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Senate Approach to 2015 Appropriations Better Protects Domestic Priorities

By David Reich

Although both the House and Senate Appropriations Committees formulated their appropriations bills for fiscal year 2015 to comply with the 2011 Budget Control Act's (BCA) caps, the two committees have allocated the available funding in different ways. (See appendix.) For at least three key domestic bills — Labor-Health and Human Services (HHS)-Education, Transportation-Housing and Urban Development (HUD), and Financial Services & General Government — the Senate approach is far preferable.

The differences between the House and Senate allocations represent differing policy priorities. In addition, the Senate Appropriations Committee was able to provide somewhat better allocations than its House counterpart for several bills because of other funding choices it made. In particular, the Senate coped with the BCA's austere limits by making greater use of offsetting savings from mandatory programs[1] and using such means as covering part of the cost of fighting forest fires (which has been rising in recent years) and certain international programs outside the BCA caps.

The Senate's choices reflect a recognition that the appropriations levels called for under the BCA and adjusted downward by sequestration are too low to meet the country's needs in 2015.[2] The House is not immune to these pressures. Both this year and last year, for instance, the House failed to identify all of the cuts necessary to stay within its allocations, effectively relying on a "magic asterisk" of sorts. It allocated cuts to the Labor-HHS-Education appropriations bill — the largest non-defense appropriations bill, accounting for 32 percent of non-defense appropriations last year — but then never acted on the bill and thus never had to spell out the programmatic consequences of its low funding allocation for those departments.

Because the House ducked this issue and never provided proposals for cuts sufficiently deep to fit within its allocations, it is impossible to say whether the House is actually able — under its allocations — to meet national needs and still remain within the BCA caps.

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[1] These offsetting savings (or rescissions) in mandatory programs are also known as "changes in mandatory programs" (or CHIMPs), and reflect longstanding practice.

[2] See David Reich, "Non-Defense Discretionary Programs Have Seen Large Cuts and Face More Cuts in 2015," Center on Budget and Policy Priorities, November 18, 2014, for a discussion of the 2015 funding levels.

Labor-HHS-Education

For the House, almost one-third of non-defense appropriations for 2015 is a large question mark, because the House Appropriations Committee again took no action on a Labor-HHS-Education appropriations bill. As in three of the past four years, that bill hasn't been considered at even the subcommittee level in the House.

The House allocations call for cutting the Labor-HHS-Education appropriations bill by almost $1.1 billion below its 2014 funding level. But since the House Appropriations Committee has never produced an actual bill — or even released a draft — it is unknown how the committee majority intended to implement that cut. Would the reductions come from education, health research and public health, job training, the operating budgets for Social Security and Medicare, and/or other areas?

In contrast, the Senate allocations propose to freeze overall funding for the Labor-HHS-Education bill at the 2014 enacted level. Within that total, the bill approved by the Senate subcommittee provides some targeted increases, made possible by some selected cuts[3] and by increased use of rescissions of unneeded prior appropriations for the Children's Health Insurance Program.

The Senate subcommittee bill provides $345 million in increases (over the 2014 level, and without adjusting for inflation) for some key early childhood education and care programs, including Head Start, Preschool Development Grants, and the Child Care and Development Block Grant. Other increases in the Senate bill include $606 million for medical research at the National Institutes of Health (NIH), $165 million for the Centers for Disease Control and Prevention, $36 million for job training formula grants to states, $50 million for Title I grants to school districts for education for the disadvantaged, and $43 million for Special Education grants. The bill also includes a $1 billion increase for care and custody of unaccompanied child migrants (which is a legal responsibility of the Department of HHS), though the recent slowing of new arrivals may allow that increase to be scaled back.

But the tight BCA caps continue to have a real effect. Many of the Senate bill's increases are insufficient to reverse past cuts, even *before* adjusting for inflation, or to address serious unmet needs. For example, under the Senate bill, NIH would remain $258 million below its 2010 level in unadjusted dollars, which is a 10 percent cut after accounting for inflation. Job training grants to states — which were recently overhauled and re-authorized on a bipartisan basis — would still be $345 million below their level five years ago, before adjusting for inflation. Funding for low-income schools (known as Title I schools) and Special Education funding would also remain a bit below 2010 dollar levels, and further below when inflation is taken into account.

