Order Code RL33298

FY2006 Supplemental Appropriations: Iraq and Other International Activities; Additional Katrina Hurricane Relief

Updated April 27, 2006

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FY2006 Supplemental Appropriations: Iraq and Other International Activities; Additional Katrina Hurricane Relief

Summary

On February 16, 2006, the Administration submitted two separate FY2006 supplemental appropriations requests. The first, totaling $72.4 billion, would fund ongoing military operations in Iraq and Afghanistan ($67.9 billion), and State Department operations in Iraq and various foreign aid programs, including additional assistance for Iraq ($4.2 billion). The other supplemental would provide $19.8 billion for recovery and reconstruction activities in hurricane-affected Gulf Coast areas. Thus, Congress is considering a combined spending proposal of $92.2 billion.

For the military component of the supplemental, several potential issues may arise in Congress, including whether DOD's funding requests for training Afghan and Iraqi security forces are necessary in light of the pace of implementation, how to make transparent the DOD assumptions about military personnel levels for active-duty and reserve forces that underlie the request, whether DOD could better contain increases in operating costs, and whether DOD's investment request finances peacetime as well as wartime needs.

The supplemental proposal for international matters covers a range of activities that were either not addressed in the regular FY2006 appropriations, address circumstances that have changed since passage of the regular spending measures, or, like military operations in Iraq and Afghanistan, have been largely funded through supplementals rather than incorporated into the "base" of annual, on-going diplomatic and aid operations. The request of $1.6 billion in Iraq stabilization assistance would be the first sizable aid package for Baghdad since Congress approved $18.45 billion in the FY2004 emergency supplemental measure. Other foreign policy elements include funding for U.S. diplomatic costs in Iraq and Afghanistan, reconstruction aid for Afghanistan, democracy promotion programs for Iran, Darfur humanitarian relief and peace implementation aid in Sudan, Pakistan earthquake reconstruction, Liberia refugee repatriation, and food aid for Africa.

For hurricane recovery, half the funds — $9.9 billion — are designated for the Department of Homeland Security, mostly for the Federal Emergency Management Agency (FEMA). The Department of Housing and Urban Development would receive $4.4 billion, most of which would be used for community planning and development. DOD would receive $1.8 billion and the Army Corps of Engineers $1.5 billion, primarily to be used for flood control and coastal emergencies, procurement, and construction. The Small Business Administration would receive $1.3 billion for loans to homeowners, renters, and businesses.

On March 17, 2006, the House passed a $91.95 billion supplemental appropriation measure (H.R. 4939; H.Rept. 109-388), $270 million less than requested by the Administration. On April 4, the Senate Appropriations Committee marked up its version at $106.5 billion, $14.3 billion more than the request (S.Rept. 109-230). This report will be updated to reflect congressional action.

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Contents

List of Tables

FY2006 Supplemental Appropriations: Iraq and Other International Activities; Additional Hurricane Katrina Relief

Most Recent Developments

On April 25, 2006, the full Senate began consideration of H.R. 4939, and during the first two days of debate acted on several amendments. Among others, the Senate passed amendments adding $1.9 billion for increased U.S. border security, the costs for which are offset by a $1.9 billion, 2.775% cut to Iraq war and Hurricane Katrina-related Defense funds (Senator Gregg; 59-39); and providing an additional $430 million, available only if the President designates it as an emergency, for the Department of Veterans Affairs, largely to address mental health needs of veterans (Senator Akaka, 84-13).

The Senate rejected a border security amendment identical to the Gregg amendment, but without the DOD funding offset (Senator Reid; 44-54). The Senate further tabled, thereby killing, three amendments that would have reduced the overall costs of H.R. 4939. An amendment by Senator Thomas would have replaced the committee text of the bill with the President's request, plus funding for pandemic influenza preparedness and border security (with offsets), bring the bill's total cost down to $94.5 billion (tabled 72-26). An amendment by Senator Ensign would have required the bill to be recommitted to the Appropriations Committee with instructions to report back legislation not exceeding $94.5 billion (tabled 68-28). Finally, an amendment by Senator Coburn would have deleted $700 million from the bill to relocate a CSX freight rail line further inland from the Gulf Coast (tabled 49-48). The Senate expects to continue debate on H.R. 4939 into the week of May 1, with votes anticipated on several amendments increasing and decreasing overall funding levels in the bill.

On April 25, the Administration revised its supplemental request. The revision increases funding for the Army Corps of Engineers by $2.2 billion to assist in post-Katrina recovery efforts; this amount is offset by a $2.2 billion reduction in funding requested for the Federal Emergency Management Agency (FEMA) Disaster Relief Fund. Also on April 25, the Administration strongly objected to most funding increases proposed by the Senate Committee on Appropriations, and said the President would veto any bill providing more than $92.2 billion, exclusive of supplemental funds for pandemic influenza preparedness. Including the Senate-proposed pandemic influenza funding would bring the total that the White House deems acceptable to $94.5 billion.

On April 4, the Senate Appropriations Committee marked up its version of the supplemental (S.Rept. 109-230), providing $106.5 billion in funding, an increase of

$14.3 billion over the request, and $14.55 billion more than the House-passed measure. The bill provides $72.4 billion for military operations in Iraq and Afghanistan, and foreign assistance programs, and $27.1 billion for hurricane related expenses. The Senate also added several provisions unrelated to either military operations, international affairs, or hurricane reconstruction.

On March 17, the House approved a $91.95 billion supplemental appropriation measure (H.R. 4939; H.Rept. 109-388) for military operations in Iraq and Afghanistan, foreign assistance in support of the war on terror and other international crises, and additional relief for victims of Gulf Coast hurricanes. The defense and international titles total $72.1 billion, while the hurricane portion amounts to $19.1 billion. The measure is $270 million less than requested by the Administration, but includes $750 million for Low Income Home Energy Assistance not requested by the President. H.R. 4939 further includes a provision blocking the sale of U.S. port terminal operations to Dubai Ports World.

Overview

On February 16, 2006, the Administration submitted two separate FY2006 supplemental appropriations requests. The first, totaling $72.4 billion, would fund ongoing military operations in Iraq and Afghanistan ($67.9 billion), non-DOD intelligence operations ($0.3 billion), State Department operations in Iraq and various foreign aid programs, including additional assistance for Iraq ($4.2 billion), and other counter-terrorism funding for other agencies ($12 million). The other supplemental would provide $19.8 billion for recovery and reconstruction activities in hurricane-affected Gulf Coast areas. Subsequently, the White House revised its request on April 25, proposing an additional $2.2 billion for the Army Corps of Engineers to assist in post-Katrina recovery efforts, an amount offset by a $2.2 billion reduction in funding requested for FEMA's Disaster Relief Fund. Thus, Congress is considering a combined spending proposal of $92.2 billion, as shown in **Table 1**.

The request for Iraq and Afghanistan military operations continues the Administration's practice of funding these activities through supplementals rather than in regular DOD appropriations. Congress, however, did approve a $50 billion bridge fund for Iraq in P.L. 109-148, the Defense Department FY2006 appropriation, to cover early FY2006 costs of military spending until a supplemental could be considered by Congress and enacted. Thus, the total amount of existing and proposed appropriations for military and intelligence operations in Iraq, Afghanistan and other global war on terrorism for FY2006, is $117.9 billion. This compares to about $99 billion approved for FY2005 and $67 billion for FY2004.

The supplemental proposal for international matters covers a range of activities that were either not addressed in the regular FY2006 Foreign Operations and State Department appropriation measures (Darfur peacekeeping, Pakistan earthquake relief), where circumstances have changed since passage of the regular spending measures (Iran democracy promotion and various refugee and food crisis), or have been largely funded through supplementals rather than incorporated into the "base" of annual, on-going diplomatic and aid operations (Iraq reconstruction and U.S. embassy needs in Iraq). The request of $1.6 billion in stabilization assistance for Iraq would be the first sizable aid package for Baghdad since Congress approved $18.45 billion in the FY2004 emergency supplemental measure. Further, the Administration seeks about $750 million for Iraq in its regular FY2007 Foreign Operations budget.

Table 1. Summary of FY2006 Supplemental Request
($s — billions)

	Request	House	Senate
Military operations: Iraq, Afghanistan, & Global War on Terror	$67.87	$67.72	$67.67
Intelligence (non-DOD)	$0.31	$0.30	$0.27
International activities	$4.23	$4.06	$4.45
Hurricane relief and reconstruction	$19.76	$19.11	$27.13
Low Income Home Energy Assistance	—	$0.75	—
Agriculture & Drought Assistance	—	—	$3.96
Pandemic Influenza	—	—	$2.30
Port Security	—	—	$0.65
TOTAL	**$92.22**	**$91.95**	**$106.49**

Totals may not add because of rounding. Senate amounts do not include amendments adopted during partial floor consideration.

The $19.8 billion for recovery and reconstruction in the Gulf Coast region follows enactment last year of two FY2005 supplementals of $10.5 billion (P.L. 109-61) and $51.8 billion (P.L. 109-62) for hurricane relief.[1]

The President has requested that the entire amount of both supplementals be considered "emergency" appropriations, a designation that would exempt the funds from any limitations contained in the FY2006 Budget Resolution. Nevertheless, the supplemental would add to the size of the U.S. budget deficit. The Administration does not seek any off-sets from other previously approved spending that could have the effect of reducing the supplemental's impact on the deficit. Some Members

[1] Additional resources for hurricane victims have been made available through the Department of Homeland Security Disaster Relief Fund and through assumed tax savings for people affected by the disaster. See below for further discussion of complete hurricane recovery measures and funding.

argue that some or all of the supplemental appropriation should be offset, and although no specific proposals have emerged, the issue of rescinding existing spending to pay for the additional costs of the supplemental could become part of the congressional debate.[2]

Summary of Congressional Action

As passed on March 17 (H.R. 4939; H.Rept. 109-388), the House provides $91.95 billion in supplemental funds, $270 million less than the Administration's request. The legislation reduces the defense portion of supplemental by $137 million, cuts international programs by $166 million, and Gulf Coast hurricane relief by $658 million. H.R. 4939 further makes available in FY2006 $750 million for Low Income Home Energy Assistance that had previously been appropriated for FY2007. This action, which was not requested by the Administration, raises the total funding level of the bill. In addition to trimming the President's proposal, the House-passed measure includes a provision that would block the sale of operations at five American port terminals to the UAE-based Dubai Ports World.

The Senate version of H.R. 4939, as reported, increases the overall size of the legislation to $106.5 billion, $14.3 billion over the request and $14.55 billion higher than the House. The bill provides $72.4 billion for military operations in Iraq and Afghanistan, and foreign assistance programs, roughly at the levels requested, and $27.1 billion for hurricane related expenses, about $7.4 billion more than proposed. The Senate also added several provisions unrelated to either military operations, international affairs, or hurricane reconstruction, including $2.3 billion for pandemic influenza preparedness, nearly $4 billion for agriculture and drought assistance, and $650 million for port security. President Bush is threatening to veto the bill because of the added spending, although the White House says it supports the pandemic influenza appropriation. During floor consideration, the Senate has acted on several amendments, but debate is expected to continue into the week of May 1. In preliminary action, the Senate:

- passed (59-39) an amendment by Senator Gregg adding $1.9 billion for increased U.S. border security, the costs for which are offset by a $1.9 billion, 2.775% cut to Iraq war and Hurricane Katrina-related Defense funds;

- passed (84-13) an amendment by Senator Akaka providing an additional $430 million, available only if the President designates it as an emergency, for the Department of Veterans Affairs, largely to address mental health needs of veterans.

- defeated (44-54) an amendment by Senator Reid that was identical to the Gregg border security amendment, but without the DOD funding offset;

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[2] See, for example, "House Conservatives Renew Bid for Offsets for War and Hurricane Spending," *CQ Today*, February 28, 2006, p. 4.

- tabled (72-26), thereby killing, an amendment by Senator Thomas that would have replaced the committee text of the bill with the President's request, plus funding for pandemic influenza preparedness and border security (with offsets), thereby reducing the bill's total cost to $94.5 billion;

- tabled (68-28) an amendment by Senator Ensign that would have required the bill to be recommitted to the Appropriations Committee with instructions to report back legislation not exceeding $94.5 billion;

- tabled (49-48) an amendment by Senator Coburn that would have deleted $700 million to relocate a CSX freight rail line further inland from the Gulf Coast.

Defense Issues

In its markup, the Senate Appropriations Committee reduces the Department of Defense's $67.9 billion request for war costs by $207 million compared to the House cut of $137 million. Like the House, the Senate largely redistributes funds with increases being largely offset by cuts. The major changes made by the Senate are to:

- reduce the $5.9 billion request to train, equip, and provide infrastructure to Afghan and Iraqi security forces to $5.6 billion — a more modest cut than the $4.8 billion House level — but adding a proviso that no funds can be spent on infrastructure until "after the formation of the unified Iraqi government;"[3]

- establish a new $1.958 billion transfer fund, the "Joint Improvised Explosive Device Defeat Fund," that centralizes funds that are in three separate accounts in the request, with Congress to receive a spending plan within 90 days of enactment;

- add procurement funds to keep the Abrams tank modification line and the C-17 cargo aircraft lines open, accelerate V-22 production, and buy more Predator UAVs that would be largely offset by cuts to other programs;

- add military personnel funds for recruiting and retention incentives and for higher death benefits for service members who died between May 12 and August 1, 2005 who are made eligible in the bill;

- cuts $200 million from military construction projects in Afghanistan and Iraq, calling for projects to be limited to those that "immediately support operations," and reducing funding for projects that could signal a permanent U.S. presence in Iraq.

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[3] *S.Rept. 109-230*, p. 22.

The Senate Committee also cited considerable concern about DOD's procurement requests because of the lack of standard budget information on requirements and schedules. Like the House, the Senate Committee reduced DOD's requested transfer limit from $4 billion to $2 billion. Otherwise, the Senate Committee basically approved the request.

The House-passed supplemental reduces the Department of Defense's $67.9 billion request for war costs by $137 million overall but redistributes the funding among the various titles. The major changes made by the House are to:

- reduce the $5.9 billion request to train, equip and provide infrastructure for Afghan and Iraqi security forces by cutting $1 billion intended for infrastructure for police forces, citing inadequate justification;

- increase funds for procurement to $17.7 billion by adding $1.3 billion more primarily for upgraded tanks and HMMWVs;

- cut $600 million from Operation and Maintenance (O&M) funds, providing $32.1 billion, close to the request;

- increase military personnel funding by $340 million to $9.9 billion, largely to restore a cut to DOD's regular FY2006 funding; and

- cut military construction by $162 million, reducing the total to $323 million by rejecting various projects.

With the exception of these changes, the House measure largely approves the Department's request. The House Appropriations Committee, however, placed a hold on spending for $990 million for military infrastructure for Afghan and Iraq security forces until DOD submits a detailed project level plan. The committee cut by half DOD's requested ceiling on transfer authority to $2 billion and rejected the request to allow transfers to or from military construction accounts. Citing dissatisfaction with information provided by DOD, the House panel also required several additional reports. The committee further set a $3.571 billion floor on funding in the bill for National Guard and Reserve programs to prosecute the global war on terror (GWOT).

During floor debate, the House considered several amendments affecting defense issues but none changed the $67.7 billion for the Department of Defense approved by the House Appropriations Committee. The House:

- agreed to an amendment by Representative Barbara Lee that would prohibit the United States from using funds in the act to enter into a basing agreement with the government of Iraq. Members focused on differences among statements by various Administration spokesmen about whether the United States would have permanent

bases in Iraq.[4] Although the United States does not currently have any basing agreements with Iraq, the Defense Department has invested about $746 million in military construction funding in Iraq, another $126 million in neighboring countries supporting the Iraq mission, and another $322 million in bases supporting both Iraq and Afghanistan.[5] The House approved $225 million, cutting the DOD's request by $123 million (see below). If the House level is approved, DOD would have invested about $1.1 billion in bases in or in support of the Iraq mission (not including bases supporting both Iraq and Afghanistan). Secretary Rumsfeld recently testified that some "30 U.S. military bases have been returned to Iraqi control or closed altogether."[6]

- agreed to an amendment by Representative Millender-McDonald to redirect Defense Health funding to training in orthotics and prosthetics.

- rejected (193 to 225) an amendment by Representative Waxman to prohibit the Army from spending any funds in the act with any contractor where the Defense Contract Audit Agency had judged to be unreasonable more than $100 million of contract costs. Supporters argued that new contracts should not be signed with contractors where auditors found unreasonable costs while others raised concerns about whether not renewing current contracts could disrupt the military's logistical support.[7]

- sustained a point of order against an amendment by Representative Kaptur that would set up a Truman type commission that would investigate government contracts for military operations and reconstruction in Iraq and Afghanistan and relief and reconstruction contracts for Hurricane Katrina.[8]

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[4] *Congressional Record*, March 16, 2006, p. H1107ff.

[5] CRS calculations based on appropriations reports and other sources.

[6] Secretary Rumsfeld testifying before the Senate Armed Services Committee, *Hearing on Defense Authorization*, February 7, 2006, transcript.

[7] See *Congressional Record*, p. H1101-p. H1104.

[8] See *Congressional Record*, p. H1098.

Table 2. War-Related Defense Amendments: House Action

Sponsor	Purpose/*Congressional Record* page reference	Vote
Lee	Prohibits using funds in act to enter into a basing rights agreement with Iraq government (pp. H1101-H1104)	Agreed, voice vote
Millender-McDonald	Redirects funding for Defense Health by $20 million to increase training for prosthetics and orthotics in U.S. schools (p. H1013)	Agreed, voice vote
Kaptur	Sets up a "Truman"-type House Commission to investigate government contracts for military operations and reconstruction in Iraq and Afghanistan and Hurricane Katrina relief and reconstruction (pp. H1098-H1099)	Point of order sustained
Waxman	Prohibits spending Army funds with any contractor if the Defense Contract Audit Agency has found that more than $100 million of costs are unreasonable (pp. H1101-H1104, and H1110-H1111)	Rejected 193-225

International Issues

In total, the House-passed measure cuts the international portion of the supplemental to $4.1 billion, $66 million less than requested. In most cases where reductions are proposed, the House Appropriations Committee believed that the emergency nature of the requests was not fully justified and plans to address the issues again when it considers the regular FY2007 appropriation proposal. Major items and changes to the Administration requests include:

- reductions in USAID security and operation costs in Iraq, Afghanistan, and Sudan;
- cuts in security for Provisional Reconstruction Teams in Iraq, but full funding for other State Department operational costs in Iraq and Afghanistan;
- near-full funding for Iraq stabilization assistance, with the redirection of $26.3 million from some prison and judge security funds to counter-narcotics programs in Colombia;
- Substantial cuts in Afghan reconstruction and debt relief proposals;
- a reduction from $75 million to $56 million for democracy and related programs in Iran;
- full funding for southern Sudan and Darfur, plus an additional $110 million for peacekeeping operations in Darfur, for a total Sudan package of $618 million;
- full funding for Pakistan earthquake relief and emergency food refugee aid for Africa;
- an additional $50 million in economic aid for Liberia; and
- $26.3 million for the purchase of DC-3 aircraft for Colombian drug interdiction efforts.

Table 3. International Amendments: House Action

Sponsor	Purpose/*Congressional Record* page reference	Vote
Shays	Directs that $20 million of economic aid funds for Iraq be used for the Community Action Plan program (pp. H1016-H1017)	Agreed, voice vote
Burton	Redirects $26.3 million of Iraq funds for counter-narcotics activities in Colombia (pp. H1067-H1068)	Agreed, 250-172
Capuano	Increases by $50 million funds for peacekeeping operations in Darfur (p. H1068)	Agreed, 213-208
Garrett	Cuts $5 million for public diplomacy programs in Iran (pp. H1069-H1070)	Rejected, 75-344
Garrett	Cuts $5 million for education and cultural exchanges for Iranian students (p. H1070)	Rejected, 78-343
Foxx	Cuts $36.1 million for broadcasting into Iran (pp. H1070-H1071)	Rejected, 88-333

The Senate Appropriations Committee largely funded the Administration's request, with some exceptions. The Senate bill provides $4.45 billion for international affairs, an increase of $220 million over the request. Major items and changes to the request include:

- cuts security funding for Provisional Reconstruction Teams in Iraq, but fully funds other State Department operational costs in Iraq and Afghanistan;
- fully funds Iraq stabilization assistance, but unlike the House, does not provide counter-narcotics funding for Colombia;
- fully funds southern Sudan and Darfur, with an additional $50 million in funding for peacekeeping in Darfur;
- adds $50 million for economic aid for Liberia;
- adds $42.5 million for various Migration and Refugee Assistance programs in Somalia, the Horn of Africa, the Congo, North Caucasus, North Asia, and Burma;
- Increases to $20 million for Emergency Migration and Refugee Assistance for the Horn of Africa;
- adds $40 million in Child Survival and Health, and Economic Support Funds for Haiti;
- adds $100 million in Economic Support Funds for Jordan;
- adds $13.2 million in Democracy Funds and peacekeeping in Congo, with a rescission of the same amount from the Export-Import Bank.

Hurricane Recovery Issues

The House-passed measure provides $19.1 billion for supplemental appropriations for relief and recovery from the 2005 Gulf Coast hurricanes, a

reduction of $0.7 billion from what was requested by the President. The House bill agrees with much of the supplemental request, but makes the following changes:

- does not fund the request of $202 million for Tenant-Based Rental Assistance at the Department of Housing and Urban Development (HUD);
- reduces the request for Procurement at DOD by $250 million — $887 million is provided;
- reduces DOD Military Construction by $270 million — $135.5 million is provided;
- reduces the Department of Veterans Affairs (VA) funds for rebuilding the VA medical center in New Orleans by $50 million — $550 million is provided and the obligation is made contingent on enactment by June 30, 2006, of authority for rebuilding the medical center. In addition, the VA is allowed to transfer up to $275 million of these funds for unforeseen medical needs related to the global war on terror;
- expands the mechanism requested for the distribution of $4.2 billion for the Community Development Block Grant (CDBG) so that it would not be limited to Louisiana projects; and
- adds a provision to make available in FY2006 $750 million for the Low-Income Home Energy Assistance Program (LIHEAP) that were appropriated for FY2007 in the Deficit Reduction Act of 2005 (P.L. 109-171); these are contingency funds (allotted to one or more states, at the Administration's discretion, and based on emergency need), and would remain available until the end of FY2007.

Table 4. Hurricane Recovery Amendments: House Action

Sponsor	Purpose/*Congressional Record* page reference	Vote
Millender-McDonald	Provides $20 million for Defense Health Programs to expand training capacity for prosthetics and orthotics (pp. H1013-H1014)	Agreed, voice vote
Jindal	Decreases funding for FEMA disaster relief by $2 million and increases funding for procurement, defense-wide of the Air Force by the same amount (p. H1084)	Agreed, voice vote
Melancon	Increases funding for Flood Control and Coastal Emergencies by $465 million (pp. H1033-H1034)	Rejected, 199-215
Jefferson	Increases Community Planning and Development by $2 billion and decreases FEMA by the same amount (pp. H1034-H1035)	Rejected, 174-248
Sabo	Increases funding for the Customs and Border Protection (CBP), the United States Coast Guard (USCG), FEMA administrative and regional operations, and FEMA preparedness by $700 million, $125 million, $300 million, and $100 million, respectively (pp. H1076-H1079, and H1094-H1095)	Rejected, 208-210
Neugebauer	Eliminates all funding in the bill for hurricane recovery (pp. H1079-H1082, and H1095-H1096)	Rejected, 89-331
Millender-McDonald	Increases funding for election activities under FEMA by $20 million (p. H1082-84, H1096)	Rejected, 194-227
Gingrey	Reduces funding for the National Historical Preservation Fund by $3 million (p. H1086)	Rejected, voice vote

On April 4, 2006, the Senate Appropriations Committee reported its version of H.R. 4939. As approved by the Committee, the legislation provides a total of $27.1 billion for hurricane recovery which is $7.3 billion (37%) more than the President's request, and roughly 42% more than the House provided ($19.1 billion). As reported, the Senate bill provides an additional supplemental appropriation of $6.9 billion for disaster assistance unrelated to hurricane recovery; such assistance was not requested by the Administration nor included in the House bill. The bill as reported by the Senate Committee on Appropriations differs from the bill as passed by the House as follows. The Senate-reported bill provides:

- $1.2 billion for mapping and debris removal to help Gulf Coast fisheries affected by the hurricanes;
- $1.5 billion for repairs to transportation infrastructure, public transit, and grants for federal aid for highways;
- $881 million for education needs, including higher education loans and grants;
- $1 billion more for CDBG (total of $5.2 billion) compared to both the request and the House approved funding, with a set-aside for low-income and assisted housing;
- $1 billion more for the Disaster Relief Fund administered by FEMA (total of $10.6 billion), with funds set aside for the development of housing alternatives other than travel trailers;

- $641 million more for levee repairs (total of $2.0 billion) for coastal and flood protection;
- $3.9 billion for emergency agricultural disaster assistance for crop losses;
- $648 million for port security enhancement; and
- $2.3 billion for pandemic influenza preparedness and response activities.

