

[From the U.S. House Republican Conference 02/18/09]

Stimulus Summary:

Largest Spending Bill Ever: According to the Congressional Research Service, the largest appropriations bill considered by Congress in nominal terms was the continuing resolution and Defense appropriations measure (P.L. 110-329) passed last fall, which appropriated \$636 billion. Some Members may be concerned about the long-term implications of passing an even larger spending measure, particularly given the \$700 billion (plus \$108 billion in tax relief) obligated by Congress as part of the Troubled Asset Recovery Program (P.L. 110-343) last October.

Record Deficit Spending: According to CBO, under current law, the federal deficit will rise to a record \$1.2 trillion, or 8.3% of GDP, in 2009. Even without this massive spending bill, the deficit will be by far the highest on record in both nominal terms and as a percentage of GDP during peacetime, easily exceeding the previous record of 6% in 1983 and the highest New Deal level of 5.9% in 1934. The estimated cost of debt services for the \$820 billion House passed bill was \$347 billion. When that rough number is applied to the conference report, the total ten year cost of the bill increases to a staggering \$1.13 trillion.

Massive Spending: According to the Federal Reserve, \$789.5 billion is almost as much as all the money currently in circulation in the U.S. (\$829 billion). If the “stimulus” legislation were a nation’s GDP, it would be the 16th largest economy in the world.

Cost Per Family: According to the Census Bureau, there are 116.8 million households in the U.S. A total cost of \$1.1 trillion for the bill (\$792 billion for the legislation plus at least \$300 billion in debt service to pay for it) amounts to **a per-family cost of at least \$9,418 in new spending/debt.**

Lowers GDP: The Congressional Budget Office, in analyzing the long-term economic impact of H.R. 1, noted that both the House and Senate versions of the bill are likely “to reduce GDP by between zero and 0.2 percent” in the years after 2014. The same CBO analysis indicates that the effect of this GDP reduction will be reflected in lower wages for workers. Some Members may therefore be concerned that at best the “stimulus” will yield no net long-term benefit for the American economy, and at worst—by displacing private capital for government-financed deficit spending—may result in reduced long-term growth and stagnant wages for American workers.

Long-Term Fiscal Impact: A Congressional Budget Office analysis of the spending provisions in the House-passed version of H.R. 1 found that extending the spending levels in several politically popular programs—such as Head Start, Medicaid, food stamps, and the Earned Income Tax Credit—would cost an additional \$1.7 trillion over ten years. When added to the \$820 billion cost (the original House-passed level) of the underlying “stimulus” legislation, and the estimated \$744 billion cost of servicing the debt on the stimulus, CBO estimated the bill would cost \$3.2 trillion if the major House spending provisions are extended. Some Members may therefore be concerned that the funding “cliffs” included in the legislation mask the true long-term costs of the new spending and expanded entitlements created in the bill.

QUESTIONABLE SPENDING PROVISIONS

- \$50 million for the National Endowment for the Arts
- \$2 billion for the Neighborhood Stabilization Fund, providing funds to organizations such as ACORN, which has been accused of practicing unlawful voter registration in recent elections
- \$10 million for the inspection of canals in urban areas

- \$100 million for grants to small shipyards
- \$198 million to authorize payments to certain Filipino veterans from WWII
- \$300 million for the Energy Efficient Appliance Rebate Program
- \$2 billion to support the manufacturing of advanced vehicle batteries
- \$1 billion for Community Development Block Grants
- \$1.3 billion for Amtrak, including \$450 million for a new rail security grant program not included in either the House-passed or the Senate-passed bills
- \$300 million for federal procurement of plug-in and fuel efficient vehicles
- \$8 billion for a High Speed Passenger Rail Program, after the House did not include any funding for the program and the Senate included \$2 billion, which will fund at least one project from Las Vegas to Los Angeles
- \$15 million for historic preservation at historically black colleges and universities
- \$170 million for the National Oceanic and Atmospheric Administration to research the causes, effects, and ways to mitigate climate change
- \$200 million for Americorps and other paid "volunteerism" programs
- \$400 million for NASA to accelerate climate research missions
- \$5.5 billion for federal buildings (GSA), including \$4.5 billion to convert federal buildings into "high-performance green buildings" and \$450 million for a new headquarters for the Department of Homeland Security.
- \$210 million for a new grant program to modify and upgrade local fire stations
- \$142 million for the Coast Guard to alter or remove 4 obstructive bridges
- \$25 million for the Smithsonian Institution for maintenance backlogs
- \$1 billion for expenses in conjunction with the 2010 decennial census
- \$650 million for Digital-to-Analog Converter Box Coupons
- \$1 billion for a Prevention and Wellness Fund, which can be used for sexually transmitted disease (STD) education and prevention programs at the CDC
- \$500 million to replace a 30-year old computer system at the Social Security Administration
- \$500 million for a health professions training program-funding which an earlier committee report said were allocated because "a key component of attaining universal health care reform will be ensuring the supply of primary care providers."