Transportation-HUD

Both the House and Senate allocations for the bill covering the Department of Transportation and the Department of Housing and Urban Development (known as the T-HUD bill) are higher

[3] For example, the cuts in the Senate Labor-HHS bill include elimination of the Workforce Innovation Fund (-$47 million), three diversity-related health professions programs (-$37 million), and the High School Graduation Initiative (-$46 million) and cuts to the Teacher Incentive Fund (-$59 million) and the Offices of Women's Health and Minority Health (-$9.5 million).

than the 2014 level, but this seeming increase is deceptive. All of the House increase and most of the Senate increase are needed just to cover a $2.9 billion drop in estimated receipts from Federal Housing Administration (FHA) mortgage insurance programs, which are credited to this bill.[4] After taking into account the decline in FHA receipts, the House bill provides a $1.7 billion *cut* in non-defense appropriations for these two departments, while the Senate bill provides a $687 million (1.1 percent) increase, not enough to offset the costs of inflation.

The House-passed bill cuts transportation programs to meet its targeted decrease, including reductions of $500 million in "TIGER" grants (competitive grants to states and localities to support infrastructure improvements, including roads and bridges, public transit, and ports) and $252 million in mass transit capital investment funding.

The House bill also cuts various low-income housing programs. For example, it slices the HOME program, which helps states and localities build or rehabilitate affordable rental housing and assist low-income homeowners, from $1.0 billion in 2014 to $700 million in 2015 — the lowest level in the program's 24-year history. In addition, the bill cuts $150 million from the 2014 funding level for administering rental vouchers for low-income families; state and local housing agencies use these funds to verify tenants' income, inspect units to ensure they meet federal housing quality standards, and perform other tasks essential to meeting the program's goals.[5] Other housing-related cuts in the House T-HUD bill include $100 million from funds for repair and renovation of public housing and a $40 million (or 36 percent) cut in grants for lead-based-paint hazard reduction.

The Senate T-HUD bill avoids many of the House cuts altogether and greatly reduces others. For example, the Senate cuts TIGER transportation infrastructure grants by $50 million instead of $500 million and actually increases mass transit capital investment grants by $218 million. The Senate's cut to HOME is $50 million rather than $300 million, and the Senate provides increases of $25 million for public housing repair and modernization and $75 million for public housing operating costs. The Senate bill also provides $205 million more than the House for housing voucher administration, as well as $26 million more than the House to renew vouchers, which would enable agencies to restore 4,000 more of the vouchers lost to sequestration than the House bill would allow.

Even under the Senate bill, however, substantial cuts remain in several programs relative to five years ago. For example, HOME received $1.825 billion in 2010, compared to $950 million in the 2015 Senate T-HUD bill and $700 million in the House bill. The Public Housing Capital Fund received $2.5 billion in 2010, compared to $1.9 billion and $1.775 billion in the 2015 Senate and House bills, respectively.

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[4] Under budget rules, the amount by which the receipts from the FHA mortgage insurance programs exceed expected program costs (including expected defaults, which the insurance will have to cover) is credited to the relevant appropriations bill. This crediting effectively increases the overall level of discretionary funding that can be provided while still meeting the BCA caps.

[5] Douglas Rice, "Sequestration's Rising Toll: 100,000 Fewer Low-Income Families Have Housing Vouchers," Center on Budget and Policy Priorities, November 12, 2014, http://www.cbpp.org/cms/index.cfm?fa=view&id=4229.

Financial Services and General Government

When approved by the House Appropriations Committee, the 2015 Financial Services and General Government appropriations bill was $566 million below last year's level. By the time it passed the House floor after adoption of various amendments, the cut had grown to $1.7 billion.

The main target for cutting was the Internal Revenue Service (IRS), which makes up about half of the Financial Services bill. The House-passed version of the bill cuts IRS funding $1.488 billion (13 percent) below the 2014 level. The resulting level is *$2.3 billion below the 2010 level, a reduction of about 27 percent after adjusting for inflation*.