American Port Security and the Dubai Ports World Operational Control of Six U.S. Terminals[9]

The takeover of terminal operations at six major U.S. ports by Dubai Ports World (DP World), based in the United Arab Emirates (UAE), has sparked intense concerns among Members of Congress and the public, and has reignited the debate over what role foreign acquisitions play in U.S. national security, and specifically security of American ports. DP World purchased the terminals from P&O Ports, a multinational terminal operating company based in the United Kingdom which leases marine terminals around the world, including terminals at six U.S. ports — New York, New Jersey, Philadelphia, Baltimore, Miami, and New Orleans.

These ports are owned by a port authority, which is a public or quasi-public organization associated with the city, county, or state government. The port authority is responsible for the overall administration of the property, terminals, and other facilities on the port complex. Marine terminals within these ports are areas with equipment for loading and unloading ships and space for staging cargo until it is loaded on the ship or transferred to overland modes of transport. P&O Ports is also involved in other cargo handling services at other East and Gulf Coast ports, and a cruiseship terminal in New York. DP World acquired P&O's terminal leases or concessions at these ports, which account for a portion of the total cargo handling or cruise ship activity that takes place at these ports. DP World currently operates 19 container terminals outside the United States and is involved in other cargo handling services in 14 countries. DP World operates as a commercial entity but is owned by the Government of Dubai in the UAE.

In addition to issues related to the review process for foreign investment in the United States and U.S. foreign policy with regard to the UAE, a key issue for Congress as it evaluates this transaction is what role marine terminal operators have in the security of U.S. ports. While the federal government, namely the Coast Guard and Customs and Border Protection (CBP), takes the lead in port security, security responsibilities are also shared with the port authorities, local law enforcement, vessel owners, terminal operators, and port workers. Coast Guard regulations and CBP security programs require terminal operators to provide basic security infrastructure and follow certain security practices when handling cargo.

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[9] Prepared by John Frittelli, Analyst in Transportation, and James Jackson, Specialist in International Trade and Finance.

While the United States actively promotes internationally the policy of relaxing rules concerning foreign investment, including the national treatment of foreign firms, some in Congress and others question some aspects of this policy as it relates to allowing foreign competitors unlimited access to the Nation's industrial base. Much of this debate focuses on the activities of a relatively obscure committee, the Committee on Foreign Investment in the United States (CFIUS) and the Exon-Florio provision (added to the Defense Production Act in 1988; P.L. 100-418), which gives the President broad powers to block certain types of foreign investment.[10]

The proposed acquisition of port terminals operated by DP World has sparked a firestorm of activity in the 2nd Session of the 109th Congress. H.J.Res. 79 and S.J.Res. 32 express Congressional disapproval of the proposed acquisition and direct CFIUS to conduct a full 45-day review of the transaction and to brief Members of Congress on the results of the investigation. Numerous other bills related to the issue have also been introduced. The matter was inserted into the FY2006 Supplemental Appropriation during a House markup of the legislation on March 8.

In the face of mounting pressure from Capitol Hill and elsewhere, DP World announced on March 9 that it would not manage the American ports itself, but transfer operations to a U.S. "entity." Subsequently, on March 15 DP World said it would sell the U.S. port facility operations to an American buyer, a process that might take four to six months. In the meantime, the UAE-based company said that P&O Ports North America would be operated separately by a U.S. subsidiary.

Congressional Action

During the March 8 markup on the $92 billion emergency FY2006 emergency supplemental, House Appropriations Committee Chairman Lewis submitted an amendment aimed at blocking the acquisition by DP World of the six American port terminals. The amendment, which passed 62-2, bars the use of any appropriated funds to take action allowing the purchase by DP World, and further prohibits the acquisition, notwithstanding any "prior action or decision or decision by or on behalf of the President." President Bush previously had said that he would veto any legislation containing such text.

Following the March 9 announcement by DP World that it would turn over port operations to an American entity, Chairman Lewis said in a press release issued on March 10, that "reports that Dubai Ports World has agreed to sell its holdings of a subsidiary involved in managing six American ports is encouraging news."[11] Nevertheless, the Lewis amendment remains in the House-passed version of H.R. 4939. The House defeated (38-377) an amendment offered by Representative Gilchrest on March 15 that would have struck the text banning DP World purchase.

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[10] For more information, see CRS Report RL33312, *The Exon-Florio National Security Test for Foreign Investment*, by James Jackson.

[11] Chairman Lewis Makes a Statement on DP-World Development, March 10, 2006. Available at House Appropriations Committee website: [http://appropriations.house.gov/index.cfm?FuseAction=Home.Home]

The Senate Appropriations Committee did not include similar language regarding Dubai Ports World. However, a Byrd amendment accepted in full committee markup added $648 million for port security grants, radiation portal monitors, and for activities of the Coast Guard, Customs and Border Protection Service.

Defense Supplemental[12]

To cover war costs, the FY2006 supplemental requests $67.9 billion for the Department of Defense (DOD), an amount that is in addition to the $50 billion that DOD already received in the FY2006 bridge fund included in DOD's FY2006 Appropriations Act (P.L.109-148).[13] If enacted, this would bring DOD's total for Iraq (Operation Iraqi Freedom or OIF) and Afghanistan/other global war on terrorism activities (Operation Enduring Freedom or OEF) to $117.9 billion in FY2006.

If passed, DOD's funding in FY2006 would be $19 billion more than the $99 billion received in FY2005 and $51 billion more than the $67 billion received in FY2004 (**Table 5**).[14] Based on this request, DOD's war and occupation costs would increase from $67 billion in FY2004 to $118 billion in FY2006 — an increase of 76% in two years.

In FY2003, the year of the invasion of Iraq, the Defense Department's war costs totaled between $69 billion and $76.2 billion depending on whether $7.1 billion in funds provided in DOD's FY2003 regular appropriations are included.[15]

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[12] Prepared by Amy Belasco, Specialist in National Defense. Military construction section prepared by Daniel Else, Specialist in National Defense.

[13] In FY2005 and FY2006, Congress included "additional appropriations" for war costs in Title IX of DOD's regular appropriations act to ensure that DOD would have sufficient funds to cover war costs until a supplemental was passed.

[14] The $99 billion total for FY2005 includes $75.9 billion in the FY2005 Supplemental (P.L. 109-13) and $23.1 billion of the $25 billion appropriated to DOD in the FY2005 bridge supplemental (Title IX, P.L. 108-287). Congress provided that the FY2005 bridge funds were available upon enactment and DOD obligated $1.9 billion in FY2004, leaving $23.9 billion available for FY2005.

[15] See CRS Report RL33110, *The Cost of Iraq, Afghanistan and Enhanced Security Since 9/11*, by Amy Belasco.

Table 5. Defense Department War and Occupation Appropriations, FY2004-FY2006

($s — billions)

Department of Defense	FY2004 P.L.108-106; P.L.108-287[a]	FY2005 P.L.108-287; P.L.109-13[b]	FY2006 Bridge: P.L.108-148	FY2006 Supp.	FY2006 Total with Supp.
Total	$66.8	$98.8	$50.0	$67.9	$117.9
Annual Change	NA	$32.0	NA	NA	$19.1
$ Change Since FY04	NA	$32.0	NA	NA	$51.0
% Change Since FY04	NA	48%	NA	NA	76%

Source: CRS calculations based on public laws.

a. Total for P.L. 108-106 excludes $3.5 billion rescission of FY2003 funds; includes $1.9 billion of funds in the FY2004/FY2005 bridge fund that was obligated in FY2004 (Title IX, P.L. 108-287).

b. Total for FY2005 includes funds available for FY2005 from the FY2004/FY2005 bridge fund and funds appropriated in the FY2005 supplemental (P.L. 109-13) excluding funds for Tsunami relief and the Office of the Director of National Intelligence.

According to DOD's justification materials, the FY2006 supplemental request assumes that monthly deployment levels will average about 138,000 troops in Iraq and 18,000 troops in Afghanistan, with temporary fluctuations during troop rotations. DOD does not provide a breakdown of how the $67.9 billion request would be allocated between Iraq and Afghanistan. DOD's justification materials state that monthly military personnel and operation and maintenance costs — the expenditures most closely tied to military operations — averaged $4.5 billion in Iraq and $0.8 billion in Afghanistan and other global war on terrorism activities, or a total of $5.3 billion monthly for both operations in FY2005.[16]

If one defines "military operations costs" as the cost of military personnel and operation and maintenance and applies this approach to the enacted bridge fund and DOD's new supplemental FY2006 request, average military operations costs per month would increase from $5.6 billion in FY2005 to $6.8 billion per month in FY2006, a 21% increase (see **Table 6**). These average monthly costs include only those costs that would be obligated in FY2006 but not all of DOD war and occupation costs that are associated with operations. For example, this definition of "military operations costs" does not include additional funds spent for national intelligence (cost not tracked by DOD) or training of Afghan and Iraq security forces, now a substantial expense. Nor do military operations costs — as defined by DOD

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[16] Department of Defense, *FY 2006 Supplemental Request For Operation Iraqi Freedom (OIF) and Operation Enduring Freedom (OEF)*, February 2006; [http://www.dod.mil/comptroller/defbudget/fy2007/FY06_GWOT_Supplemental_Request_-_FINAL.pdf], p. 3 (hereinafter cited as DOD, FY2006 Supplemental Request - war).

— include DOD's substantial investment costs for additional equipment for deployed forces that DOD believes needs to be ordered in FY2006 to meet its military needs.[17]

If all these costs are included, full monthly war and occupation costs would average $8.2 billion in FY2005, and would increase to $9.8 billion in FY2006 if DOD's request is enacted. **Table 6** shows the average monthly increases for each of these categories, which range from decreases for military personnel and Afghan and Iraq training funds to increases in O&M and investments.

Potential Issues in DOD's FY2006 Supplemental Request

In its FY2006 supplemental request, the Department of Defense is requesting $67.9 billion to provide special pays for military personnel, activate reserves, support military operations, repair equipment, house and provide for troops, buy additional military equipment, conduct research and development, construct military facilities, train Afghan and Iraqi security forces, and reimburse coalition allies.[18] **Table 7** lists the major elements of the new request by title, the amount in the FY2006 bridge fund (Title IX, P.L.109-148) and the total for FY2006 as requested and approved to date. For a breakdown by appropriation account, see table appended to this report.

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[17] DOD requests that its procurement funds be available for three years to take into account the one to three years that it takes to contract, order, produce and receive military parts and equipment.

[18] Office of Management and Budget, Estimate No. 3, OMB, *FY2006 Supplemental Request, Estimate No. 3, FY2006 Emergency Appropriations (various agencies), Ongoing Military, Diplomatic and Intelligence Operations in the Global War on Terror, Stabilization and Counterinsurgency Activities in Iraq and Afghanistan, and Other Humanitarian Assistance*, 2-16-06; [http://www.whitehouse.gov/omb/budget/amendments/supplemental2_2_16_06.pdf]; (Hereafter cited as OMB, *FY2006 Supplemental War Request*.) DOD, FY2006 Supplemental Request - war.

Table 6. Average Monthly DOD Budget Authority for War and Occupation, FY2005 Enacted-FY2006 Request

($s — billions)

Title	FY2005: Bridge & Supp[a]	FY2006: Bridge & Supp Request[b]	FY06 +/- FY05	
			$s	%
Military Personnel	$18.4	$15.8	($2.6)	-14%
Operation & Maintenance(O&M)	$46.0	$61.3	$15.3	33%
Other support[c]	$2.9	$4.2	$1.2	42%
Military Operations Total	$67.3	$81.3	$13.9	21%
Monthly Average: Military Operations (BA)	**$5.6**	**$6.8**	**$1.2**	**21%**
Other Defense programs[d]	$3.9	$5.0	$1.0	26%
Afghan and Iraq Training Forces Fund	$7.0	$5.9	($1.1)	-16%
Intelligence[e]	[5.1][e]	[5.6]	[.5][e]	[10%][e]
Investment	$20.5	$25.7	$5.2	25%
Total Costs	$98.9	$117.9	$19.0	19%
Monthly Average,Total Budget Authority	**$8.2**	**$9.8**	**$1.6**	**19%**

Sources: CRS calculations based on public laws, conference reports, DOD, *FY2006 Supplemental Justification Materials*, February 2006.

Note: Totals may not add because of rounding.

a. Includes remaining funds in FY2005 bridge (P.L. 108-287) and FY2005 Supplemental (P.L. 109-13) excluding funds for Tsunami relief and office of the Director of National Intelligence.
b. Includes $50 billion in P.L. 109-148, FY2006 DOD Appropriations Act and $67.9 billion in FY2006 supplemental request.
c. "Other support" includes defense health and working capital funds.
d. "Other Defense programs" include Iraq Freedom Fund, the Office of Inspector General, and Drug Interdiction and Counterdrug.
e. Funding of $1.8 billion for intelligence was included in the Iraq Freedom Fund in P.L.108-287, and $3.3 billion in P.L. 109-13 for a total of $5.1 billion for FY2005. Funding of $3 billion was included in the Iraq Freedom Fund in the FY2006 bridge (P.L. 109-148), and the FY2006 request includes an additional $2.6 billion for a total of $5.6 billion; see DOD, *FY2006 Justification - War*, Feb. 2006, p. 1.

Several potential issues about the new FY2006 supplemental request may arise in Congress, including whether DOD's funding requests for training Afghan and Iraqi security forces are necessary in light of the pace of implementation, how to make transparent the DOD assumptions about military personnel levels for active-duty and reserve forces that underlie the request, whether DOD could better contain increases in operating costs, and whether DOD's investment request finances peacetime as well as wartime needs.

Table 7. Department of Defense FY2006 Bridge Supplemental and FY2006 Supplemental Request

($s — billions)

Title	FY2006 Enacted	FY2006 Enacted plus Request	FY2006 Supp. Request	House Supp.	Senate Supp.
Iraq Freedom Fund[a]	$4.66	$4.76	$0.10	$0.00	$0.03
Afghanistan Security Forces Fund	$0.00	$2.20	$2.20	$1.85	$1.91
Iraq Security Forces Fund	$0.00	$3.70	$3.70	$3.01	$3.70
Joint Improvised Explosive Defeat[b]	$0.00	$0.00	$0.00	$0.00	$1.95
Military Personnel	$6.21	$15.80	$9.59	$9.93	$10.20
Operation and Maintenance	$28.56	$61.29	$32.74	$32.11	$31.60
Procurement	$7.98	$24.38	$16.40	$17.68	$15.46
Research, Development, Test & Eval	$0.05	$0.83	$0.78	$1.00	$0.71
Military Construction	$0.00	$0.49	$0.49	$0.32	$0.28
Revolving & Management Funds	$2.52	$3.03	$0.52	$0.50	$0.52
Other Defense [c]	$0.03	$1.38	$1.35	$1.32	$1.31
Total	**$50.00**	**$117.87**	**$67.87**	**$67.72**	**$67.67**

Note: Senate amounts do not include amendments adopted during partial floor debate on the bill.

a. Iraq Freedom Fund includes $3 billion for intelligence in the FY2006 bridge fund (Title IX, P.L.109-148), and $100 million in the FY2006 request for two-year money for commanders' "near-term urgent operational needs;" see OMB, *Estimate No. 3*, 2-16-06; also includes $100 million for the Coast Guard.

b. Request and House bill include $1.958 billion in three separate accounts.

c. "Other" includes Defense Health, Drug Interdiction and the Office of the Inspector General. Department of Defense, *FY 2006 Supplemental Request For Operation Iraqi Freedom (OIF) and Operation Enduring Freedom (OEF)*, February 2006; [http://www.dod.mil/comptroller/defbudget/fy2007/FY06_GWOT_Supplemental_Request_-_FINAL.pdf].

Afghan and Iraq Security Forces Funds: Obligations Slower Than Anticipated. In its FY2006 supplemental, DOD requests $2.2 billion for the Afghan Security Forces Fund and $3.7 billion for the Iraq Security Forces Fund to train and equip Afghan and Iraqi security forces. These funds are in addition to $500 million that DOD may use in the FY2006 bridge for either country.[19] Altogether, DOD would have available $6.4 billion in FY2006 and FY2007 for training and equipping in addition to funds already appropriated.[20]

For Iraqi security forces, the request includes:

- $787 million to equip Iraq's brigades by purchasing aircraft, patrol boats, equipment, and ammunition, $751 million for basing and infrastructure;

[19] Section 9005, P.L. 109-148 sets a ceiling of $500 million from funds within Title IX.

[20] As in previous proposals, the monies are requested to be available for two years or until September 30, 2007.

- $712 million for police equipment, $696 million for basing, $250 million for training, $296 million to maintain buildings; and $65 million for other police needs; and
- $73 million to train and equip Iraqi security guards for detainee operations or contract for those services.

For Afghan security forces, the request includes:

- $585 million for police training, $346 million for police infrastructure, $235 million to maintain equipment and pay police salaries and $195 million for equipment;
- $225 million to operate and support Afghan military forces, $221 million for military equipment, $138 million for training, and $240 million for military infrastructure; and
- $14 million for detainee operations.

Although training and equipping Afghan and Iraqi security forces is clearly a high priority for the Administration, it appears that DOD is obligating these funds more slowly than originally anticipated so that funding requested for FY2006 could be greater than currently required. The $5.9 billion requested in the FY2006 bridge supplemental would be in addition to the $7 billion — $1.3 billion for Afghanistan and $5.7 billion for Iraqi security forces — already received by DOD in FY2005, and the $6.9 billion previously provided in the FY2004 supplemental.

As of January 2006, about $235 million of the $5 billion provided for training Iraqi forces in the FY2004 supplemental was unobligated or still available to be spent;[21] obligations data for Afghanistan are not available. Of the $5.7 billion appropriated for Iraq in FY2005, about $2.1 billion or about 37% is obligated as of January 1, 2006. In its plan for FY2005, DOD had projected obligations of $4.3 billion or about 75% at that point. In the case of Afghanistan, DOD has obligated about $733 million or 33% of the $1.3 billion appropriated as of January 1, 2006. This is also below the $825 million or 64% anticipated by DOD last year.[22]

Potential Training Funding Issues. With the current rate of spending, some observers could question whether the full $5.9 billion requested to train and equip Afghan and Iraqi forces is needed at this time. Last year, DOD anticipated that training funds appropriated in FY2004 would run out in June 2005 for Iraq and in October 2005; some $235 million remains available. Obligations of FY2005 appropriations are also below those anticipated for FY2005 monies, particularly for Iraq. On the other hand, the FY2006 supplemental requests funds that would be available for two years and so could also be used in both FY2006 and FY2007.

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[21] State Department, *Section 2207 Reports*, Iraq Relief and Reconstruction Funds (IRRF) - Status of Funds, obligations as of December 28, 2005.

[22] See entries for these accounts in Standard Form (SF)133, *Report on Budget Execution and Budgetary Resources*, October 2005 and FY2006, 1/30/06 for 1st quarter FY2006. [http://www.whitehouse.gov/omb/reports/sf133/FY_2005_SF_133s_w_Revis.pdf]. For DOD plan, see DOD, "Iraq/Afghanistan Security Forces: DOD's FY05 Supplemental Request," March 2005.

Another potential issue is whether Congress might want advance notification of DOD's overall plans for the types of equipment to be provided to Afghan and Iraqi security forces. While the current and proposed statutory language requires DOD to provide five-day advance notification of individual transfers from the account, this does not give Congress an overall sense of DOD plans for the amounts and types of equipment to be provided. Nor is it clear whether DOD plans to transfer or leave behind any U.S. equipment and how that would factor into such plans.

Congressional Action. The House measure provides $1.9 billion to Afghan security forces and $3 billion for Iraqi Security forces in specially segregated funds to cover the cost to train, equip, and build facilities for military and police forces. Pending submission of complete justification materials, the House Appropriations Committee cut funds intended to build facilities for Afghan ($396 million) and Iraqi police forces ($696 million). The Committee also put a hold on another $991 million slated for military infrastructure until DOD submits a detailed, project-by-project financial plan.

In its markup, the Senate Appropriations Committee (SAC) provides $1.91 billion to train Afghan security forces — close to the House level and $3.7 billion for Iraq security training — $700 million more than the House and the same as the request. During markup, the SAC added language that places a hold on funds to repair and construct Iraqi security infrastructure until formation of a unified government.[23] In its April 25, 2006 statement of administration policy, the Administration specifically objected to the reduction in funds for Afghan security forces as reported by the Senate Committee on Appropriations.

Coalition Support. As in previous years, DOD is requesting funds to make payments to "key cooperating nations" that provide logistical and military support for operations in Iraq and Afghanistan. In the FY2006 supplemental, DOD requests $1.5 billion for coalition support and $550 million for "lift and sustain funds" — to assist Iraq and Afghanistan and other nearby friendly nations in their efforts to combat terrorism — in addition to the $195 million in coalition support bridge funds. This would bring the total to $2.2 billion for support of coalition partners.

In FY2005, DOD received $1.2 billion for coalition support. DOD does not provide a rationale for the increased funding for coalition support requested. If history is a guide, much of the funds will go to Pakistan, with the remainder to Jordan, Afghanistan, Ukraine, Poland, and other coalition allies.[24]

Congressional Action. The House bill reduces the DOD request for coalition support by $300 million, approving $1.2 billion, the same level as last year. The House bill also reduces the $550 million for "lift and sustain" by $104 million,

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[23] S.Rept. 109-230, p. 21-22.

[24] Office of the Secretary of Defense, *Coalition Support Fund Tracker*, FY2002-FY2005, February 2006.

saying that those funds should come out of the Iraq Security Forces Fund.[25] The Senate bill halves DOD's $1.5 billion request for coalition support to $760 million compared to the $300 million cut in the House. The SAC also cuts "lift and sustain" funds by $104 million as does the House. In its April 25, 2006 statement of administration policy, the Administration specifically objected to the Senate-proposed cuts for coalition support.

Commander's Emergency Response Program (CERP). DOD is also requesting $423 million for the Commander's Emergency Response Program (CERP), a program where military commanders can fund local projects for humanitarian relief and reconstruction. The FY2005 Supplemental set an upward limit of $854 million in FY2005, $500 million above DOD's request.[26] Congress may again want to raise the DOD request based on its assessment of the program's effectiveness.

Congressional Action. The House measure approves the DOD request that set a $423 million ceiling on CERP programs, but the Appropriations Committee cited concerns about a change in the program's focus. The Senate bill also approves the requests for CERP.

Iraq Freedom Fund. The House rejected DOD's request for $100 million in the Iraq Freedom Fund transfer account. The Senate provided $25 million.

New Joint Improvised Explosive Device Defeat Fund. The Senate bill sets up a new transfer account that would allow the Director of the Joint Improvised Explosive Device Defeat Organization to "investigate, develop and provide equipment, supplies, services, training, facilities, personnel and funds to assist U.S. forces in the defeat of improvised explosive devices," (IEDs) with a report to the congressional defense committees required within 90 days of enactment on DOD's plans.[27] The $1.958 billion allocated to this new account is drawn from $490 million in O&M, Army, $1.1billion in Other Procurement, Army and $357 million in RDT&E Army included in DOD's request. The House approved the monies in DOD's request for countering IEDs but left the funds in the three separate accounts.

