

# CRS Report for Congress

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## **Transportation, the Treasury, Housing and Urban Development, the Judiciary, the District of Columbia, the Executive Office of the President, and Independent Agencies: FY2006 Appropriations**

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Appropriations are one part of a complex federal budget process that includes budget resolutions, appropriations (regular, supplemental, and continuing) bills, rescissions, and budget reconciliation bills. The process begins with the President's budget request and is bound by the rules of the House and Senate, the Congressional Budget and Impoundment Control Act of 1974 (as amended), the Budget Enforcement Act of 1990, and current program authorizations.

This report is a guide to one of the regular appropriations bills that Congress considers each year. It is designed to supplement the information provided by the Subcommittee on Transportation, Treasury, and Housing and Urban Development, the Judiciary, District of Columbia of the House Committee on Appropriations, and by the Subcommittee on Transportation, Treasury, the Judiciary, Housing and Urban Development, and Related Agencies of the Senate Committee on Appropriations. It summarizes the current legislative status of the bill, its scope, major issues, funding levels, and related legislative activity. The report lists the key CRS staff relevant to the issues covered and related CRS products.

This report is updated as soon as possible after major legislative developments, especially following legislative action in the committees and on the floor of the House and Senate.

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# Transportation, the Treasury, Housing and Urban Development, the Judiciary, the District of Columbia, the Executive Office of the President, and Independent Agencies: FY2006 Appropriations

## Summary

At the beginning of the 109<sup>th</sup> Congress, both the House and Senate Committees on Appropriations reorganized their subcommittee structure, affecting the coverage of the FY2006 appropriations bills. As a result of this change, the appropriations bill that formerly provided funding for the Departments of Transportation and the Treasury, the Executive Office of the President, and Independent Agencies now includes funding for the Department of Housing and Urban Development, the Judiciary, and (in the case of the House, but not the Senate) the District of Columbia.

The Bush Administration requested \$126.1 billion for these programs for FY2006, a slight decrease from the comparable figure of \$127.7 billion for FY2005 (after a 0.83% across-the-board rescission that was included in the FY2005 Omnibus Appropriations Act, P.L. 108-447). Cuts were proposed for the Department of Housing and Urban Development (\$2.8 billion, or 9%, below the FY2005 level) and the Department of Transportation (\$1.4 billion, or 2%, below the FY2005 level). The reduction in the request for the Executive Office of the President was largely due to the transfer of the High Intensity Drug Trafficking Areas program to another agency.

The House approved (H.R. 3058) the House Committee on Appropriations' recommendation of \$134.9 billion for FY2006, \$7.2 billion (6%) over comparable FY2005 enacted levels and \$8.7 billion (7%) over the Administration's request. Significant increases were provided for aviation, highway and transit programs (reflecting the guaranteed authorization levels for these programs), rental subsidies for the poor, and housing for Native Americans. The House did not support the President's proposal to transfer community and economic development programs out of the Department of Housing and Urban Development (HUD). The House also provided that the federal civilian workforce receive the same raise (3.1%) as that requested for the uniformed military for calendar year 2006, and that restrictions on agricultural exports to Cuba be eased. Several amendments were added during floor consideration of the bill. These included increased funding for Amtrak and for several programs in the Department of Housing and Urban Development. Other amendments added to the bill included a provision barring the use of funds in the bill to enforce the District of Columbia's 29-year-old restriction on firearms; a provision barring the use of funds in the bill to enforce the Supreme Court's recent decision upholding the taking of private property (with compensation) for private development activities; and a provision barring use of funds in the bill to approve the sale of a U.S. oil company, Unocal, to a Chinese oil company. Three amendments — one requiring revision of the A-76 Circular governing outsourcing of federal work, one nullifying a Federal Aviation Administration contract to privatize flight service stations, and one easing restrictions on U.S. agricultural exports to Cuba — drew veto threats from the Administration. This report will be updated.

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ALD = American Law Division

DSP = Domestic Social Policy Division

FDT = Foreign Affairs, Defense, and Trade Division

G&F= Government & Finance Division

RSI = Resources, Science, and Industry Division.

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# Transportation, the Treasury, Housing and Urban Development, the Judiciary, the District of Columbia, the Executive Office of the President, and Independent Agencies: FY2006 Appropriations

## Most Recent Developments

On June 30, 2005, the House passed H.R. 3058, the FY2006 Departments of Transportation, Treasury, and Housing and Urban Development, The Judiciary, District of Columbia, and Independent Agencies Appropriations bill. The House approved the overall funding level recommended by the Committee on Appropriations in its markup of the bill the previous week, providing a 6% increase over comparable FY2005 funding and a 7% increase over the Administration's request. The House also approved the Committee's recommendations to provide the same pay raise (3.1%) to federal civilian workers as that requested for uniformed military personnel for calendar year 2006, and to ease restrictions on U.S. agricultural exports to Cuba. The House approved several amendments to the bill, including ones increasing funding for Amtrak and the Department of Housing and Urban Development, and restricting outsourcing of federal work.

On June 9, 2005, the Senate Committee on Appropriations published the amount of funding each of its subcommittees would have available for FY2006 (i.e., their 302(b) allocations). The Senate Subcommittee on Transportation, Treasury, the Judiciary, Housing and Urban Development, and Related Agencies received a discretionary allocation of \$65.4 billion, \$2.3 billion (4%) higher than the FY2006 Administration request (S.Rept. 109-77).<sup>1</sup> The House Committee on Appropriations approved its allocations of funding to their subcommittees on May 10, 2005 (H.Rept. 109-78). The House Subcommittee on Transportation, Treasury, and Housing and Urban Development, The Judiciary, District of Columbia received an allocation of \$66.9 billion in discretionary budget authority. This is \$3.8 billion (6%) above the comparable FY2005 enacted level and \$6.2 billion (10%) above the amount requested by the President. Due to slightly differing jurisdictions, the allocations to the two subcommittees are not precisely comparable.

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<sup>1</sup> The funding level in the bill consists of three parts: discretionary funding, mandatory funding, and limitations on obligations. Limitations on obligations are paid out of trust funds, and in this bill are chiefly found in the Department of Transportation and the General Services Administration.



## Overview

The President's FY2006 request for the programs covered by this appropriations bill is \$126.1 billion. This is \$1.6 billion (1%) below the FY2005 enacted level of \$127.7 billion (after a 0.83% rescission). The FY2006 request includes cuts from the FY2005 funding level for the Department of Housing and Urban Development (\$2.8 billion, a 9% reduction) and the Department of Transportation (\$1.4 billion, a 2% reduction). The FY2006 request for the Executive Office of the President is \$300 million less than the FY2005 figure; that reduction is largely due to the proposed transfer of the High Intensity Drug Trafficking Areas Program (\$227 million in FY2005) from the Executive Office of the President to the Department of Justice, and to an FY2005 supplemental appropriation of \$70 million to the Executive Office of the President (P.L. 108-324) for unanticipated needs (for hurricane disaster relief assistance through the American Red Cross).

The President's FY2006 budget request proposals include:

- zeroing out of funding for Amtrak, the provider of intercity passenger rail service, which received \$1.2 billion in FY2005;
- reducing funding for the Federal Aviation Administration's Airport Improvement Program (AIP) to \$3.0 billion, \$600 million below its 'guaranteed' authorization level, which would make the entire appropriations bill subject to a point of order. The proposed level is also below the AIP formula threshold of \$3.2 billion, which could result in a halving of most AIP formula distributions;
- eliminating the community and economic development programs under the Department of Housing and Urban Development (HUD), along with those of several other agencies, and replace them with a new program administered by the Department of Commerce. The proposed funding for the new program is \$1.9 billion (34%) less than the aggregate FY2005 funding for the programs proposed for elimination (reduced from \$5.6 billion for FY2005 to \$3.7 billion for FY2006);
- reducing the funding for housing for disabled persons under HUD by \$118 million (50%), from \$238 million for FY2005 to \$120 million for FY2006;
- eliminating the annual \$29 million payment to the United States Postal Service for revenue forgone, as well as the absence of any funding requested for Postal Service security measures.

The House Committee on Appropriations did not support most of these proposed changes. The Committee recommended \$134.9 billion, \$7.2 billion (6%) over comparable FY2005 enacted levels and \$8.7 billion (7%) over the Administration's request. The Committee did recommend cutting Amtrak's funding by over half from its FY2005 level (from \$1.217 billion in FY2005 to \$550 million for FY2006).

The House agreed with most of the Committee's recommendations, rejecting most of the Administration's proposed changes. The House approved the

Committee's overall funding level. The House did reject the Committee's recommended treatment of Amtrak, approving amendments increasing Amtrak's FY2006 funding from \$550 million to almost \$1.2 billion and deleting the provision barring federal assistance for Amtrak's routes whose subsidy per passenger exceeds \$30. The House also approved amendments increasing funding for several programs within the Department of Housing and Urban Development.

In early 2005, the House and Senate Committees on Appropriations reorganized their subcommittee structures. The House Committee on Appropriations reduced its number of subcommittees to ten. This change combined the Transportation, Treasury, and Independent Agencies subcommittee with the District of Columbia subcommittee; to the resulting subcommittee, jurisdiction over appropriations for the Department of Housing and Urban Development and the Judiciary as well as several additional independent agencies was also added.

The Senate Committee on Appropriations reduced its number of subcommittees to twelve. The Senate also added jurisdiction over appropriations for the Department of Housing and Urban Development and the Judiciary to the Transportation, Treasury, and Independent Agencies subcommittee; the Senate retained a separate District of Columbia Appropriations subcommittee. As a result, the area of coverage of the House and Senate subcommittees with jurisdiction over this appropriations bill are almost, but not quite, identical; the major difference being that in the Senate the appropriations for the District of Columbia are in a separate bill. This report will follow the organization of the House Subcommittee on Transportation, Treasury, and Housing and Urban Development, The Judiciary, District of Columbia.

**Table 1** notes the status of the FY2006 Transportation, the Treasury, et al. appropriations bill.

**Table 1. Status of FY2006 Departments of Transportation, the Treasury, and Housing and Urban Development, the Judiciary, the District of Columbia, the Executive Office of the President, and Independent Agencies Appropriations**

Subcommittee Markup		House Report	House Passage	Senate Report	Senate Passage	Conf. Report	Conference Report Approval		Public Law
House	Senate						House	Senate	
6/15/05		H.Rept. 109-153 6/21/05	6/30/05 405-18						

**Table 2** lists the total funding provided for each of the nine titles in the bill (the last two titles cover general provisions affecting this bill and general provisions affecting the entire federal government) for FY2005 and the amount requested for that title for FY2006.

**Table 2. Transportation/Treasury et al. Appropriations, by Title,  
FY2005-FY2006**  
(millions of dollars)

<b>Title</b>	<b>FY2005 Enacted*</b>	<b>FY2006 Request</b>	<b>FY2006 House</b>
Title I: Department of Transportation	\$59,724	\$58,297	\$63,469
Title II: Department of the Treasury	11,213	11,649	11,529
Title III: Housing and Urban Development	31,915	29,147	33,671
Title IV: The Judiciary	5,426	5,971	5,768
Title V: District of Columbia	556	573	603
Title VI: Executive Office of the President	834	525	779
Title VII: Independent Agencies	19,756	19,948	19,967
Title VIII-IX: General Provisions	(125)	—	—
<b>Total</b>	<b>127,659</b>	<b>126,137</b>	<b>134,889</b>

**Source:** Budget table provided by the House Committee on Appropriations. “Total” is from “Net grand total budgetary resources” line in budget table and reflects scorekeeping adjustments. Totals may not add due to rounding and scorekeeping adjustments.

\*The FY2005 Omnibus appropriations bill contained an across-the-board rescission of 0.83%; that rescission is reflected in these figures.

**Table 3** shows funding trends over the five-year period FY2001-FY2005, and the amounts requested for FY2006, for the titles in the bill. All of the agencies generally experienced funding increases during the period FY2001-FY2005.

**Table 3: Funding Trends for Transportation/Treasury et al.  
Appropriations, FY2001-FY2006**  
(billions of current dollars)

Department	FY2001 <sup>c</sup>	FY2002	FY2003 <sup>d</sup>	FY2004 <sup>e</sup>	FY2005 <sup>f</sup>	FY2006 Request
Title I: Transportation <sup>a</sup>	\$51.9	\$57.4	\$55.7	\$58.4	\$59.6	\$58.2
Title II: Treasury <sup>b</sup>	9.9	10.5	10.8	11.1	11.2	11.6
Title III: Housing and Urban Development	28.5	30.2	31.0	31.2	31.9	29.1
Title IV: Judiciary	4.3	4.7	5.4	5.2	5.4	6.0
Title V: District of Columbia	0.5	0.4	0.5	0.5	0.6	0.6
Title VI: Executive Office of the President	0.7	0.8	0.8	0.8	0.8	0.5
Title VII: Independent Agencies	—	—	—	—	19.8	19.9

**Source:** United States House of Representatives, Committee on Appropriations, Comparative Statement of Budget Authority tables from fiscal years 2001 through 2006.