The House took this action even though cuts to the IRS budget over the past several years have already greatly weakened tax enforcement, as well as services to taxpayers seeking information and guidance on tax rules. The IRS has about 11 percent fewer employees than in 2010, the number of audits is dropping, and typical callers in 2013 waited about 18 minutes to speak to an IRS representative and about 40 percent of calls went unanswered.[6] The new cuts approved by the House would make the situation far worse.

The Treasury estimates that every additional dollar invested in IRS tax enforcement yields $6 in increased revenue.[7] The House cuts would lose many billions in revenue owed under existing tax law and would thereby increase deficits and debt.

In contrast, the Senate version of the Financial Services bill would provide a $447 million increase overall, including a $236 million increase for the IRS. Nevertheless, the Senate's total for the IRS would still be $620 million below the 2010 level.

Conclusion

The cuts required to meet the BCA caps as lowered by sequestration have led to reductions in important public services, from medical research and public health to job training to environmental protection. As lawmakers work to finalize funding levels for the fiscal year that began October 1, they should follow the funding priorities set in the Senate bills, which do a much better job of addressing pressing national needs under the BCA's tight constraints.

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[6] Chuck Marr, "IRS Commissioner Confirms House-Passed Cuts to IRS Budget Could Be 'Catastrophic,'" *Off the Charts* blog, August 25, 2014, http://www.offthechartsblog.org/irs-commissioner-confirms-house-passed-cuts-to-irs-budget-could-be-catastrophic/; and Chuck Marr, "House GOP's IRS Budget Cuts: A Field Day for Tax Cheats," *Off the Charts* blog, July 15, 2014, http://www.offthechartsblog.org/house-gops-irs-budget-cuts-a-field-day-for-tax-cheats/.

[7] See http://www.whitehouse.gov/sites/default/files/omb/budget/fy2015/assets/treasury.pdf.

Appendix

Table 1 **Non-Defense Funding by Appropriations Subcommittee** Budget authority in billions; excluding war funding, disaster relief program integrity, and emergency funding				
		Fiscal Year (FY) 2015 allocations		
	FY 2014 Enacted	**House**	**Senate**	**Senate compared to House**
Agriculture*	20.9	20.9	20.9	0.0
Commerce, Justice, Science	46.6	46.1	46.2	0.0
Defense**	0.2	0.2	0.2	0.0
Energy & Water	16.9	16.9	15.8	-1.1
Financial Services & Gen Govt*	21.8	21.3	22.2	0.9
Homeland Security	37.7	37.7	37.4	-0.3
Interior & Environment	30.1	30.2	29.5	-0.8
Labor, Health & Human Services, Education	156.8	155.7	156.8	1.1
Legislative Branch	4.3	4.3	4.3	0.0
Military Const & Veterans Affairs	63.5	64.9	65.3	0.4
State, Foreign Operations	42.5	42.4	39.7	-2.7
Transportation, Housing & Urban Development	50.7	51.9	54.3	2.4
Mortgage insurance programs	-12.5	-9.6	-9.6	0.0
Excluding mortgage insurance programs	63.2	61.4	63.9	2.4
TOTAL	**491.8**	**492.4**	**492.4**	**0.0**
Budget Control Act cap	491.8	492.4	492.4	

*For comparability, Commodity Futures Trading Corporation (CFTC) appropriations are shown on the Agriculture subcommittee line in all columns, even though the CFTC is under the jurisdiction of the Financial Services subcommittee in the Senate.

**The amounts in this line pay for activities that are funded in the Defense Appropriations bill but are not within the Defense category (mostly involving cooperative programs with the Department of Veterans Affairs),

Note: This table shows the most recent allocations provided to each subcommittee. For some House bills, amendments subsequently adopted on the House floor cut the bill total below the allocation. While the Senate allocations show the division between Defense and Non-Defense, the House allocations do not. In this table, the House divisions are estimated, based on the content of the bills at the time the allocations were filed.

Source: CBPP calculations of Congressional Budget Office data. Figures may not add to totals due to rounding.