Military Personnel Request and Visibility of Personnel Plans. The Defense Department is requesting $9.6 billion for military personnel in the FY2006 supplemental, which would bring total funding for the year — including the bridge supplemental — to $15.8 billion. This is $2.9 billion less than received by DOD for FY2005.[28] It is not clear why the level is almost $3 billion lower this year.

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[25] H.Rept. 109-388, p. 14.

[26] See Section 1006, P.L. 109-13, which raised the limit set in the FY2005 National Defense Authorization Act (P.L. 108-375).

[27] See H.R. 4939 as marked up by the Senate, p. 101-102.

[28] DOD's reported war-related obligations for military personnel are $15.9 billion according to the September 30, 2005 report of the Defense Finance Accounting Service (DFAS), *Supplemental & Cost of War Execution Report*. These reports, however, appear not to

(continued...)

Additional War-related Military Personnel Benefits. In the FY2006 supplemental request, $3.2 billion is slated to pay for additional war-related military personnel benefits including:

- $1.4 billion for special pays for active-duty forces including hostile fire pay, family separation allowances, hardship duty;[29]
- $341 million for additional recruiting and retention bonuses to sustain wartime forces levels;
- $59 million for higher foreign language proficiency pay;
- $544 million for death gratuities;
- $400 million for additional life insurance claims above peacetime levels;[30]
- $474 million for catch-up benefits for service members who suffered traumatic injuries who would qualify under the new benefit enacted in the FY2006 National Defense Authorization Act;[31] and
- $22 million for insurance premiums for OIF/OEF personnel.

With the $800 million already received in the FY2006 bridge fund, the total for war-related special pay and benefits in FY2006 would be about $4 billion.[32] Since the launch of military operations in Iraq, Congress has raised and added war-related personnel benefits and may again consider whether these benefits are sufficient.

Sustaining Force Levels. The FY2006 supplemental request includes $6.2 billion to sustain current force levels, including $653 million to support active-duty force levels above normal peacetime levels, known as "overstrength," and about $5.5 billion to pay activated reservists.[33] In DOD's plan, Army troop levels will be 16,300 above and Marine Corps levels will be 6,000 above peacetime strength levels in FY2006. DOD has already received $420 million to cover overstrength costs, which would bring the total base for the Army and 175,000 for the Marine Corps.

DOD's FY2006 request also includes $5.5 billion to pay activated national guard and reserve forces, in addition to $4.6 billion included in the FY2006 bridge fund for "incremental" war costs for military personnel. That would bring the total

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[28] (...continued)
capture about $2.95 billion in military personnel obligations as recorded by the SF-133, the government's standard financial reporting system.

[29] Congress has authorized monthly levels of $225 for imminent danger pay, $250 for family separation allowance and $100 for hardship duty location pay for those deployed less than 12 months and $300 for those deployed more than 12 months.

[30] Payments go to the Department of Veterans Affairs to pay claims.

[31] Payments go to the Department of Veterans Affairs to pay claims.

[32] CRS calculations based on H.Rept. 109-359, p. 471.

[33] This includes some $933 million for basic allowance for housing for dependents of activated reservists.

to about $10.1 billion, or about $1.5 billion less than requested in FY2006.[34] DOD's wartime financial reporting system reports $8.4 billion to activate reserve forces in FY2005 but this figure appears to be understated.[35]

DOD's FY2006 supplemental justification does not include any information about the mix of active-duty and reserve forces anticipated in FY2006 that would be funded with these monies. And because of the discrepancies in the figures, it is impossible to say whether DOD's estimated funding in FY2006 is similar to or different from last year. In general, the more that DOD relies on reservists, the higher are war-related military personnel costs. That is because DOD's incremental war costs for active-duty forces include only special pays because their regular pay is included in DOD's regular appropriations whereas the additional full-time pay for activated reservists is a wartime expense.

According to a DOD data base, about 36% of the 270,00 forces deployed in support of the global war on terror were activated reservists and about 64% were active-duty in FY2005, figures similar to those cited by DOD spokesperson.[36] According to DOD, the FY2006 funding request supports overall force levels in FY2006 that are similar to those in FY2005 — about 138,000 in Iraq and 18,000 in Afghanistan. These figures do not appear to include other forces in the region or elsewhere supporting the global war on terrorism.

In light of concerns about stress and sustaining both active-duty and reserve forces, Congress may want to know the DOD planning assumptions that underlie its FY2006 supplemental request for military personnel, including not only personnel in-country but all those paid for by bridge and supplemental funds. That information is not provided in DOD's justification material.

Congressional Action. The House bill adds $300 million to Navy Military personnel in order to restore monies cut from the regular budget in a government-wide 1% across-the-board cut levied to offset additional Gulf Hurricane monies.[37] The House also adds $40 million for Army Reserve personnel for recruiting and retention programs.

The Senate bill also includes $300 million to restore funds cut for regular expenses of Military Personnel, Navy by the 1% cut. In addition, the SAC adds $195 million to the $305 million request for recruiting and retention incentives that is

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[34] See H.Rept. 109-359, p. 471.

[35] DFAS, *Supplemental & Cost of War Execution Report*, September 2005; the FY2007 budget shows almost all military personnel funds as obligated; see OMB, FY2007 Budget Appendix at [http://www.whitehouse.gov/omb/budget/fy2007/pdf/appendix/mil.pdf]. CRS compared appropriated levels to those reported in DFAS reports and those reported in the FY2007 budget to identify a discrepancy of about $3 billion.

[36] CRS calculations based on Defense Manpower Data Center, *Contingency Tracking System, Deployed Military Personel by Country and Component*, November 2005 run.

[37] Sec. 3801, Title, III, Chapter 8, P.L.109-148 requires a 1% across-the-board cut government-wide except for the VA and emergency appropriations.

included in the services' military personnel accounts. Most of the funds go to the Army. (An additional $85 million for recruiting and retention is in the O&M accounts.) The SAC also adds $49 million for higher death benefits which the bill makes available to service members who died between May 12, 2005, and August 1, 2005.[38]

Operation and Maintenance Funding Rises Substantially in FY2006. The Defense Department is requesting $32.7 billion in Operation and Maintenance (O&M) funds in the FY2006 supplemental. These funds would be in addition to the $28.6 billion received in the FY2006 bridge fund, and would bring total funding in FY2006 to $61.3 billion. That amount is $15.5 billion or about one-third higher than the $45.8 billion appropriated in FY2005.

O&M funding pays for activities and services ranging from personnel support for troops (e.g., subsistence, body armor, morale, welfare and recreation activities) to the cost of operating forces and billeting troops. Major elements in the $32.7 billion in the FY2006 supplemental — all in addition to FY2006 Title IX bridge funds — include

- $12 billion for operating support (fuel, spare parts, and related expenses);
- $1.9 billion in personnel support (e.g., subsistence, body armor and other protective gear);
- $2.4 billion for billeting of soldiers, base camp facilities, staging areas, airfields;
- $500 million for command, control, communications and tactical intelligence;
- $9.5 billion for transportation personnel and equipment both to and within the theater;
- $3.2 billion for equipment maintenance in-theater and depot maintenance at home; and
- $2.8 billion in other unspecified support costs.

It is difficult to explain the increases in FY2006 because DOD did not show the funding already received in the bridge supplemental in its justification materials. Since DOD did not request the bridge funds — though it did not oppose them — there was no formal request or justification material. It appears that about half of the $15.3 billion increase in FY2006 for O&M can be explained by higher transportation, maintenance, and fuel costs.

Depot Maintenance and Transportation Slated for Large Increases. If the FY2006 request is approved, DOD's total depot maintenance bill for FY2006 would be $7.3 billion — about $2.1 billion, or almost 40% higher than the FY2005 level.[39] According to DOD's justification material, the additional depot maintenance

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[38] Sec. 1310, H.R. 4939 as marked up by the SAC, and S.Rept. 109-230, p. 39.

[39] DOD obligated $5.2 billion for depot costs in FY2005; see DFAS, *Supplemental & Cost of War Execution Report*, September 2005.

requirements reflect the harsh desert environment and wartime conditions, which have increased the wear and tear on equipment.

Another area programmed for large increases is transportation of personnel and equipment to and within theater for which DOD is requesting $9.5 billion. Including FY2006 bridge funds brings the FY2006 total to $10.8 billion, or about $4 billion, or almost 60% higher than the $6.8 billion in FY2005. DOD attributes about $1.8 billion of the increase to higher fuel costs in FY2006. Excluding those costs, the total would still be almost one-third higher than the previous year.

DOD does not provide a breakdown between its use of more expensive airlift vs. sealift to transport goods but notes that the "Department is working to reduce the proportion of air transport used and to lower the costs ... but ... will continue to need air transport for the most critical items and shipment," a commitment also included in DOD's justification material for FY2005.[40] It is not clear why in the fourth year of operations, DOD is still heavily relying on air transport of supplies.

Higher fuel prices may also account for increases in operating tempo costs that include fuel, spare parts, and other costs of deployed units. DOD's request is predicated on the assumption that the average price of fuel — with service charges — rises from $62 to $84 per barrel.[41] DOD estimates that higher fuel costs in FY2006 account for $2.6 billion in higher costs, including $2.2 billion financed in the bridge fund and $423 million in the new supplemental.[42]

The FY2006 O&M supplemental also includes $539 million for body armor plus an additional $140 million in the bridge supplemental for a total of $680 million. This appears to be comparable to the $650 million appropriated for body armor in FY2005.[43]

These three areas — equipment maintenance, transportation, and higher fuel costs would account for about $8.7 billion, or roughly half of the $15 billion increase in O&M in FY2006. From DOD's justification material, the source or rationale for other funding increases or for continuation of FY2005 levels for other areas is not apparent.

Congressional Action. The House-passed measure cuts a total of $630 million from DOD's $32.7 billion O & M request, decreasing funds for higher fuel prices (-$759 million), coalition support (-$300 million), and "lift and sustain" aid to U.S. allies (-$104 million). These cuts are partly offset by increases for depot maintenance of upgraded M1A1 tanks for Army National Guard units ($130 million) and for Marine Corps repair/reset ($100 million). Concerned about the long-term size of equipment repair requirements, the House Appropriations Committee also

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[40] DOD, *FY2006 Supplemental Request* — war, p. 10.

[41] Ibid., p. 12

[42] Ibid., pp. 10, 12.

[43] CRS calculations based on H.Rept. 108-622, p. 380 and H.Rept. 109-72, pp. 103-105.

requires DOD to submit a report by May 1, 2006, that would itemize previously funded spending and estimate requirements in the next three years.

In its markup, the Senate Appropriations Committee cut a total of $1.1 billion from DOD's O&M request — almost twice the amount cut by the House. Like the House, most of the cuts are for higher fuel prices (-$813 million), coalition support (-$760 million), "lift and sustain" aid for allies (-$104 million). The bill also transfers $490 million in monies to counter IEDs to the new account. These cuts are partly offset by adds for repairs of M1A1 tanks for Army National guard units ($130 million like the House), adds for Air Force optempo ($194 million) and transportation ($500 million), no reason provided, plus a $73 million add for family counseling and transition assistance for service members.

Investment Funding Grows in FY2006 Without Clear Overall Rationale. In the FY2006 supplemental, DOD requests $16.4 billion in new procurement monies, in addition to the $8 billion included in the bridge supplemental. If enacted, FY2006 war-related procurement would total $24.4 billion compared to $18.8 billion appropriated in FY2005.[44] The FY2006 supplemental includes the following:

- $3.1 billion for Army modularity equipment;
- $7.2 billion to reconstitute equipment;
- $2.6 billion for force protection items;
- $500 million for classified items;
- $1.2 billion for ammunition; and
- $692 million for SINCGARS radios for "transition teams supporting OEF/OIF."[45]

The supplemental also includes substantial funding for tactical vehicles, such as High Mobility Multi-Purpose Wheeled Vehicles ($410 million for Army HMMWVs and $271 million for those of the Marine Corps), night vision devices ($173 million for the Army and $259 million for the Marine Corps), target devices such as lightweight laser designator rangefinder ($95 million and $113 million for Knight Family fire support and target designators for the Army), and additional communication aids. Modification kits for aircraft (e.g., AH-64 helicopters in the Army and AV-8s in the Navy) are also requested. Similar items were included in the bridge fund, including, for example, over $1 billion for radios of various types.[46]

Rationales for Procurement Request Unclear. Although DOD's request includes descriptions of individual procurement items, it does not give any rationale or explain whether funding requests for various items reflect battlefield losses,

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[44] CRS calculations based on DOD, *FY 2006 Supplemental Request — war*, p. 2; H.Rept. 109-148, p. 468, and H.Rept. 109-72, p. 114. DOD also transferred an additional $2.2 billion from its baseline budget to war-related procurement in FY2005, for a total of $20.9 billion; see table in **Appendix A**.

[45] DOD, *FY 2006 Supplemental Request — war*, p. 26.

[46] Ibid., p. 2; H.Rept. 109-148, p. 468; H.Rept. 109-72, pp. 2, 14-16, 26, passim; see H.Rept. 109-359, pp. 477-482 for FY2006 bridge.

washout rates for worn equipment, equipment provided for state-side units whose equipment remains overseas, or additional gear for deployed units. This makes it difficult to assess whether funding levels are too high, too low or about right. Nor is it clear whether the Army and Marine Corps, in particular, have additional unfunded requirements that will come due in later years or whether some of these items were originally budgeted in the baseline budget but transferred to the supplemental.

Carryover of FY2005 Procurement Monies. About $6 billion of procurement monies appropriated in FY2005 remain to be obligated in FY2006. In addition, much of the $8 billion for procurement in the FY2006 bridge fund is probably still available.[47] If DOD receives an additional $16.4 billion in the FY2006 supplemental, DOD would have as much as $30 billion in procurement monies to spend in FY2006 in addition to its baseline budget.

As part of its budget review, DOD set a goal that all supplemental procurement funds should be obligated by the fourth quarter of the fiscal year. In light of the large amount of funds and the fact that monies are not likely to be available until the third quarter, it appears unlikely that DOD would reach that goal. Although procurement monies are generally available for three years, it could be argued that a shorter period of time would be appropriate for urgently required procurement funds, and would improve oversight.

Congressional Action. The House bill adds $1.3 billion to the DOD request for procurement funds, primarily to upgrade and keep open production lines for M1A1 and M1A2 tanks ($400 million), and buy Tank Urban Survival Kits ($100 million), improved recovery vehicles ($100 million), 8 MQ-1 Predators ($77 million). The measure also proposes to spend $100 million to keep the C-17 production line open even though it is not clear whether additional planes will be needed.

Preferring to buy new uparmored HMMWVs rather than rebuild old ones, the House Appropriations Committee swapped $480 million in recapitalization monies to buy new vehicles, bringing the total for new HMMWVs to $890 million, which would buy about 6,850 vehicles at about $130,000 each.[48] The Committee argues that buying new vehicles is more appropriate because these would be uparmored whereas the repaired vehicles would not and therefore would not be usable in combat. If the recapitalized HMMWVs are not suitable for combat, then it's not clear why DOD included that funding in the supplemental. DOD does not show how their funding request meshes with the Army's requirements in theater. In recent years, the Army has received about $3.2 billion to purchase 18,129 uparmored

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[47] CRS calculation of unobligated balances is from comparing amounts appropriated in FY2005 with obligations in DFAS, Defense Finance Accounting Service (DFAS), *Supplemental & Cost of War Execution Report*, September 30, 2005; later reports not available.

[48] CRS calculation based on DOD, *FY 2006 Supplemental Request - war*, p. 24, which shows that $410 million buys 3,146 HMMWVs.

HMMWVs, which is close to their March 2005 requirement, a requirement which was increased in late February 2006.[49]

In its report, the Senate Committee states its concern that DOD's justification for war-related procurement "includes only descriptive summaries . . . and is absent of meaningful program and budget information, such as requirements, pricing and delivery schedules." For this reason, the committee warns that "Congress will not be able to fully support supplemental requests unless it is provided with the same detailed justification and program materials that is receives with the annual request."[50]

The Senate bill cuts $940 million of DOD's $16.4 billion procurement request that includes a transfer of $1.1 billion in Army procurement funds for countering IEDs to the new centralized Joint IED Defeat Fund (see above). Adds to various programs are largely offset by cuts elsewhere. The $700 million in cuts includes programs considered to be duplicative (-$111 million for Explosive Ordnance Devices, -$30 million for communication equipment), not executable or ahead of need (-$74 million for UH-1Y/AH-1Z helicopters, -$30 million for Hellfire missiles), troubled (-$110 million from Joint Network nodes), or questionable (-$145 million for LOGCAP trucks, trailers, and other equipment).

These cuts are offset by various increases. Like the House, the Senate adds funds to keep production lines open including $400 million for M1A1Abrams tank improvements and $228 million for additional C-17 cargo aircraft. The SAC also adds $230 million to buy three V-22 aircraft, a long-troubled program which recently completed operational testing, based on the rationale that these planes would replace CH-46 and CH-53D helicopters that are being damaged or lost in combat. Other adds are for more Predator UAVs primarily for Special Operations Command ($85 million). Like the House, the SAC adds funds for Abrams Tank Urban Survival Kits ($100 million), and buys new HMMWVs rather than rebuilding current ones.

Research and Development Emphasizes Improvised Explosive Devices. The FY2006 supplemental requests $782 million in addition to the $50 million in bridge funds. About half — or $357 million — is for DOD's efforts to counter the effects of all forms of Improvised Explosive Devices (IEDs), reflecting the high priority placed on finding ways to counter these devices. The remaining RDT&E projects appear directed primarily at enhancing the effectiveness of current systems. The FY2005 supplemental included $587 million for RDT&E projects. It is unusual for RDT&E funds to be provided in emergency supplementals because of the long-term nature of the work.

Congressional Action. The House bill provides $1 billion for RDT&E programs, adding $220 million for classified projects. The SAC transfers $358 million in Army RDT&E funds for countering IEDs to its new centralized transfer account, adds $320 million for a classified Air Force program, and makes other small

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[49] The Army does not cite the new requirement in Army, "Armor Summary," February 28, 2006, and "Wheeled Vehicle Summary," March 2006.

[50] S.Rept. 109-230, p. 23.

changes. The net effect of these changes is a total of $710 million for RDT&E, $70 million below the request.

Military Construction Request. The FY2006 supplemental requests $485 million for military construction projects including

- $348 million for Iraq;
- $80 million for Afghanistan;
- $22 million for planning and design; and
- $35 million for construction to support classified activities in the United Kingdom.

According to the Defense Department, about $238 million is for force protection, $36 million for airfield improvements, $28 million for fuel facilities, $42 million for power, water and roads, and $83 million for support facilities. Congress is likely to scrutinize these individual projects closely because of concerns about the United States establishing an "enduring presence" in the region.

Congressional Action. The House measure cuts $137 million of DOD's $485 million request for military construction, rejecting two projects to fix power plants at National Security Agency stations in the United Kingdom as non-emergencies and cutting $107 million from an Army proposal to build new roads in Iraq to bypass urban areas to avoid Improvised Explosive Devices (IEDs), a rationale not convincing to the committee.

The House Committee also cites concerns about DOD's "substantial military construction expenditures of a magnitude normally associated with permanent bases," for "expeditionary" bases that are supposed to be austere. and "expeditionary." The Committee believes that military construction requirements for contingency operations should be considered in regular authorization and appropriations bills. Concerned about not having DOD's updated master plan for Central Command, the House panel also places a hold on military construction funds until that report is provided.

Echoing the concerns of the house, the SAC report states that military construction projects should be "of an emergency nature," and appropriate for "expeditionary" types of bases in order to be consistent with the "current policy of the United States to establish no permanent military bases in Iraq;" projects should be limited to those which "immediately support operations ongoing in Iraq rather than those requests which propose a longer-term presence."[51] The SAC cuts funds for war-related military construction by $200 million for a total of $278 million.

Except for an air control tower no longer needed, the SAC funds all projects requested by DOD for Iraq but at lower levels. The SAC cuts most of the funds from a $167 million Army proposal to build roads bypassing urban areas in order to reduce the threats from IED (-$128 million), a project also questioned by the House, and reduces funding for two projects at Talil Air Base, a dining facility and a convoy

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[51] S. Rept 109-230, p. 46.

support center (-$43 million). The SAC also eliminates three projects at Bagram Air Base in Afghanistan because DOD's master plan does not take NATO presence or cost-sharing into account. The SAC funds two projects in the U.K. that the House rejected.[52]

Flexibility Issues: Transfer Limits. In the new supplemental, DOD requests transfer authority that would allow the department to move funds between appropriation accounts after enactment of up to $4 billion of the $67.9 billion requested — with the notification and approval of the defense committees. This level is $1 billion higher than the $3 billion level set for the $75.6 billion in the FY2005 supplemental.

The Department can also transfer up to $2.5 billion of the $50 billion in the FY2006 bridge fund. The supplemental request also asks Congress to raise the current transfer limit of $3.75 billion in the regular FY2006 DOD appropriations Act to $5 billion to allow DOD to respond to unanticipated needs in the global war on terror. DOD also requested authority to "advance bill" the services for maintenance or supplies, a way to generate cash reserves for working capital funds, which also increases flexibility. Congress may wish to consider how much flexibility is prudent although Congress has approved higher transfer levels in recent years.

Congressional Action. The House measure approves a $2 billion rather than a $4 billion ceiling on transfers of DOD funds between accounts after enactment and rejects DOD's request to allow transfers of military construction funds. The House Committee also rejects DOD's request to increase the ceiling on transfers that applies to DOD's regular FY2006 funds. The House agreed to raise the limit on advance billing to $1.5 billion.

Like the House, the SAC approves a $2 billion transfer limits on funds in the bill between all accounts except military construction. Unlike the House, the SAC agrees to raise the limit on transfers of funds in DOD's regular bill from $3.75 billion to $4.35 billion though not to the $5 billion requested by DOD. The Senate bill agrees to a $1.2 billion limit on advance billion, $300 million less than the House and $800 million below the request.

Intelligence Community Management Account. The Administration requests $178 million, in addition to the $418 million already received for FY2006 to "accelerate the stand-up of the Office of the Director of National Intelligence (ODNI), sustain national Counterterrorism Center (NCTC) Operations, continue implementation of the recommendations of the Silberman-Robb Commission on U.S. Intelligence Relating to Weapons of Mass Destruction (WMD Commission), and rapidly deploy a global capability to warn against the outbreak of avian influenze."[53] Details are classified.

Congressional Action. The House-passed and Senate-reported bills each reduce the request by $20 million for an appropriation of $158 million.

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[52] S.Rept. 109-230, p. 46-47.

[53] OMB, FY2006 Supplemental War Request.

International Affairs Supplemental

The President seeks $4.2 billion in FY2006 supplemental funding supporting a broad range of foreign policy activities:

- U.S. diplomatic costs in Iraq and Afghanistan
- Additional U.S. stabilization assistance to Iraq
- Additional Afghanistan reconstruction aid
- Public diplomacy and democracy promotion programs for Iran
- Darfur humanitarian relief and peace implementation aid in Sudan
- Pakistan earthquake reconstruction
- Liberia refugee repatriation
- Food assistance for east and central Africa

If enacted as proposed, FY2006 total spending for international affairs programs will have increased by nearly 50% over levels approved for the international affairs budget immediately prior to the 9/11 attacks.