- a. Figures for Department of Transportation appropriations for FY2001-FY2003 have been adjusted for comparison with FY2004 and later figures by subtracting the United States Coast Guard, the Transportation Security Administration, the National Transportation Safety Board, and the Architectural and Transportation Barriers Compliance Board, and by adding the Maritime Administration.
- b. Figures for Department of the Treasury appropriations for FY2001-FY2003 have been adjusted for comparison with FY2004 and later figures by subtracting the Bureau of Alcohol, Tobacco, and Firearms; the Customs Service; the United States Secret Service; and the Law Enforcement Training Center.
- c. FY2001 figures reflect 0.22% across-the-board rescission.
- d. FY2003 figures reflect 0.65% across-the-board rescission.
- e. FY2004 figures reflect 0.59% across-the-board rescission.
- f. FY2005 figures reflect 0.83% across-the-board rescission.

## Title I: Transportation Appropriations

**Table 4. Title I: Department of Transportation Appropriations,  
FY2005 to FY2006**

(in millions of dollars — totals may not add)

Department or Agency (Selected Accounts)	FY2005 Enacted <sup>a</sup>	FY2006 Request	FY2006 House
Office of the Secretary of Transportation	\$238	\$209	\$198
<i>Essential Air Service<sup>b</sup></i>	52	—	54
Federal Aviation Administration (FAA)	13,814	13,779	15,100
<i>Operations (trust fund &amp; general fund)</i>	7,713	8,201	8,397
<i>Facilities &amp; Equipment (F&amp;E) (trust fund)</i>	2,525	2,448	3,053
<i>Grant-in-aid Airports (AIP) (trust fund) (limit. on oblig.)</i>	3,517	3,000	3,620
<i>Research, Engineering &amp; Development (trust fund)</i>	130	130	130
Federal Highway Administration (FHWA)	35,834	35,439	37,026
<i>(Limitation on Obligations)</i>	34,422	34,700	36,287
<i>(Exempt Obligations)</i>	739	739	739
<i>Additional funds (trust fund)</i>	735	—	—
<i>Additional funds (general fund)</i>	1,315	—	—
Federal Motor Carrier Safety Administration (FMCSA)	444	465	551
National Highway Traffic Safety Administration (NHTSA)	454	696	782
Federal Railroad Administration (FRA)	1,432	552	1,332
<i>Amtrak</i>	1,207	—	1,176
Federal Transit Administration (FTA)	7,646	7,781	8,482
<i>General Funds</i>	956	956	1,272
<i>Trust Funds</i>	6,691	6,825	7,210
St. Lawrence Seaway Development Corporation	16	16	16
Maritime Administration (MARAD)	305	294	291
Pipeline and Hazardous Materials Safety Administration	83	117	131
<i>Pipeline safety program</i>	69	73	73
<i>Emergency preparedness grants</i>	14	—	14
Research and Innovative Technology Administration	47	6	4
Office of Inspector General	59	62	62
Surface Transportation Board	20	23	25
<b>Total, Department of Transportation</b>	<b>59,724</b>	<b>58,297</b>	<b>63,469</b>

**Note:** Figures are from a budget authority table provided by the House Committee on Appropriations. Because of differing treatment of offsets, the totals will not always match the Administration's totals. The figures within this table may differ slightly from those in the text due to supplemental appropriations, rescissions, and other funding actions. Columns may not add due to rounding or exclusion of smaller program line-items.

a. These figures reflect the 0.83% across-the-board rescission included in P.L. 108-447.

b. These amounts are in addition to the \$50 million annual authorization for the Essential Air Service program; thus, the total FY2005 funding would be \$102 million (\$50 million + \$52 million).

## Department of Transportation Budget and Key Policy Issues<sup>2</sup>

The President's budget proposes \$58.3 billion for the Department of Transportation (DOT). This is \$1.4 billion (2%) less than the \$59.7 billion enacted for the current year (FY2005). The major funding changes requested from FY2005 are in the requests for Amtrak (\$1.2 billion (100%) below FY2005) and in the Federal Aviation Administration's Airport Improvement Program (\$500 million (14%) below FY2005).

The House Committee on Appropriations recommended \$62.8 billion for DOT, \$4.4 billion (8%) above the Administration request and \$3.0 billion (5%) above FY2005 funding. The primary changes from the President's request were additional funding for the Federal Aviation Administration (\$1.2 billion), the Federal Highway Administration (\$1.6 billion), and Federal Transit Administration (\$700 million). In the case of the Federal Aviation Administration, the increase brought the Airport Improvement Program and Facilities and Equipment Program up to their FY2006 authorized funding levels. In the case of the highway and transit programs, the increase brought those administrations up to the funding levels authorized in the House's version of surface transportation authorization legislation, which is currently in conference. The Committee also recommended \$550 million in passenger rail funding, more than the Administration requested but less than the \$1.2 billion enacted in FY2005. The House supported the Committee's recommendations regarding transportation funding, with the exception of Amtrak, discussed below.

The Administration's budget for DOT identifies three agency-specific goals influencing the budget request: improving aviation and surface transportation safety through increased funding for safety programs, improving transportation mobility through investments in additional infrastructure and through investments in technology to increase the effective capacity of the transportation systems, and improving passenger rail services between cities by restructuring federal intercity passenger rail policy and its provider, Amtrak.

**Amtrak.** Amtrak is a quasi-governmental corporation that operates and maintains rail infrastructure in the northeast and operates passenger rail service throughout the country. It operates at a deficit and requires federal support to continue operations. The President's budget did not request any funding for Amtrak for FY2006; Amtrak received \$1.2 billion in FY2005. The Administration requested \$360 million for the Surface Transportation Board to maintain commuter rail service that depends on Amtrak services in the event that Amtrak ceases operations during FY2006. The Administration's proposal received bipartisan criticism in both the House and the Senate. The Administration asserted that their reauthorization plan for Amtrak (109<sup>th</sup> Congress: H.R. 1713; 108<sup>th</sup> Congress: S. 1501/H.R. 3211) received little attention from the 108<sup>th</sup> Congress, so they requested no FY2006 money for Amtrak in order to spur congressional reauthorization action.<sup>3</sup> Their budget request

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<sup>2</sup> For more information about Department of Transportation appropriations issues, see CRS Report RL32945, *FY2006 Appropriations for the Department of Transportation*.

<sup>3</sup> Norman Mineta, Secretary, United States Department of Transportation, in transcript of (continued...)

asserted that “with no subsidies, Amtrak would quickly enter bankruptcy, which would likely lead to the elimination of inefficient operations and the reorganization of the railroad through bankruptcy proceedings.”<sup>4</sup> Others are less certain of the outcome of an Amtrak bankruptcy proceeding.<sup>5</sup> The Administration also asserts that it would support increased funding for intercity passenger rail if significant reforms are enacted. Some Members of Congress have questioned where that additional money would come from, given the competing demands from other transportation modes and from other agencies in the appropriations bill that funds DOT.

The House Committee on the Budget encouraged the House to continue funding Amtrak<sup>6</sup>, and the House Committee on Transportation and Infrastructure has marked up H.R. 1630, the Amtrak Reauthorization Act of 2005, that would authorize \$2 billion annually for three years for Amtrak as it is currently structured. Similar legislation was marked up by the Committee during the 108<sup>th</sup> Congress, but was not acted upon.

The House Committee on Appropriations recommended \$550 million for grants to Amtrak for FY2006. The Committee also established a financial performance measure for Amtrak’s individual routes. Routes requiring a federal subsidy greater than \$30 per passenger would no longer be eligible for federal support. The Committee noted that the states served by these routes could provide the funding needed to support the routes; otherwise, the routes would be eliminated. This would have affected Amtrak’s long-distance routes and a few corridor routes, affecting service to 23 states. In a press release describing the bill’s Amtrak provisions, the Committee wrote that the bill “fully supports rail service for ... 80 percent of Amtrak’s ridership.”<sup>7</sup> Amtrak’s President, David Gunn, noting that Amtrak would owe employees \$1.4 billion over three years in severance payments if the long-distance trains were eliminated,<sup>8</sup> asserted the Committee’s recommended funding would lead to an Amtrak shutdown, because the company could not meet debt

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<sup>3</sup> (...continued)

the Senate Committee on Appropriations Subcommittee on Transportation, Treasury, the Judiciary, and Housing and Urban Development, Hearing on FY2006 Appropriations.

<sup>4</sup> Office of Management and Budget, *Budget for Fiscal Year 2006*, p. 243.

<sup>5</sup> Government Accountability Office, *Intercity Passenger Rail: Potential Financial Issues in the Event that Amtrak Undergoes Liquidation*, GAO-02-871, September 2002; CRS Report RL31550, *Railroad Reorganization Under the U.S. Bankruptcy Code: Implications of a Filing by Amtrak*.

<sup>6</sup> H.Rept. 109-17, on the FY2006 Budget Resolution (H.Con.Res. 95), 30.

<sup>7</sup> House of Representatives, United State Congress. Smarter, More Effective Funding for Amtrak. Press Release issued June 15, 2005. [Available at [http://appropriations.house.gov/index.cfm?FuseAction=PressReleases.Detail&PressRelease\\_id=492&Month=6&Year=2005](http://appropriations.house.gov/index.cfm?FuseAction=PressReleases.Detail&PressRelease_id=492&Month=6&Year=2005)]

<sup>8</sup> Chris Mondics, “Amtrak Chief says ‘Ideologues’ Urging Cuts,” Philadelphia Inquirer, June 16, 2005, A1.

service, pay its obligations to the railroad retirement fund and make required payments to the workers it would have to lay off.<sup>9</sup>

In testimony before a Senate Appropriations Subcommittee in May 2005, the Inspector General of the Department of Transportation testified that Amtrak needed between \$1.4 and \$1.5 billion in federal funding for FY2006, and noted that even a federal funding level of \$1.2 billion, equal to the FY2005 level, would almost certainly lead to very significant cuts in service.<sup>10</sup> The Inspector General also testified that eliminating Amtrak's long-distance trains would not reduce Amtrak's costs quickly:

It's important to appreciate that while [long-distance trains] are highly subsidized and often inefficient, their total elimination will not come close to making ends meet. Savings ultimately would be in the neighborhood of around \$300 million, and the savings would not be immediate due to the need for labor severance payments.<sup>11</sup>

In its consideration of H.R. 3058, the House approved two amendments concerning Amtrak. One amendment, agreed to by voice vote, increased Amtrak's FY2006 appropriation from \$550 million to \$1.176 billion. This is \$31 million less than the \$1.207 Amtrak is receiving in FY2005 (after the 0.83% across-the-board rescission), and significantly less than the \$1.4 billion the DOT IG testified Amtrak needed in FY2006. But it is \$276 million more than the House approved for Amtrak when it passed the FY2005 appropriations bill for transportation (108<sup>th</sup> Congress: H.R. 5025). The other amendment, approved by a vote of 269-152, deleted the Appropriation Committee's financial performance requirement for Amtrak's routes that would have eliminated federal aid for Amtrak's long-distance routes.

**Aviation.** The Federal Aviation Administration (FAA)'s budget provides both capital and operating funding for the nation's air traffic control system, as well as providing federal grants to airports for airport planning, development, and expansion of the capacity of the nation's air traffic infrastructure. The President's budget requests \$13.8 billion for FY2006, roughly the same as was enacted for FY2005 (a proposed rescission of FY2005 unused contract authority allows the budget total to be scored as \$12.7 billion, which would be an \$839 million reduction from the FY2005 level). The President's request includes \$25 million to hire 1,249 air traffic controllers in FY2006. This is expected to result in a net gain of around 600 controllers, since around 650 controllers are expected to leave through attrition.

The House Committee recommended \$15.0 billion for FY2006, \$1.1 billion over the level enacted for FY2005 and \$1.2 billion over the Administration request.

<sup>9</sup> Matthew L. Wald, "National Briefing Washington: Committee Votes To Cut Amtrak Subsidy", *New York Times*, June 16, 2005, A23.

<sup>10</sup> Kenneth Mead, Inspector General, United States Department of Transportation, in transcript of Senate Appropriations Subcommittee on Transportation, Treasury, the Judiciary and Housing and Urban Development, Hearing on FY2006 Appropriations, May 12, 2005, published by CQ.

<sup>11</sup> Ibid.



The increases brought the FAA's capital programs up to their FY2006 authorized funding levels. The House supported this recommendation.

