



MARLOWE & COMPANY

GOVERNMENT AFFAIRS CONSULTANTS

Memo

To: Marlowe & Company Clients
From: Daniel Sheehan & Joel Porter
Re: Summary – Final Fiscal Year 2011 Continuing Resolution
Date: April 13, 2011

The negotiated agreement between the House, Senate, and White House on a final Fiscal Year 2011 Continuing Resolution (H.R. 1473) will prevent a government shutdown and fund the entire federal government until September 30, 2011. In addition, the legislation will cut nearly \$40 billion in federal spending. The agreement is the result of hard-fought negotiations that required all sides to come together to find common ground. The House of Representatives is expected to consider this legislation as soon as today; the Senate is expected to debate and approve the measure late tomorrow. A summary of the final Continuing Resolution (CR) follows*:

Overall Spending Limit: The final CR will include a total of \$1.049 trillion in funding, a nearly \$40 billion reduction from last year's (Fiscal Year 2010) levels. This includes the \$12 billion in reductions previously approved by Congress and signed into law under the previous three continuing resolutions, as well as nearly \$28 billion in additional new spending cuts.

Agriculture: The CR funds Agriculture programs at \$20 billion, which is \$3 billion below the Fiscal Year 2010 enacted level and \$3.2 billion below the President's 2011 budget request. The package funds the USDA Rural Development (Rural Utility Service) Rural Water and Waste Disposal Program account at \$529 million for Fiscal Year 2011, a seven-percent cut of \$39.7 million from Fiscal Year 2010, and the Rural Development (Rural Housing Service) Community Facilities Program account at \$41.5 million, a 25-percent cut of \$13.5 million from last year. The bill also provides \$1 billion for Food Safety and Inspection, which is \$10 million below the Fiscal Year 2010 level, while allowing for uninterrupted meat, poultry, and egg products inspection activities of the agency. The bill also reduces Agricultural Credit Programs by \$433 million, Agricultural Research Service by \$64 million, and the National Institute for Food and Agriculture by \$125.9 million below the Fiscal Year 2010 levels. The CR also includes \$6.75 billion for the Special Supplemental Feeding Program for Women, Infants and Children (WIC), which allows the program to support more than 9 million income-eligible mothers, infants, and children up to 5 years of age.

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Commerce, Justice, Science: The Commerce, Justice, Science section of the CR contains a total of \$53.4 billion, a \$10.9 billion, or 17%, reduction from Fiscal Year 2010 levels, and a reduction of \$7.1 billion, or 12%, from the President’s Fiscal Year 2011 request. The CR provides funding above Fiscal Year 2010 levels for National Institute of Standards and Technology research and manufacturing programs, as well as critical FBI national security and prisons/detention requirements. Justice Department appropriations are reduced by \$946 million below Fiscal Year 2010, with significant reductions to grant and construction programs. The Community-Oriented Policing Services (COPS) grants, in particular, are funded at \$496 million, which is \$296 million below the last year’s enacted level and \$93 million below cuts originally proposed by the House in H.R. 1. State and Local Law Enforcement grants are funded at \$1.1 billion, \$414 million below the enacted level and \$167 million above H.R. 1. The Legal Services Corporation is funded at \$405 million, \$15 million below the enacted level and \$55 million above H.R. 1. Commerce Department appropriations are cut by \$6.5 billion below Fiscal Year 2010 levels. The bill also includes \$18.5 billion for NASA and fully funds the newly authorized exploration program. This section of the CR also includes funding for the National Oceanic and Atmospheric Administration (NOAA) at \$4.6 billion - \$140 million below the enacted level and \$245 million above H.R. 1 - but prohibits funding for the establishment of a Climate Service at NOAA. The legislation also prohibits funding for the approval of new fisheries catch-share programs in certain fisheries, and for NASA and the Office of Science and Technology Policy to engage in bilateral activities with China.

Defense Funding: The Department of Defense is funded at \$513 billion in the CR – approximately \$5 billion above last year – providing resources for the troops and military actions. The bill also includes an additional \$157.8 billion for overseas contingency operations (emergency funding) to advance missions abroad. The Defense section of this legislation includes \$126.7 billion for military personnel, providing for 1,432,400 active duty and 846,200 reserve troops. In addition, the bill contains a total of \$165.6 billion for operations and maintenance, \$102.1 billion for procurement, \$75 billion for research and development, and \$31.4 billion for Defense health programs. This legislation eliminates all Defense earmark account funding, a cut of \$4.2 billion from last year’s level, and provides no funding for continued development of an alternate engine for the F-35 Joint Strike Fighter. The CR also includes language preventing Guantanamo Bay detainees from being transferred into the United States for any purpose, prevents the construction or modification of detention facilities within the U.S. for the housing of detainees, and requires the Secretary of Defense to provide a certification to Congress that a transfer of any detainee to any foreign country or entity will not jeopardize the safety of the U.S. or its citizens. This language is virtually identical to existing law.