Table 8. State Department and Foreign Aid Funds in FY2006 Supplemental

($s — millions)

Activity (account)*	Request	House	Senate	Conf.
Iraq:[a]				
U.S. mission operations (DCP)	$1,097.5	$1,116.1	$1,097.5	
Provincial reconstruction teams support (DCP)	$400.0	$208.0	$300.0	
Special Inspector General & State IG[b]	$25.3	$25.3	$25.3	
USAID security and operations (OE)	$119.6	$61.6	$119.6	
US Peace Institute	$0.0	$1.3	$0.0	
Subtotal, Iraq mission security and support	**$1,642.4**	**$1,412.3**	**$1,542.4**	
Provincial reconstruction teams/employment (ESF)[b]	$675.0	$675.0	$675.0	
Infrastructure security (ESF)	$287.0	$287.0	$287.0	
Infrastructure sustainment (ESF)	$355.0	$355.0	$355.0	
Nat'l capacity building — democracy & rule of law (ESF)[b]	$172.0	$172.0	$172.0	
Prison construction/Protection of judges (INL)	$107.7	$81.4	$107.7	
Financial integration & security promotion (IFTA)	$13.0	$13.0	$13.0	
Subtotal, Iraq stabilization assistance	**$1,609.7**	**$1,583.4**	**$1,609.7**	
Total, Iraq	**$3,252.1**	**$2,995.7**	**$3,152.1**	
Afghanistan:[d]				
U.S. mission security (DCP)	$50.1	$50.1	$50.1	
USAID security (OE)	$16.0	$0.0	$16.0	
Subtotal, Afghanistan mission security	**$66.1**	**$50.1**	**$66.1**	

Activity (account)*	Request	House	Senate	Conf.
Power sector projects (ESF)	$32.0	$5.0	$32.0	
Debt cancellation	$11.0	$0.0	$11.0	
Afghan refugees returning from Pakistan (MRA)	$3.4	$3.4	$7.4	
Subtotal, Afghanistan assistance	**$46.4**	**$8.4**	**$50.4**	
Total, Afghanistan	**$112.5**	**$58.5**	**$116.5**	
Iran:				
Public diplomacy/independent TV & radio (DCP)	$5.0	$5.0	$5.0	
Iranian student fellowships/visitor programs (ECEP)	$5.0	$5.0	$5.0	
Broadcasting (Request = ESF; House/Senate = BBG)	$50.0	$36.1	$30.3	
Democracy programs (Request = ESF; House = Democracy Fund)	$15.0	$10.0	$34.8	
Total, Iran	**$75.0**	**$56.1**	**$75.1**	
Sudan/Darfur:				
USAID mission in Juba (OE)	$6.0	$0.0	$6.0	
Refugees returning to southern Sudan (MRA)	$12.3	$12.3	$12.3	
Food aid for southern Sudan (PL 480)	$75.0	$75.0	$75.0	
UN peacekeeping mission in Southern Sudan (CIPA)	$31.7	$31.7	$31.7	
Subtotal, southern Sudan	**$125.0**	**$119.0**	**$125.0**	
Humanitarian relief in Darfur (IDFA)	$66.3	$66.3	$66.3	
Refugees/conflict victims in Darfur & Chad (MRA)	$11.7	$11.7	$11.7	
Food aid for Darfur (PL480)	$150.0	$150.0	$150.0	
African Union peacekeeping mission, Darfur (PKO)	$123.0	$173.0	$173.0	
UN peacekeeping mission in Darfur (CIPA)	$38.1	$98.1	$38.1	
Subtotal, Darfur	**$389.1**	**$499.1**	**$439.1**	
Total, Sudan/Darfur	**$514.1**	**$618.1**	**$564.1**	
Liberia:				
Refugee repatriation (MRA)	$13.8	$13.8	$13.8	
Economic aid (ESF)	$0.0	$50.0	$50.0	
Total, Liberia	**$13.8**	**$63.8**	**$63.8**	
Other Refugee Aid (MRA and ERMA) [f]	**$0.0**	**$0.0**	**$62.5**	
Haiti (ESF and CSH)	**$0.0**	**$0.0**	**$40.0**	
Congo (Democracy Fund and PKO)	**$0.0**	**$0.0**	**$13.2**	
Jordan (ESF)	**$0.0**	**$0.0**	**$100.0**	

Activity (account)*	Request	House	Senate	Conf.
Pakistan earthquake reconstruction (various)[e]	**$126.3**	**$126.3**	**$126.3**	
Food aid, East and Central Africa (PL480)	**$125.0**	**$125.0**	**$125.0**	
Food aid for refugees through WFP (MRA)	**$10.0**	**$10.0**	**$20.0**	
Colombia (House = INL; Senate = MRA)	**$0.0**	**$26.3**	**$2.5**	
Rescission (House = Peacekeeping funds; Senate = Export-Import Bank)	**$0.0**	**($17.0)**	**($13.2)**	
TOTAL, State Dept. & Foreign Aid Funds	**$4,228.8**	**$4,062.8**	**$4,447.9**	

Note: Senate amounts do not include amendments adopted during partial floor debate on the bill.

Source: Department of State and CRS calculations based on H.Rept. 109-388, with modifications to reflect House floor amendments, and S.Rept. 109-230.

* **State Department appropriation account acronyms**: CIPA = Contributions for International Peacekeeping Activities; DCP = Diplomatic and Consular Programs; ECEP = Educational and Cultural Exchange Program.

Foreign Operations appropriation account acronyms: ESF = Economic Support Fund; IDFA = International Disaster and Famine Assistance; IFTA = Treasury Dept's International Affairs Technical Assistance; INL = International Narcotics & Law Enforcement; MRA = Migration and Refugee Assistance; OE = US Agency for International Development Operating Expenses; PKO = Peacekeeping Operations.

a. In addition to these figures for Iraq, the Defense Department portion of the supplemental includes $3.7 billion for training and equipping Iraq security forces. The FBI also seeks $32.5 million for operations and support in Iraq and Afghanistan, the Department of Justice's United States Attorneys Office and the U.S. Marshals Service requests $5.5 million in legal support for Iraq's criminal justice system, the Bureau for Alcohol, Tobacco, Firearms, and Explosives proposes $5 million for firearms trafficking, explosives, and arson operations in Iraq, and the Treasury Department seeks $1.8 million for its participation in the Iraq Finance Cell and to place a Deputy Treasury Attache in Iraq.
b. Of the $25.3 million request, $1.3 million supports the work of the State Department's IG in Iraq and Afghanistan.
c. In addition to new appropriations for these activities, the House bill directs that funds be transferred from previous Iraq Relief and Reconstruction Fund (IRRF) appropriations for Provincial Reconstruction Teams ($152 million) and for democracy and rule of law programs ($33.5 million). These amounts are the same as what the Administration had planned to spend for these activities out of the IRRF account.
d. In addition to these figures for Afghanistan, the Defense Department portion of the supplemental includes $2.2 billion for training and equipping Afghan security forces and $192.8 million for counter-drug activities in Afghanistan and the Central Asia area. The FBI also seeks $32.5 million for operations and support in Iraq and Afghanistan.
e. Funds would reimburse several USAID accounts — Development Aid, Child Survival, International Disaster & Famine Assistance, and ESF — for previously reprogrammed money, plus support ongoing reconstruction projects.
f. The Senate added $42.5 million in MRA funds that included Somalia $3 million; Horn and W.Africa $10 million; Congo $15 million; UNCHR $4 million; North Caucasus $2.5 million; North Asia $3 million; and Burma $5 million. In addition, the Senate bill provides $20 million for Emergency Refugee and Migration Assistance for the Horn of Africa.

U.S. Diplomatic Mission Operations in Iraq[54]

Currently, the U.S. Embassy in Iraq has over 1,000 American and locally engaged staff representing about 12 agencies. Of this total, 156 U.S. direct hires and 155 locally engaged staff represent the Department of State (DOS) in the U.S. Mission. The Bush Administration is requesting an FY2006 supplemental of $1.497 billion within State's Diplomatic and Consular Programs budget account to cover Iraq operations and security.

Available FY2006 funds for the U.S. Mission in Iraq's regular operations consist of $632.7 million in carryover funds from FY2005. While about $65 million was requested for FY2006 regular operations for the U.S. Mission in Iraq, the Department of State says much of that was lost due to rescissions. Therefore, the Administration is seeking $997.5 million to cover ongoing operation and security costs for the U.S. Mission in Iraq, $100 million for overhead protection of personnel in facilities other than the Embassy, and $400 million for movement security of the Provincial Reconstruction Team. State intends for the carryover and supplemental total of $1.630 billion to cover costs for the remainder of FY2006 and the first half of FY2007.

The Department of State estimates the FY2006 total program funding requirement for Mission operations and security in Iraq to be $1.1 billion. This includes $192.7 million for logistic support which includes trailer camps, food service, maintenance of transportation facilities and equipment, and laundry; $70 .8 million for basic operations and logistics for the DOS American direct hires and local hires; $81.8 million for operational costs for the four regional embassy offices in Mosul, Kirkuk, Hillah, and Basrah, Provincial Reconstruction Teams and state embedded teams, as well as contractor support for the Iraq Reconstruction Management Office, offshore support, public diplomacy, education, and outreach programs. According to DOS, FY2006 security budget needs total $735.4 million and include $55 million for guards at facilities in Iraq, $617.9 million for high threat protection provided to personnel whenever they travel outside of the protected compound, and $62.5 million for equipment such as armored vehicles, as well as physical and technical security measures. Additionally, $19.9 million is needed for information technology operations for a country-wide emergency radio program for the embassy, the State Department estimates.

Congressional Action. In total, the House bill provides $1.116 billion for U.S. mission operations in Iraq, an increase of $19 million above the Administration's request. H.R. 4939 adds funds for logistics support and information technology, but reduces amounts for basic operations of the mission. In addition, the House measure reduces the $400 million request to $208 million for security costs associated with the Provisional Reconstruction Teams (PRTs) in Iraq. As noted below, the House bill also blocks new funding for PRT implementation until a pilot PRT program can be assessed by the State Department. The Senate bill provides $1.10 billion for U.S. mission operations in Iraq, equal to the request. It reduces the requested amount for PRT security, setting it at $300 million. The Senate report

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[54] Prepared by Susan Epstein, Specialist in Foreign Policy and Trade.

notes that the request of $400 million was made prior to a decision to have the Department of Defense provide PRT security.

For USAID mission security funds in Iraq, the House-passed measure reduces the request from $119.6 million to $61.6 million. The House Appropriation Committee noted that the amounts provided are for FY2006, and that the $58 million balance for FY2007 shall be covered by the transfer of unobligated balances remaining in the Iraq Relief and Reconstruction Fund (IRRF) enacted in the FY2004 emergency supplemental appropriation act. The Senate bill fully funds the request.

Iraq Stabilization Assistance[55]

Of the total requested for non-DOD Iraq funding, roughly half — $1.6 billion — is intended for so-called "stabilization" assistance. By entitling its effort "stabilization" instead of "reconstruction," the Administration appears to be emphasizing that the new funds are not going to be used for actual construction of economic infrastructure, as nearly 40% of reconstruction funds from all spigots have been employed previously. For all intents and purposes, however, these funds would bolster many of the existing economic infrastructure programs currently being conducted under the Iraq Relief and Reconstruction Fund (IRRF). They would also provide continued support to the democratization and governance programs that, along with health, education, and private sector assistance, currently account for about 22% of all aid to Iraq. In the FY2007 Foreign Operations appropriations request, the Administration has already proposed an additional $749 million, mostly for similar democratization and rule of law programs. The training and equipping of security forces, once funded under the IRRF, and currently accounting for about 38% of total aid to Iraq, are now supported under the DOD-managed Iraq Security Forces Fund (ISFF).

The supplemental funding request chiefly appears to address three major issues of current concern to those implementing the reconstruction program:

- **Security.** Reconstruction progress has been severely undermined by the insurgency which has directly targeted key infrastructure for destruction. The supplemental provides $287 million to help secure oil, electricity, and water infrastructure.

- **Sustainability.** As more large-scale construction projects have been completed with U.S. assistance, there has been increasing concern regarding the financial and technical capacity of Iraqis to maintain them in the long run. The supplemental provides $355 million to assist the Iraqis to operate, maintain, and sustain these projects. In the past, this has been accomplished largely by providing training and replacement parts.

- **Provincial Reconstruction Teams (PRTs).** Following the example established in Afghanistan, the State Department is seeking to set-up

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[55] Prepared by Curt Tarnoff, Specialist in Foreign Affairs.

at least eight PRTs throughout Iraq, up from the three established in the past few months. PRTs consist of officials from USAID, State, the military, and other agencies who work with Iraqi local government committees to identify economic and political development projects that can be implemented with U.S. financing. While enabling aid workers to escape the isolation of the "green zone" and expand outreach to the provinces, they are also viewed as a way to improve coordination of aid, especially of DOD-CERP funds and State-controlled funding. Reported concerns regarding the availability of sufficient "volunteers" to staff the PRTs as well as questions regarding the willingness of the U.S. military to divert personnel to provide adequate security may hinder their planned development. The Administration is proposing an appropriation of $675 million to be disbursed by the PRTs (a separate request of $400 million in PRT operational costs is discussed above).

Table 9. Iraq Supplemental

($s — millions)

Activity (appropriation account)[a]	FY2006 Supp. Request	FY2006 Supp. House	FY2006 Supp. Senate	FY2007 Regular Request
Provincial reconstruction teams/employment (ESF)[b]	$675.0	$675.0	$675.0	—
Infrastructure security (ESF)	$287.0	$287.0	$287.0	—
Infrastructure sustainment (ESF)	$355.0	$355.0	$355.0	$154.0
Nat'l capacity building-democracy & rule of law (ESF)[b]	$172.0	$172.0	$172.0	$112.3
Prison construction/Protection of judges (INCLE)	$107.7	$81.4	$107.7	$1.0
Ministry of Finance technical assistance (IFTA)	$13.0	$13.0	$13.0	—
U.S. mission operations/Provincial reconstruction teams (DCP)	$1,497.5	$1,324.1	$1,397.5	$65.0
Special Inspector General & State IG	$25.3	$25.3	$25.3	—
USAID mission security and operations (USAID/OE)[c]	$119.6	$61.6	$119.6	—
US Peace Institute	$0.0	$1.3	$0.0	—
Subtotal, Aid and State Department Operations	**$3,252.1**	**$2,995.7**	**$3,152.1**	**$332.3**
Criminal Justice System Legal Support (DOJ)	$5.5	$3.0	$4.5	—
Firearms Trafficking, explosives, arson ops (BATFE)	$5.0	$4.1	$4.0	—
Iraq Threat Finance Cell and Treasury Attache (DOT)	$1.8	$1.8	$1.8	—
TOTAL, Iraq	**$3,264.4**	**$3,004.6**	**$3,162.4**	**$332.3**

Source: State Department and CRS calculations based on H.Rept. 109-388, with modifications to reflect House floor amendments, and S.Rept. 109-230.

Note: Data in this table reflect ongoing and FY2007 proposed funding for programs the same as or similar to those requested in the FY2006 supplemental. The TOTAL line does not represent total aid or mission operations for Iraq. Excluded from this table is $32.7 million requested for FBI operations in both Iraq and Afghanistan.

a. See **Table 8** for listing of appropriation account acronyms.
b. In addition to new appropriations for these activities, the House bill directs that funds be transferred from previous Iraq Relief and Reconstruction Fund (IRRF) appropriations for Provincial Reconstruction Teams ($152 million) and for democracy and rule of law programs ($33.5 million). These amounts are the same as what the Administration had planned to spend for these activities out of the IRRF account.
c. The House bill directs that $58 million be transferred from the IRRF to provide USAID mission security in FY2007.

Like the FY2007 request, the FY2006 supplemental also would provide significant funding to governance, democratization and rule of law programs at all levels of government in Iraq. These efforts would include $125 million to help the Iraqi ministries to improve their ability to operate, $37 million to assist the Iraqi Special Tribunal that is investigating and trying Saddam Hussein and others, $100 million to construct correctional facilities, and $10 million for broad democracy activities such as parliamentary and civil society development.

The proposed legislation would also amend the FY2004 supplemental to alter the allocation of $18.4 billion that had been approved by Congress for each major reconstruction sector — most recently by statute in September 2004. Periodically, the allocations had been changed to the extent allowed by law without need for further legislation. The amendment proposed would give the Administration greater flexibility by aligning the legislated allocations with current needs, by making remaining funds available for four years from the current expiration date of end of FY2006, and by allowing any obligated funds to be reobligated regardless of sectoral allocation restrictions.

Congressional Action. The House-passed bill nearly fully funds the President's request for Iraq stabilization assistance. During floor consideration, the House adopted an amendment offered by Representative Burton that redirects $26.3 million from Iraq for prison construction and protection of judges in order to increase funding for Colombia's counter-narcotics programs.

In addition, H.R. 4939, as passed in the House, rejects the proposed re-allocation of funds within the IRRF that would have allowed the Administration greater future flexibility to move funds between sectors. The bill further extends the expiration date for use of the IRRF by one year to the end of FY2007 instead of to the end of FY2010 as requested. Also, in what is described by the House Appropriations Committee as an effort to bring the Iraq program into the structure of a more traditional foreign aid program, H.R. 4939 includes language that would transfer from the IRRF into ESF $185.5 million. This amount is equal to that of IRRF funding previously allocated to projects, such as those supporting the PRTs and Ministerial Capacity Development, which also are to be funded with new FY2006 supplemental appropriations. In report language, the Committee directed that no new

funding for the PRTs is to be permitted until an assessment of pilot PRTs, a program plan, and other reporting requirements are met by the Department of State.

The Senate bill fully funds the request at $1.6 billion. Of this amount, the Senate report directs that not less than $75 million be provided for USAID to continue its Community Action Program that assists local officials and civil society in democratic decision-making. Of the $75 million, the report directs that not less than $10 million is for the Marla Ruzicka Iraqi War Victims Fund. Report language expresses support for USAID's Iraq Civil Society Program. The Senate Committee did not redirect funds from Iraq assistance to Colombia.

Afghanistan[56]

The FY2006 supplemental request has several provisions intended to continue U.S. efforts to stabilize Afghanistan and continue security and economic reconstruction efforts. The supplemental would be in addition to about $877 million in total foreign aid previously appropriated for Afghanistan in FY2006. The supplemental request further follows the Administration proposal for about $1.1 billion in FY2007 aid funds. Key elements of the supplemental request are:

- $16 million for FY2007 security requirements for USAID operations in Afghanistan;
- $50 million for the State Department for security costs of protecting U.S. facilities and personnel. This would more than double the amount already appropriated in regular FY2006 appropriations;
- $3.4 million in refugee assistance to support shelter and ensure food supplies to Afghan refugees returning from Pakistan. UNHCR expects that about 730,000 Afghans will return in FY2006, nearly twice as many as previously estimated. This will augment $36.8 million already allocated to help repatriate Afghan refugees this year;
- $11 million as a subsidy appropriation that will cover the costs of cancelling roughly $110 million in debt owed by Afghanistan to the United States. If not provided in the supplemental spending measure, the Administration says that it would be necessary to reallocate existing foreign aid funds for Afghanistan in order to provide the debt relief; and
- $32 million in ESF for emergency power sector projects needed for a larger "Northeast Transmission Project" which will supply electricity to Kabul and other northern cities and reduce Afghanistan's need to import diesel fuel.

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[56] Prepared by Kenneth Katzman, Specialist in Middle Eastern Affairs.

Table 10. Afghanistan Supplemental

($s — millions)

Activity (appropriation account)[a]	FY2005 Actual	FY2006 Regular Enacted	FY2006 Supp. Request	FY2006 Supp. House	FY2006 Supp. Senate	FY2007 Regular Request
Infrastructure aid (ESF)	$379.2	$145.0	$32.0	$5.0	$32.0	$230.0
Debt relief	—	—	$11.0	$0.0	$11.0	—
Afghan refugees (MRA)	$47.1	$36.8	$3.4	$3.4	$7.4	$38.0
U.S. mission security (DCP)	$90.5	$47.0	$50.1	$50.1	$50.1	$82.0
USAID mission security (OE)	$37.3	$9.7	$16.0	$0.0	$16.0	$13.3
Total	**$554.1**	**$238.5**	**$112.5**	**$58.5**	**$116.5**	**$363.3**

Source: State Department and CRS calculations based on H.Rept. 109-388, with modifications to reflect House floor amendments, and S.Rept. 109-230.

Note: Data in this table reflect ongoing and FY2007 proposed funding for programs the same as or similar to those requested in the FY2006 supplemental. The **total** line does not represent total aid or mission operations for Afghanistan. Excluded from this table is $32.7 million requested for FBI operations in both Iraq and Afghanistan.

a. See **Table 8** for listing of appropriation account acronyms.

In addition to proposed foreign aid and diplomatic/security resources, the Administration further seeks substantial amounts of Defense Department funds for security force training and counter-narcotics activities. The DOD portion of the supplemental includes $2.2 billion for an "Afghan Security Forces Fund" to continue the effort to equip and train the 35,000-member Afghan National Army (ANA) and 55,000-person Afghan National Police (ANP). The ANP is near its target size, but the building of the ANA has progressed more slowly than expected and it is about half its target size. In addition, $192.8 million would support U.S. military assistance to U.S. and Afghan counter-narcotics efforts in Afghanistan. The Defense Department supports the effort by transporting U.S. and Afghan counter-narcotics teams, providing search and rescue for them, and other support. Prior to FY2005, both the security force assistance and counter-narcotics programs were funded out of the State Department's budget, not DOD.

Congressional Action. The House-passed measure reduces by roughly half the request for Afghanistan aid and U.S. diplomatic costs. The measure provides $5 million for the Northwest Kabul Power Plant, but defers consideration of $27 million for the Northeast Transmission system. The House also defers action on $11 million for cancelling Afghanistan's debt owed to the United States and on $16 million for USAID mission security in the country. In reporting the bill, the House Appropriations Committee noted that the regular FY2006 appropriation provided $205 million for infrastructure and other reconstruction that can not obligated until

Secretary Rice certifies that Afghanistan is fully cooperating with poppy eradication and interdiction efforts. Since the certification has not been issued, the Committee felt that additional funds should not be provided until it is certain that existing appropriations will be made available.

The Senate bill provided full funding ($32 million) for the Northwest Kabul Power Plant and the Northeast Transmission system. It also provides the full $11 billion for debt cancellation. The bill provides requested amounts for State Department mission and USAID security costs. It increases the Administration's request of $3.4 million for refugees returning from Pakistan, by $4 million to $7.4 million. On related Afghan funding matters, the House bill reduces the $2.2 billion request out of DOD funds for Afghan security force training to $1.85 billion and cuts DOD's request for counter-narcotics activities from $193 million to $157 million.

Iran[57]

The FY2006 supplemental request would significantly increase funding for pro-democracy activists in Iran. Although characterized as support for "democracy promotion," the funding increase appears to some to reflect a step towards pursuing a "regime change" option in U.S. policy toward Iran. The request appears to indicate that the Administration believes that international diplomacy with Iran to curb its nuclear program is faltering, and that the risks of angering Iran's government have been reduced.

The United States began funding Iranian pro-democracy groups in FY2004. The Foreign Operations appropriation for FY2004 (P.L. 108-199) earmarked up to $1.5 million for "grants to educational, humanitarian and non-governmental organizations and individuals inside Iran to support the advancement of democracy and human rights in Iran." The State Department's Bureau of Democracy and Labor (DRL) gave $1 million of those funds to a U.S.-based organization, the Iran Human Rights Documentation Center, to document abuses in Iran, using contacts with Iranians in Iran. The FY2005 Foreign Operations appropriation (P.L. 108-447) provided an additional $3 million for similar democracy promotion efforts in Iran. State's DRL says it did not publicly announce winning grantees on security grounds, but that priority areas were political party development, media development, labor rights, civil society promotion, and promotion of respect for human rights. The FY2006 Foreign Operations appropriation (P.L. 109-102) expands the program further, appropriating up to $10 million in democracy promotion funds for use in Iran, drawn from a "Democracy Fund" and the Middle East Partnership Initiative (MEPI).

On February 15, 2006, Secretary Rice testified before the Senate Foreign Relations Committee that the Administration plans to seek supplemental FY2006 funds totaling $75 million, to be controlled by the State Department, for democracy promotion in Iran. According to the supplemental request:

- $15 million is to be used to support civic education in Iran and help organize Iranian labor unions and political organizations (through

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[57] Prepared by Kenneth Katzman, Specialist in Middle Eastern Affairs.

such U.S. organizations as the International Republican Institute, National Democratic Institute, and National Endowment for Democracy.

- $5 million is to go to Educational and Cultural Exchange Programs to sponsor Iranian students to visit the United States

- $5 million would be for Internet and other media efforts to reach the Iranian public.

