

# BUDGET AND PROGRAM

NEWSLETTER

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After six months...the Ukraine Security Supplemental Appropriations Act finally passed the House. Not a single Democrat was in dissent, 213 in favor. In stunning contrast...more Republicans voted against it (112) than supported it (99).

It pushed aggregate emergency supplemental funding to \$174 billion since the start of the war...according to the Congressional Research Service. Of this amount, \$110B has been provided for Dept of Defense - in part to replace items transferred from departmental stocks to Ukraine.

But the voting patterns changed on the other two aid bills, reflecting the foreign policy dynamics at work in the lower chamber.

Israeli aid...passed with 366 ayes - just 18 Republicans voted against it, alongside 33 Democrats.

Taiwan...passed by the largest margin, no ambiguity here for the Democrats - all supported it. Not so with Republicans, 24 against.

Within the \$60.8 billion Ukraine bill...DOD was provided \$48.3B in which the largest appropriation category was O&M (\$34.2B), followed by ammunition procurement (\$5.6B); missile procurement (\$3.3B); other (\$5.2B).

State Dept & USAID provided \$11.6B, largest component being economic support funding at \$7.9B.

The threadbare Ukraine defensive lines...will now be bolstered by prioritized weaponry - the first billion-dollar worth was sent immediately - including Stringer anti-aircraft missiles; tactical equipment; HIMARS rocket launchers; armored vehicles; etc.

In addition...155mm artillery shells - which Kyiv has been in desperate need of. Monthly U.S. production of them is projected to hit 60,000 this summer - aiming for 100,000/month next year.

The funding package...will also provide Patriot interceptors, more Bradley fighting vehicles, Abrams tanks and Strykers.

At the same time...their troop strength has been seriously depleted as have the Russian totals which are estimated at 315,000 either dead or wounded, with more than 2,000 tanks lost.

However...they are able to reconstitute their forces much faster than Kyiv.

What happens from here?

Along the 600-mile front...keep your eye on the city of Chasiv Yar - a pivotal Russian target, situated with strategic advantage atop a hill six miles west of Bakhmut - which fell last year. After that, Chasiv Yar became a fortified forward artillery base supporting Ukraine forces in their flanking attacks. If taken, it would open a path to attacking other cities in the region - threatening the main defensive lines. According to the governor of the Donetsk region - Russian forces would be poised to advance deep into Ukraine if they manage to capture it.

FY 2024 Energy-Water appropriation bill...is broken out on the next page, (in \$ millions).

Like a number of other bills - it still greatly benefits from the massive 2022 infusion via the Infrastructure Investment and Jobs Act (IIJA) - and will thru 2026.

In short...it is an ongoing transformative parallel funding stream.

Roughly \$90B...in emergency funding streams was established over that timeframe.

Of that total, Army Corps of Engineers garnered \$17B - with \$11.6B of it allocated to its construction budget.

Dept of Interior - Bureau of Reclamation...saw \$8.3B at \$1.6B per year on the runout for "water and related resources" throughout the West.

Dept of Energy...with \$63B over the half-decade, it turbocharged a number of accounts such as "Electricity" which saw its FY 2021 budget of \$212M spike to \$1.6B in additional emergency funding each year, "Energy Efficiency & Renewable Energy" at \$2.2B/year (not far from doubling its budget), others. Biggest chunk went to a brand new entity - the Office of Clean Energy Demonstration - which saw \$21.5B rain down on it, allocated roughly \$4.4B/year.

That's the backdrop to this bill.

What about FY 2024 regular appropriation (non-emergency) funding?

Corps of Engineers to \$8.7B (+4.4%). Construction account is the largest by far, jumping 10% to \$5.5B.

Conferees "recognize" a "fundamental flaw"...with its preconstruction, engineering and design (PED) process - shifting risks to PED "to comply with study duration and cost metrics." Cites "the willingness to advance Chief's reports and move projects into construction with minimal design in order to keep an artificial cap" on the investigations account. Changes to address this matter are expected - directed to brief members by mid-May on many specific details.