***Airport Improvement Program.*** The President's budget proposes a cut to the Airport Improvement Program (AIP), from \$3.5 billion in FY2005 to \$3.0 billion for FY2006. The House provided \$3.6 billion, the FY2006 authorized level

AIP funds are used to provide grants for airport planning and development, and for projects to increase airport capacity (such as building new runways) and other facility improvements. Some Members of Congress have questioned AIP cuts at a time when aviation traffic is finally returning to pre-September 11<sup>th</sup> volumes and is expected to continue to grow. Construction of new runways is seen by many as the best way to alleviate airport congestion. The Administration's requested \$3 billion for FY2006 is \$600 million below the funding level "guaranteed" for FY2006 in the Century of Aviation Reauthorization Act (VISION 100, P.L. 108-176). Section 104 of Vision 100 (49 USC 48114(c)(2)) provides that "it shall not be in order" for Congress to consider any bill appropriating funding for FAA Operations or Research and Development accounts if the combined funding for the Grants-in-Aid to Airports and Facilities and Equipment accounts is below their combined authorization level for that year. The proposed FY2006 funding level for the Facilities and Equipment program is \$500 million below the level "guaranteed" for FY2006; the combined FY2006 proposal for the AIP and Facilities and Equipment programs is \$5.45 billion, \$1.2 billion below their combined authorized level of \$6.65 billion. In addition, the proposed AIP funding level of \$3 billion is below the \$3.2 billion threshold set under AIP distribution formulas in VISION 100; due to a provision in the authorizing legislation, this shortfall could result in cutting most AIP formula distributions in half.

The Administration asserts that airports can compensate for the reduction in AIP funding by increasing their use of passenger facility charges. The Administration estimates that airports could raise an additional \$350 to \$400 million annually by increasing passenger facility fees to the maximum allowed by law. Some Members of Congress have questioned the wisdom of imposing fee increases on an airline industry struggling with the impact of high fuel costs.

***Essential Air Service.*** The President's budget proposes a \$52 million (51%) reduction in funding for the Essential Air Service program, from \$102 million (FY2005) to \$50 million. The House Committee on Appropriations recommended \$104 million. The House-passed bill provided \$50 million, after \$54 million was struck from the bill on a point of order regarding the source of the funding.

This program seeks to preserve air service to small airports in rural communities by subsidizing the cost of that service. Supporters of the Essential Air Service program contend that preserving airline service to rural communities was part of the deal Congress made in exchange for deregulating airline service in 1978, which was expected to reduce air service to rural areas. Some Members of Congress have expressed concern that this proposed cut in funding for the Essential Air Service program could lead to a reduction in the transportation connections of rural communities. Previous budget requests from the current Administration, as well as

budget requests from the previous Administration, have also proposed reducing funding to this program.

**Surface Transportation.** The President's budget requests \$35.3 billion for federal highway programs, slightly less than the \$35.7 billion provided for FY2005, and \$7.8 billion for federal transit programs, slightly more than the \$7.6 billion provided for FY2005. The House approved \$37.0 billion for federal highway programs and \$8.5 billion for federal transit programs.

The funding authorization for federal highway and transit programs was scheduled to expire on October 1, 2003, and has been extended repeatedly as Congress debates reauthorization of these programs. Congressional debate over reauthorizing these programs has focused on overall funding levels and the distribution of funding among the states. The House Committee's recommended figures reflect the authorization levels proposed in the House's version of the surface transportation authorization legislation, which is currently in conference.

**Maritime Administration.** The Administration requested \$220 million for the Maritime Administration for FY2006, \$85 million (28%) below the \$305 million enacted for FY2005. The major difference was in the National Defense Tanker Vessel Construction Program; the Administration not only did not request any new funding for this program, but requested that the \$74 million Congress appropriated in FY2005 for this program be rescinded. The Committee on Appropriations recommended \$291 million; the Committee did not provide any new funding for the Tanker Vessel Construction Program, but did not rescind the FY2005 funding. The House supported the Committee's recommendations.

This program is intended to decrease the Department of Defense's reliance on foreign-flag oil tankers by supporting the construction of up to five privately-owned product-tanker vessels in the United States. It would provide up to \$50 million per vessel for the construction, in U.S. shipyards, of commercial tank vessels that are capable of carrying militarily useful petroleum products and that would be available for the military's use in time of war.

## Title II: Treasury Appropriations

**Table 5. Title II: Department of the Treasury Appropriations,  
FY2005 to FY2006**  
(millions of dollars)

<b>Program or Account</b>	<b>FY2005 Enacted*</b>	<b>FY2006 Request</b>	<b>FY2006 House</b>
Departmental Offices	\$156	\$195	\$157
Office of Foreign Asset Control	22	—	
Department-wide Systems and Capital Investments	32	24	21
Office of Inspector General	16	17	17
Treasury Inspector General for Tax Administration	128	133	133
Air Transportation Stabilization Program	2	3	—
Community development financial institutions fund program account	55	8	55
Treasury Building and Annex Repair and Restoration	12	10	10
Financial Crimes Enforcement Network	72	74	74
Financial Management Service	229	236	236
Alcohol and Tobacco Tax and Trade Bureau	82	62	91
Bureau of the Public Debt	174	177	177
Internal Revenue Service, Total	10,236	10,679	10,556
<i>Processing, Assistance and Management</i>	<i>4,057</i>	—	<i>4,182</i>
<i>Tax Law Enforcement</i>	<i>4,364</i>	—	<i>4,580</i>
<i>Information Systems</i>	<i>1,578</i>	—	<i>1,575</i>
<i>Business Systems Modernization</i>	<i>203</i>	<i>199</i>	<i>199</i>
<i>Health Insurance Tax Credit Administration</i>	<i>35</i>	<i>20</i>	<i>20</i>
<b>Total Appropriations, Dept. of the Treasury</b>	<b>11,218</b>	<b>11,649</b>	<b>11,529</b>

**Source:** Figures are from a budget authority table provided by the House Committee on Appropriations. Because of differing treatment of offsets, the totals will not always match the Administration's totals. The figures within this table may differ slightly from those in the text due to supplemental appropriations, rescissions, and other funding actions. Columns may not add due to rounding or exclusion of smaller program line-items.

\*FY2005 figures reflect an across-the-board rescission of 0.83%.

## Department of the Treasury Budget and Key Policy Issues<sup>12</sup>

In FY2005, Treasury is receiving \$11.218 billion in appropriated funds, or 1.3% more than it received in FY2004. Most of this money (about 92%) is being used to finance the operations of the Internal Revenue Service (IRS), whose budget is \$10.236 billion. The remaining \$929 million is being distributed in the following manner among Treasury's other bureaus and departmental offices: departmental offices (which includes the Office of Terrorism and Financial Intelligence or TFI), \$158 million; Office of Foreign Assets Control (OFAC), \$22 million; department-wide systems and capital investments, \$32 million; Office of Inspector General, \$17 million; Treasury Inspector General for Tax Administration (TIGTA), \$129 million; Air Transportation Stabilization program, \$2 million; Treasury building and annex repair and restoration, \$12 million; Financial Crimes Enforcement Network (FinCEN), \$73 million; Financial Management Service, \$231 million; Alcohol and Tobacco Tax and Trade Bureau, \$83 million; and Bureau of the Public Debt, \$175 million. These amounts do not reflect an 0.83% across-the-board cut (or rescission) in non-defense discretionary spending.

For FY2006, the Bush Administration is asking Congress to provide \$11.649 billion in appropriated funds, or 3.8% more than the amount enacted for FY2005 (after allowing for the rescission). Once again, the vast majority of this budget request would go to the IRS, whose budget would total \$10.679 billion. The remaining funding would be distributed as follows: departmental offices, \$195 million; departmental systems and capital investments, \$24 million; Office of Inspector General, \$17 million; TIGTA, \$133 million; Air Transportation Stabilization program, \$3 million; Treasury building and annex repair and restoration, \$8 million; FinCEN, \$74 million; Financial Management Service, \$236 million; Alcohol and Tobacco Tax and Trade Bureau, \$91 million; and Bureau of the Public Debt, \$177 million. Each account except those for departmental systems and capital investments, and Treasury building and annex repair and restoration, would be funded at a higher level than in FY2005. The Administration also wants funding for OFAC to be treated not as a separate account but as an element of its budget request for departmental offices.

According to budget documents released by the Treasury Department, its FY2006 budget request is intended to achieve numerous strategic objectives. The most important include improving taxpayer compliance with tax laws; modernizing IRS's computer and management systems; enhancing Treasury's capability to analyze and disrupt terrorist financing and other financial crimes; maintaining and safeguarding the integrity of federal finances and the U.S. financial system; and increasing opportunities for economic development through policy initiatives such as fundamental tax reform. Recent congressional testimony by Treasury officials indicates that the highest priorities are improving tax compliance and disrupting (and reducing) the flow of funds to terrorist groups.

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<sup>12</sup> For more information on the proposed budget for the Treasury, see CRS Report RL32898, *Appropriations for the Treasury Department and Internal Revenue Service in FY2006: Issues for Congress*.

The House Committee on Appropriations approved a measure (H.R. 3058) providing funding for Treasury and a handful of other executive agencies for FY2006 on June 21, 2005. Six days earlier, the House Appropriations Subcommittee on Transportation, Treasury, Housing and Urban Development, Judiciary, and the District of Columbia had endorsed a similar measure by voice vote. Under the bill passed by the full committee, the Treasury Department would receive \$11.555 billion in appropriated funds in FY2006, or \$336 million more than the amount appropriated for the Department in FY2005 but \$94 million less than the level of funding requested by the Bush Administration. Not surprisingly, proposed funding for the IRS accounts for most of these differences. H.R. 3058 would grant the agency \$10.549 billion in appropriated funds, or \$313 million more than its budget in FY2005 but \$130 million less than the Administration's budget request. The Committee denied a request by the IRS to combine funding for taxpayer service and enforcement into a single account for tax administration and operations. In addition, H.R. 3058 would also raise funding relative to the current fiscal year for the following accounts: departmental offices (which includes OFAC and TFI), +\$31.1 million; Office of Inspector General, +\$0.6 million; TIGTA, +\$5.2 million; Air Transportation Stabilization Program, +0.5 million; FinCEN, +\$1.7 million; Alcohol and Tobacco Tax and Trade Bureau, +\$8.8 million; Bureau of Public Debt, +3.2 million; and the Financial Management Service, +\$7.2 million. Two accounts would receive less in FY2006 than in FY2005: department-wide systems and capital investments, -\$10.6 million; and Treasury building and annex repair and restoration, -\$2.2 million.

The House of Representatives passed H.R. 3058 by a vote of 405 to 18 on June 30. During floor debate on the measure, the House passed a few amendments that would affect funding for Treasury operations in FY2006; all the amendments dealt with IRS accounts.

**Internal Revenue Service (IRS).** In FY2005, the IRS is receiving \$10.2 billion in appropriated funds, or 1.3% more than it received in FY2004. Of this amount, \$4.090 billion is intended for processing, assistance, and management; \$4.399 billion for tax law enforcement; \$1.590 billion for information systems management; \$205 million for business systems modernization (BSM); and \$35 million to administer the health insurance tax credit established by the Trade Act of 2002. Of the funds appropriated for processing, assistance, and management, Congress has specified that \$4.1 million be used to operate the Tax Counseling for the Elderly program and \$7.5 million be reserved to pay for grants for low-income taxpayer clinics. None of the funds appropriated for the BSM program may be spent without the consent of the House and Senate Appropriations Committees. In addition, the IRS Commissioner must submit quarterly reports in FY2005 on the agency's activities aimed at improving taxpayer compliance to both committees.

The Bush Administration is requesting that IRS operations be funded at \$10.679 billion in FY2006, or 4.3% more than the amount enacted for FY2005 after allowing for the rescission. To bring its budget request into closer alignment with IRS's major programs and most recent strategic plan, the Administration wants to revamp the agency's budget beginning in FY2006. Under the Administration's proposal, the number of accounts in the IRS budget would be reduced from six to three: tax administration and operations (TAO), BSM, and administration of the health

insurance tax credit. TAO would be equivalent to the existing accounts for tax law enforcement; processing, assistance, and management; and information systems. For FY2006, the Administration wants to spend \$10.46 billion on TAO, or 4.6% more than is being spent for this purpose in FY2005; \$199 million on BSM, or 2.3% less than the amount enacted for FY2005; and \$20 million on administration of the health insurance tax credit, or 41.5% less than the amount enacted for the current fiscal year. Compared to the FY2005 budget, the Administration is seeking \$500 million more for enforcement but \$38 million less for taxpayer service and \$4 million less for the ongoing effort to upgrade IRS's business systems. Some are concerned that a cutback of that amount in taxpayer service could end up exacerbating compliance problems among those taxpayers who rely heavily on taxpayer assistance centers (TACs) and IRS toll-free phone assistance centers.<sup>13</sup>

According to budget documents issued by the IRS, this budget request is intended to achieve the three main goals guiding the agency's current five-year strategic plan, which was issued in July 2004: (1) continued improvement of taxpayer service; (2) strengthened enforcement of the tax laws; and (3) continued modernization of IRS's information systems.