Energy and Water: The Energy and Water section is funded at \$31.8 billion in the CR. This is a 10 percent reduction – or \$3.6 billion – from the President’s Fiscal Year 2011 request, and a 5 percent reduction – or \$1.7 billion – from Fiscal Year 2010 levels. The bill funds the Army Corps of Engineers at the President’s request level of \$4.9 billion, including plus-ups in the following major account categories:

Corps of Engineers FY11 Funding by Major Account Category Only

	President	House	Senate	Final
GI	\$104,000,000	\$104,000,000	\$150,000,000	\$127,000,000
CG	\$1,690,000,000	\$1,690,000,000	\$1,896,818,000	\$1,793,409,000
O&M	\$2,361,000,000	\$2,361,000,000	\$2,380,000,000	\$2,370,500,000

The fact that the final numbers are higher than the President's proposal for each of the categories listed means that the Corps will be able to add funding for projects and studies that were not included in the President's budget proposal. Presumably, the Corps will prepare a list of studies and projects and the funding it intends to allocate to each. This Work Plan will be sent to Congress for briefing purposes only: the details of the Work Plan cannot be approved by Congress because of its self-imposed earmark ban.

The Energy and Water section also supports existing applications for renewable energy loan guarantees at the Department of Energy, and provides a \$697 million (seven percent) increase for the National Nuclear Security Administration to ensure adequate funding for critical components of our national defense. Energy Efficiency and Renewable Energy activities are funded at \$1.8 billion; \$407 million below the enacted level.

Financial Services: The Financial Services and General Government section of the CR contains a total of \$22 billion, a \$2.4 billion, or 10%, reduction from Fiscal Year 2010 levels, and a reduction of \$3.4 billion, or 14%, from the President's Fiscal Year 2011 request. The CR reduces most Treasury and Executive Office of the President accounts and reduces funding for construction of new federal buildings by more than \$800 million. The bill provides a \$13 million increase over last year for the Inspector General of Troubled Asset Relief Program (TARP) to provide strong oversight of the billions of dollars remaining in TARP assets and continues current funding for drug task forces and programs to assist small businesses. The CR re-imposes restrictions against the use of local funds for abortions in the District of Columbia. The bill also reauthorizes the District's school voucher program. The legislation also eliminates four Administration "Czars," including the "Health Care Czar," the "Climate Change Czar," the "Car Czar," and the "Urban Affairs Czar."

Homeland Security: A total of \$41.8 billion in discretionary funding is provided for the Department of Homeland Security (DHS) for Fiscal Year 2011. This is \$784 million, or 2 percent, below FY 2010, and \$1.9 billion, or 4 percent, below the President's Fiscal Year 2011 request. Frontline operations for DHS – including Customs and Border Protection (CBP), Immigration and Customs Enforcement, the Transportation Security Agency, the Coast Guard, and the Secret Service – are sufficiently funded to meet mission requirements and sustain staffing levels. This includes funding for 21,370 Border Patrol agents, 33,400 ICE detention beds, and military pay and allowances for the U.S. Coast Guard. The bill reduces CBP's Border Security Fencing, Infrastructure, and Technology (BSFIT) account to the President's request, reduces FEMA first responder grants – including Assistance to Firefighters (AFG) and Staffing for Adequate Fire and Emergency Response (SAFER) programs -- by \$786 million, eliminates \$264 million in funding that was previously targeted to earmarks, and rescinds \$557 million in unobligated and lapsed balances from prior year funds. The bill also caps the amount of TSA screener personnel at 46,000. The bill also includes \$1.05 billion in additional discretionary funding (for a total of \$2.65 billion, including current funds) for the costs of existing and expected disasters for Fiscal Year 2011.

Interior: The CR includes \$29.6 billion in discretionary funding in the Interior and Environment section of the bill, which is 8.1 percent, or \$2.62 billion, below the Fiscal Year 2010 enacted level and 8.5 percent, or \$2.8 billion, below the President's request. The Environmental Protection Agency (EPA) is reduced by \$1.6 billion, a 16 percent decrease from last year's level. The cuts to the EPA alone represent 61 percent of the bill's reduction compared to last year's level. Funding levels for Land and Water Conservation Fund (land acquisition) programs are reduced by \$149 million (a 33 percent cut), climate change funding bill-wide is cut by \$49 million (a cut of 13 percent), and State Drinking Water and Waste Water Infrastructure programs are funded at \$2.5

billion, \$997 million below the enacted level and \$970 million above H.R. 1. Funding for the National Endowment for the Arts and the National Endowment for the Humanities is reduced by a combined \$25 million from last year's levels. The Preserve America and Save America's Treasures programs are zeroed out; but the National Park Service's Historic Preservation Fund will receive \$54.5 million and National Recreation and Preservation \$58 million. Funding levels for operational accounts bill-wide are largely sustained to prevent layoffs and the closure of national parks and forests, wildlife refuges, Smithsonian museums, and other sites. In addition, the legislation contains language reinstating the Fish and Wildlife Service's determination to de-list wolves in states with approved management plans in place, returning management of wolf populations in Idaho, Montana, Oregon, Washington, and Utah to the states. The bill also includes a limitation on the use of funds to implement the Bureau of Land Management's "Wild Lands" policy.

