

Congressman Jim Jordan (R-OH), Chairman

October 14, 2009

FY 2010 Homeland Security Conference Report to Be Considered This Week

This week, the House will consider the \$42.8 billion FY 2010 Homeland Security conference report, which is **\$700 million** or **1.6%** above last year. The bill is also a **\$7.9 billion** or **22.7%** increase above FY 2008. This is on top of **\$2.9 billion** of emergency-designated spending for homeland security programs in FY 2009. Despite the higher spending levels, the conference report will reportedly not include \$300 million to build a pedestrian bridge along the Mexico-U.S. border. The Senate version of the FY 2010 Homeland Security bill included an amendment offered by Senator DeMint, adopted by a vote of 54 to 44, to provide \$300 million for this purpose.

In addition, the House *may* consider the FY 2010 Interior-Environment Appropriations conference report. The House-passed version of this legislation provided a **\$4.7 billion** or **17.1%** increase compared to last year, and a **\$5.8 billion** or **21.6%** increase compared to FY 2008. These increases are on top of **\$10.95 billion** of emergency-designated spending in FY 2009. Spending items of note in the House-passed bill: \$170 million for the **National Endowment of the Arts** (\$15.0 million or 9.7% above last year), \$170 million for the **National Endowment of the Humanities** (\$15.0 million or 9.7% above last year), and \$30.0 million for the **Save America's Treasures program** (\$10.0 million or 50.0% above last year).

Democrats Preparing Another "Stimulus" Bill?

In February, Congress enacted the \$1.1 trillion (including interest costs) American Recovery and Reinvestment Act, the so-called "stimulus" bill. Since enactment, the unemployment rate has increased to 9.8%, the highest level in 26 years.

Democrats are reportedly considering another "stimulus" bill, which would be the third since the current recession began (including the \$168 billion "stimulus" enacted in January 2008). Several items are mentioned as possible components of such a bill. These include extending COBRA benefits (subsidies to laid off workers to buy health insurance), an extension of unemployment benefits (the House recently passed a bill extending benefits for up to 92 weeks, and the Senate passed a different version of this bill), and extending the first-time homebuyer tax credit (up to \$8,000 and set to expire on November 30, 2009). In addition, there are proposals to provide one-time benefits to Social Security recipients.

Quote of the Week: *"The fact that they're putting forward all of these things is really an indication that the stimulus was a failure. It didn't work."*

-Rep. Dave Camp (R-MI)

Baucus Health Care Bill Punishes Work

According to health care analyst James C. Capretta, the Senate Finance Committee's health care bill will dramatically increase marginal tax rates on working-class families. According to Capretta's analysis, a family earning between \$24,000 and \$48,000 would have an implicit 30% marginal tax rate placed on any additional dollar earned. When the disincentives to earn higher income under present federal entitlement programs (the Earned Income Tax Credit for example) are included, many working class families would now have an implicit 70% marginal tax rate on higher earnings.

This implicit marginal tax rate is caused by how the Baucus bill phases out benefits. According to Capretta, a family at the poverty line would receive a new entitlement under the Baucus bill equal to \$16,500. But, as a family's income increases, the value of the benefit is phased out. The phaseout in the Baucus bill is an economic disincentive equivalent to a 30% marginal tax rate. When this phaseout interacts with phaseouts in existing federal entitlement programs, the implicit marginal tax rate increases to 70%.

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