Dept of Interior - Bureau of Reclamation at \$1.9B (-\$31M).

This is \$454M above the request - conferees note that the extra funds are for additional work that either was not included in the budget request or was "inadequately budgeted." Priority of it should be given "to advance and complete ongoing work." In the immediate - BLM is to provide a report clarifying how the additional funds will be distributed and an explanation as to the criteria used to justify each allocation.

Dept of Energy...to \$50.2B (+8.7%).

First item discussed in the conference report is the submission of a report by mid-May...that details the number, position, assignment duration and cost of laboratory contractor employees and the temporary assignees from state gov't and universities augmenting senior federal and political appointee positions.

A new account appears - "grid deployment" - requested \$106M and provided \$60M.

By mid-June...DOE is to brief the Hill on the revised Grid Modernization Initiative strategy - discussion is to include plans to reflect decarbonization targets, investments and responsibilities for each participating program office.

Science...moves to \$8.2B.

Committee strongly encourages the need for expanding the relationship between DOE and NIH, including deeper strategic partnerships to leverage research capabilities.

NNSA weapons activities...jumps \$2B to \$19.1B. Committee remains "concerned" over cost estimates, directed to stand-up an independent review team to conduct a thorough analysis of NNSA processes - brief panel by mid-June on initial findings.

For the details concerning this appropriation - including responsibilities tied to instructions issued & reporting dates...H. Rept #118-126, S. Rept #118-72.

	Enacted FY 2023	Presidential Request FY 2024	Approved FY 2024
<u>Grand total</u> .....	<u>50,088</u>	<u>62,008</u>	<u>61,353</u>
<u>Title I - Corps of Engineers, Civil</u> .....	<u>8,310</u>	<u>7,409</u>	<u>8,681</u>
Investigations	173	130	132
Construction	1,809	2,015	1,845
Flood control, Mississippi River & tributaries	370	226	367
Operations & Maintenance	5,079	2,630	5,553
Regulatory program	218	221	221
Formerly utilized sites remedial action program	400	200	300
Flood control and coastal emergencies	35	40	35
Expenses	215	212	216
Harbor Maintenance Trust Fund	0	1,726	0
Other	12	8	12
<u>Title II - Department of the Interior</u> .....	<u>1,954</u>	<u>1,469</u>	<u>1,923</u>
Bureau of Reclamation	1,931	1,449	1,900
Central Utah Project Completion Account	23	20	23
<u>Title III - Department of Energy</u> .....	<u>46,243</u>	<u>52,571</u>	<u>50,247</u>
Energy efficiency & renewable energy	3,460	3,826	3,460
Cybersecurity, energy security & emergency responses	200	245	200
Electricity	350	297	280
Grid deployment	0	107	60
Nuclear energy	1,323	1,385	1,525
Defense function	150	178	160
Fossil energy & carbon management	890	906	865
Energy projects	222	0	84
Naval petroleum & oil shale reserves	13	13	13
Strategic petroleum reserve	207	281	213
SPR petroleum account (rescission)	-2,051	0	0
Energy Information Administration	135	157	135
Non-defense environmental clean-up	359	349	342
Uranium enrichment, decontamination fund	879	857	855
Science	8,100	8,800	8,240
Nuclear waste disposal	10	12	12
Technology transitions	22	57	20
Clean energy demonstrations	89	215	50
Advanced Research Projects Agency-Energy	470	650	460
Title 17 - Innovative technology loan guarantee prog	31	0	0
Indian energy policy and programs	75	110	70
Departmental administration	283	433	287
Office of Inspector General	86	165	86
Other	21	991	21
<u>Atomic Energy Defense Activities</u>	<u>30,809</u>	<u>32,421</u>	<u>32,785</u>
<u>Nat'l Nuclear Security Administration (NNSA)</u> .....	<u>22,163</u>	<u>23,845</u>	<u>24,135</u>
Weapons activities	17,116	18,833	19,108
Defense nuclear nonproliferation	2,490	2,509	2,581
Naval reactors	2,081	1,964	1,946
Federal salaries & expenses	475	539	500
<u>Environmental and other defense activities</u>	<u>8,646</u>	<u>8,576</u>	<u>8,650</u>
<u>Power Marketing Administrations</u>	<u>110</u>	<u>112</u>	<u>112</u>
<u>Federal Energy Regulatory, sal &amp; expenses</u>	<u>508</u>	<u>520</u>	<u>520</u>
Revenue applied	-508	5t20	520
<u>Dept of Energy - general provisions</u>	<u>2</u>	<u>2</u>	<u>-93</u>
<u>Title IV - Independent Agencies</u> .....	<u>494</u>	<u>559</u>	<u>502</u>
Appalachian Regional Commission	200	235	200
Defense Nuclear Facilities Safety Board	41	47	42
Delta Regional Authority	30	30	31
Northern Border Regional Commission	40	40	41
Nuclear Regulatory Commission, sal & expenses	911	961	928
Revenues applied	-777	-808	-794
Office of IG, (after \$13B revenues applied)	3	3	3
Other	46	51	51
Other appropriations (P.L. 117-180), (P.L. (117-328)	-6914	-0	0