Under the appropriations bill (H.R. 3058) approved by the House Committee on Appropriations on June 21, 2005, the IRS would receive \$10.549 billion in appropriated funds in FY2006. This amount is \$313 million more than the agency's budget in the current fiscal year but \$130 million less than the Bush Administration's budget request. Making meaningful comparisons between H.R. 3058 and the Administration's budget request is a challenging task because the Administration is proposing that the agency's budget be revised so that the existing accounts for tax law enforcement and for processing, assistance and management become a single account for tax administration and operations. The Committee rejected the proposal. But it is possible to compare the bill's recommended funding for IRS operations with the budget for this purpose in FY2005. Of the \$10.549 billion in funding for the IRS, \$4.181 billion (or \$124.7 million above the level for FY2005) would go to processing, assistance, and management; \$4.541 billion (or \$177.9 million above the level for FY2005) would be set aside for tax law enforcement; \$1.607 billion (or \$29.1 million above the level for FY2005) for information systems; \$199 million (or \$4.4 million below the level for FY2005) for BSM; and about \$20 million (or \$14.3 million below the level for FY2005) for administering the health insurance tax credit. Furthermore, H.R. 3058 would bar the IRS from using any of the funds appropriated by the bill to close TACs in FY2006 until TIGTA has completed a "thorough, scientific review of the impact this initiative would have on individual taxpayers." In late May 2005, the IRS announced that it planned to close 68 of the 400 existing TACs by the end of FY2005.

During floor debate on the measure, the House adopted a few changes in the bill that would affect funding for IRS operations in FY2006. One amendment (H.Amdt. 396) would increase the budget for tax law enforcement by \$38 million (from \$4.541 billion in the version of H.R. 3058 approved by the Appropriations Committee to

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<sup>13</sup> Allen Kenney, "Deja Vu? Bush Wants \$500 Million for IRS to Toughen Up in 2006," *Tax Notes*, Feb. 14, 2005, p. 748.

\$4.579 billion) and offset the increase by reducing funding for the GSA's Federal Buildings Fund. Another amendment (H.Amdt. 403) would increase funding for HUD's Fair Housing Initiatives Program by \$7.7 million and pay for the increase by decreasing funding for IRS's information systems and telecommunications support by the same amount. Finally, yet another amendment (H.Amdt. 404) would cut \$24 million from IRS's budget for information systems and use the money to increase funding for the Community Development Fund, a program administered by HUD aimed at cleaning up brownfield sites. Staunch opposition from the Bush Administration led to the withdrawal of an amendment (H.Amdt. 418) that would have reduced funding for the BSM by \$5 million in FY2006 and prohibited the IRS from using appropriated funds to hire private debt collection agencies to assist in the collection of certain delinquent individual tax debt. The IRS has the authority to use private contractors for tax collection as a result of the American Jobs Creation Act of 2004 (P.L. 108-357).

### **Title III: Department of Housing and Urban Development**

**Table 6. Title III: Housing and Urban Development  
Appropriations, FY2005 to FY2006**  
(budget authority in \$ billions)

<b>Program</b>	<b>FY2005 enacted</b>	<b>FY2006 request</b>	<b>FY2006 House</b>
Tenant-based rental assistance (Sec. 8 vouchers) (includes advanced appropriation)	14.766	15.845	15.631
Project-based rental assistance (Sec.8)	5.298	5.072	5.088
Public housing capital fund	2.579	2.327	2.600
Public housing operating fund	2.438	3.407	3.600
HOPE VI	0.143 <sup>a</sup>	0.000 <sup>a</sup>	0.060
Native American housing block grants	0.622	0.583 <sup>b</sup>	0.600 <sup>c</sup>
Native Hawaiian Block Grant	<sup>d</sup>	0.009	0.009
Housing for Persons With AIDS (HOPWA)	0.282	0.268	0.290
Rural Housing Economic Development	0.024	0.000 <sup>e</sup>	0.010
Empowerment Zones; Enterprise Communities (EZ/EC)	0.010	0.000 <sup>e</sup>	0.000
Community Development Fund (CDF)/Community Development Block Grant (CDBG) (including supplemental funding)	4.852 <sup>f</sup>	0.000 <sup>e</sup>	4.243 <sup>g</sup>
Brownfields redevelopment	0.024	0.000 <sup>e</sup>	<sup>g</sup>
HOME Investment Partnerships	1.900	1.941	1.900
Homeless Assistance Grants	1.241	1.440	1.340
Self Help Homeownership	<sup>h</sup>	0.030	0.061 <sup>i</sup>
Housing for the elderly (Sec. 202)	0.741	0.741	0.741

Program	FY2005 enacted	FY2006 request	FY2006 House
Housing for the disabled (Sec. 811)	0.238	0.120	0.238
Housing Counseling Assistance	j	0.040	k
Rental Housing Assistance	0.000	0.026	0.026
Research and technology	0.045	0.070 <sup>l</sup>	0.061 <sup>l</sup>
Fair housing activities	0.046	0.039	0.047
Office, lead hazard control	0.167	0.119	0.167
Salaries and expenses	0.543	0.579	0.579
Working capital fund	0.268	0.265	0.062
Inspector General	0.079	0.079	0.079
Loan Guarantees <sup>m</sup>	0.013	0.004	0.004
<b>Appropriations Subtotal</b>	<b>36.318</b>	<b>33.003</b>	<b>37.226</b>
Sec. 8 recaptures (rescission)	-1.557	-2.500	-2.494
HOPE VI rescission <sup>a</sup>	0.000	-0.143	0.000
Other rescissions	-0.764 <sup>n</sup>	0.000	0.000
<b>Rescissions Subtotal</b>	<b>-2.321</b>	<b>-2.643</b>	<b>-2.494</b>
Federal Housing Administration (net)	-1.724	-0.856	-0.913
GNMA (net)	-0.357	-0.357	-0.357
<b>Offsets Subtotal</b>	<b>-2.082</b>	<b>-1.213</b>	<b>-1.271</b>
<b>Total</b>	<b>\$31.915</b>	<b>\$29.147</b>	<b>\$33.671</b>

**Source:** Prepared by CRS based on information provided by the House Committee on Appropriations, HUD's Congressional Budget Justifications, H.R. 3805, and H.Rept. 109-153. FY2005 figures are adjusted to reflect the 0.8% across-the-board rescission enacted in P.L. 108-447.

**Note:** This table does not include two accounts whose costs are equal to their offsetting receipts: Manufactured Housing Fees Trust Fund (\$12.9 million in FY2005 and \$13 million in FY2006) and the Office of Federal Housing Enterprise Oversight (\$58.7 million in FY2005 and \$60 million in FY2006).

- a. The Administration has proposed that in FY2006, Congress provide no new funding and also rescind the HOPE VI funding provided in FY2005.
- b. Includes \$58 million for Indian community and economic development activities, which, in FY2005, received \$68 million as a set-aside within the Community Development Fund.
- c. Includes \$45 million for Indian community and economic development activities, which, in FY2005, received \$68 million as a set-aside within the Community Development Fund.
- d. In FY2005, \$8.9 million was provided for this program (Hawaiian Homelands Homeownership) as a set-aside within the Community Development Fund.
- e. For FY2006, the Administration proposes to eliminate these programs and replace them with a new program funded in the Commerce Department.
- f. The CDBG appropriation includes \$180.8 million in CDBG supplemental funding for FY2005, including \$30.8 million appropriated under Section 424 of P.L. 108-447 and \$150 million appropriated under P.L. 108-324.
- g. Two floor amendments to H.R. 3805 adding funds to the CDF account were approved. H.AMDT.396 added \$67.5 million to the CDF account to increase funding for CDBG formula grants and ensure funds were available for Youthbuild. H.AMDT.404 added \$24 million to the CDF account to be used for Brownfields.
- h. In FY2005, \$24.8 million was provided for this program as a set-aside within the Community Development Fund.
- i. The House bill would rename this account Self-Help and Assisted Homeownership and transfer to it funding for several set-asides that were formerly funded under the Community Development Fund, including \$24 million for the Self-Help Homeownership Program (SHOP), \$28 million for the National Community Development Initiative, \$3 million for the Housing Assistance Council, \$1 million for Special Olympics, and \$1 million for the National American Indian Housing Council. The account also includes \$4 million for a one-time grant to the Housing Partnerships Network, which was not previously funded under CDBG.



- j. In FY2005, \$41.7 million was provided for this program as a component of HOME.
- k. The House provided \$41.7 for Housing Counseling Assistance as a set-aside within the HOME program.
- l. Includes \$29 million requested for University Partnerships, which, in FY2005, received a total of \$33 million as set-asides within the Community Development Fund.
- m. This category includes Section 108 (\$7 million in FY2005, \$0 in FY2006), Native Hawaiian housing (\$992,000 in FY2005 and \$882,000 in FY2006) and Indian housing loan guarantees (\$5 million in FY2005 and \$2.6 million in FY2006). For FY2006, the Administration proposes to eliminate Section 108 loan guarantees and replace them with the new larger program in the Commerce Department. The House bill does not include funding for Section 108 loan guarantees.
- n. Includes one-time rescissions of unobligated balances from the following accounts: Public Housing Drug Elimination grants, Title VI credit subsidy, Urban Development Action Grants, rental housing assistance and GI/SRI credit subsidy.

## Department of Housing and Urban Development Budget and Key Policy Issues<sup>14</sup>

The President's proposed HUD budget of \$29.1 billion for FY2006 represents a decline of almost 9% from the FY2005 enacted level of \$31.9 billion. This decrease is the result of several factors including the proposed transfer of the Community Development Block Grant program (CDBG) to the Department of Commerce and the reduction or elimination of other HUD programs. Proposed cuts to the major HUD programs are discussed below. Proposed cuts to smaller programs include reductions in the Lead-Based Paint Hazard Reduction program (-29%); Native American Block Grants (-6%); Fair Housing programs (-15%); and Housing for Persons with AIDS (-5%). Several program increases are proposed, including a \$1.1 billion increase for HUD's largest program, the \$14.8 billion Section 8 voucher program, and a \$200 million increase for Homeless Assistance Grants.

On June 30, 2005, the House passed its version of the FY2006 HUD funding bill, providing over \$4 billion more for the Department than the President requested. H.R. 3058 would continue to fund CDBG within HUD and would maintain or increase funding for several programs slated for cuts in the President's budget.

**Community and Economic Development Programs Consolidation Proposal.** The Bush Administration budget recommendations for FY2006 include a proposal that would consolidate the activities of at least 18 existing community and economic development programs into a two-part grant proposal called the "Strengthening America's Communities Initiative (SACI)." As outlined by the Administration, the proposal would realign several, but not all, federal economic and community development programs. The most prominent of these programs is the Community Development Block Grant program. Other HUD programs that would be eliminated under the Administration proposal include Empowerment Zones, Brownfield Economic Development Initiatives, CDBG Section 108 loan guarantees, and Rural Housing and Economic Development Grants. The Department of Commerce would be responsible for administering the new program that would

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<sup>14</sup> For more details on the proposed HUD budget, see CRS Report RL32869, *The Department of Housing and Urban Development (HUD): Fiscal Year 2006 Budget*. For a similarly detailed examination of the FY2005 budget, see CRS Report RL32443, *The Department of Housing and Urban Development: FY2005 Budget*.

replace the 18 existing programs that are currently administered by five federal agencies.

The Administration proposal would reduce aggregate funding from \$5.6 billion in FY2005 for the programs proposed for consolidation to \$3.7 billion in FY2006 for the new program. The Administration has offered a general outline of the new programs, but it has not yet submitted a detailed realignment proposal for congressional consideration. It has stated that the new program will emphasize flexibility, will be results oriented, and will be targeted to communities based on need. The Administration is seeking this realignment, in part, because many of the 18 programs recommended for elimination have been judged by the Administration to be ineffective, unable to demonstrate results, or duplicative of the efforts of other federal programs.

The agency that would be most affected by the proposal is HUD; programs administered by HUD account for nearly 81% of the \$5.6 billion in FY2005 funding. The agency's Community Development Block Grant formula grants represent 74% of the total. The consolidation proposal is being opposed by groups representing state and local officials including the U.S. Conference of Mayors, the National Governors Association, National League of Cities, and National Association of Counties. The House and Senate-passed budget resolutions for FY2006 both included language that would support the continuation of the CDBG program. The House version of H.Con.Res. 95 included language that would increase funding for the community and regional development budget function by \$1.1 billion to \$4.8 billion. It also included language supportive of the continued funding of the CDBG program. The Senate version of the budget resolution would restore \$2 billion that would be cut under the Administration's "Strengthening America's Communities Initiative" and stipulated that the funds were to be used to support CDBG and the other 17 programs targeted for elimination by the Administration. The conference agreement on the FY2006 budget resolution (H.Rept. 109-62) includes language that supports the continuation of the CDBG program. It assumes \$1.5 billion more than the President requested for Community and Economic Development purposes and the accompanying Joint Statement of Managers indicates that the increase is intended to maintain economic and community development programs such as CDBG at FY2005 levels.

