homeland security – a 2% increase; and \$391.1 billion for non-defense, non-homeland security spending – a 1% reduction from last year's comparable level. The relative order of priority for these major budget categories is consistent with the priorities proposed by the Administration in the budget they submitted in February of this year.

The non-defense, non-homeland security component of the budget – also called domestic discretionary spending – is the category of the budget from which funding for everything from federal research programs to Pell grants to superfund clean up activities, etc. is provided. These and many other programs have to be funded out of a portion of the

budget assumed to decline by 1% from last year. This means that funding for programs of importance to the research and education communities will be tighter than ever before.

Funding for NIH will have to compete with funding for labor and education programs in its subcommittee. Funding for NSF will have to compete with funding for the space program, Commerce Department programs, and the law enforcement programs within the Department of Justice in the newly created Science, State, Justice, and Commerce, and Related Agencies Subcommittee. Energy research will compete with funding for other Energy Department programs as well as river and dam projects funded by the U.S. Army Corps of Engineers.

We expect the House Appropriations Committee will now provide each of the individual appropriation subcommittees their respective binding allocations. The individual appropriations subcommittees will take these allocations and draft their respective bills within the funding they have been given. House leaders insist their goal is to mark up, report out, and pass all of the appropriations bills by the start of the July 4th recess. This would give the Senate the month of July to report out its own versions of these bills. Since Congress will be out of session for August, this leaves September as the month to reconcile their budget differences in the 10 different appropriations bills so that they can be passed and sent to the White House in time for the start of the new fiscal year.

At least that is the plan as we begin what promises to be a long hot summer laced with difficult budget decisions.

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