- $50 million would be used for increased U.S. broadcasting to Iran. Although these funds are requested under the Economic Support Fund account, and not through the independent (non-State Department) Broadcasting Board of Governors, which normally manages U.S. broadcasting operations, the request seeks authority to transfer the funds "if necessary," to Radio Free Europe/Radio Liberty (RFE/RL)-operated broadcasting services into Iran that began in October 1998.[58] As of December 2002, the radio service has been called Radio Farda ("Tomorrow" in Farsi), which now broadcasts 24 hours per day. A U.S.-sponsored television broadcast service to Iran, run by the Voice of America (VOA), began operations on July 3, 2003, and now broadcasts three hours a day. However, the Administration says that some of the funding might be used for U.S.-based exile-controlled media broadcasting.

Congressional Action. The House-passed bill reduces the $75 million request to $56 million, cutting amounts proposed for both broadcasting and democracy programs. Of the $36.1 million for broadcasting, the legislation directs that $21.4 million shall be available for operations and capital improvements related to VOA television and that $14.7 million shall be provided to RFE/RL's Radio Farda. Instead of providing these funds through the flexible Economic Support Fund account, the House measure channels the money through the Broadcasting Board of Governors, the traditional way of funding international broadcasting operations. In supporting $10 million of the $15 million requested for democracy programs, the House Appropriations Committee expressed its concern over the lack of sufficient justification regarding the emergency nature the proposal. Prior to obligating these funds, the House measure requires the Secretary of State to report to Congress on the short and long-term U.S. strategy for affecting democracy in Iran.

During floor consideration of H.R. 4939, the House rejected three amendments — two offered by Representative Garrett and one by Representative Foxx — that would have collectively deleted $46.1 million of the $56.1 million included in the bill for Iran programs.

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[58] The service began when Congress funded it ($4 million) in the FY1998 Commerce, Justice, and State Departments appropriation (P.L. 105-119). It was to be called "Radio Free Iran."

The Senate bill fully funds the $75 million Administration request, although it prioritizes funding differently. While the request of $50 million for broadcasting was proposed from ESF funds, the Senate Committee, like the House, appropriates the money through the Broadcasting Board of Governors, and it reduces the amount to $30 million. The Senate bill increases funding for democracy programs, from the request of $15 million to $34.8 million, and directs the funds to be administered by the Middle East Partnership.

Sudan — Darfur and Other Sudan[59]

The Administration seeks a total of $514 million in supplemental funds for Sudan, divided between humanitarian and peacekeeping support in the Darfur region ($389 million) and other parts of Sudan, mainly in support of the North-South Peace Agreement ($125 million).

Darfur Crisis. The crisis in Darfur began in February 2003, when two rebel groups emerged to challenge the National Islamic Front (NIF) government in Darfur. The Sudan Liberation Army (SLA) and the Justice and Equality Movement (JEM) claim that the government of Sudan discriminates against Muslim African ethnic groups in Darfur and has systematically targeted these ethnic groups since the early 1990s. The government of Sudan dismisses the SLA and JEM as terrorists. The conflict in Darfur burgeoned when the government of Sudan and its allied militia began a campaign of terror against civilians in an effort to crush the rebellion and to punish the core constituencies of the rebels. Since 2003, an estimated 300,000-400,000 civilians have been killed, more than two million have been displaced and currently live in camps, and more than half of the population have been affected directly and are dependent on international support. The atrocities against civilians continue in Darfur, according to U.N. reports, U.S. officials, and human rights groups. Congress and the Bush Administration have called the atrocities genocide. The African Union has deployed an estimated 7,700 peacekeeping troops, including military observers and civilian police.

The $389 million supplemental request comes on top of over $500 million in humanitarian relief provided by the United States to Darfur in FY2005 and roughly $280 million currently available from FY2006 appropriations. Major elements of the supplemental request include:

- $66 million for immediate, life-saving needs of victims of the Darfur crisis, including health care, access to water and sanitation, and shelter;

- $150 million for additional food assistance, an amount that would meet about 50% of food needs in Darfur and eastern Chad, up from the roughly 27% level currently;

- $11.7 million in refugee relief in Darfur and eastern Chad;

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[59] Prepared by Ted Dagne, Specialist in International Relations.

- $123 million in support of the African Union Mission in Sudan (AMIS). Although AMIS funding was not requested by the Administration in the regular FY2006 appropriation cycle, in late 2005 as Congress concluded debate on the Foreign Operations spending measure, Secretary of State Rice asked that funds be added to the final bill. While no additional funds were approved, through reallocations and reprogrammings from other peacekeeping funds, the State Department has made $33 million available for AMIS thus far in FY2006; and

- $38.1 million to support the transition of the current African Union peacekeeping mission in Darfur to a possible UN peacekeeping operation.

Table 11. Sudan Supplemental

($s — millions)

Activity (appropriation account)[a]	FY2006 Regular Estimate	FY2006 Supp. Request	FY2006 Supp. House	FY2006 Supp. Senate
Darfur:				
Humanitarian relief (IDFA)	$40.0	$66.3	$66.3	$66.3
Refugees/conflict victims in Darfur & Chad (MRA)	$64.0	$11.7	$11.7	$11.7
PL480 food aid	$167.0	$150.0	$150.0	$150.0
African Union peacekeeping mission (PKO)	$13.0	$123.0	$173.0	$173.0
U.N. peacekeeping mission in Darfur (CIPA)	$0.0	$38.1	$98.1	$38.1
Subtotal, Darfur	**$284.0**	**$389.1**	**$499.1**	**$439.1**
Southern Sudan:				
Refugees returning to southern Sudan	$22.0	$12.3	$12.3	$12.3
PL480 food aid	$73.3	$75.0	$75.0	$75.0
UN peacekeeping mission in southern Sudan (CIPA)	$247.0	$31.7	$31.7	$31.7
USAID mission in Juba (OE)	$0.0	$6.0	$0.0	$6.0
Subtotal, Southern Sudan	**$342.3**	**$125.0**	**$119.0**	**$125.0**
Total, Sudan	**$626.3**	**$514.1**	**$618.1**	**$564.1**

Source: State Department and CRS calculations based on H.Rept. 109-388, with modifications to reflect House floor amendments, and S.Rept. 109-230.

Note: Data in this table reflect ongoing and FY2007 proposed funding for programs the same as or similar to those requested in the FY2006 supplemental. The **Total** line does not represent total aid or mission operations for Iraq. Excluded from this table is $32.7 million requested for FBI operations in both Iraq and Afghanistan.

a. See **Table 8** for listing of appropriation account acronyms.

Congressional Action. H.R. 4939, as passed the House, bill fully funds the Darfur-related portion of the supplemental, plus adds $110 million in additional money for peacekeeping operations. The House Appropriations Committee had added $60 million to the CIPA account for the transition from the current African Union peacekeeping mission in Darfur to a U.N. mission. The House further adopted (213-208) an amendment by Representative Capuano increasing the PKO account by $50 million for AMIS. The total amount provided for Darfur in the House-passed measure is $499 million.

The Senate Appropriations Committee provided the requested funding for the U.N. peacekeeping mission ($38.1 million), but increased by $50 million the funding for the African Union peacekeeping mission ($173 million). Unlike the House, the Senate measure does not transfer $60 million to CIPA, but maintains it in the PKO account. The Committee included language that these funds are only available for the assessed costs of a U.N. mission in Darfur. The total amount provided for Darfur in the Senate bill is $439.1 million.

The North-South Peace Agreement and Aid for Non-Darfur Sudan. On January 9, 2005, the government of Sudan and the Sudan People's Liberation Movement (SPLM), after two and half years of negotiations, signed the Sudan Comprehensive Peace Agreement at a ceremony in Nairobi, Kenya. The signing of this agreement effectively ended the 21-year old civil war and triggered a six-year Interim Period. At the end of the Interim Period, southern Sudanese will hold a referendum to decide their political future. Full and timely implementation of the peace agreement, however, has been slow, raising concerns about potential conflict between the two sides. Some important provisions of the agreement have not been implemented, including commissions, withdrawal of troops, transfer of funds to South Sudan, and the marginalization of some ministries by the National Congress Party. Moreover, on July 30, 2005, First Vice President and Chairman of the Sudan People's Liberation Movement (SPLM), Dr. John Garang, was killed in a plane crash in southern Sudan (discussed below). His death triggered violence between government security forces and southerners in Khartoum and Juba. More than 100 people were killed. In early August 2005, the SPLM Leadership Council appointed Salva Kiir as Chairman of the SPLM and First Vice President of Sudan. The United Nations has deployed an estimated 5,500 peacekeeping troops in support of the peace agreement and the number is expected to increase to 10,715. The United States has been a key player in the negotiations process and remains active.

The FY2006 supplemental request includes $125 million for southern Sudan and other areas of the country outside of Darfur:

- $12.3 million to assist in a higher-than-expected level of the return to southern Sudan of refugees and internally displaced persons. This would be on top of $28 million planned in the FY2007 refugee aid budget proposal when another 150,000 refugees are expected to return.

- $75 million in food aid to support about three million internally displaced persons and returning refugees throughout Sudan. As in the case of Darfur, the supplemental package is expected to meet

50% of the food aid needs, compared to existing levels that will reach only 29% of the target.

- $6 million for opening USAID offices in the capital of South Sudan, Juba, and Khartoum.

- $31.7 million to increase U.S. support for the U.N. peacekeeping mission in Sudan (UNMIS). Separately, the Administration seeks $442 million for UNMIS in its FY2007 regular appropriation request.

Congressional Action. As passed, the House measure provides full funding for the aid and peacekeeping portions of the southern Sudan supplemental request ($119 million), but deletes $6 million for USAID offices in Juba and Khartoum. Since the regular FY2006 appropriation included $6 million for the same purpose, the House Appropriations Committee felt the emergency nature of the supplemental request had not been fully justified and the Committee would reconsider the proposal during the FY2007 review. The Senate bill also fully funds the Administration's request for southern Sudan, and provides the $6 million requested for USAID offices.

Pakistan

On October 8, 2005, an earthquake of magnitude 7.6 struck Pakistan, India, and Afghanistan. Over 73,000 died in Pakistan and 2.8 million became homeless. At a donors conference in November, the United States pledged a total of $510 million for earthquake relief and reconstruction, of which $300 million would come from U.S. economic and humanitarian assistance programs.[60]

Without additional funds added to the regular FY2006 Foreign Operations spending measure for earthquake relief, USAID has been drawing on contingency funds and reallocating existing appropriations to meet emergency requirements for earthquake victims. The $126.3 million supplemental proposal would replenish some of these diverted funds, plus provide resources for continuing reconstruction efforts. The Administration says because of the sizable drawdown — estimated to be $70 million — from the International Disaster and Famine Assistance account, the ability of the United States to respond to other global disasters in FY2006 would be seriously undermined. The $70 million allocation for Pakistan earthquake relief represents about 17% of USAID's worldwide emergency disaster budget.

[60] The balance of the pledge was made up of Defense Department in-kind support for relief operations ($110 million) and assumed U.S. private donations ($100 million).

Table 12. Pakistan Supplemental
($s — millions)

Appropriation Account	FY2005 Actual	FY2006 Regular Enacted	FY2006 Supp. Request	FY2006 Supp. House	FY2006 Supp. Senate	FY07 Regular Request
Int'l Disaster & Famine Assistance	—	—	$70.0	$70.0	$70.0	—
Economic Support Fund	$297.6	$297.0	$40.5	$40.5	$40.5	$350.0
Child Survival and Health	$21.0	$26.9	$5.3	$5.3	$5.3	$21.7
Development Assistance	$29.0	$30.1	$10.5	$10.5	$10.5	$29.0
Total	**$347.6**	**$354.0**	**$126.3**	**$126.3**	**$126.3**	**$400.7**

Source: State Department and CRS calculations based on H.Rept. 109-388, with modifications to reflect House floor amendments, and S.Rept. 109-230.

Note: Data in this table reflect ongoing and FY2007 proposed funding for programs the same as or similar to those requested in the FY2006 supplemental. The TOTAL line does not represent total aid for Pakistan.

Congressional Action. Both the House-passed and Senate Committee bills fully fund the request for Pakistan earthquake assistance in order to reimburse funds that were previously reprogrammed to meet emergency needs.

Other Foreign Assistance Proposals

Beyond the proposed aid packages for Iraq, Iran, Sudan, and Pakistan, the Administration also seeks several other foreign assistance items:

- $13.8 million in refugee assistance for the return and reintegration of Liberian refugees and internally displaced persons. With elections in November 2005 and the inauguration of a new government in January 2006, the pace of voluntary refugee returns has accelerated, with 120,000 expected to return in 2006. The Administration says that the $13.8 million supplemental would provide the U.S. "fair share" contribution to U.N. High Commissioner for Refugees and International Committee for the Red Cross appeals.

- $125 million in additional PL480 food assistance for FY2006, primarily to address emerging crises in East and Central Africa.

- $10 million from the refugee account for the World Food Program in order to avert potential pipeline breaks in refugee feeding programs in Africa.

Congressional Action. The supplemental measure, as passed in the House, provides funding sought for food aid in East and Central Africa and the $10 million proposed for the World Food Program. For Liberia, the bill includes $13.8 million

in refugee support, plus, as a result of an amendment offered during Committee markup by Representative Jackson, the measure adds $50 million for Liberia economic assistance. The Senate bill also fully funds food aid for East and Central Africa, and doubles funding for the World Food Program. For Liberia, the Senate bill matches the House bill at $63.8 million.

Also during markup, the House Committee adopted an amendment by Representative Kolbe regarding Palestinian assistance. The provision bars any aid to the Palestinian Authority or any successor entity until the Secretary of State certifies that such entity is committed to the principles of nonviolence, the recognition of Israel, and the acceptance of previous agreements and obligations, including the peace Roadmap. The amendment further bans the obligation of existing appropriations for the West Bank and Gaza until the Secretary, in consultation with the Committee, reviews current aid programs and provides, by April 30, 2006, a revised plan of assistance. The Secretary's revised plan must ensure that U.S. aid is not provided to or through any individuals or organizations engaged in terrorist activities.

During floor debate on H.R. 4939, the House adopted (250-172) an amendment submitted by Representative Burton that redirects $26.3 million in funds requested for Iraq prison construction and protection of judges to support additional counter-narcotics requirements in Colombia. Specifically, the $26.3 million would fund the purchase and operations costs of three D-3 aircraft for use by the Colombian Navy in interdiction and support missions. The Senate bill does not provide the Colombia aircraft funding. However, it does provide $2.5 million in refugee assistance for Colombia.

The Senate added other foreign assistance items not requested by the Administration. The bill provides $42.5 million for refugee assistance in Somalia, the Horn of Africa, the Congo, North Caucasus, North Asia, and Burma. The bill provides $35 million in ESF for economic development ($10 million), police reform ($10 million), and judicial and legal reforms ($15 million) in Haiti, and $5 million in CSH for critical health needs. For the Democratic Republic of the Congo, the Senate bill includes $5 million to support upcoming elections and $8.2 million for training, equipment, and other assistance for security forces that are supporting peacekeeping operations. From ESF funds, the bill includes $100 million for Jordan for economic and social reforms, including infrastructure, training and education.

Hurricane Recovery and Disaster Supplemental

Overview

On February 16, 2006, the President proposed an FY2006 emergency supplemental appropriations of $19.8 billion for continuing federal recovery and reconstruction activities in response to the 2005 Gulf Coast hurricanes, primarily Hurricane Katrina. These appropriations would be in addition to those supplemental appropriations already enacted in response to the 2005 hurricanes, including two

FY2005 supplementals — $10.5 billion from P.L. 109-61 (September 2, 2005) and $51.8 billion from P.L. 109-62 (September 8, 2005).

In addition, Division B of P.L. 109-148, the Department of Defense, Emergency Supplemental Appropriations to Address Hurricanes in the Gulf of Mexico, and Pandemic Influenza Act, 2006 (December 30, 2005), provided $28.6 billion for hurricane relief, of which $23.4 billion was offset by a reallocation from the Department of Homeland Security Disaster Relief Fund (DRF). Also, the President has estimated that $8 billion has been approved for tax relief for persons of the Gulf Coast. According to the Administration, existing funding is estimated to allow the continuation of hurricane recovery activities through March 2006.[61]

Of the $19.8 billion requested, most of the funds are proposed for 11 departments and agencies, as shown in **Table 13**. Under the request, nearly half the funds — $9.9 billion — are designated for the Department of Homeland Security, and almost all of those funds would be allocated for the Federal Emergency Management Agency (FEMA). The Department of Housing and Urban Development would receive $4.4 billion, most of which would be used for community planning and development.

The Department of Defense would receive $3.3 billion, with these funds primarily to be used for flood control and coastal emergencies, procurement, and construction. The Small Business Administration (SBA) would receive $1.3 billion for loans to homeowners, renters, and businesses. The Department of Veterans Affairs would receive $600 million to replace the VA medical center in New Orleans. The Department of the Interior would receive $216 million, primarily for the Fish and Wildlife Service.

On April 25, 2006, the Administration revised its supplemental request. The revision increases funding for the Army Corps of Engineers by $2.2 billion to assist in post-Katrina recovery efforts; this amount is offset by a $2.2 billion reduction in funding requested for the Federal Emergency Management Agency (FEMA) Disaster Relief Fund.[62] Also on April 25, the Administration strongly objected to most funding increases proposed by the Senate Committee on Appropriations, and promised that the President would veto any bill providing more than $92.2 billion, exclusive of supplemental funds for pandemic influenza preparedness.[63] In particular, it singled out funds provided by the bill as reported by the Senate Committee on Appropriations that were in excess of the amount requested by the President for FEMA, the Community Development Block Grant (CDBG), highways

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[61] For an overview of supplemental appropriations in response to the 2005 hurricanes, see CRS Report RS22239, *Emergency Supplemental Appropriations for Hurricane Katrina Relief*, by Keith Bea. For a summary of emergency supplemental funding in prior years, please see CRS Report RL33226, *Emergency Supplemental Appropriations Legislation for Disaster Assistance: Summary Data FY1989 to FY2005*, by Justin Murray.

[62] For details, please see:
[http://www.whitehouse.gov/omb/budget/amendments/supplemental_4_25_06.pdf].

[63] For details, please see:
[http://www.whitehouse.gov/omb/budget/amendments/supplemental_11_01_05.pdf].

and railroad track relocation, agriculture, and the National Oceanic and Atmospheric Administration (NOAA). It did not specifically object to additional education funding that is provided in the Senate-reported bill, and it agreed to addition funding for pandemic influenza preparedness and prevention.

Table 13. Summary of FY2006 Supplemental for Hurricane Recovery and Disaster Assistance

($s — millions)

Department or Agency	Supp. Request	House	Senate	Conf.
Department of Agriculture	$55.0	$75.0	$470.0	
National Oceanic and Atmospheric Administration	$32.8	$11.8	$1,167.0	
Small Business Administration	$1,254.0	$1,254.0	$1,254.0	
Department of Defense	$1,809.4	$1,347.0	$1,743.8	
Army Corps of Engineers	$1,460.0	$1,460.0	$2,132.8	
Department of Homeland Security	$9,875.0	$9,905.3	$11,282.9	
Department of the Interior	$216.0	$216.0	$296.0	
Department of Education	$0.0	$0.0	$881.5	
Department of Veterans Affairs	$600.0	$550.0	$623.0	
Department of Transportation	$0.0	$0.0	$1,494.0	
Department of Housing and Urban Development	$4,402.0	$4,200.0	$5,402.2	
Other Departments and Agencies[a]	$59.7	$87.0	$379.7	
Total, Title II Hurricane Recovery	**$19,763.9**	**$19,106.1**	**$27,126.9**	
Title III Agricultural Disaster Assistance	**$0.0**	**$0.0**	**$3,944.0**	
Title IV Drought Assistance	**$0.0**	**$0.0**	**$12.5**	
Title V Port Security Enhancements	**$0.0**	**$0.0**	**$648.1**	
Title VI Pandemic Influenza Preparedness	**$0.0**	**$0.0**	**$2,300.0**	

Source: CRS calculations based on S.Rept. 109-230.

Note: Senate amounts do not include amendments adopted during partial floor debate on the bill.

Note: Totals may not add because of rounding. On April 25, 2006, the Administration revised its request by increasing the amount for the Army Corps of Engineers by $2.2 billion and decreasing the request for FEMA at the Department of Homeland Security by the same amount. In a separate statement, it provided support for supplemental funding for pandemic influenza preparedness.

a. See **Table 25** for a listing of other departments and agencies.

Department of Agriculture

As shown in **Table 14**, the Senate-reported version of H.R. 4939 provides an estimated $4.4 billion in emergency disaster assistance for all activities and programs administered by the U.S. Department of Agriculture (USDA), compared with $75 million in the House-passed version of H.R. 4939, and $55 million requested by the Administration.[64]

Table 14. FY2006 Disaster Supplemental for Agriculture

($s — millions)

USDA Account or Agency	Supp. Request	Supp. House	Supp. Senate	Supp. Conference
Executive Operations: National Finance Center in New Orleans	$25.0	$25.0	$25.0	
Office of Inspector General: Audits of Hurricane Activities	$0.0	$0.0	$0.5	
Agricultural Research Service: Research facilities damaged by hurricanes	$20.0	$20.0	$35.6	
Farm Service Agency: Salaries	$0.0	$0.0	$5.0	
Emergency Conservation Program	$0.0	$0.0	$32.5	
Natural Resources Conservation Service: Emergency Watershed Protection	$10.0	$10.0	$165.0	
Rural Development: Rural infrastructure repairs and housing assistance	$0.0	$0.0	$186.4	
Forest Service	$0.0	$20.0	$20.0	
USDA Subtotal, Title II	**$55.0**	**$75.0**	**$470.0**	
Title III: Commodity Credit Corporation: Emergency Agricultural Disaster Aid [a]	$0.0	$0.0	$3,944.0	
USDA Total, Titles II and III	**$55.0**	**$75.0**	**$4,414.0**	

Source: CRS calculations based on S.Rept. 109-230.

a. The Senate Committee-reported bill would provide funds for the Commodity Credit Corporation under Title III of H.R. 4939.

The Administration's request includes $55 million in supplemental funds for the USDA. Through the USDA Working Capital Fund, $25 million would be for the National Finance Center for the repair of damaged facilities in New Orleans and

[64] Prepared by Ralph Chite, Specialist in Agricultural Policy.

alternate worksites and equipment. USDA Buildings and Facilities would receive $20 million for the restoration of the Southern Regional Research Center in New Orleans. The USDA Natural Resources Conservation Center would receive $10 million for the purpose of preventing future losses through the purchase of floodplain easements.[65]

Congressional Action. The House-passed measure fully funds proposals for the Department of Agriculture, and provides an additional $20 million for the National Forest Service (not requested) to cover the costs of debris cleanup in National Forests affected by the Gulf Coast hurricanes. The Senate-reported bill includes an amendment adopted in committee that provides an additional estimated $3.9 billion in disaster and economic assistance to agricultural producers. Included in this amount is an estimated $2.1 billion to compensate crop, livestock, and tree producers for a portion of their production losses caused by any 2005 or 2006 natural disaster, and $1.5 billion in supplemental "economic loss" payments to certain crop producers to compensate for high energy prices related to agricultural production. In its April 25, 2006 statement of administration policy, the Administration specifically objected to the additional funds for agricultural assistance that are provided in the bill as reported by the Senate Committee on Appropriations.

National Oceanic and Atmospheric Administration [66]

The President's FY2006 supplemental request includes $32.8 million for the National Oceanic and Atmospheric Administration (NOAA), as shown in **Table 15**.

Table 15. FY2006 Hurricane Supplemental for the National Oceanic and Atmospheric Administration

($s — millions)

National Oceanic and Atmospheric Administration (NOAA) Activity	Supp. Request	Supp. House	Supp. Senate	Supp. Conference
Operations, Research, and Facilities	$21.0	$0.0	$1,135.0	
Procurement, Acquisition, and Construction	$11.8	$11.8	$32.0	
NOAA Total	**$32.8**	**$11.8**	**$1,167.0**	

Source: CRS calculations based on S.Rept. 109-230.

The President's FY2006 supplemental request includes $32.8 million for the Department of Commerce for two types of activities at the National Oceanic and Atmospheric Administration (NOAA) — $21.0 million for Operations, Research,

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[65] For information on regular FY2006 funding for the USDA, please see CRS Report RL32904, *Agriculture and Related Agencies: FY2006 Appropriations*, by Jim Monke.