On June 21, the House Committee on Appropriations completed consideration of H.R. 3058, the FY2006 appropriations bill for HUD (and several other agencies). The measure rejected the Administration's proposed "Strengthening America's Communities Initiative" and recommended \$4.15 billion for the CDBG program and Economic Development Initiative (EDI) grants. This includes \$3.86 billion for CDBG formula grants awarded to entitlement communities and states, which is \$250 less than appropriated in FY2005. The Committee also included \$290 million for EDI grants for congressional earmarked projects. The committee bill did not provide funding for a number of CDBG set-asides and related programs, including YouthBuild, Empowerment Zones, Brownfields, and Section 108 loan guarantees. In addition, the committee bill recommended transferring funding for several CDBG-related set-asides to other accounts within HUD. A new self-help and assisted homeownership account would provide \$23 million for the Self-Help Homeownership Program (SHOP), \$28 million for the National Community Development Initiative, \$3 million for the Housing Assistance Council and \$1

million each for the Special Olympics and the Native American Indian Housing Council. Indian CDBG would be funded as a set-aside of \$45 million within the Native American Housing Block Grants account. The Committee also recommended transferring to HUD's Office of Policy Development and Research \$29 million in funding for university programs previously included as CDBG set-asides under Section 107 — including assistance to historic black colleges and universities, institutions serving Hispanic populations, and a community development work study program.

The House approved the Committee's recommendations, and also approved two amendments increasing FY2006 funding for the Community Development Fund account (CDF). The House approved by voice vote an amendment offered by Representative Gary Miller adding \$24 million to the CDF for HUD's Brownfield program. It also approved by voice vote an amendment introduced by Representative Knollenberg that provided an additional \$67.5 million to the CDF. Floor debate indicated that up to \$50 million of the increase is for the Youthbuild program, assuming it is not funded within the Department of Labor's budget. The remaining \$17.5 million is designated for CDBG formula-based grants. This increase still leaves formula-based grants funded more than \$230 million below the FY2005 level. During floor consideration of the bill, the chairman of the HUD et al Appropriations Subcommittee, Representative Knollenberg, stated that it was his intention to find a way to restore the CDBG formula-based program to its FY2005 funding level.

For additional information on the Administration's proposal see CRS Report RL32823, *An Overview of the Administration's Strengthening America's Communities Initiative*.

**Section 8 Voucher Funding Level and Reform Proposal.** The President's FY2006 request for the Section 8 tenant based rental assistance program, also called the Section 8 voucher program, represents a 7% increase in funding over FY2005. These additional funds would be used to renew existing subsidies, rather than create new subsidies. The President's budget proposes to continue and expand the practice of funding public housing authorities (PHAs) on the basis of fixed costs, rather than on actual costs (as was the practice prior to FY2004), and on the basis of fixed utilization rates, rather than on all available vouchers (as was the practice prior to FY2005). This "budget-based" funding structure has been controversial among some PHAs, who argue it does not provide them with sufficient funding to meet their local needs.

Beyond funding levels, the budget request also states that the President intends to introduce a new proposal to reform the tenant-based voucher program. One purpose for this reform proposal is to contain, if not reduce, costs. According to the President's budget summary, "Section 8's program costs are cannibalizing every HUD program — at the same time waiting lists of families seeking housing continue to grow." The FY2006 HUD Congressional Budget Justifications state that this new proposal will provide additional flexibility to PHAs which will enable them to run their programs more effectively and efficiently. The Administration's reform proposal was introduced in the Senate (S. 771) on April 13 and in the House (H.R. 1999) on April 28, 2005. Reform proposals were also submitted as part of the FY2004 and FY2005 budgets; no congressional action was taken on either proposal.

The House Appropriations Committee recommended \$15.5 billion for tenant based rental assistance, which is \$765 million more than was provided in FY2005 but \$314 million less than the President requested. The funding would be allocated to agencies based on the amount they received in the previous year, plus inflation. The \$15.5 billion includes a set-aside of funds that the Secretary could use to adjust the budgets of agencies that were negatively impacted by the FY2005 formula due to anomalous circumstances, such as an increase in voucher holders moving to more expensive areas.

On June 30, 2005, during House floor consideration of the bill, an amendment offered by Representative Nadler added an additional \$100 million to the tenant-based rental assistance account, increasing the appropriation to \$15.6 billion. The amendment offset the increase by decreasing funding for the Working Capital Fund by \$120 million. For additional information, see CRS Report RL31930 *Section 8 Housing Choice Voucher Program: Funding and Related Issues*.

**Section 811 Housing for the Disabled.** The President's FY2006 request for the Section 811 housing for the disabled program would be a 50% cut in funding from FY2005. Further, the funding provided would not be available for capital grants to build housing units for the disabled, as in the past. Instead, the full amount would be used to provide vouchers to persons with disabilities. HUD budget documents do not provide a rationale for the reduction or restriction on use for capital grants. In testimony on March 17, 2005 before the House Appropriations Subcommittee on Transportation, the Treasury, HUD, the Judiciary, and the District of Columbia, the Secretary of HUD referred to the need to make unpopular cuts in programs such as Section 811 in order to maintain adequate funding for Section 8 and programs for the homeless.

The House-passed version of the FY2006 HUD funding bill maintains Section 811 funding at the FY2005 level of \$238 million and permits the funds to be used to provide capital subsidies.

**HOPE VI.** For the third year, the President's budget requests no new funding for the HOPE VI revitalization of distressed public housing program. HOPE VI provides grants to local public housing administrators (PHAs) to help fund major redevelopment of troubled public housing projects. The Administration claims that the program has met its mandate and that program funds are spent too slowly; however, the program has been popular with many local communities and Members of Congress. Despite the President's request, in FY2004 and FY2005, Congress funded HOPE VI, but at a lower level than in FY2003 when over \$570 million was provided to the program. In addition to requesting no new funding for the program in FY2006, the President's budget requests that Congress rescind the funds it provided to the program in FY2005.

The House Appropriations Committee recommended no FY2006 funding for the HOPE VI program, but did not support the President's request to rescind FY2005 funding. In House floor consideration of the bill, an amendment was adopted that provides \$60 million for HOPE VI, offset by a reduction of \$60 million for the General Services Administration's Federal Buildings Fund. For more information,

see CRS Report RL32236, *HOPE VI Public Housing Revitalization Program: Background, Funding, and Issues*.

**New FHA Proposals.** The Administration's FY2006 budget includes proposals for two new FHA initiatives. Under the **FHA Zero Downpayment Homeownership Option** proposal, first-time buyers with strong credit records would be allowed to finance 100% of their home purchase price and settlement costs. Insurance premiums would be increased to cover the higher risks and costs involved. HUD's FY2006 budget estimates this would generate 204,000 loans and \$230.5 million in net revenue. The House Committee on Appropriations did not assume these revenues in their re-estimate of the President's budget, resulting in a larger proposed appropriation request for HUD. A bill to enact this proposal was introduced in the 109<sup>th</sup> Congress as H.R. 3043. Under the **FHA Payment Incentive Homeownership Initiative**, first proposed in the FY2005 budget, HUD would amend its underwriting guidelines in order to attract borrowers who would otherwise seek loans in the subprime market. According to HUD, the borrowers would obtain better terms from FHA than would be possible on the subprime market. The increased risk of default and the higher costs associated with these borrowers would be offset by requiring more owner equity and higher insurance premiums, although after a period of on-time payments, the premiums would be reduced. HUD's FY2006 budget estimates this program would generate 64,000 loans a year and increase net revenues by \$37.4 million. The Committee also did not include these revenue projections in their re-estimate of the President's budget.

## Title IV: The Judiciary

### The Judiciary Budget and Key Policy Issues

Title IV covers funding for the Judiciary. As a co-equal branch of government, the Judiciary presents its budget to the President, who transmits the proposed judicial branch budget to Congress unaltered. **Table 7** shows the FY2005 enacted amount, the FY2006 requested funding, the House Appropriations Committee recommendations, and the House passed amount.

The two accounts that fund the Supreme Court — the salaries and expenses of the Supreme Court of the United States and the expenditures for the care of its building and grounds — together make up less than 1.2% of the total Judiciary budget. The structural and mechanical care of the Supreme Court building, and care of its grounds, are the responsibility of the Architect of the Capitol. The rest of the Judiciary's budget provides funding for the "lower" federal courts and for related judicial services. The largest account, making up 75% of the total budget — the Salaries and Expenses account for the U.S. Courts of Appeals, District Courts and Other Judicial Services — covers the salaries, benefits and operating expenses of circuit and district judges (including judges of the territorial courts of the United States), and those of retired justices and judges, U.S. Court of Federal Claims, bankruptcy and magistrate judges, and all other officers and employees of the federal Judiciary not specifically provided for by other accounts. The Judiciary budget does not fund three "special courts" in the U.S. court system: the U.S. Court of Appeals for the Armed Forces, the U.S. Tax Court, and the U.S. Court of Appeals for

Veterans Claims. Construction of federal courthouses also is not funded within the Judiciary's budget.

**Table 7. Title IV: The Judiciary Appropriations,  
FY2005 to FY2006**  
(millions of dollars)

<b>Court, Agency, or Program</b>	<b>FY2005 Enacted<sup>a</sup></b>	<b>FY2006 Request<sup>b</sup></b>	<b>House Reported<sup>c</sup></b>	<b>House Passed<sup>c</sup></b>
Supreme Court, Salaries & Expenses	\$57.4	\$60.7	\$60.7	\$60.7
Building and Grounds	9.8	5.6	5.6	5.6
U.S. Court of Appeals for the Federal Circuit	21.5	26.5	24.6	24.6
U.S. Court of International Trade	14.7	15.5	15.5	15.5
Courts of Appeals, District Courts, and Other Judicial Services, Salaries & Expenses	4,125.3	4,478.7	4,348.8	4,348.8
Vaccine Injury Act Trust Fund	3.3	3.8	3.8	3.8
Defender Services	667.3	768.1	721.9	721.9
Fees of Jurors and Commissioners	60.7	71.3	60.1	60.1
Court Security	327.6	390.3	379.5	379.5
Administrative Office of the U.S. Courts	67.3	72.2	70.3	70.3
Federal Judicial Center	21.4	22.9	22.2	22.2
Retirement Funds	36.7	40.6	40.6	40.6
U.S. Sentencing Commission	13.1	14.7	14.0	14.0
<b>Total</b>	<b>5,426.2</b>	<b>5,970.9</b>	<b>5,767.7</b>	<b>5,767.7</b>

**Sources:** U.S. Senate and U.S. House Committees on Appropriations, and the Administrative Office of the U.S. Courts. All figures have been rounded.

a. Amounts enacted for FY2005 reflect a 0.83% across-the-board rescission (P.L.108-447).

b. Amounts reflect the budget amendments the President transmitted to Congress on June 13, 2005.

c. Amounts are based on the House Committee on Appropriations budget documents.

In his 2004 year-end annual report, released on January 1, 2005, Chief Justice William H. Rehnquist stated that the Judiciary was facing a “funding crisis.” The Chief Justice expressed concern about rising fixed costs to the Judiciary that have resulted in hiring freezes, furloughs, and reductions in force while the workload continues to increase. The Judicial Conference, the principal policy-making body for the federal court system, has devised a cost containment strategy and has implemented measures to reduce costs and to make operations more efficient. To alleviate budget pressures that could lead to more staff cuts, the Chief Justice suggested that there be a reassessment of the rent (which constitutes about 20% of the total budget) paid to the General Services Administration (GSA). In January 2005, the Judiciary asked GSA for a partial rent exemption for the federal courts.

Court security has become an increasingly critical issue since the bombing of a federal building in Oklahoma City, the September 11 terrorist attacks, and threats of anthrax contamination. The February 28, 2005, murders of family members of a U.S. District Court judge in Chicago and, on March 11, 2005, of a state judge, a court reporter, and a sheriff's deputy in an Atlanta courthouse elevated federal judiciary security to an even higher priority. Congress planned a series of hearings on security protection for the federal judiciary. On April 26, 2005, the House Judiciary Subcommittee on Crime, Terrorism and Homeland Security held a hearing on the Secure Access to Justice and Court Protection Act, H.R. 1751. On May 18, 2005, the Senate Committee on the Judiciary held a hearing on federal Judiciary security. Review of security procedures, processes, and programs could result in remedies that have budgetary implications.

On March 2, 2005, the Judiciary submitted an FY2005 emergency supplemental appropriations request for \$101.8 million for the Court of Appeals, District Courts, and Other Judicial Services, Salaries and Expenses Account, to fund costs associated with anticipated workload resulting from recent Supreme Court rulings on sentencing guidelines and class action suits. The Senate provided \$65 million in its version of the FY2005 supplemental (H.R. 1268/P.L. 109-13), but the conference agreement (H.Rept. 109-72) did not include any funding for the Judiciary.<sup>15</sup>

**FY2006 Request.** For FY2006, the Judiciary initially requested \$5.95 billion in total appropriations, a 9.7% increase over the \$5.43 billion approved for FY2005. Of the total increase of \$526.5 million, \$408.3 million (78%) would be for mandatory pay adjustments, inflation and other adjustments to the base required to maintain current services. The remaining \$118.2 million (22%) would be for workload increases and program enhancements. In requesting an additional 1,211 full-time equivalent staff positions (FTEs) to the 32,902 FTEs funded for FY2005, the Judiciary seeks to continue restoring staff positions that were cut in FY2004 due to insufficient funding and to cope with the increased workload. Current staff levels are below FY2001 levels. During the period 2001 to 2005 there has been a 9% increase in released felons who are supervised by federal probation officers and a 12% increase in criminal cases. Staff reductions have affected 87 of the 94 judicial districts nationwide.