Unemployment Insurance Extension: Extends the current extension of unemployment insurance (UI), which is scheduled to expire on March 31, 2009, through December 31, 2009. The extension is estimated to cost \$27 billion.

Roads and Bridges: Despite calls by Democrats for increased infrastructure spending to create jobs, a relatively small share of the total \$792 billion package is devoted to transportation infrastructure-\$47 billion or 5.9% and only \$27.5 billion (\$2.5 billion less than the House-passed level) or 3.4% for highway construction. Some proponents of the conference report are claiming as much as \$150 billion will flow to "infrastructure" but this assumes that building federal buildings, public housing, etc., qualify as infrastructure.

OTHER PROVISIONS

Essential Abstinence Education Funding Eliminated: Extends for 18 months-through December 31, 2010-the Transitional Medical Assistance (TMA) program that provides Medicaid benefits for low-income families transitioning from welfare to work. Traditionally, the TMA provisions have been coupled with an extension of Title V Abstinence Education funding during the passage of health care bills. However, the Title V funds were excluded from the bill language and will expire on July 1, 2009 absent further action. Given the Obama Administration's desire for bipartisan agreement on economic stimulus provisions, some Members may be concerned by

the removal of the Title V abstinence education funding and the potential end of this program. Some Members may be concerned that while abstinence education receives only \$176 million annually (through both Title V and the Community Based Abstinence Education program), contraceptives and family planning already receive \$1.6 billion of federal funding.

E-Verify: Removes language to require anyone receiving a contract paid for with funding from the bill to use the government's E-Verify program in order to ensure taxpayer money is not used to hire illegal workers.

Welfare Reform Rollback: Includes \$5 billion to create a new Temporary Assistance for Needy Families (TANF) welfare program emergency fund. The emergency fund would be used to provide money to States that increase TANF caseloads or provide increased short-term cash benefits. The bill *waives* requirements that obligate states to consider rising caseloads when determining TANF work requirements. Thus, the legislation would encourage States to increase caseloads without increasing the number of individuals required to obtain work, which was a key component of the 1996 welfare reform that has dramatically decreased the number of Americans dependent on welfare.

Davis-Bacon: Applies Davis-Bacon requirements to all government contracts flowing from the bill, thus requiring that employees will be paid no less than the prevailing wage for similar jobs in the locality/vicinity.

Buy American: Encourages the purchase of American goods (steel, iron, etc.) for stimulus funded government contracts, but includes language adopted by the Senate intended to waive any requirement in the Stimulus Act which would preclude adherence to current World Trade Organization treaties. The Senate language was adopted after pressure from the European Union over earlier "Buy American" provisions that were seen by the EU as a violation of current WTO treaties.

Debt Limit Increase: Increase the statutory limit on public debt from \$11.3 trillion to \$12.1 trillion.

State Bailout: Provides \$87 billion for Medicaid spending for states and \$53.6 billion for the State Fiscal Stabilization Fund. According to the liberal Center on Budget and Policy Priorities, the total budget deficit for the States collectively for the remainder of Fiscal Year 2009 is \$43 billion. Given that the federal government's Fiscal Year 2009 deficit is already projected at \$1.2 trillion—or 27.5 times greater than the total State shortfall—it is hard to understand why the Democrats would choose to further exacerbate the federal deficit, especially since most States are subject to balanced budget requirements whereas the federal government is not.

Healthcare Rationing: Provides \$1.1 billion to conduct "comparative effectiveness research" to evaluate the effectiveness of different preventative healthcare interventions. Some Members may be concerned that the money for comparative effectiveness research could eventually be used to sanction government rationing of health care goods and services, consistent with the draft House Appropriations Committee report that said that "more expensive [treatments] will no longer be prescribed" as a result of such research.