[66] Prepared by Wayne A. Morrissey, Information Research Specialist.

and Facilities (ORF) activities, and $11.8 million for Procurement, Acquisition, and Construction (PAC) activities. The ORF amount would be used for an assessment of fishery resources, mapping of fishing grounds for debris removal, rehabilitation of oyster beds, and promotion of economically sustainable Gulf Coast fisheries. The PAC amount would be used for the repair and reconstruction of NOAA's National Marine Fisheries Service science center at Pascagoula, MS, which provides scientific support for Gulf Coast fishery management.[67]

Congressional Action. The House-passed supplemental fully funds the PAC request of $11.8 million for the repair and reconstruction of a damaged NOAA science center, but does not agree to the ORF request of $21.0 million proposed for the assessment and recovery of Gulf Coast fisheries. The Senate Committee increases the PAC amount for the science center to $20.0 million, and provides an additional $11.8 million to procure an aircraft equipped with hurricane damage assessment imaging capabilities. The Committee's bill provides an additional $1.1 billion for the ORF recovery and restoration of Gulf Coast fisheries operations, but includes $20 million to assist "shellfishermen" in New England coastal communities affected by the red tide outbreak in 2005. In its April 25, 2006 statement of administration policy, the Administration specifically objected to the additional funds for NOAA that are provided in the bill as reported by the Senate Committee on Appropriations.

Small Business Administration[68]

The President's FY2006 supplemental request for the Small Business Administration (SBA) is $1.25 billion, as shown in **Table 16**.

Table 16. FY2006 Hurricane Supplemental for Small Business

($s — millions)

SBA Account	Supp. Request	Supp. House	Supp. Senate	Supp. Conference
Disaster Loans Program [a]	$1,254.0	$1,254.0	$1,254.0	

Source: CRS calculations based on S.Rept. 109-230.

a. The House bill transfers $712 million of the amount provided for SBA Disaster Loans Program to the FEMA DRF for reimbursement of funds previously transferred from FEMA to the SBA.

Disaster Loans Program. The supplemental request includes $1.25 billion for the SBA credit subsidy and administrative funds to make loans to homeowners, renters, and businesses for recovery costs related to the 2005 hurricanes. As of early

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[67] For additional information on the funding for NOAA, please see CRS Report RS22410, *The National Oceanic and Atmospheric Administration (NOAA) Budget for FY2007: President's Request, Congressional Appropriations, and Related Issues*, by Wayne A. Morrissey.

[68] Prepared by Eric Weiss, Analyst in Financial Institutions.

April 2006, the SBA had received 403,000 applications from individuals and businesses for disaster loans. It had approved more than 107,000 of these valued at over $7 billion. It had made disbursements totaling $671,000 on 39,000 loans. In addition, the request would authorize the SBA to reimburse FEMA for any funds previously transferred from the FEMA Disaster Relief Fund to the SBA Disaster Loans Program Account.

Congressional Action. The Senate Appropriations Committee approves the amount for the SBA that would be provided in the House-passed bill, which is the same amount as requested by the President. In addition, the Senate-reported bill adds a technical amendment that would transfer $1 million to the University of Nevada Las Vegas to study and run an international air show. The bill includes a requirement to transfer to the FEMA Disaster Relief account $712 million from the supplemental funds provided to the SBA for reimbursement of funds previously transferred from FEMA to the SBA.

Defense Department Supplemental for Repairs, Rebuilding, and Help for Shipbuilders [69]

The Administration's FY2006 supplemental request for the Department of Defense (DOD) is $1.8 billion, as shown in **Table 17**. This amount would be in addition to the $7.7 billion that DOD has received in two previous hurricane relief supplementals and the FY2006 DOD Appropriations Act reallocation.[70]

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[69] Prepared by Amy Belasco. Thomas Nicola and Henry Cohen, American Law Division, and Rawle King and Baird Webel, Government and Finance Division, contributed to the shipbuilding section. Daniel Else, Foreign Affairs, Defense, and Trade Division, contributed to the military construction section.

[70] DOD received $1.9 billion in P.L.109-61 and P.L.109-62 and $5.8 billion in the reallocation (P.L. 109-148) for a total of $7.7 billion.

Table 17. FY2006 Hurricane Supplemental for Defense

($s — millions)

Defense Activity	Supp. Request	Supp. House	Supp. Senate	Supp. Conference
Military Personnel	$69.0	$69.0	$69.0	
Operations and Maintenance (O&M)	$123.6	$123.6	$123.6	
Procurement & Nat'l Defense Sealift Fund [a]	$1,137.4	$889.4	$1,137.4	
Research, Development, Test, and Evaluation	$19.0	$19.0	$19.0	
Revolving and Management Funds [b]	$21.7	$21.7	$21.7	
Other Defense Programs	$33.9	$33.9	$34.2	
Military Construction	$404.8	$190.4	$338.9	
Defense Total	**$1,809.4**	**$1,347.0**	**$1,743.8**	

Source: CRS calculations based on S.Rept. 109-230.

a. Includes $1.02 billion in procurement and $11 million in National Defense Sealift funds primarily to reimburse shipbuilders for higher costs due to "business disruption."
b. Includes funds to repair and rebuild commissaries.

Like the previous hurricane-related supplementals, this request would direct additional funds to repair and replace equipment, rebuild facilities and infrastructure on bases damaged by the hurricanes, provide benefits to displaced military personnel, and give the Navy more money to pay estimated increased shipbuilding costs associated with labor delays and disruption of operations at damaged shipyards in New Orleans and Pascagoula. The current request does not include more funds to activate reservists or support active-duty personnel who were deployed to provide initial rescue and recovery efforts, or for evacuation of DOD personnel.[71]

The main elements in the supplemental request are:

- $1.02 billion for higher shipbuilding costs in addition to the $1.7 billion already provided;
- $115 million for military benefits, including higher Basic Allowance for Housing for military personnel in the affected areas, health care support, commissary rebuilding, and personal claims;

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[71] See, *Department of Defense FY2006 Hurricane Katrina & Rita Budget Reallocation Request and Rescissions*, November 2005; CRS Report RL33197, *Reallocation of Hurricane Katrina Emergency Appropriations: Defense and Other Issues* coordinated by Amy Belasco. See also **Table 2C** in CRS Report RL32924, *Defense: FY2006 Authorization and Appropriations*, by Stephen Daggett for an appropriation account breakdown of DOD's reallocation request.

- $202 million for additional repair and replacement of equipment in addition to the $550 million already received;
- $63 million to restore facilities in addition to $660 million in previously appropriated funds; and
- $405 million for military construction in addition to the $1.4 billion already received.[72]

Congressional Action. The House bill provides a total of $1.3 billion for hurricane-related damages to DOD facilities, a $520 million reduction to the $1.8 billion request. The House cuts reflect a $250 million cut to DOD's $1 billion request to reimburse shipbuilders for higher costs — a controversial issue — and a $210 million cut to military construction projects proposed by the services. The SAC would provide $1.7 billion, providing the full amount to reimburse shipbuilders and cutting $65 million from military construction projects. Both houses approve the DOD request for military personnel, O&M, and procurement funds to pay for hurricane-related damages and costs.

Who Should Pay for Higher Costs Due to Delays in Shipbuilding. In the earlier reallocation (P.L. 109-148), Congress provided $1.7 billion to reimburse shipbuilders (primarily Northrop-Grumman) for estimated increased costs for ships under construction at Ingalls Shipyard in Pascagoula, Mississippi, and Avondale shipyard in New Orleans. At the time, however, House and Senate Appropriations Committees raised concerns about Navy reimbursement plans primarily because of the difficulties in segregating the costs that should be borne by the contractor's insurance vs. the costs to be borne by the government. The contractor carries insurance to protect its profits against "business interruption" and therefore its insurance company may be liable for higher costs incurred because of downtime and lower productivity of the shipyard workforce, additional overhead charges and higher inflation costs due to delays. All of these circumstances — associated with the damage to the two shipyards — could cut into contractor profits if the government did not reimburse related costs.

To ensure oversight, the Appropriations Committees required that the Navy (or Army) Secretary submit a report certifying that the higher shipbuilding costs are:

- required to be incurred for hurricane relief;
- not subject to reimbursement by any third party (e.g., FEMA or private insurer); and
- directly allocable to the program for which funds are being provided.[73]

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[72] CRS calculations based on *DOD, FY2006 Supplemental Request for Hurricane Katrina and Other Hurricanes of the 2005 Season, February 2006,* passim, [http://www.dod.mil/comptroller/defbudget/fy2007/FY06-Hurricane-Supp.pdf].

[73] H.Rept. 109-359 in *Congressional Record*, December 18, 2005, pp. H. 12630, H12631. See CRS Report RL33197, *Reallocation of Hurrican Katrina Emergency Appropriations: Defense and Other Issues*, coordinated by Amy Belasco, for a complete discussion of this oversight issue.

Although there does not appear to be any standard definition of what is required for a defense official to certify to these conditions, the following questions might need to be answered to demonstrate that the Navy is turning to the government as a last resort to reimburse these higher costs.

(1) Has the contractor submitted and received rejections from insurers for its claims for reimbursement for business interruption? If so, has the contractor challenged the rejection in court and what has been the outcome of the challenge?

(2) What types of expenses does "business interruption" insurance cover and what types of expenses does it not cover? How do these criteria relate to the expenses incurred at the shipyard?

(3) Can the Navy demonstrate that delays incurred are associated with Gulf Coast hurricanes rather than other problems with a shipbuilding program by showing work plans before and after the hurricane?

(4) Can the Navy demonstrate that the expenses were unavoidable, i.e. that the contractor has made maximum efforts to avoid delays and disruption by subcontracting work to other locations or relocating personnel?

Congress may want to clarify the standards required for the Navy to certify that such additional expenses were unavoidable, directly associated with the Gulf Coast hurricanes , and not payable by a third party and apply such criteria both to the $1 billion in this new request and the $1.7 billion appropriated in the earlier reallocation (P.L.109-148). Congress may also want to ask the Navy to refine its initial estimate — made in the third week of September 2005 — only three weeks after Hurricane Katrina struck. The $1 billion supplemental request, together with the $1.7 billion already enacted, is identical to that original estimate.[74]

Congressional Action. Concerned about the accuracy of Navy estimates and potential overlap with private insurance claims, the House bill cuts $250 million from the Navy's $1 billion request for additional funds to reimburse shipbuilder Northrop Grumman for estimated higher shipbuilding costs resulting from the damage to Avondale, LA and Ingalls, MS shipyards. The Navy would still have almost $2.5 billion — including the $1.7 billion provided in the Katrina reallocation — for these costs.

The Committee "believes strongly that funds in this act and under this heading in prior Acts should not be used to substitute for private insurance benefits," and notes that shipyards have "business interruption" insurance that could overlap with these funds.[75] As in previous conference report language, the Committee again requires that the Navy not obligate funds unless it can certify that these costs would not be reimbursed by a third party. The Committee notes that the Navy submitted a

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[74] Assistant Secretary of the Navy, John J. Young, Memorandum for Deputy Secretary of Defense (Acting), "Hurricane Katrina," September 21, 2005.

[75] House Committee on Appropriations, *Draft Report*, p. 58.

certification applying to funds already received that there was no overlap on March 1, 2006.

In its markup, the Senate Appropriations Committee provides the $1.02 billion requested by the Navy to reimburse its contractors for higher costs associated with the hurricane damage at Ingalls, MS and Avondale, LA shipyards, and includes a new general provision, Sec. 2303, that:

- allows the Navy to "pay the costs of any business disruption incurred by a ship construction contractor . . ." associated with Hurricane Katrina;
- requires the Secretary of the Navy to adjust contracts to take into account such business disruption costs;
- declares that if the government pays the contractor for such damages, those amounts may not be used to "reduce payments otherwise payable," i.e. payments that would be the insurance company's responsibility, or allow the contractor to collect from both the government and the insurance company; and
- requires the contractor to reimburse the government for any insurance payments received with the monies credited to the original account.[76]

In its report, the SAC states that it "is in the best interest of the Department of the Navy and national security to restore compromised shipyard capability," and "also . . . to ensure industry seeks reimbursement by insurance companies to the maximum extent." The report also states that the committee expects the shipbuilders to reimburse the Navy for any insurance receipts received for business disruption costs.[77]

It is not clear how this language would affect ongoing negotiations between the Navy and Northrop Grumman and between Northrop Grumman and its insurer, Factory Mutual, about who is liable for business disruption costs associated with Katrina. Although the SAC language appears to require that the contractor reimburse the government for any insurance reimbursements, this language could potentially affect the likelihood that Northrop would be reimbursed.

Recently, Assistant Secretary of the Navy Delores Etter said that "it would not be a good precedent" for the Navy to pay for insured damages in advance "because we don't think the insurance companies are as likely to follow through if we've already covered it for them."[78] This concern may spring from language in Northrop's policy with Factory Mutual which states that "The company will not be liable for any

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[76] Section 2303, H.R. 4939 as marked up by the SAC; the bill says that any amounts received by the contractor for business disruption may not be "treated as collateral insurance," which means recovered from more than one source.

[77] *S.Rept. 109-230*, p. 62.

[78] Defense Today Instant Update, "Etter Says Navy Won't Pay for Northrop Damage That Was Insured," March 30, 2006.

loss to the extent that the Insured has collected for such loss from others."[79] Although the SAC language appears to be intended to prevent the insurance company from making this argument, it is not clear how a court might interpret the language.

The SAC language appears to envision an advance agreement with repayments from the contractor in the future in the event that they are successful in getting monies from their insurers. The language mirrors a proposal recently made by Northrop Grumman, the primary contractor affected.[80] Without the new language, the Navy believes that business disruption costs would not be allowable and could not be paid in advance because "payment by the government may otherwise relieve the carrier from their policy obligation," according to Defense Contract Management Agency (DCMA) official Donald Springer.[81]

According to Northrop Grumman's White Paper, the Navy "has expressed some concern that certain language in the FM [Factory Mutual] Excess Policy [under which Northrop would collect] might be misconstrued to exclude coverage if moneys are paid under the Advance Agreement."[82] Although Northrop Grumman argues that the advance agreement and relevant court case would ensure that the government would be reimbursed "if the insurance carriers were required to pay for that loss," they acknowledge that the insurance companies "potentially may argue that they are entitled to a set-off of the amounts paid by the government."[83] An advance agreement could also allow Northrop to be reimbursed for certain losses not covered by insurance.

Part of the issue appears to revolve around timing. Northrop Grumman argues that advance payment would be helpful because business disruption claims could take years to settle. On the other hand, the very act of the government paying those claims could undermine both the contractor's resolve to negotiate with and to challenge its insurers claims in court. At the same time, advance payment could also potentially make it more difficult for Northrop to get payment under its insurance policy.

Another significant issue raised by the new language is the precedent that might be set if the government advance pays for "business disruption" claims, where determining costs is necessarily problematic, for example, deciding whether shipbuilding delays are due to hurricane damages or technical problems. To some extent, the Navy's liability for business disruption claims is currently limited by its

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[79] Northrop Grumman, "Hurricane Katrina White Paper,"February 21, 2006, p.7.

[80] Northrop Grumman, "Hurricane Katrina Supplemental," and "Hurricane Katrina White Paper,"February 21, 2006.

[81] Bloomberg, "Northrop Presses Congress For Stomr Cleanup Money," April 4, 2006.

[82] Northrop Grumman, "Hurricane Katrina Recovery White Paper," February 21, 2006, p. 13.

[83] Northrop Grumman, "Hurricane Katrina Recovery White Paper," February 21, 2006, p. 15.

contractual obligations and by limitations in current federal acquisition regulations.[84] For fixed price contracts, the Navy's liability is limited by the ceiling in the contract. Because of both the funding differences and the implications of the SAC's general provision, the shipbuilding insurance issue is likely to be an important conference item.

Under the SAC language, the Navy would be required to reopen those contracts and negotiate adjustments due to business disruption, costs that are not presently allowable. Although the impact of the proposed SAC language is currently not clear, the new language could expand the types of costs that the Navy would be liable to pay, reduce the Navy's bargaining leverage with its contractors, and affect the contractors' resolve in negotiating with its insurer.

Military Construction. The President's FY2006 supplemental request proposes $405 million to replace military facilities destroyed by the 2005 Gulf Coast hurricanes. DOD already received $1.4 billion in the Hurricane Katrina reallocation in P.L. 108-148. Not all of the $405 million is new funds. The Administration proposes to extend the availability through FY2010 of $234 million that was previously appropriated in the Hurricane Katrina reallocation but was only available through FY2006. Presumably, DOD wants to increase the life of these monies to replace Naval Reserve and Army National Guard facilities because it does not expect to obligate the funds this year and the funds would therefore lapse.

The $405 million requested is for:

- $53 million to replace and relocate facilities at Navy centers at Gulfport and Bay St. Louis, Mississippi (fitness and recreation centers, exchange, and barracks for international students);
- $111 million to construct Air Force facilities at Keesler Air Force Base, Mississippi (fire/rescue center, exchange, base library, aircraft maintenance hanger);
- $24 million to construct Naval Reserve facilities in New Orleans, Louisiana (consolidated public works center, hardened command and control center, and crash/rescue center);
- $210 million to replace Army National Guard facilities in Louisiana (Joint Force Headquarters, Readiness Center, and aviation support facility); and
- $6 million to replace Air National Guard facilities in Mississippi (storm water system and medical training center).

As was the case in the Hurricane Katrina reallocation, the appropriators are likely to scrutinize these military construction requests to ensure that there is no overlap with funds already received in the Hurricane Katrina reallocation (e.g., the $53 million for Keesler and the $212 million for Gulfport) or with plans for base closures and consolidations (e.g., consolidated Naval Reserve public works center that would support both the Naval Air Station in New Orleans and the Naval Support Activity slated for realignment).

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[84] These payments are not allowable under the Federal Acquisition Regulations.

Congressional Action. The House-passed bill cuts DOD's request for military construction monies by $214 million, disapproving $142 million for Army National Guard projects that were submitted too late to be considered, reducing funding for a Navy fitness center by $9 million, reducing Air Force planning and design monies by $14 million, and rescinding $49 million for Navy Reserve projects no longer needed. During floor consideration, the House adopted an amendment by Representative Taylor, restoring $55.9 million to rebuild Navy and Air Force exchanges that had been cut by the House Appropriations Committee. The Committee said in its report that the services could use non-appropriated funds to rebuild exchanges, as is the general practice.

The SAC reduces DOD's military construction request from $405 million to $339 million, above the $190 million provided by the House. The smaller reductions by the SAC reflect its funding of Army National Guard projects — disapproved by the House — and its smaller cut to Air Force planning and design funds.

Request for Increased Flexibility to Transfer Funds. DOD is requesting broader authority than is typically permitted by Congress to transfer funds between appropriations accounts after enactment. The supplemental proposes that DOD be allowed to transfer funds among *all* accounts — including military construction — both for funds in the current request and those in the previous Hurricane Katrina reallocation. Last year, Congress permitted transfers among all accounts except for military construction, where funds are typically designated at the project level. DOD is proposing a transfer limit of $300 million for the current request and retaining the $500 million transfer limit adopted in Hurricane Katrina reallocation funds.

Other Funding for Hurricane Damages. Both the House and the Senate Appropriations Committee endorse DOD's requests for military personnel, operation and maintenance costs, and procurement costs associated with hurricane damage.

Army Corps of Engineers[85]

The Army Corps of Engineers typically receives indirect funding through FEMA for its public works and engineering mission assignments (e.g., debris removal and demolition) under the National Response Plan. In addition, Congress appropriates funds directly to the Corps for some emergency response and repair activities.[86] As shown in **Table 18**, the President's FY2006 supplemental request for the Corps' direct funding is $1.5 billion; the House version of the supplemental provides the amount requested by the Administration, while the Senate version is higher, at $2.1 billion.

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[85] Prepared by Nicole Carter, Analyst in Natural Resources Policy. The Army Corps of Engineers is under the budget category, Department of Defense, Civil.

[86] For background information, please see CRS Report RL33188, *Protecting New Orleans: From Hurricane Barriers to Floodwalls*, by Nicole T. Carter.

Table 18. FY2006 Hurricane Supplemental for the Army Corps of Engineers

($s — millions)

Army Corps of Engineers Activity	Supp. Request	Supp. House	Supp. Senate	Supp. Conference
Investigations	$0.0	$0.0	$3.8	
Construction	$100.0	$100.0	$122.8	
Operation and Maintenance	$0.0	$0.0	$4.7	
Flood Control and Coastal Emergencies	$1,360.0	$1,360.0	$2,001.5	
Army Corps of Engineers Total	**$1,460.0**	**$1,460.0**	**$2,132.8**	

Source: CRS calculations based on S.Rept. 109-230.

Note: On April 25, 2006, the Administration revised the FY2006 supplemental request by proposing an additional $2.2 billion for the Army Corps of Engineers; the extra amount would be offset by a reduction to FEMA by the same amount.

Through the supplemental appropriations and reallocation efforts in response to the 2005 Gulf Coast hurricanes, Congress already has appropriated $3.3 billion directly to the Corps. The President's FY2006 supplemental request for the Corps includes $1.36 billion for hurricane protection improvements, and $100 million for wetlands restoration of areas affected by navigation channels. The request designates how the $1.36 billion would be distributed across various storm protection activities:

- $530 million for modification, closure, and pumping improvement of the canals in downtown New Orleans;
- $250 million for improved protection at interior pumps in the area;
- $170 million for fortifying critical elements of New Orleans' levees and floodwalls;
- $350 million to improve hurricane protection along the Inner Harbor Navigation Canal that cuts through from the Mississippi River to Lake Pontchartrain; and
- $60 million to incorporate the local levees in Plaquemines Parish into the federal levee system, which would transfer responsibility for storm damage repairs from the local levee districts to the federal government.

Congress has directed the Corps how to use much of the $3.3 billion already provided. Of the $3.3 billion, $980 million is for repairing existing hurricane protection, flood control, and navigation infrastructure, and $1.59 billion is for restoring the existing hurricane protection infrastructure to its design level of protection, that is, protection from a fast-moving Category 3 hurricane. The agency was also directed to use $540 million for completing authorized hurricane protection projects in Louisiana that were yet to be completed when the 2005 hurricanes struck, and $70 million for investing in natural disaster preparedness and mitigation activities. Also, $55 million was allocated for various Corps studies, including

investigations of restoring Louisiana's coastal wetlands, increasing the level of hurricane protection for coastal Louisiana, and addressing Mississippi's water resource needs. These studies may conclude with recommendations for additional investment of federal resources in the affected Gulf States.

The FY2006 supplemental request would provide $100 million for wetlands restoration. This amount would augment the $75 million of reallocated FY2005 hurricane supplemental appropriations directed to Corps activities to help preserve, protect, and enhance Gulf Coast wetlands, as well as the $11 million in FY2005 supplemental reallocation appropriations and $10 million in Corps FY2006 appropriations (P.L. 109-103) for a study of restoring coastal Louisiana's wetlands. This study likely will borrow elements from earlier studies conducted by a variety of federal, state, and local entities that had recommended federal investments in Gulf Coast wetlands protection and restoration; these earlier studies have recommended investment packages to respond to coastal wetlands loss that range from $2 billion for near-term actions, to $14 billion for a more comprehensive approach.

Congressional Action. The House-passed bill fully funds the President's FY2006 supplemental request for the Army Corps of Engineers. As reported by the Senate Committee on Appropriations, the bill provides not only the funds requested but also additional funding for the Corps, including almost $24 million for addressing flooding and levee issues in California's Sacramento-Bay Delta region, $3 million for high hazard dams in Hawaii, and almost $5 million for hurricane-related navigation maintenance, principally in Texas. In addition to the $1.46 billion requested and included in the House bill, the Senate Committee also recommends an additional $641 million for Corps activities for improving coastal Louisiana's hurricane and flood protection.