On June 13, 2005, the President transmitted to Congress two budget amendments for the Judiciary. The first amendment requested \$17.8 million to fund 28 new temporary bankruptcy judgeships, including the salaries and benefits of the judges, their support staff, and data collection and tax return provisions (for the Court of Appeals, District Courts and Other Judicial Services account). The additional funds were requested in accordance with the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 (P. L. 109-8). The act was signed into law on April 20, 2005, after the FY2006 budget request had already been submitted. The second amendment requested \$690,000 for the Court Security account to provide for one additional court security officer position in Delaware (required based on four

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<sup>15</sup> Senate Committee on Appropriations, "Senate and House Conferees Agree to FY2005 Supplemental," Press Release, May 3, 2005.

new bankruptcy judgeships, and security equipment associated with P. L. 109-8). Together, these two amendments total nearly \$18.5 million. The budget amendment request increases the total FY2006 request to nearly \$5.97 billion. The House did not receive these amendments in time take action.<sup>16</sup>

**Committee Markup.** On June 21, 2005, the House Appropriations Committee marked up the FY2006 appropriations bill for the Judiciary. The bill would provide \$5.8 billion for the federal judiciary, \$341 million (6%) more than the FY2005 level, and \$203 million below the amended FY2006 request. The amount would “fully fund the court’s revised request for security improvements at federal judicial facilities, and enable the courts to effectively process priority criminal, civil and bankruptcy cases.”<sup>17</sup> The committee adopted, without objection, Representative Todd Tiahrt’s amendment directing the U.S. Marshals Service to provide for the security for homes of federal judges as well as managing judicial facility security. The House Committee also expressed its expectation that the Judiciary, as it has in previous years, will submit a financial plan within 45 days of the enactment of the FY2006 appropriations Act. The plan would provide information on available funds including appropriations, fee collections, and carry-over balances, and would set the baseline for determining if reprogramming notification is required.

**House Action.** On June 30, 2005, the House passed appropriations for the Judiciary at the same level of funding as proposed by the House Committee. The legislation also includes “the court’s revised request for security improvements at federal judicial facilities, and enable the courts to effectively process priority criminal, civil and bankruptcy cases.”<sup>18</sup>

Following are highlights of the FY2006 Judiciary budget (the House approved the House Appropriations Committee recommendations in each account):

**Supreme Court.** For FY2006, the total request for the Supreme Court is \$66.4 million, a 1.3% decrease over the previous year. Funding would be for two accounts: (1) Salaries and Expenses — \$60.7 million requested, compared with the FY2005 enacted amount of \$57.4 million, and (2) Care of the Building and Grounds — \$5.6 million requested, compared with \$9.8 million enacted for FY2005. Most of the requested increase is to fund mandatory increases in salary and benefit costs and inflationary fixed costs. An additional 12 FTEs are requested for new protection and emergency procedures to enhance the Court’s overall security. The House Committee recommended the same total amount as the FY2006 budget request.

**U.S. Court of Appeals for the Federal Circuit.** The FY2006 request is \$26.5 million, a 23% increase over the \$21.5 million for FY2005. In addition to

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<sup>16</sup> The amounts of the budget amendments are reflected in Table 7.

<sup>17</sup> House Committee on Appropriations, “Full Committee Reports FY06 Transportation, Treasury, Housing, and Urban Development Bill,” Press Release, June 21, 2005.

<sup>18</sup> House Committee on Appropriations, “House Passes FY06 Transportation, Treasury, Housing and Urban Development Bill,” Press Release, June 30, 2005.



providing for pay and other inflationary adjustments, the requested increases support the court's efforts to improve security. These improvements would include new perimeter security barriers and enhanced information technology systems. The House Committee recommended \$24.6 for FY2006 — an increase of \$3.1 million above the FY2005 funding level, and \$1.8 million less than the FY2006 request.

***Courts of Appeals, District Courts, and Other Judicial Services.***

**Salaries and Expenses** This account, making up the largest share of the Judiciary budget at almost 75% of the total request, funds most of the day-to-day activities and operations of the federal courts. The FY2006 request totals \$4.5 billion, an increase of 8.1%, over the FY2005 level of \$4.1 billion. The House Committee recommended \$4.3 billion — an increase of \$223.5 million above the FY2005 funding level, and \$112.2 million less than the FY2006 request. (The budget amendment for the 28 new temporary bankruptcy judgeships would increase the FY2006 request by \$17.8 million.)

***Court Security.*** This account provides funds for the court security officers and for Federal Protective Service (FPS) security charges for FY2006. Congress in FY2005 approved a transfer of funding from the Salaries and Expenses and the Defender Services accounts to the Court Security account for FPS security charges. The FY2006 request is \$389.6 million, an increase of 19% over the \$327.6 million enacted for FY2005. The increase is mainly due to the Federal Protective Service charges, court security officer hourly wage adjustments, and security systems and equipment costs. The House Committee recommended \$379.5 million — an increase of \$51.9 million above the FY2005 funding level, and \$10.2 million less than the FY2006 request. (The budget amendment for \$690,000 to provide for one additional court security officer and other associated security equipment would increase the total FY2006 request to \$390.3 million.)

***Defender Services.*** This account funds the operations of the federal public defender and community defender organizations, and the compensation, reimbursement, and expenses of private practice “panel attorneys” appointed by the courts to serve as defense counsel to indigent individuals accused of federal crimes. The FY2006 request is \$768.1 million, an increase of 15.1% over the \$667.3 million appropriated for FY2005. The increase is to provide for pay and inflationary costs and to fund potential workload increase arising from recent Supreme Court rulings. The House Committee recommended \$721.9 million — an increase of \$54.6 million above the FY2005 funding level, and \$46.1 million less than the FY2006 request.

## Title V: District of Columbia Appropriations<sup>19</sup>

**Table 8. Title V: District of Columbia Appropriations,  
FY2005 to FY2006**

(millions of dollars)

	<b>FY2005*</b>	<b>FY2006 Request</b>	<b>FY2006 House</b>
Total Federal Payments	\$555.5	\$573.4	\$603.4

**Source:** Figures are from a budget authority table provided by the House Committee on Appropriations.

\*FY2005 figure reflects an across-the-board rescission of 0.83%.

## District of Columbia Budget and Key Policy Issues

### President's Request

The Administration's proposed FY2006 budget includes \$573.3 million in federal payments to the District of Columbia. The courts and criminal justice system (court operations, defender services, and offender supervision) represent \$470.1 million, or 82%, of the request.

### District Budget

On June 2, 2005, the District's city council approved the city's \$8.8 billion operating budget for FY2005, and \$2.7 billion in capital outlays including \$534 million to finance a new baseball stadium. The District's budget also includes a request for \$635 million in special federal payments, which is \$62 million more than the \$573 million proposed by the President and \$32 million more than the amount that was passed by the House.

### House Bill

The House provided \$603 million for the District, \$30 million more than the Administration request and \$48 million more than enacted for FY2005. The House approved the \$470 million in FY2006 court and criminal justice funding requested by the Administration. The House also provided \$75 million in special federal payments in support of elementary, secondary, and post-secondary education initiatives, as requested by the Administration. This includes \$13.525 million in special federal assistance to improve the city's public schools, \$13.525 million in support of public charter schools, \$14.566 million in assistance in support of

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<sup>19</sup> Prior to the reorganization of House and Senate Committee on Appropriations subcommittee structures at the beginning of the 109<sup>th</sup> Congress, both houses of Congress had a separate Appropriations Subcommittee for the District of Columbia appropriations. Appropriations for the District of Columbia are now included in the responsibilities of the House Committee on Appropriations Subcommittee on Transportation, Treasury, and Housing and Urban Development, The Judiciary, District of Columbia, while in the Senate, there is still a separate Appropriations Subcommittee on the District of Columbia.

scholarships to private and religious schools, and \$33.2 million for the District's college tuition assistance program, \$7 million more than appropriated in FY2005.

The House also provided \$20 million in special federal payments to the District's Chief Financial Officer for various, but unspecified, education, economic development, health and social service activities, and \$10 million in federal payments to the District Water and Sewer Authority.

In addition to recommending \$603 million in special federal payments to the District of Columbia, the bill also contains a number of general provisions, including a number of so-called "social riders." Consistent with provisions included in previous appropriations acts, the bill would prohibit the use of federal and District funds to finance or administer a needle exchange program intended to reduce the spread of AIDS and HIV; or provided abortion services except in instances of rape, incest, or the health of the mother is threatened. The bill would also prohibit the city from decriminalizing the use of marijuana for medical purposes, and limit the city's ability to use District funds to lobby for congressional voting representation or statehood. The House also approved an amendment banning the use of funds to enforce a District law requiring guns in homes to be disassembled or secured by a gun lock.

## Title VI: Executive Office of the President and Funds Appropriated to the President

**Table 9. Title VI: Executive Office of the President (EOP) and  
Funds Appropriated to the President Appropriations,  
FY2005 to FY2006**  
(millions of dollars)

Office	FY2005 Enacted*	FY2006 Request	House Reported
Compensation of the President	\$0.5	\$0.5	\$0.5
The White House Office (salaries and expenses)	62.0	53.0	52.3
Executive Residence, White House (operating expenses)	12.7	12.4	12.4
White House Repair and Restoration	1.9	1.7	1.7
Council of Economic Advisors	4.0	4.0	4.0
Office of Policy Development	2.3	3.5	3.5
National Security Council	8.9	8.7	8.7
Office of Administration	91.5	98.6	89.3
Office of Management and Budget	67.9	68.4	67.9
Office of National Drug Control Policy (salaries and expenses)	26.8	24.2	26.9
Office of National Drug Control Policy Counterdrug Technology Assessment Center	41.7	30.0	30.0
Federal Drug Control Programs: High Intensity Drug Trafficking Areas Program	226.5	—	236.0
Federal Drug Control Programs: Other Programs	212.0	213.3	238.3
Office of the Vice President (salaries and expenses)	4.5	4.5	4.5
Official Residence of the Vice President (operating expenses)	0.3	0.3	0.3
<b>Total, EOP and Funds Appropriated to the President</b>	<b>833.9</b>	<b>525.0</b>	<b>778.9</b>

**Source:** Figures are from the President's budget request and a budget authority table provided by the House Committee on Appropriations. Because of differing treatment of offsets, the totals will not always match the Administration's totals. The figures within this table may differ slightly from those in the text due to supplemental appropriations, rescissions, and other funding actions. Columns may not add due to rounding or exclusion of smaller program line-items.

\*FY2005 figures reflect an across-the-board rescission of 0.83%.

### Executive Office of the President Budget and Key Policy Issues

All but three offices in the Executive Office of the President (EOP) are funded in the same appropriations act entitled the Departments of Transportation, Treasury, and Housing and Urban Development, the Judiciary, District of Columbia, and

Independent Agencies (House) and the Transportation, Treasury, the Judiciary, Housing and Urban Development, and Related Agencies (Senate).<sup>20</sup>

For the fifth consecutive fiscal year, the President's FY2006 budget proposes to consolidate and financially realign several salaries and expenses accounts that directly support the President into a single annual appropriation, called "The White House." This consolidated appropriation would total \$183.3 million in FY2006 for the accounts proposed to be consolidated, an increase of 0.05% from the \$183.2 million appropriated in FY2005 (after the 0.83% rescission).<sup>21</sup> The nine accounts included in the consolidated appropriation would be the following:

- Compensation of the President,
- White House Office (including the Homeland Security Council),
- Executive Residence at the White House,
- White House Repair and Restoration,
- Office of Policy Development,
- Office of Administration,
- Council of Economic Advisers,
- Privacy and Civil Liberties Oversight Board (authorized by P.L. 108-458), and
- National Security Council.<sup>22</sup>

The EOP budget submission states that consolidation would permit "the President to immediately realign or reallocate the resources and staff available in response to changing needs and priorities or emergent national needs."<sup>23</sup> The conference committees on the FY2002 through FY2005 appropriations act decided to continue with separate appropriations for the EOP accounts to facilitate congressional oversight of their funding and operation.

The FY2006 budget, for the third consecutive year, proposes a general provision in Title VI that would provide authority for the EOP to transfer 10% of the appropriated funds among the following accounts:

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<sup>20</sup> Of the three exceptions, the Council on Environmental Quality and Office of Environmental Quality are funded in the House Interior, Environment, and Related Agencies Act and the Senate Interior and Related Agencies Act. The Office of Science and Technology Policy and the Office of the United States Trade Representative are funded under the same appropriations act entitled Science, State, Justice, and Commerce, and Related Agencies (House) and Commerce, Justice, and Science (Senate).

<sup>21</sup> P.L. 108-447, the Consolidated Appropriations Act for FY2005, at Division J, Title I, Section 122, required a 0.83% across-the-board rescission in non-defense discretionary spending accounts. The FY2005 appropriation for the EOP accounts proposed to be consolidated totaled \$187.126 million before the rescission.