Labor, HHS, Education and Related Agencies: The Labor, HHS, Education and Related Agencies section of the CR contains a total of \$157.7 billion, roughly a \$5.5 billion, or 3.36 percent, reduction from Fiscal Year 2010 levels. The bill is also nearly \$13 billion, or 7.6 percent, below the President's Fiscal Year 2011 request. The CR preserves funding for large education programs that fund elementary and secondary schools, as well as special education, and provides a modest increase for Head Start to ensure that all children currently enrolled will continue to receive services, while making reductions in lower priority areas. In addition, the bill continues the Pell Grant Program at the current maximum award level of \$4,860. The CR terminates funding for more than 55 programs, for a total savings of well over \$1 billion. In addition, the bill cuts two programs funded in the Affordable Care Act: the Consumer Operated and Oriented Plan (CO-OP) and the Free Choice Voucher programs. The bill makes reforms to the Pell Grant Program that are estimated to save more than \$35 billion over the next 10 years by eliminating the ability of students to draw down two Pell Grant awards at the same time. Finally, the CR will return Title X funding to Fiscal Year 2008 levels.

Legislative Branch: Legislative Branch is reduced by \$103 million from last year's levels. Of this amount, funding for the U.S. House is reduced by \$55 million from last year – or 53 percent of the total cut – and reflects a 5 percent cut in Member, Committee, and Leadership office expenses, except for the Appropriations Committee, which will bear a larger cut of 9 percent.

Military Construction/Veterans Affairs: Military Construction/Veterans Affairs programs will receive \$73.3 billion in discretionary funding – a decrease of \$2.7 billion below the President's Fiscal Year 2011 request and a decrease of \$3.3 billion below last year's level. Within this funding, the bill provides critical and necessary resources for veterans' health and benefits, including an increase of \$13.8 billion for the Department of Veterans affairs over last year's level.

State and Foreign Operations: The funding level for the State Department and Foreign Operations in the CR is a total of \$48.3 billion: a \$504 million reduction from last year's level and an \$8.4 billion reduction from the President's Fiscal Year 2011 request. This section of the legislation includes a prohibition on pay raises for foreign services officers, a \$377 million cut to U.S. contributions to the United Nations and international organizations, and a \$130 million cut to international banks and financial institutions. In addition, the bill reduces family planning activities by \$73 million, and includes a reduction in the U.N. Population Fund to Fiscal Year 2008 levels.

Transportation, Housing and Urban Development: The Transportation, Housing and Urban Development, and Related Agencies section of the CR contains a total of \$55.5 billion in funding, a \$12.3 billion, or 18 percent, reduction from Fiscal Year 2010 levels, and a reduction of \$13.2 billion, or 20 percent, from the President's Fiscal Year 2011 request. For the Department of

Transportation, the bill eliminates new funding for High Speed Rail and rescinds \$400 million in previous year funds, for a total reduction of \$2.9 billion from Fiscal Year 2010 levels. The bill reduces funding for transit by a total of \$991 million and includes \$528 million in new funding for the National Infrastructure Investment (or “TIGER”) grant program. While the majority of programs funded by the Highway Trust Fund remain at Fiscal Year 2010 levels, the bill contains total contract authority rescissions of \$3.2 billion, of which \$630 million is comprised of previously enacted, unutilized earmarks. For the Department of Housing and Urban Development, the Community Development Fund program was reduced \$942 million, for a Fiscal Year 2011 funding level of \$3.5 billion. Of that, \$3.3 million is provided for the Community Development Block Grant program, a 17.5 percent cut from last year’s \$4 billion. This section also eliminates funding for the discretionary Economic Development Initiative and Neighborhood Initiatives programs, but funds at \$100 million the Sustainable Communities Initiatives program. The Section 8 program is funded at a level of \$18.4 billion with \$16.7 billion for voucher renewals, \$1.45 billion for administrative fees, \$35 million for Section 811 mainstream voucher renewals, and \$50 million for HUD-Veterans Affairs Supportive Housing (VASH) vouchers.

For the text of the legislation, please visit:

http://rules.house.gov/Media/file/PDF_112_1/Floor_Text/FINAL2011_xml.pdf

*All non-defense funding levels within this summary *do not* include a 0.2% across the board reduction included in the legislation that applies to all non-defense programs, projects, and accounts. Information source: House Committee on Appropriations.

For further information on this issue, please contact your Marlowe & Company team leader or email legislation@marloweco.com.

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