Although there exists a sense of urgency for fortifying hurricane protection in coastal Louisiana, some have indicated that the complex mix of existing Corps emergency and project-specific authorities raises questions regarding the Corps authority to proceed with the activities specified in the President's FY2006 supplemental request. The House-passed bill specifies that the $1.46 billion for items in the President's request "shall be subject to authorization." The Senate Appropriations Committee bill does not include an authorization requirement. The Senate bill does require that funds provided above the President's request be subject to "an official budget request."

Unlike the request and Senate Committee bill, the House legislative language does not specify the specific activities to be funded from the Flood Control and Coastal Emergencies account; however, the House report language does specify that the funds are to be used for the same projects as indicated in the President's request.

Department of Homeland Security

The President's FY2006 supplemental request for the Department of Homeland Security (DHS) is $9.9 billion, as shown in **Table 19**. The Homeland Security Act of 2002 (P.L. 107-296) transferred the functions, relevant funding, and most of the personnel of 22 agencies and offices to the DHS, which was created by the act. The

FEMA and the United States Coast Guard (USCG) were among the agencies transferred to DHS.[87]

Table 19. FY2006 Hurricane Supplemental for Homeland Security

($s — millions)

DHS Agency	Supp. Request	Supp. House	Supp. Senate	Supp. Conference
FEMA, Disaster Relief Fund (DRF) [a]	$9,400.0	$9,548.0	$10,600.0	
FEMA Disaster Asst Direct Loan (DADL) Program [a]	$301.0	$151.0	$301.0	
FEMA, Other	$75.0	$80.0	$81.8	
United States Coast Guard	$69.5	$95.1	$282.4	
Customs and Border Protection	$16.0	$17.7	$17.7	
Office of the Inspector General	$13.5	$13.5	$0.0	
DHS Total	**$9,875.0**	**$9,905.3**	**$11,282.9**	

Source: CRS calculations based on S.Rept. 109-230.

Note: On April 25, 2006, the Administration revised the FY2006 supplemental request by proposing an additional $2.2 billion for the Army Corps of Engineers; the extra amount would be offset by a reduction to FEMA DRF by the same amount.

a. A maximum of $150 million of the amount provided to DRF in the House bill is authorized to be transferred to the FEMA DADL program. In addition, $712 million of the amount provided to the Small Business Administration (SBA) in the House bill is required to be transferred to DRF.

Federal Emergency Management Agency.[88] The DHS exercises broad authority to address catastrophes resulting from terrorist attacks as well as natural disasters. Within DHS, FEMA is specifically charged to prepare for, respond to, recover from, and lessen the effects of, emergencies, regardless of cause. Through appropriations made to the Disaster Relief Fund (DRF), assistance authorized by the Robert T. Stafford Disaster Relief and Emergency Assistance Act — popularly known as the Stafford Act — is provided to individual victims, state and local governments, and certain nonprofit organizations.

The President requested a supplemental appropriation of $9.9 billion for all DHS activities; of this amount, $9.8 billion is proposed to be appropriated for FEMA. The FEMA total in the request includes $9.4 billion for the DRF, $70

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[87] For information on regular FY2006 funding for DHS, see CRS Report RL32863, *Homeland Security Department: FY2006 Appropriations*, by Jennifer E. Lake and Blas Nunez-Neto.

[88] Prepared by Keith Bea, Specialist in American National Government.

million for administrative and regional operations, $5 million for preparedness, mitigation, response, and recovery for personnel costs associated with hurricane recovery, and $301 million for loans and related administrative expenses to communities to replace lost tax revenue through the Disaster Assistance Direct Loan Assistance (DADLA) account. The House approved amount, $9.8 billion, is slightly more than the total request for FEMA and deviates to a degree from the request. The House-passed bill includes $9.5 billion for the DRF (reduced by $2 million), $70 million for administrative and regional operations, $10 million for preparedness, mitigation, response, and recovery, and $151 million for DADLA and administrative expenses, in addition to a maximum of $150 million authorized to be transferred from the DRF to DADLA.

Funds appropriated to the DRF are used to provide assistance to individuals, families, state and local governments, and certain nonprofit organizations. DRF funds are used for all major disasters and emergencies that are the subject of presidential Stafford Act declarations; in recent years the number of declarations issued each year falls in the range of 40 to 70 incidents. As a general rule, the President requests, and Congress appropriates, DRF funding to meet annual historical averages (currently approximately $2 billion) for outlays. For example, the President requested almost $2 billion for the DRF in the FY2007 budget submission.

Annual appropriations are not always sufficient, however, when catastrophes such as the terrorist attacks of September 11, 2001, or Hurricane Katrina and the other 2005 Gulf Coast hurricanes, occur. Many precedents exist for the enactment of supplemental appropriations after catastrophes occur. For example, for FY2005, Congress appropriated $2 billion to the DRF during the annual appropriation process and later provided an additional $6.5 billion in supplemental disaster relief funding (P.L. 108-324) after Hurricanes Charley, Frances, Ivan, and Jeanne struck in the summer of 2004. Due to the wide range of assistance authorized by the Stafford Act — from life saving response to long-term recovery and rebuilding — Congress generally appropriates a large share of the funds in emergency supplemental legislation to the DRF. Expenditures by FEMA for Stafford Act assistance occur on an "as-needed-and-approved" basis from the DRF and are available on a "no-year" basis, which means that they remain available until used.

Congressional Action. The House-passed supplemental generally supports the Administration's request for additional FEMA funds. The House measure adds $150 million to the $9.4 billion request for the DRF, but includes discretionary transfer authority of up to $150 million to the Disaster Assistance Direct Loan Program Account. Combined with the direct appropriation of $151 million for the Disaster Assistance Direct Loan Program, the $301 million total in the House bill matches the Administration's request. Senate appropriators recommend an additional $1.2 billion for the development of alternative housing for disaster victims. In its April 25, 2006 statement of administration policy, the Administration specifically objected to the additional funds for the DRF that are provided in the bill as reported by the Senate Committee on Appropriations.

Other DHS Activities. The request includes $69.5 million for the United States Coast Guard (USCG), $16 million for Customs and Border Protection (CBP), and $13.5 million for the Office of the Inspector General (OIG). The USCG would

be provided $62.2 million for major repair and reconstruction of facilities damaged by the 2005 Gulf Coast hurricanes, and $7.3 million for related cleanup and repair needs. The CBP funds would be used to rebuild hurricane-damaged CBP facilities and structures in New Orleans. The OIG funds would be transferred from DHS to other federal OIG offices to support, investigate, and audit other federal recovery activities related to the 2005 Gulf Coast hurricanes.

Congressional Action. The House-passed bill increases funding for the USCG to $95.1 million, compared to the $69.5 requested, and the Senate-reported bill would increase such funds to $282.4 million. For the CBP, the House-passed bill provides a small increase, to $17.7 million, and the Senate-reported bill does the same. For the OIG, the House-passed bill agrees with the requested amount of $13.5 million; the Senate-reported bill provides no additional funds to the OIG.

Department of the Interior

The President's FY2006 supplemental request for the Department of the Interior (DOI) is $216 million, as shown in **Table 20**.[89]

Table 20. FY2006 Hurricane Supplemental for Interior

($s — millions)

Interior Agency	Supp. Request	Supp. House	Supp. Senate	Supp. Conference
Fish and Wildlife Service	$132.4	$132.4	$132.4	
National Park Service (NPS), Historic Preservation Fund	$3.0	$3.0	$83.0	
NPS, Construction	$55.4	$55.4	$55.4	
United States Geological Survey	$10.2	$10.2	$10.2	
Minerals Management Service	$15.0	$15.0	$15.0	
Interior Total	**$216.0**	**$216.0**	**$296.0**	

Source: CRS calculations based on S.Rept. 109-230.

Fish and Wildlife Service.[90] The Fish and Wildlife Service (FWS) would receive $132.4 million under the request out of a total of $216 million for Interior. Funds would be available for cleanup and repair of 61 national wildlife refuges in the Southeast that were damaged by the 2005 Gulf Coast hurricanes. According to a December 2, 2005 memorandum from FWS, the 2005 Gulf Coast hurricanes caused $147.9 million in damages and recovery costs to National Wildlife Refuges, National

[89] For regular FY2006 funding for DOI, see CRS Report RL32893, *Interior, Environment, and Related Agencies: FY2006 Appropriations*, by Carol Hardy Vincent and Susan Boren.

[90] Prepared by M. Lynne Corn, Specialist in Natural Resources.

Fish Hatcheries, and agency offices in two agency regions. Of the total, $12.5 million was due to the costs of initial response and recovery. Of the remaining $135.4 million, $61 million was for priority damages. The FY2007 FWS Budget Justification (p. 154) would cut total Refuge Operations and Maintenance by $5.7 million, a figure that does not include the FY2006 supplemental construction funding for refuges. The FY2007 Construction request (p. 389-432) for FWS proposes a decrease in funding from $45.9 million to $19.7 million. Moreover, the regular Construction request includes no proposals for the Gulf Coast states most heavily affected by the three hurricanes, though funds are specified for projects in other regions or states. The data suggest that the February 16, 2006 emergency supplemental request may be viewed as a partial replacement for funds that would normally be requested in the regular budget process.

National Park Service, Historic Preservation Fund.[91] The President requested, and the House bill would provide, an FY2006 supplemental of $3.0 million for the Historic Preservation Fund (HPF) of the National Park Service (NPS). The bill as reported by the Senate Committee on Appropriations would provide $83.0 million for the HPF, which is an amount that exceeds the current total FY2006 appropriation for all of HPF's programs ($72.2 million). The HPF provides grants-in-aid to State Historic Preservation Offices (SHPOs) for the protection of cultural resources and for activities specified in the National Historic Preservation Act. According to the National Trust for Historic Preservation, thousands of historic homes have been lost and tens of thousands of historic properties have been damaged by Hurricanes Katrina and Rita. The purpose of the Senate bill's additional funding is to establish a specialized grants-in-aid program ($80.0 million) for the repair and rehabilitation of historic structures (particularly those on the National Register of Historic Places) that were damaged by Hurricanes Katrina and Rita, and to provide assistance ($3.0 million) to the SHPOs in states that sustained the most hurricane damage. The Administration's FY2007 budget request for all HPF activities is $71.9 million, less than the amount that would be provided in the Senate-reported bill.[92]

Other Interior Activities. The request includes $55.4 million for NPS construction activities, $15 million for the Minerals Management Service (MMS), and $10.2 million for the United States Geological Survey (USGS). The NPS would receive $55.4 million for cleanup and repair of 12 national parks damaged by the 2005 Gulf Coast hurricanes in addition to the HPF activities described above. The MMS funds would be used for relocation expenses related to the temporary move of the MMS regional office from Louisiana to Texas. The USGS funds would be for additional facility and equipment repair at USGS sites located in the Southeast that were damaged by the 2005 Gulf Coast hurricanes.

Congressional Action. Both the House-passed bill and the Senate-reported bill fully fund the President's request for Interior. In addition, the Senate-reported version adds an additional $80 million to establish a specialized HPF grants-in-aid

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[91] Prepared by Susan Boren, Specialist in Social Legislation.

[92] For additional information, please see CRS Report 96-123, *Historic Preservation: Background and Funding*, by Susan Boren.

program for the repair and rehabilitation of historic structures that were damaged by Hurricanes Katrina and Rita.

Department of Education[93]

The President's FY2006 supplemental request includes no additional funds for the Department of Education (ED), and no funds would be provided by the bill as passed by the House. However, the bill as reported by the Senate Committee on Appropriations includes $881.5 million for education activities, as shown in **Table 21**, and Section 2702 of the bill modifies the provisions for the Historically Black Colleges and Universities Capital Financing Program, providing an estimated $15.0 million of additional funding, for an overall ED total of $896.5 million.

Table 21. FY2006 Hurricane Supplemental for Education

($s — millions)

Education Activity	Supp. Request	Supp. House	Supp. Senate	Supp. Conference
Office of the Inspector General	$0.0	$0.0	$1.5	
Hurricane Education Recovery	$0.0	$0.0	$880.0	
Education Total [a]	**$0.0**	**$0.0**	**$881.5**	

Source: CRS calculations based on S.Rept. 109-230.

a. Section 2702 of the Senate-reported bill provides an estimated additional $15.0 million for the Historically Black Colleges and Universities Capital Financing Program.

While the Administration did not include funding for education in its emergency supplemental appropriations request and the House did not include funding for education in H.R. 4939, as passed by the House, the Senate version of H.R. 4939 reported by the Committee on Appropriations would provide $896.5 million for hurricane disaster education relief. The majority of this funding would be directed toward hurricane education recovery. More specifically, $200 million would be used to create a new Education Relief Loan Program that would provide long-term, low-interest direct loans to postsecondary education institutions for direct or indirect loses suffered as a result of having to suspend their operations and being unable to reopen in existing facilities due to the impact of Hurricanes Katrina or Rita. An additional $650 million would be provided for the Temporary Emergency Impact Aid for Displaced Students program authorized by P.L. 109-148. Funds provided through this program reimburse schools for the costs of educating students displaced by the 2005 Gulf Coast hurricanes. The bill would provide an $30 million under the Fund for the Improvement of Postsecondary Education (FIPSE) specifically to provide grants to institutions of higher education adversely affected by the 2005 Gulf Coast hurricanes. An additional $1.5 million would be provided to the Office of the Inspector General to conduct audit and investigative activities related to the

[93] Prepared by Rebecca R. Skinner, Specialist in Social Legislation.

disbursement of resources related to hurricane education relief. The bill would also modify provisions of the Historically Black College and University Capital Financing Program for institutions located in an areas affected by a Gulf Coast hurricane disaster. While the proposed statutory language does not specify appropriations to support these modifications, a table on p. 139 of the Senate report (S.Rept. 109-230) indicates that $15 million would be provided for this purpose. Finally, the bill would provide the Mississippi Institutes of Higher Learning with the authority to determine which institutions of higher education would receive additional flexibility in the use of funds provided under P.L. 109-148 for hurricane education relief activities.[94] In its April 25, 2006 statement of administration policy, the Administration did not specifically object to the additional educational funds that are provided in the bill as reported by the Senate Committee on Appropriations.

Department of Veterans Affairs

The President's FY2006 supplemental request for the Department of Veterans Affairs (VA) is $600 million, as shown in **Table 22**.[95]

Table 22. FY2006 Hurricane Supplemental for Veterans Affairs

($s — in millions)

VA Project	Supp. Request	Supp. House	Supp. Senate	Supp. Conference
Medical Center, New Orleans [a]	$600.0	$550.0	$561.0	
Land Disposal, Gulfport	$0.0	$0.0	$62.0	
VA Total	**$600.0**	**$550.0**	**$623.0**	

Source: CRS calculations based on S.Rept. 109-230.

a. A maximum of $275 million of the amount provided in the House bill for the VA Medical Center is authorized to be transferred to the VA Medical Services account.

Medical Center, New Orleans. The Administration requests $600 million for VA's Construction, Major Projects account to be used for rebuilding the VA Medical Center in New Orleans. Proposed funding for this project was previously included in the October 28, 2005 request, but Congress provided only $75 million for advance planning and design in P.L. 109-148. The conference committee did not include the full amount of funding because it felt that there was insufficient information to determine the actual cost of the project. In the FY2006 conference

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[94] For additional information about hurricane education relief provided by the federal government, please see CRS Report RL33236, *Education-Related Hurricane Relief: Legislative Action*, by Rebecca R. Skinner et al., and CRS Report RL33089, *Education and Training Issues Related to Major Disasters*, coordinated by Charmaine Mercer.

[95] For information on regular and supplemental FY2006 funding for VA medical activities, see CRS Report RL32975, *Veterans' Medical Care: FY2006 Appropriations*, by Sidath Viranga Panangala.

report, H.Rept. 109-359, VA was directed to report to the Committees on Appropriations of both Houses of Congress by February 28, 2006, on the long term plans for the replacement hospital construction. The report submitted by VA estimated that the cost of construction of a new VA Medical Center in New Orleans would be $636 million.[96]

The supplemental request includes a general provision to enable the VA to use $122 million of the $225 million included for the Medical Services account in P.L. 109-148 for activation of the new hospital in New Orleans. The VA would be allowed to transfer this money among the appropriate accounts for the purpose of funding these activation costs.

Congressional Action. The House-passed supplemental recommends $550 million for rebuilding the VA Medical Center in New Orleans, $50 million less than the Administration's request. In addition, the Secretary of Veterans Affairs is authorized to transfer up to $275 million of this amount to the "Medical Services" account, to be used only for unanticipated costs related to the global war on terror. Availability of the $550 million appropriation is made contingent on the enactment of authority for it by June 30, 2006.

The Senate Committee on Appropriations recommends $623 million for the Construction, Major Projects account, $73 million above the House-passed amount. Of this amount, the Committee recommends $561 million for the construction of a new VA Medical Center in New Orleans. Together with the previous appropriation of $75 million in P.L.109-148, the total amount of funding for reestablishing the VA Medical Center in New Orleans would be $636 million. The Committee-reported bill designates $62 million of the total amount recommended for the Construction, Major Projects, account to be used for the disposal and cleanup of land associated with the VA medical facility in Gulfport, Mississippi.

The Senate-reported bill does not include a general provision proposed in the supplemental request to transfer $122 million from the Medical Services account to other accounts within VA. However, the Committee includes bill language allowing VA to use $198.6 million that was previously appropriated under P.L. 109-148, and provides transfer authority of these funds between Medical Services, Medical Facilities, Departmental Administration, Construction Minor Projects, and Information Technology Systems accounts. Furthermore, the Committee-approved bill includes provisions directing VA to transfer land associated with the VA medical facility in Gulfport, Mississippi, to the City of Gulfport, and to purchase land to construct a new medical facility in Biloxi, Mississippi.[97]

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[96] Prepared by Sidath Viranga Panangala, Analyst in Social Legislation.

[97] Under the Capital Asset Realignment for Enhanced Services (CARES) program, VA had planned on closing the VA Medical Center in Gulfport, Mississippi, and transferring the patient workload to the VA Medical Center in Biloxi, Mississippi. To accommodate the increased workload, VA had planned on constructing a new facility in Biloxi. Hurricane Katrina completely destroyed the VA Medical Center in Gulfport. As a result, VA does not plan on reconstructing this facility, and will transfer the land back to the City of Gulfport.
(continued...)

Department of Transportation[98]

The President's FY2006 supplemental request includes no additional funds for the Department of Transportation (DOT), and no funds would be provided by the bill as passed by the House. However, the bill as reported by the Senate Committee on Appropriations includes $1.5 billion for various transportation activities, as shown in **Table 23**.

Table 23. FY2006 Hurricane Supplemental for Transportation

($s — millions)

Transportation Activity	Supp. Request	Supp. House	Supp. Senate	Supp. Conference
Emergency Highway Assistance	$0.0	$0.0	$594.0	
Emergency Assistance for Public Transportation	$0.0	$0.0	$200.0	
Capital Grants for Rail Line Relocation Projects	$0.0	$0.0	$700.0	
Transportation Total	**$0.0**	**$0.0**	**$1,494.0**	

Source: CRS calculations based on S.Rept. 109-230.

The Senate reported version includes $700 million to relocate a CSX freight rail line further inland from the Gulf Coast. The President did not request this funding nor was it included in the House-passed version of the bill. The rail line currently runs along the coast from Pascagoula, MS through Gulfport, MS to New Orleans. The track was heavily damaged from the Hurricane and CSX spent approximately $250 million of insurance funds to repair the line. The line reopened to traffic in early February 2006. Supporters of this measure contend that the purpose of relocating the rail line further inland is to make it less susceptible to storm damage in the future. Coastal communities have wanted to move the rail track even before the 2005 Gulf Coast hurricanes because of safety concerns at rail crossings and trains blocking street traffic. Critics of the funding measure contend that the existing rail line has just been repaired, is in good working order, and that relocating the line primarily benefits land developers along the coast. They note that freight railroads are private sector corporations that primarily finance their own rights-of-way and argue that the federal government should not be paying the bill for this project.

The Senate reported version also includes highway and transit funding that was not included in the President's request nor in the House passed version. The Senate reported version includes $594 million for the Emergency Relief (ER) Program of the Federal Highway Administration. Within the context of Hurricanes Katrina, Rita,

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[97] (...continued)
VA is now planning on accelerating the construction of the new medical facility in Biloxi.

[98] Prepared by John Frittelli, Specialist in Transportation.

and Wilma, Congress has previously appropriated $2.75 billion in ER funds for the repair of highways damaged by these storms.[99] The Senate reported version includes $200 million in federal grants for the repair of public transit systems damaged by Hurricane Katrina. In its April 25, 2006 statement of administration policy, the Administration specifically objected to the additional transportation funds that are provided in the bill as reported by the Senate Committee on Appropriations.

Department of Housing and Urban Development

The President's FY2006 supplemental request for the Department of Housing and Urban Development (HUD) is $4.4 billion, as shown in **Table 24**.[100]

Table 24. FY2006 Hurricane Supplemental for HUD

($s — millions)

HUD Program	Supp. Request	Supp. House	Supp. Senate	Supp. Conference
Tenant-Based Rental Assistance	$202.0	$0.0	$202.2	
Community Development Block Grant	$4,200.0	$4,200.0	$5,200.0	
HUD Total	**$4,402.0**	**$4,200.0**	**$5,402.2**	

Source: CRS calculations based on S.Rept. 109-230.

Community Development Block Grants.[101] Congress included $11.5 billion of FY2006 supplemental appropriations for disaster-recovery assistance under the Community Development Block Grant (CDBG) in P.L. 109-148, to assist the five states (Louisiana, Mississippi, Alabama, Texas, and Florida) impacted by the 2005 Gulf Coast hurricanes. Of this amount, $6.2 billion was allocated to Louisiana. Among other provisions, (1) affected states were authorized to use up to 5% of their allocation for administrative costs; (2) HUD was authorized to grant waivers of program requirements (except those relating to fair housing, nondiscrimination, labor standards, and the environment); and (3) Mississippi and Louisiana were authorized to use up to $20 million for Local Initiative Support Corporation and Enterprise Foundation-supported local community development corporations. The HUD income targeting requirement for activities benefitting low- and moderate-income persons was decreased from 70% to 50% of the state's allocation.

The President's FY2006 supplemental request includes $4.2 billion for additional CDBG disaster relief for the state of Louisiana. These funds would be

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[99] For further information on highway assistance as it relates to recent hurricanes, see CRS Report RS22268, *Repairing and Reconstructing Disaster-Damaged Roads and Bridges: The Role of Federal-Aid Highway Assistance*, by Robert S. Kirk.

[100] For information on regular FY2006 funding for HUD, please see CRS Report RL32869, *The Department of Housing and Urban Development (HUD): FY2006 Budget*, by Maggie McCarty, et al.

[101] Prepared by Eugene Boyd, Analyst in American National Government.

used for expenses related to the consequences of the 2005 Gulf Coast hurricanes, except that none of the funds could be used for activities reimbursable by FEMA, SBA, or the Army Corps of Engineers. Funds would be targeted to flood mitigation activities which could include infrastructure improvements, real property acquisition or relocation, and other activities designed to reduce the risk of future damage. As a condition of receipt of the funds, the state would be subject to an administrative expense ceiling of 5%, and the state would be allowed to seek waivers of program requirements except those related to fair housing, nondiscrimination, labor standards, and environmental review.

During a March 8 Senate Appropriations Committee hearing on the President's supplemental appropriations request Senator Hutchison of Texas voiced concern about the absence of additional assistance for Texas. The Senator noted that the Administration's proposal to provide $4.2 billion in emergency supplemental assistance exclusively for use by Louisiana was unfair to Texas, which used its regular CDBG appropriations to assist Katrina victims evacuating from Louisiana. In addition to the cost of addressing the immediate needs of evacuees, the state has also incurred additional educational and public safety expenses associated with the significant increase in population. In his testimony before the Committee, Texas Governor Rick Perry requested an additional $2 billion in CDBG be awarded to the state.

Congressional Action. The House-passed supplemental provides $4.2 billion for CDBG disaster recovery activities, the same amount as requested by the Administration. The House bill, like the Senate Appropriations Committee version approved on April 5, 2006, makes funds available to the five states affected by hurricanes of 2005. The Administration had sought to provide the assistance exclusively to Louisiana. Both the House and Senate Appropriations Committee versions of H.R. 4939 target assistance to both infrastructure reconstruction and activities that would spur the redevelopment of affordable rental housing, including federally assisted housing and public housing.