<sup>22</sup> U.S. Executive Office of the President, Office of Management and Budget, *Budget of the United States Government Fiscal Year 2006, Appendix* (Washington: GPO, 2005), p. 980. (Hereafter referred to as FY2006 Budget, Appendix.)

<sup>23</sup> U.S. Executive Office of the President, *Fiscal Year 2006 Congressional Budget Submission* (Washington: GPO [Feb. 2005]), p. 12. (Hereafter referred to as EOP Budget Submission.)

- The White House,<sup>24</sup>
- Office of Management and Budget (OMB),
- Office of National Drug Control Policy (ONDCP),
- Special Assistance to the President and the Official Residence of the Vice President (transfers would be subject to the approval of the Vice President),
- Council on Environmental Quality and Office of Environmental Quality,
- Office of Science and Technology Policy,
- Office of the United States Trade Representative.<sup>25</sup>

According to the EOP budget submission, the transfer authority would “allow the President to address, in a limited way, emerging priorities and shifting demands” and would “provide the President with flexibility, improve the efficiency of the EOP, and reduce administrative burdens.”<sup>26</sup> The Consolidated Appropriations Act for FY2005 (Section 533, Title V, Division H) authorized transfers of up to 10% of FY2005 appropriated funds among the accounts for the White House Office, OMB, ONDCP, and the Special Assistance to the President and Official Residence of the Vice President.

The House Committee on Appropriations recommended and the House agreed that separate appropriations for the EOP accounts be continued. Section 940 of the House-passed bill, under the government-wide general provisions, continues the authorized transfers of up to 10% among the accounts for the White House, Special Assistance to the President and Official Residence of the Vice President, Council on Environmental Quality and Office of Environmental Quality, Office of Science and Technology Policy, and Office of the United States Trade Representative.

Notable among the House Committee’s funding recommendations for the EOP accounts are the following. Under the White House Office, \$750,000 is included for the Privacy and Civil Liberties Oversight Board and the funding for the White House Communications Agency is transferred to DOD’s Defense Information Agency (DIA). For OMB, the committee increases the funding and full-time equivalents and directs that the increases be applied in the areas of Defense, Homeland Security, Natural Resources, and Human Resources “to emphasize that the principal responsibility for which funds are being provided is the development and the execution of the Federal budget.” With regard to the Performance Assessment Rating Tool (PART), OMB is required to:

include a detailed description of each program or activity or project that OMB intends to subject to its [PART] study process for the 2007 and 2008 budgets ... [including] the specific methodology that will be used to conduct each study, the

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<sup>24</sup> The accounts under the White House are Compensation of the President, White House Office (including the Homeland Security Council), Executive Residence at the White House, White House Repair and Restoration, Council of Economic Advisers, Office of Policy Development, National Security Council, Office of Administration.

<sup>25</sup> FY2006 Budget, Appendix, p. 13.

<sup>26</sup> EOP Budget Submission, p. 13.

data that will be used in the analysis for each program studied, and office responsible for providing OMB with information and analysis.

Under the Counterdrug Technology Assessment Center account, the committee instructs ONDCP to submit, with its FY2007 budget request, “an analysis of options and recommendations for the future course of counter drug technology research.” The committee recommends that the High Intensity Drug Trafficking Areas Program (HIDTAP) continue to be funded under the EOP (rather than under the Department of Justice, as requested in the FY2006 budget) and fully funds the account (rather than reducing it by 50%, as the FY2006 budget requested).

The House-passed bill includes several changes from the reported version. An amendment offered and then modified by Representative Carolyn Maloney which was agreed to by voice vote would provide funding of \$1.5 million (an additional \$750,000) for the Privacy and Civil Liberties Oversight Board. Under an amendment offered by Representative Darlene Hooley and agreed to by the House on a 315-103 vote (Roll No. 343), funding for OMB is reduced by \$9 million and for the HIDTAP is increased by \$9 million. An amendment offered by Representative Mark Souder and agreed to by the House on a 268-151 vote (Roll No. 344) provides funding of \$238.3 million dollars for other federal drug control programs and \$145 million for the national media campaign, an account under the programs. Both amounts represent increases of \$25 million over the House committee recommendations.

OMB’s statement of administration policy on the legislation addresses several provisions under the EOP. It urges the transfer of the HIDTAP to the Department of Justice and reduced funding of the program, the consolidation of the White House Accounts and continuation of the Enterprise Services initiative to OMB and ONDCP, and funding of the Privacy and Civil Liberties Oversight Board at the level requested in the budget and modeling of the board after the President’s Foreign Intelligence Advisory Board.<sup>27</sup>

## Title VII: Independent Agencies

### Independent Agencies Budget and Key Policy Issues

In addition to funding for the aforementioned Departments and agencies, a collection of 21 independent agencies receive funding through this appropriations bill. **Table 10** lists appropriations for FY2005 as enacted, and for FY2006 as requested in the President’s Budget and passed in the House, for each agency.

The Department of Homeland Security (DHS) and the Department of Defense (DOD) are in the midst of implementing new human resources management systems for their federal civilian employees. A significant issue for the human resources

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<sup>27</sup> U.S. Executive Office of the President, Office of Management and Budget, *Statement of Administration Policy, H.R. 3058 — Transportation, Treasury, Housing and Urban Development, the Judiciary, and the District of Columbia Appropriations Bill, FY2006*, June 29, 2005, pp. 3-5. (Hereafter referred to as Statement of Administration Policy on H.R. 3058.)

management-related federal agencies during this appropriations cycle will be the impact of the DHS and DOD changes on the labor-management relations and the adverse actions and appeals workloads of the Federal Labor Relations Authority, Merit Systems Protection Board, and Office of Special Counsel and on the workforce management policies of the Office of Personnel Management (OPM).

**Office of Personnel Management.** Several directives for OPM are included in the House Committee on Appropriations report as follows. OPM is to continue to implement and refine the new DHS and DOD personnel systems before “bringing the system” to other agencies and departments. An FY2006 operating plan, signed by the OPM Director, must be submitted to the House and Senate Appropriations Committees within 60 days and include funding levels for the various offices, centers, programs, and initiatives in the budget justification. OPM is to include “clear, detailed, and concise” information in its budget justification on the funding and measurement of programs. OPM and OMB must submit a report to Congress within 90 days after the act’s enactment on:

how many veterans and disabled veterans are employed in the Federal Government by department and agency, including in the Executive Office of the President, the barriers that exist to hiring veterans and disabled veterans, and ways to increase the number of veterans and disabled veterans employed in the Federal Government to the level employed at the time of the Civil Service Reform Act of 1978.

Notable among the funding recommended by the committee is \$680,000 for OPM to partner with the Partnership for Public Service “to identify successful recruitment models across different college campuses” for application to the federal government and a reduction of \$3 million from the Center for Financial Services because the budget request did not support costs related to performance management, program evaluation, and research projects. OMB’s statement of administration policy on the legislation identifies the \$3 million funding reduction and the prohibition on expanding civil service reform to other agencies at this time as among the provisions that “would impede” implementation of the President’s Management Agenda (PMA). The statement cautions that, “if the final version of the bill were to significantly erode the PMA, the President’s senior advisors would recommend he veto the bill.”<sup>28</sup>

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<sup>28</sup> U.S. Executive Office of the President, Office of Management and Budget, *Statement of Administration Policy, H.R. 3058 — Transportation, Treasury, Housing and Urban Development, the Judiciary, and the District of Columbia Appropriations Bill, FY2006*, June 29, 2005, pp. 4-5.



**Table 10. Title VII: Independent Agencies Appropriations,  
FY2005 to FY2006**  
(in millions of dollars)

Agency	FY2005 Enacted*	FY2006 Request	FY2006 House
Architectural and Transportation Barriers Compliance Board	\$6	\$6	\$6
Consumer Product Safety Commission	62	62	62
Election Assistance Commission+	14	18	16
Federal Deposit Insurance Corporation: Office of Inspector General	30	30	30
Federal Election Commission	52	55	55
Federal Labor Relations Authority	25	25	25
Federal Maritime Commission	19	20	20
General Services Administration	216	219	199
Merit Systems Protection Board	37	37	38
Morris K. Udall Foundation	3	1	4
National Archives and Records Administration	311	315	325
National Credit Union Administration			
<i>Limitation on direct loans</i>	<i>1,500</i>	<i>1,500</i>	<i>1,500</i>
<i>Community Development Revolving Loan Fund</i>	<i>1</i>	<i>1</i>	<i>1</i>
National Transportation Safety Board	76	77	77
Neighborhood Reinvestment Corporation	114	118	118
Office of Government Ethics	11	11	11
Office of Personnel Management (total)	18,212	18,743	18,742
<i>Salaries and Expenses</i>	<i>124</i>	<i>125</i>	<i>120</i>
<i>Government Payments for Annuityants, Employees Health Benefits</i>	<i>8,135</i>	<i>8,393</i>	<i>8,393</i>
<i>Government Payments for Annuityants, Employee Life Insurance</i>	<i>35</i>	<i>36</i>	<i>36</i>
<i>Payment to Civil Service Retirement and Disability Fund</i>	<i>9,772</i>	<i>10,072</i>	<i>10,072</i>
Office of Special Counsel	15	15	15
Selective Service System+	26	26	24
United States Interagency Council on Homelessness	1	2	1
United States Postal Service	630	149	178
United States Tax Court	41	49	49
<b>Total, Independent Agencies</b>	<b>19,756</b>	<b>19,948</b>	<b>19,967</b>

**Notes:** Figures for FY2005 enacted and FY2006 are from a budget authority table dated provided by the House Committee on Appropriations. Because of differing treatment of offsets, the totals will not always match the Administration's totals. The figures within this table may differ slightly from those in the text due to supplemental appropriations, rescissions, and other funding actions. Columns may not add due to rounding or exclusion of smaller program line-items.

\*FY2005 figures reflect an across-the-board rescission of 0.83%.

+Selective Service System is included in House bill; in Senate, this agency is in the Military Construction and Veterans Affairs appropriations bill.

funding and measurement of programs. OPM and OMB must submit a report to Congress within 90 days after the act's enactment on:

how many veterans and disabled veterans are employed in the Federal Government by department and agency, including in the Executive Office of the President, the barriers that exist to hiring veterans and disabled veterans, and ways to increase the number of veterans and disabled veterans employed in the Federal Government to the level employed at the time of the Civil Service Reform Act of 1978.

Notable among the funding recommended by the committee is \$680,000 for OPM to partner with the Partnership for Public Service “to identify successful recruitment models across different college campuses” for application to the federal government and a reduction of \$3 million from the Center for Financial Services because the budget request did not support costs related to performance management, program evaluation, and research projects. OMB’s statement of administration policy on the legislation identifies the \$3 million funding reduction and the prohibition on expanding civil service reform to other agencies at this time as among the provisions that “would impede” implementation of the President’s Management Agenda (PMA). The statement cautions that, “if the final version of the bill were to significantly erode the PMA, the President’s senior advisors would recommend he veto the bill.”<sup>29</sup>

**Federal Election Commission.** The FEC administers federal campaign finance law, including overseeing disclosure requirements, limits on contributions and expenditures, and the presidential election public funding system; the agency retains civil enforcement authority for the law.

The President’s fiscal 2006 budget proposed an appropriation of \$54.6 million for the FEC, a 5.5% increase above the fiscal 2005 appropriation of \$51.7 million. The increase reflects adjustments for inflation and salary and benefit increases, but no additional funds or staff for new programs. The House Appropriations Committee recommended and the House approved an appropriation of \$54.7 million, with at least \$4.7 million designated for internal automated data systems and \$5,000 for representational and reception expenses.

**General Services Administration (GSA).** The General Services Administration administers federal civilian procurement policies pertaining to the construction and management of federal buildings, disposal of real and personal property, and management of federal property and records. It is also responsible for managing the funding and facilities for former Presidents and presidential transitions. Typically only about 1% of GSA’s total budget is funded by direct appropriations. As reported and passed in the House, H.R. 3058 provides \$217 million in direct appropriations (\$2 million less than requested). Of this total, an appropriation of \$52.8 million is provided for government-wide policy and \$99.9 million for operating expenses; \$43.4 million for the Office of Inspector General; \$2.9 million for allowances and office staff for former Presidents; \$3.0 million for the electronic

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<sup>29</sup> U.S. Executive Office of the President, Office of Management and Budget, *Statement of Administration Policy, H.R. 3058 — Transportation, Treasury, Housing and Urban Development, the Judiciary, and the District of Columbia Appropriations Bill, FY2006*, June 29, 2005, pp. 4-5.

government initiatives; and \$15.0 million to be deposited into the Federal Citizen Information Center Fund.