OMB...is providing guidance on requirements tied to the Presidential Transition Act of 1963.

This Act - "promotes the orderly transfer of Executive powers in connection with the expiration of the term of office of a President and the inauguration of s new President." At the same time...it is "also helpful to prepare for leadership transitions that occur between the first and second terms of Administrations."

Among other actions - this requires federal departments and agencies to appoint/identify a "transition director" - having their name, title, email address and phone # provided to GSA's federal transition coordinator.

Further...a point of contact for communication purposes is needed.

Both selections were to happen by May 3...just five workdays after this OMB instruction was released.

By Sept 15...agencies are to have a succession plan in place for each senior non-career position.

It is OMB memorandum M-24-13.

April...was a surplus month as expected due to a large influx of tax payments. Amounted to +\$208 billion...\$32B above last April.

There was a time...when the April surplus could have a discernable impact on annual red ink but not so much now, as it is swallowed up in ever-higher deficits.

Seven months into FY 2024, here is where things stand - according to CBO's preliminary estimates, (in \$ millions).

	Actual <u>FY 2023</u>	Preliminary <u>FY 2024</u>	Estimated <u>Change</u>
Receipts.....	2,687	2,965	278
Outlays.....	<u>3,612</u>	<u>3,821</u>	<u>210</u>
Deficit.....	-925	-857	+68

CBO...notes that even though red ink is smaller so far this year, "it appears likely that the deficit for the full year will end up being larger." One reason, is that revenue collections thru April were smaller than CBO anticipated as recently as February.

Outlays are up 6% - in tandem with the three largest mandatory programs (Social Security benefits, Medicare & Medicaid) rising 7%. DOD spending rose 8%. Both pale in comparison to net interest on the debt soaring 42% to an eye-popping \$531B, which easily exceeded DOD outlays of \$475B, also Medicare at \$463B and more than triple Dept of Veterans Affairs spending.

Next month...CBO will publish a revised FY 2024 deficit estimate in its update to the *Budget and Economic Outlook*.

What's in the FY 2025 budget resolution...which has been approved by the House Budget Committee?

The 10-year spending/revenue blueprint...would hold federal spending to \$71.6T thru FY 2034. To get there, deficits would shrink by \$14.1T relative to the current baseline projections, with the final year showing a \$44B surplus.

Would involve...\$8.4T in spending reductions of which \$2.5T would come from the discretionary side of the budget by cutting 7% between FY 2025 and FY 2026 and from there, restricting growth to +1%/year.

The document...claims \$2.7T in interest savings would be generated and another \$3T of assumed positive macroeconomic effects via dynamic scoring showing 3% GDP growth vs CBO's projected 2%.

Mandatory spending would be reduced by almost \$6T...in part thru reforms.

The resolution...will inform the FY 2025 House appropriation deliberations. Technically...one of its primary purposes is to set the overall level of discretionary spending for the upcoming fiscal year.