The Senate Committee bill provides $5.2 billion in CDBG assistance, rather than the $4.2 billion requested by the President and approved by the House. It would expand on language included in the House bill prohibiting the use of CDBG funds for activities reimbursable by FEMA or the Army Corps of Engineers to include activities of the Small Business Administration.

Both the House-passed and Senate Appropriations Committee versions of the bill include a number of provisos affecting the use and administration of these funds. The bill would:

- require that at least $1 billion of the CDBG amount be used for repair and reconstruction of affordable rental housing in the impacted areas;
- allow each state to use no more than 5% of its supplemental CDBG allocation for administrative expenses;
- allow the affected states to seek waivers of program requirements, except those related to fair housing, nondiscrimination, labor standards, and environmental review;

- allow Governors of the affected states to designate one or more entities to administer the program;
- lower the programs low- and moderate-income targeting requirement from 70% to 50% of the funds awarded;
- require each state to develop a plan for the proposed use of funds to be reviewed and approved by HUD;
- direct HUD to ensure that each state's proposed plan gives priority to activities that support infrastructure development and affordable rental housing activities;
- require each state to file quarterly reports with House and Senate Appropriations Committees detailing the use of funds;
- require HUD to file quarterly reports with the House and Senate Appropriations Committees identifying actions by the Department to prevent fraud and abuse, including the duplication of benefits; and
- prohibit the use of CDBG funds to meet matching fund requirements of other federal programs.

In its April 25, 2006 statement of administration policy, the Administration specifically objected to the additional CDBG funds that are provided in the bill as reported by the Senate Committee on Appropriations.

Tenant-Based Rental Assistance.[102] In October 2005, FEMA engaged HUD to provide rental assistance to families that were unlikely to qualify for standard FEMA assistance — specifically, families that were receiving HUD rental assistance or were homeless when the storms struck. In December 2005, P.L.109-148 transferred $390 million to HUD from FEMA to provide this rental assistance directly. HUD has responded to its mission assignment by implementing the Disaster Voucher Program (DVP). The DVP is largely governed by Section 8 voucher program rules,[103] although the Secretary of Housing and Urban Development was given the authority to waive income eligibility and rent determination rules.

The President's FY2006 supplemental request includes $202 million to HUD for tenant-based rental assistance. It is meant to pay for the last five months of the 18-month period in which the estimated 44,000 eligible families are qualified to receive DVP assistance. The request also includes proposed programmatic changes that were not included in the earlier supplemental. These changes would expand eligibility to several categories of HUD-assisted families that were eligible for assistance under HUD's mission assignment from FEMA, but are not currently eligible for DVP. Language in the supplemental request would also waive a portion of current Section 8 voucher law that requires lease terms to last no less than one year. Finally, it would permit owners of project-based rental assistance units in certain parishes in Louisiana — after first offering a right of first return to displaced families — to offer vacant units to city or parish employees for up to one year.

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[102] Prepared by Maggie McCarty, Analyst in Social Legislation.

[103] Section 8 of the U.S. Housing Act of 1937, as amended, provides tenant-based vouchers for low-income people.

Congressional Action. The House-passed supplemental does not include any additional funding for HUD's tenant-based rental assistance account. The bill includes the language requested by the President to expand eligibility for DVP assistance to certain categories of families and to permit the Secretary to waive the length of leases. The House bill rejects the President's proposed language that would have permitted property owners to make vacant HUD-assisted units available to city or parish employees.

The Senate Appropriations Committee-passed version includes $202 million for the tenant-based rental assistance account, as the President requested. Like the House, the Senate Committee bill includes the President's requested expansion of eligibility and waiver authority. Unlike the House, the Senate Committee bill also includes authority to make vacant properties available to city and parish employees for up to one year, as requested by the President. The Senate Appropriations Committee bill includes two set-asides not requested by the President. The first is for up to $5 million for HUD data systems. The second is for no less than $100 million for project-based rental assistance.[104] The funds would be available for buildings that were receiving HUD-assistance before they were damaged by the storm, as well as new structures built using Low-Income Housing Tax Credits. The Committee report notes that the funds "will help expedite the preservation of the stock of low-income housing in the gulf."

Other Departments and Agencies

The President's FY2006 supplemental request for other departments and agencies is $59.7 million, as shown in **Table 25**.

[104] Unlike vouchers — which are provided to families to use in the housing of their choice — project-based rental assistance is provided to specific units of housing for low-income families.

Table 25. FY2006 Hurricane Supplemental: Other Departments and Agencies

($s — millions)

Department or Agency	Supp. Request	Supp. House	Supp. Senate	Supp. Conference
Justice	$9.7	$7.0	$20.2	
National Aeronautics & Space Administration	$0.0	$30.0	$35.0	
Environmental Protection Agency	$13.0	$13.0	$13.0	
Labor	$0.0	$0.0	$34.5	
Health and Human Services	$0.0	$0.0	$28.7	
Corporation for National and Community Service	$0.0	$0.0	$20.0	
Social Security Administration	$0.0	$0.0	$0.3	
Historically Black Colleges and Universities Capital Financing	$0.0	$0.0	$15.0	
Armed Forces Retirement Home [a]	$0.0	$0.0	$176.0	
General Services Administration	$37.0	$37.0	$37.0	
Other Department/Agency Total	**$59.7**	**$87.0**	**$379.7**	

Source: CRS calculations based on S.Rept. 109-230.

a. The Administration requested a consolidation of $75.7 million in prior appropriations for the Armed Forces Retirement Home.

Department of Justice. The request includes $9.7 million in supplemental funds for the Department of Justice (DOJ) United States Attorneys for salaries and expenses related to the significantly increased caseload for prosecutions and investigations of cases stemming from the 2005 Gulf Coast hurricanes.[105]

Congressional Action. The House-passed supplemental provides $7 million of the DOJ request, including $5 million, as proposed, for U.S. Attorneys activities, and $2 million for the Criminal Division and the Civil Division, less than the $3.2 million request. The Committee further denies a DOJ request to transfer funds from this account to other agency departments engaged in fraud investigations and prosecutions. The Senate Committee recommends increasing the amount to $20.2 million.

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[105] For information on regular FY2006 funding for DOJ, see CRS Report RL32885, *Science, State, Justice, Commerce and Related Agencies (House)/Commerce, Justice, Science and Related Agencies (Senate): FY2006 Appropriations*, by Ian F. Fergusson and Susan B. Epstein.

National Aeronautics and Space Administration. The Administration did not request supplemental funds for the National Aeronautics and Space Administration (NASA). The House-passed supplemental provides $30.0 million for NASA for the repair and rehabilitation of facilities and other costs associated with hurricane damage. The amount recommended by the Senate committee is $35.0 million.

Environmental Protection Agency. The request includes $13 million in supplemental funds for the Environmental Protection Agency (EPA). Of this amount, $7 million would be allocated for the Leaking Underground Storage Tank Program for assessments and corrective actions related to leaking storage tanks. The remaining $6 million would be provided for EPA Environmental Programs and Management for environmental monitoring, assessment, and analysis necessary to protect public health during reconstruction and recovery.[106]

Congressional Action. The House-passed supplemental fully funds the request for the EPA. The Senate Committee recommended the same amount.

Armed Forces Retirement Home.[107] The request would consolidate $76 million of previously appropriated funds to implement the findings of a congressionally mandated study due in March 2006 to determine the rehousing of displaced military retirees who lived at the Gulfport Armed Forces Retirement Home, that was damaged by the Gulf Coast hurricanes.[108] Residents of that facility were relocated to the Armed Forces Retirement Home in Washington, D.C. The Administration's proposal would tap $56 million in funds already appropriated in the Hurricane Katrina reallocation and $20 million in unobligated balances.[109]

Congressional Action. The House-passed bill rejects the Administration's proposal to consolidate funds for rehousing of military retirees displaced from the Gulfport Armed Forces Retirement Home. The Committee report justifies the rejection on the basis that the congressionally required plan has not yet been submitted. The Senate Appropriations Committee provides $176 million in new funds, to be combined with $45 million from previously appropriated funds, for the plan, design, and construction of a new Armed Forces Retirement Home in Gulfport, Mississippi.

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[106] For information on regular FY2006 funding for the EPA, see CRS Report RL32893, *Interior, Environment, and Related Agencies: FY2006 Appropriations*, Carol Hardy Vincent and Susan Boren.

[107] Prepared by Amy Belasco, Specialist in National Defense. The Armed Forces Retirement Home is part of the Department of Defense, Civil budget function.

[108] H.Rept. 109-359, p. 513.

[109] See entries for "Armed Forces Retirement Home" in OMB, *FY2005 Supplemental, Estimate No. 12, Defense, Homeland Security, and Corps of Engineers (Disaster Relief associated with Hurricane Katrina*, 9-7-05; [http://www.whitehouse.gov/omb/budget/amendments/supplemental_9_7_05.pdf]; and in OMB, *Estimate No. 2, FY2006 Emergency Supplemental (various agencies), Ongoing Hurricane Recovery Efforts in the Gulf States*, 2-16-06. [http://www.whitehouse.gov/omb/budget/amendments/supplemental1_2_16_06.pdf].

General Services Administration. The request includes $37 million in supplemental funds for the General Services Administration (GSA). Federal Buildings Fund. These funds would be used to cleanup and repair the multiple federal buildings that received wind and water damage from the 2005 Gulf Coast hurricanes. Funds would be used to make both short- and long-run repairs and alterations.[110]

Congressional Action. The House-passed bill fully funds the request for the General Services Administration; the Senate Committee recommended the same amount.

Low-Income Home Energy Assistance Program.[111] During markup of the FY2006 supplemental measure, the House Committee adopted an amendment by Representative David Obey, as modified by Representative Ralph Regula, that would have made available in FY2006 funds for the Low-Income Home Energy Assistance Program (LIHEAP) that were appropriated for FY2007 in the Deficit Reduction Act of 2005 (P.L. 109-171). LIHEAP is a program administered by the Department of Health and Human Services. The Deficit Reduction Act contained $1 billion for LIHEAP, $250 million of which was to be distributed as regular funds (distributed to all states based on a formula), and $750 million as contingency funds (allotted to one or more states, at the Administration's discretion, and based on emergency need). The original Obey amendment would have made the entire $1 billion available for FY2006, while the Regula modification would have made only the $750 million in contingency funds available for FY2006. The contingency funds would have remained available until the end of FY2007 (H.R. 4939, section 3010). The Senate Appropriations Committee struck the LIHEAP language due to the previous enactment of a law with similar provisions, P.L. 109-204, on March 20, 2006.[112]

Other Departments. Neither the President's request nor the House-approved version of H.R. 4939 included funds for the Departments of Transportation, Labor, Health and Human Services, or Education, or the Corporation for National and Community Service. The Senate Appropriations Committee include nearly $2.5 billion for the following departments and agencies:

- Transportation — $1.5 billion for emergency relief highway projects, grants for facility repairs, and repair of railroad tracks (discussed above);
- Education — $881.5 million of aid to affected educational institutions and students (discussed above), as well as $15.0 million

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[110] For information on regular FY2006 funding for the GSA, see CRS Report RL32905, *Transportation, the Treasury, Housing and Urban Development, the Judiciary, the District of Columbia, the Executive Office of the President, and Independent Agencies: FY2006 Appropriations*, by David Randall Peterman and John Frittelli.

[111] Prepared by Libby Perl, Analyst in Social Legislation.

[112] For further information on LIHEAP, please see CRS Report RL31865, *The Low-Income Home Energy Assistance Program (LIHEAP): Program and Funding*, by Libby Perl. P.L. 109-204 provides $500 million of regular LIHEAP funds and $500 million of contingency funds in FY2006.

for the Historically Black Colleges and Universities Capital Financing Fund;
- Labor — $34.5 million for repair to Jobs Corps centers;
- Health and Human Services — $28.7 million for facility repair, communications network, and pest abatement activities; and
- Corporation for National and Community Service — $20 million for the National Civilian Conservation Corps to support recovery activities.

Titles Added by the Senate Committee on Appropriations

The Senate Committee on Appropriations recommended FY2006 supplemental appropriations under four additional titles to H.R. 4939, as follows. The funds provided under these titles are included in **Table 13** of this report.

- Title III of the bill, as reported by the Senate Committee on Appropriations, recommends $3.9 billion for emergency agricultural assistance for farm producers affected by many natural disasters, not only Hurricane Katrina. These funds are included in **Table 14** and discussed previously as supplemental funding for agriculture;
- Title IV recommends $12.5 million for drought assistance to be provided by the Corps of Engineers and the Bureau of Reclamation at the Department of the Interior;
- Title V recommends $648 million for port security enhancements, discussed previously in this report; and
- Title VI recommends $2.3 billion for pandemic influenza preparedness activities.

Pandemic Influenza Prevention and Preparedness. As reported by the Senate Committee on Appropriations, Title VI of the bill recommends $2.3 billion for pandemic influenza preparedness activities at the Department of Health and Human Services (HHS), including $300 million for state and local governments, $50 million for laboratory capacity and research at the Centers for Disease Control and Prevention (CDC), and at least $200 million for CDC global and domestic disease surveillance, research, risk communication, rapid response, and quarantine. The $2.3 billion amount was first requested by the Administration for FY2007 as part of a three-year (FY2006 through FY2008) emergency supplemental request for pandemic flu in November 2005, without a detailed breakdown. Congress provided funding for only the FY2006 request (in P.L. 109-148), and the $2.3 billion amount was again requested as an "allowance" in the FY2007 budget proposal, with HHS noting that a formal request for the funds would be transmitted to the Congress at a later date.[113] In its April 25, 2006 statement of administration policy, the Administration specifically endorsed additional funds for pandemic influenza prevention and preparedness without actually agreeing to a specific funding level.

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[113] For background information on pandemic flu, please see CRS Report RL33145, *Pandemic Influenza: Domestic Preparedness Efforts*, by Sarah A. Lister.

Appendix A — Department of Defense FY2006 Supplemental Request and Prior Funding by Account

($s — billions)

Title/account	FY2004 Obligations[a]	Total FY2005 Enacted[b]	FY2006 Bridge, P.L. 109-148	FY2006 Supp. Request	FY2006 Total with Request[c]	House Supp.	Senate Cmte Supp.	Conference
Mil Pers, Army	11.97	14.52	4.71	6.51	11.22	6.51	6.67	
Mil Pers, ARNG	0.00	0.29	0.23	0.10	0.33	0.10	0.12	
Mil Pers, AR	0.00	0.20	0.14	0.13	0.26	0.17	0.15	
Mil Pers, Navy	0.86	0.54	0.14	0.76	0.91	1.06	1.07	
Mil Pers, Navy Reserve	0.00	0.01	0.01	0.11	0.12	0.11	0.12	
Mil Pers, MC	0.92	1.36	0.46	0.83	1.29	0.83	0.86	
Mil Pers, MCR	0.00	0.00	0.00	0.01	0.01	0.01	0.01	
Mil Pers, AF	3.27	2.01	0.51	1.15	1.65	1.15	1.20	
Mil Pers, ANG	0.00	0.00	0.00	0.00	0.00	0.00	0.01	
Mil Pers, AFR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Subtotal: Military Personnel	**17.02**	**18.93**	**6.20**	**9.60**	**15.79**	**9.93**	**10.21**	
O&M, Army	29.97	31.36	21.35	18.05	39.40	18.38	17.59	
O&M, AR	0.00	0.03	0.05	0.10	0.15	0.10	0.10	
O&M, ARNG	0.00	0.33	0.18	0.18	0.36	0.18	0.18	
O&M, Navy	2.55	3.46	1.81	2.79	4.60	2.79	2.83	
O&M, NR	0.00	0.08	0.01	0.24	0.24	0.24	0.24	
Facilities Sustainment, Navy	0.00	0.07	0.00	0.00	0.00	0.00	0.00	
O&M, MC	1.57	2.61	1.83	1.62	3.46	1.72	1.59	
O&M, MCR	0.00	0.02	0.03	0.06	0.08	0.06	0.09	
O&M, AF	6.13	6.06	2.48	6.09	8.57	5.33	6.06	
O&M, AFR	0.00	0.02	0.01	0.02	0.02	0.02	0.02	
O&M, ANG	0.00	0.04	0.01	0.03	0.04	0.03	0.03	
O&M, Defensewide	4.79	3.46	0.81	3.56	4.36	3.25	2.88	
O&M, Defwide: Coalition Support	[1.15]	[1.22]	0.00	[1.50]	[1.50]	[1.20]	[0.74]	

Title/account	FY2004 Obligations[a]	Total FY2005 Enacted[b]	FY2006 Bridge, P.L. 109-148	FY2006 Supp. Request	FY2006 Total with Request[c]	House Supp.	Senate Cmte Supp.	Conference
O&M, Defwide: Coop. Threat Reduction	0.00	0.00	0.00	[.045]	[.045]	[.045]	[0.04]	
O&M, Defwide: Transfer to Coast Guard	0.00	0.00	0.00	0.00	0.00	0.00	[0.08]	
Subtotal: O&M	**45.01**	**47.54**	**28.57**	**32.74**	**61.28**	**32.10**	**31.60**	
Iraq Freedom Fund (IFF)[a]	0.00	3.80	4.66	0.10	4.76	0.00	0.03	
Transfer from IFF to Coast Guard	0.00	-0.10	-0.10	0.00	-0.10	0.00	0.00	
Afghan. Sec. Forces Fund	0.00	1.29	0.00	2.20	2.20	1.85	1.91	
Iraq Security Forces Fund	0.00	5.70	0.00	3.70	3.70	3.01	3.70	
Joint Improvised Explos. Defeat Fund	0.00	0.00	0.00	0.00	0.00	0.00	1.96	
Subtotal: Special Funds	**0.00**	**10.69**	**4.56**	**6.00**	**10.56**	**4.86**	**7.60**	
Working Capital Fund	0.97	2.02	2.52	0.52	3.03	0.50	0.52	
Nat'l Def. Sealift Fd.	0.00	0.03	0.00	0.00	0.00	0.00	0.00	
Subtotal: Revolving & Mgt Funds	**0.97**	**2.05**	**2.52**	**0.52**	**3.03**	**0.50**	**0.52**	
Defense Health	0.89	0.89	0.00	1.15	1.15	1.15	1.15	
Office of Inspector Gen'l	0.00	0.00	0.00	0.00	0.00	0.01	0.00	
Drug Interdiction	0.00	0.24	0.03	0.19	0.22	0.16	0.16	
Subtotal: Other Defense Programs	**0.89**	**1.13**	**0.03**	**1.34**	**1.37**	**1.32**	**1.31**	
Aircraft Proc, Army	0.00	0.47	0.23	0.53	0.77	0.53	0.53	
Missile Proc, Army	0.00	0.35	0.06	0.20	0.26	0.20	0.20	
Proc, Wpns, Tracked Combat Veh., Army	0.05	2.87	0.86	1.13	1.99	1.98	1.59	
Proc, Ammo, Army	0.11	0.64	0.27	0.83	1.10	0.83	0.83	
Other Proc, Army	3.21	8.78	3.17	7.66	10.84	7.53	6.29	
Aircraft Proc, Navy	0.22	0.27	0.14	0.27	0.41	0.29	0.41	
Proc Ammo, Navy and Marine Corps	0.00	0.17	0.04	0.33	0.37	0.33	0.33	
Wpns Proc, Navy	0.00	0.07	0.12	0.10	0.21	0.09	0.06	
Other Proc, Navy	0.07	0.08	0.05	0.17	0.22	0.11	0.14	
Proc, Marine Corps[b]	0.53	3.51	1.71	2.90	4.61	3.26	2.58	
Proc Ammo, AF	0.00	0.01	0.00	0.03	0.03	0.03	0.03	
Other Proc, AF	0.31	2.69	0.02	1.52	1.53	1.49	1.45	
Aircraft Proc, AF	0.05	0.28	0.12	0.39	0.51	0.66	0.68	

Title/account	FY2004 Obligations[a]	Total FY2005 Enacted[b]	FY2006 Bridge, P.L. 109-148	FY2006 Supp. Request	FY2006 Total with Request[c]	House Supp.	Senate Cmte Supp.	Conference
Missile Proc, AF	0.00	0.00	0.02	0.00	0.02	0.00	0.00	
Proc, Defwide	0.25	0.69	0.18	0.33	0.51	0.33	0.33	
Nat'l Guard & Reserve Equipment	0.00	0.05	1.00	0.00	1.00	0.00	0.00	
Subtotal: Procurement	**4.80**	**20.93**	**7.99**	**16.39**	**24.38**	**17.68**	**15.45**	
RDT&E, Army	0.00	0.04	0.01	0.43	0.44	0.42	0.06	
RDT&E, Navy	0.02	0.20	0.00	0.14	0.14	0.12	0.13	
RDT&E, AF	0.00	0.14	0.01	0.07	0.08	0.31	0.38	
RDT&E, Defensewide/b/	0.03	0.25	0.03	0.15	0.17	0.15	0.15	
Subtotal: RDT&E	**0.05**	**0.63**	**0.05**	**0.79**	**0.83**	**1.00**	**0.71**	
Mil Con, Army	0.11	0.85	0.00	0.41	0.41	0.29	0.21	
Mil Con, Navy	0.00	0.14	0.00	0.04	0.04	0.00	0.00	
Mil Con, AF	0.26	0.14	0.00	0.04	0.04	0.04	0.03	
Mil Con, Defensewide	0.00	0.00	0.00	0.04	0.04	0.00	0.04	
Subtotal: Mil.Con/Family Hsg	**0.37**	**1.13**	**0.00**	**0.53**	**0.53**	**0.32**	0.28	
Intelligence [e]	5.30	[5.10]	[3.05]	[2.60]	[5.65]	NA	NA	
Total [f]	**74.41**	**103.03**	**49.92**	**67.87**	**117.73**	**67.72**	**67.67**	
Transfer authority [g]	**[3.00]**	**[4.50]**	**[2.50]**	**[4.00]**	**[6.50]**	**[2.00]**	**[2.00]**	

a. Obligations data from Department of Defense, Defense Finance Accounting Service (DFAS), Supplemental & Cost of War Execution Report as of September 30, 2004; reflects contractual costs.

b. CRS calculations based on public laws and DOD obligation reports. FY2005 enacted included funds appropriated in the FY2004/FY2005 bridge supplemental (Title IX, P.L.108-287) that were available as of the beginning of FY2005 plus funds appropriated in the FY2005 Supplemental (P.L. 109-13). The funds provided in P.L. 108-287 were available upon enactment; DOD obligated $1.9 billion of the $25 billion appropriated in FY2004 leaving $23.1 billion available for FY2005. Total for enacted also reflects transfers by DOD of Title IX funds and from DOD's baseline program for the global war on terrorism.

c. Total for FY2006 reflects sum of FY2006 bridge supplemental (Title IX, P.L.109-148) and the Administration's request of February 16, 2006; see OMB, *FY2006 Supplemental Request, Estimate No. 3, FY2006 Emergency Appropriations (various agencies), Ongoing Military, Diplomatic and Intelligence Operations in the Global War on Terror, Stabilization and Counterinsurgency Activities in Iraq and Afghanistan, and Other Humanitarian Assistance*, 2-16-06; [http://www.whitehouse.gov/omb/budget/amendments/supplemental2_2_16_06.pdf]; and Department of Defense, *FY 2006 Supplemental Request For Operation Iraqi Freedom (OIF) and Operation Enduring Freedom (OEF)*, February 2006; [http://www.dod.mil/comptroller/defbudget/fy2007/FY06_GWOT_Supplemental_Request_-_FINAL.pdf].

d. Request and House bill include $1.958 billion to counter IEDs in three accounts: O&M, Army ($490 million), Army, Other Procurement ($1.111 billion), and Army RDt&E ($358 million).

e. DOD appropriations include funds for both national intelligence, administered by the intelligence agencies, and military and tactical intelligence, administered by DOD. Limits on total funds are set in appropriations acts and the funds are distributed among various accounts; details are classified.
f. DOD totals exclude transfers to other agencies.
g. Congress sets limits on the total amount of funds within each bill that can be transferred between accounts after enactment.