**Table 11. General Services Administration Appropriations,  
FY2005 to FY2006\***  
(in millions of dollars)

Fund / Office		FY2005 Enacted **	FY2006 request	House passed
Federal Buildings Fund				
	<i>Appropriations</i>	—	—	— -
	<i>Limitations on Obligations</i>	\$7,217	\$7,769	\$7,769
	<i>Rescission</i>	-\$106		
General Activities Accounts				
	Government-wide Policy	62	53	53
	Operating Expenses	91	100	100
	Office of Inspector General	42	43	43
	Allowances and Office Staff for Former Presidents	3	3	3
	Federal Citizen Information Center Fund	15	15	15
Electronic Government (E-Gov) Fund		3	5	3
<b>GSA direct appropriations total</b>		<b>216</b>	<b>219</b>	<b>217</b>

**Source:** \* Figures are adapted from a budget authority table, dated 04/04/05, compiled by the House Committee on Appropriations. Because of differing treatment of offsets, the totals will not always match the Administration's totals.

\*\*FY2005 figures reflect an across-the-board rescission of 0.83%.

**Federal Buildings Fund (FBF).** Most GSA spending is financed through the Federal Buildings Fund (FBF). Rent assessments from agencies paid into the FBF provide the principal source of its funding. Congress may also provide direct funding into the FBF, as occurred in FY2004, with an appropriation of \$443 million. Congress directs the GSA as to the allocation or limitation on spending of funds from the FBF in provisions found accompanying GSA's annual appropriations.

As approved by the House, \$708.1 million shall remain available until expended for new construction projects from the FBF, which totals \$7.8 billion. An additional \$961.4 million shall remain available until expended for repairs and alterations. This amount includes \$15.7 million to implement a glass fragmentation program; \$10.0 million to implement a chlorofluorocarbons program; and amounts to provide such reimbursable fencing, lighting, guard booths, and other facilities on private or other

property not in Government ownership or control as may be appropriate to enable the United States Secret Service to perform its protective functions pursuant to 18 U.S.C. § 3056.

**Electronic Government Fund (E-gov Fund).** Originally unveiled in advance of the President's proposed budget for FY2002, the E-gov Fund and its appropriation has been a somewhat contentious matter between the President and Congress. The President's initial \$20 million request was cut to \$5 million, which was the amount provided for FY2003, as well. Funding thereafter was held at \$3 million for FY2004 and FY2005. Created to support interagency e-gov initiatives approved by the Director of OMB, the fund and the projects it funds have been subject to close scrutiny by, and accountability to, congressional appropriators. The House approved the \$3 million for FY2006 recommended by appropriators..

**National Archives and Records Administration (NARA).** The custodian of the historically valuable records of the federal government since its establishment in 1934, NARA also prescribes policy and provides both guidance and management assistance concerning the entire life cycle of federal records. It also administers the presidential libraries system; publishes the laws, regulations, and presidential and other documents; and assists the Information Security Oversight Office (ISOO), which manages federal security classification and declassification policy; and the National Historical Publications and Records Commission (NHPRC), which makes grants nationwide to help nonprofit organizations identify, preserve, and provide access to materials that document American history.

The House approved the \$325 million recommended by the appropriators for NARA, which is approximately \$10 million more than the amount requested for the agency in the President's budget. Of this amount, distributions would be as follows: \$283.9 for operating expenses, with \$2.9 million of these funds designated for the anticipated receipt, and initial operation, of the now privately maintained Nixon presidential library; \$35.9 for the electronic records archive; and almost \$6.2 million for repairs and restoration. For the NHPRC account, \$7.5 million was recommended, \$2 for operations and the remainder for grants. An almost \$8.5 million debt adjustment in committee reduced the \$333.5 million allocation to \$325 million.

For FY2006, the President had requested \$323 million for NARA, a modest increase over the \$264.8 million appropriated for the agency for FY2005. Of this requested amount, the following distributions were specified: \$280.9 for operating expenses, a modest increase over the \$266.9 appropriated for FY2005; \$36.0 for the electronic records archive; \$6.1 million for repairs and restoration, a significant reduction from the \$13.4 appropriated for this account for FY2005; and no requested funds for the NHPRC, which had received \$5 million in FY2005.

**Postal Service.**<sup>30</sup> The U.S. Postal Service (USPS) is self-supporting; it generates nearly all of its funding — about \$69 billion annually — by charging users

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<sup>30</sup> Also see CRS Report RS21025, *The Postal Revenue Forgone Appropriation: Overview and Current Issues*, by Nye Stevens.

of the mail for the costs of the services it provides. Congress does provide a regular appropriation, however, to compensate USPS for revenue it forgoes in providing, at congressional direction, free mailing privileges for the blind and for overseas voting. Congress has also provided funds in recent years for bio-terrorism detection in the wake of the anthrax events of 2001.

Under the Revenue Forgone Reform Act of 1993, Congress is authorized to reimburse USPS \$29 million each year until 2035, for services provided below cost to non-profit organizations at congressional direction in the 1990s, but not paid for at the time. For the past 12 years, the Postal Service appropriation has consisted of that amount, plus an estimate of the amount needed to pay for mail for the blind and overseas voters for the current year.

In its FY2006 Budget, the Administration proposed an appropriation of \$87.4 million, including \$58.8 million for revenue forgone in FY2006 and a reconciliation adjustment for underestimated mail volume in FY2003 of \$28.6 million. The Postal Service estimated that the FY2006 amount would be \$79.9 million, or \$21.2 million more than OMB requested, and asked Congress to appropriate that amount. Either amount would be supplemented by a \$28.6 million reconciliation adjustment reflecting that actual use of the subsidy in FY2003 was underestimated by that amount. The Administration's budget proposed that the \$87.4 million would not be available for obligation until October 1, 2006, which is in FY2007.

The Administration's FY2006 budget also proposes to eliminate the usual \$29 million annual payment for revenue forgone in past years that is set forth in the Revenue Forgone Reform Act. USPS argues that cancelling the payment could result in the whole 29-year obligation, totaling \$870 million, being written off as a bad debt and charged to current postal ratepayers.

In its detailed justification of its FY2006 budget request, USPS asked Congress for an additional \$51 million in emergency response funds to protect the safety of employees and customers from threats such as the 2001 anthrax attack. The Administration's FY2006 Budget does not include any additional funds for emergency preparedness for the Postal Service.

The House bill, as reported by committee and passed by the House, adopted the Administration's recommendation by providing \$87.4 million for the current year's revenue forgone. It departed from the budget, however, in holding only \$73 million of that until FY2007, and in providing the annual \$29 million for revenue forgone in the past. The USPS request for \$51 million to carry out the latter stages of the emergency preparedness plan was not granted.

## **Titles VIII & IX: General Provisions**

The Transportation, Treasury, et al. Appropriations Act customarily includes general provisions which apply either government-wide or to specific agencies or programs. There also may be general provisions at the end of each individual title within the appropriations act which relate only to agencies and accounts within that specific title. The Administration's proposed language for government-wide general

provisions is included in the FY2006 Budget, Appendix.<sup>31</sup> Most of the provisions continue language which has appeared under the General Provisions title for several years. For various reasons, Congress has determined that reiterating the language is preferable to making the provisions permanent. Presented below are some of the government-wide general provisions that are proposed for elimination in the FY2006 budget. Inclusion of the provisions in the House-passed bill is noted.

- Section 609, which prohibits payment to political appointees functioning in jobs for which they have been nominated, but not confirmed. Included as Section 909 of the House bill as passed.
- Section 619, which prohibits the obligation or expenditure of appropriated funds for employee training when it (1) does not meet identified needs for knowledge, skills, and abilities bearing directly upon the performance of official duties; (2) contains elements likely to induce high levels of emotional response or psychological stress in some participants; (3) does not require prior employee notification of the content and methods to be used in the training and written end-of-course evaluation; (4) contains any methods or content associated with religious or quasi-religious belief systems or “new age” belief systems; or (5) is offensive to, or designed to change, participants’ personal values or lifestyle outside the workplace. Included as Section 919 of the House bill as passed.
- Section 620, which prohibits the use of appropriated funds to require and execute employee non-disclosure agreements without those agreements having whistleblower protection clauses. Included as Section 920 of the House bill as passed.
- Section 623, which requires that the Committees on Appropriations approve the release of any “non-public” information, such as mailing or telephone lists, to any person or any organization outside the federal government. The Administration also requested repeal of this requirement in its FY2003 and FY2005 budget requests. Included as Section 923 of the House bill as passed.
- Section 628, which prohibits using appropriated funds to contract independently with private companies to provide online employment applications and processing services. The Administration also proposed eliminating this prohibition in its FY2005 budget request. Included as Section 928 of the House bill as reported, but not included in the House bill as passed.
- Section 635, which states that Congress recognizes the United States Anti-Doping Agency as the official anti-doping agency for Olympic, Pan American, and Paralympic sports in the United States. Included as Section 934 of the House bill as passed.
- Section 637, which prohibits the purchase of a product or service offered by the Federal Prison Industries, Inc., unless the agency making such purchase determines that such product or service provides the best value. The Administration also proposed repealing this prohibition in its FY2005 budget request. Included as Section 936 of the House bill as passed.

As recommended by the House committee and agreed to by the House, the bill includes among the new government-wide general provisions those on (1) public-private competitions for activities not inherently governmental (Section 941), (2) requirements for transfers or reimbursements to the E-Government Initiatives (Section

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<sup>31</sup> FY2006 Budget, Appendix, pp. 9-14.

942), and (3) a 3.1% pay adjustment for federal civilian employees, including those in the Departments of Homeland Security and Defense (Section 943). OMB's statement of administration policy on the legislation reflects strong opposition to the government-wide pay adjustment provision and states that recruitment or retention problems "are limited to a few areas and occupations."<sup>32</sup>

## **Cuba Sanctions<sup>33</sup>**

Since the early 1960s, U.S. policy toward Communist Cuba under Fidel Castro has consisted largely of efforts to isolate the island nation through comprehensive economic sanctions, including prohibitions on U.S. financial transactions — the Cuban Assets Control Regulations (CACR) — that are administered by the Treasury Department's Office of Foreign Assets Control (OFAC). Restrictions on travel have been a key and often contentious component of U.S. efforts to isolate the Cuban government. The regulations have not banned travel itself, but have placed restrictions on any financial transactions related to travel to Cuba. In 2004, the Bush Administration significantly tightened restrictions on travel, and there was considerable reaction to the Administration's tightening of restrictions for family visits and educational travel.

Under U.S. sanctions, commercial agricultural exports to Cuba have been allowed since 2001 under the terms of the Trade Sanctions Reform and Export Enhancement Act of 2000 or TSRA, but with numerous restrictions and licensing requirements. Exporters are denied access to U.S. private commercial financing or credit, and all transactions must be conducted in cash in advance or with financing from third countries. Earlier this year, the Administration tightened U.S. economic sanctions against Cuba by further restricting how U.S. agricultural exporters may be paid for their sales. On February 22, 2005, OFAC amended the CACR to clarify that the term "payment of cash in advance" for U.S. agricultural sales to Cuba means that the payment is to be received prior to the shipment of the goods. This differs from the practice of being paid before the actual delivery of the goods, a practice that had been utilized by most U.S. agricultural exporters to Cuba since such sales were legalized in late 2001. U.S. agricultural exporters and some Members of Congress strongly objected that the action constituted a new sanction that violated the intent of TSRA, and could jeopardize millions of dollars in U.S. agricultural sales to Cuba. OFAC Director Robert Werner maintains that the clarification "conforms to the common understanding of the term in international trade."<sup>34</sup>

Since late 2001, Cuba has purchased over \$900 million in agricultural products from the United States. Overall U.S. exports to Cuba amounted to about \$7 million in

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<sup>32</sup> Statement of Administration Policy on H.R. 3058, p. 4. The statement discusses concerns about several of the general provisions vis a vis the President's constitutional authority at p. 6.

<sup>33</sup> Prepared by Mark P. Sullivan, Specialist in Latin American Affairs, Foreign Affairs, Defense, and Trade Division.

<sup>34</sup> U.S. Department of the Treasury, Testimony of Robert Werner, Director, OFAC, before the House Committee on Agriculture, March 16, 2005.

2001, \$146 million in 2002, \$259 million in 2003, \$400 million in 2004, and \$132 million in the first four months of 2005, the majority in agricultural products. U.S. exports to Cuba for January to April 2005 declined about 25% from the same time period in 2004.<sup>35</sup>

Since 2000, either one or both houses of Congress have approved provisions in the annual Treasury Department appropriations bill that would ease U.S. economic sanctions on Cuba (especially on travel and on U.S. agricultural exports) but none of these provisions was enacted. This year, the House version of the FY2006 Transportation-Treasury-Housing appropriations bill includes a provision that would prevent funds from being made available to enforce the February 25, 2005 amendment to the CACR clarifying that “cash in advance” for U.S. agricultural exports means that the payment is to be received prior to the actual delivery of the goods.

For additional information, see CRS Report RL32730, *Cuba: Issues for the 109<sup>th</sup> Congress*; CRS Issue Brief IB10061, *Exempting Food and Agriculture Products from U.S. Economic Sanctions: Status and Implementation*; and CRS Report RL31139, *Cuba: U.S. Restrictions on Travel and Remittances*

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<sup>35</sup> World Trade Atlas. Department of Commerce Statistics.