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March 16, 2007

## Appropriations Policy Brief

### H.R. XX — Making Emergency Supplemental Appropriations for FY 2007

#### BY THE NUMBERS:

*In millions*

	Request	House
Global War on Terror (including Foreign Aid), Title I	99,615	111,317
Hurricane Relief, Title II	3,400	6,357
Agriculture Assistance, Title III	0	3,726
Miscellaneous Funding, Title IV	0	2,481
Contracting Reform, Title V	NA	NA
SCHIP Shortfall Funding, Title VI	0	750
Minimum Wage/Tax Relief, Title VII	NA	NA
<b>Total</b>	<b>103,015</b>	<b>124,631</b>

**Budget Compliance:** A CBO cost estimate is not yet available. However, H.R. XX designates the entire \$124.6 billion as some form of an emergency to avoid the constraints of the FY 2007 budget resolution, with its \$873 billion discretionary cap. It does so in two respects: *First*, the bill designates \$111.3 billion as funds directly related to the Global War on Terror. Section 402 of H.Con.Res. 376 (the FY07 budget resolution, which the Majority deemed until the passage of the FY08 budget resolution) provides a broad exemption for spending that funds “contingency operations directly related to the global war on terrorism, and other unanticipated defense-related operations.”

*Second*, the bill designates the rest of the funding as an “emergency” to similarly avoid budget restrictions. However, H.Con.Res. 376 included a limit on spending for domestic emergencies. This “rainy day fund,” inserted at the behest of the RSC, caps this type of spending at \$6.5 billion. With at least \$13.3 billion in such emergency funding, **H.R. XX exhausts this fund and thus would violate the budget resolution by roughly \$6.9 billion.** As a result, the Budget Committee must meet in an open session and increase the amount of funding in the reserve fund, or the bill would be subject to a point of order on the floor for violating the Budget Act. In addition, most of these “emergencies” do not meet the budget’s criteria for such spending (sudden, unforeseen, temporary, urgent, etc.), causing many conservatives to conclude that the Appropriations Committee is utilizing a major gimmick to avoid budget restraints.

## Global War on Terror Funding (Title I):

*In millions*

<b>Department of Defense</b>	<b>Request</b>	<b>House</b>
Military Personnel	12,145	13,566
Operations & Maintenance	50,316	52,499
<i>Afghanistan Security Fund</i>	5,906	5,906
<i>Iraq Security Fund</i>	3,842	3,842
<i>Iraq Freedom Fund</i>	206	156
<i>Joint Improvised Explosive Device Defeat Fund</i>	2,433	2,433
<i>Strategic Reserve Readiness Fund</i>	0	2,500
Procurement	24,900	24,814
R&D, Test & Evaluation	1,448	1,035
Defense Working Capital Fund	1,316	1,316
Drug Interdiction & Counter Drug Activities	259	259
Intelligence Community Management Account	67	57
Defense Health Program	1,073	2,790
National Defense Sealift Fund	5	5
Military Construction	1,854	4,916
<i>DoD Base Closure Account</i>	0	3,136

<b>Department of Agriculture</b>	<b>Request</b>	<b>House</b>
P.L. 480, Title II Grants	350	450
<b>Department of Homeland Security</b>		
Departmental Management & Operations	0	35
Customs and Border Protection	0	100
Air & Marine Interdiction	0	150
Transportation Security Administration	0	1,250
Infrastructure Protection & Information Security	0	25
FEMA, Salaries & Expenses	0	25
FEMA, State and Local Programs	0	415
FEMA, Emergency Management Performance	0	100
Domestic Nuclear Detection Office	0	400
<b>Department of Energy</b>		
Defense Nuclear Nonproliferation	63	150
<b>Department of Justice</b>		
General Legal Activities, Salaries & Expenses	4	2
U.S. Attorneys, Salaries & Expenses	5	5
U.S. Marshals, Salaries & Expenses	15	3
National Security Division	2	2
FBI, Salaries & Expenses	118	118
Drug Enforcement Administration	8	8
Federal Prison System	17	17
<b>Legislative Branch</b>		
House of Representatives, Salaries & Expenses	0	6
<b>Veterans Affairs</b>		
Disability Examinations Pilot Program	0	20

VA Health Administration	0	1,301
Departmental Administration	0	381
<b>Department of State</b>		
Diplomatic and Consular Affairs	913	967
Inspector General	35	47
Education and Cultural Exchange Programs	20	20
International Peacekeeping Activities	200	288
International Broadcasting Operations	10	10
USAID	272	310
Economic Support Fund	3,025	2,953
Assistance for Eastern Europe	279	239
International Narcotics Control	260	335
Migration and Refugee Assistance	72	112
U.S. Emergency Refugee & Migration Assistance	30	35
Nonproliferation, Antiterrorism, & Demining	28	88
<b>Department of Treasury</b>		
International Affairs Technical Assistance	3	3
<b>Funds Appropriated to the President</b>		
Foreign Military Financing Program	220	260
Peacekeeping Operations	278	225

**Items of Note:**

**Strategic Reserve Readiness Fund:** Provides \$2.5 billion to establish a new fund to train and equip non-deployed U.S. military forces to improve their readiness. According to the Committee, “reported readiness levels are sufficient for forces at home bases. Training readiness is significantly diminished for units at home station due to personnel turnover, equipment shortages, and the short turnaround between combat turnovers.”

**Joint Strike Fighter:** Denies funding for the requested \$389 million for two Joint Strike Fighters because “these aircraft will not be delivered until mid 2010 at best...[and] these funds can be better allocated for more urgent requirements which will bring capability to the fight much quicker.”

**Defense Health Program/Walter Reed Army Medical:** Provides \$2.8 billion for the Defense Health Program, an increase of \$1.7 billion above the President’s request. The Committee report directs the additional funding as follows: \$450 million for Post Traumatic Stress Disorder/counseling, \$450 million for traumatic brain injury, \$730 million for private sector care, \$62 million for amputee care, \$12 million for care givers support programs, and \$15 million for burn care. In addition to providing \$29 million for amputee care and \$2 million for its care giver support program, the bill includes \$20 million for infrastructure at Walter Reed Army Medical Center, specifically building 18.

**Counter-Drug Activities in Afghanistan/Pakistan:** Limits the amount of funding for counter-drug activities for Afghanistan and Pakistan to \$100 million.

**Commander's Emergency Response Program:** Provides \$456 million for the Commander's Emergency Response Program to allow military commanders in Iraq and Afghanistan to respond to urgent humanitarian and reconstruction needs.

**Military Bases in Iraq:** Prohibits the use of funds to establish any permanent military installation in Iraq or to exercise control of oil resources in Iraq.

**Torture Prohibition:** Prohibits the use of funds to negate a series of laws and regulations promulgated to implement the United Nations Convention Against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment (Section 1313).

**Security Forces Readiness Limitations:** Limits to 50 percent the amount from the Iraqi and Afghanistan Security Forces Funds until (1) the Secretary of Defense submits a report that assesses by unit the transition readiness of the Iraqi and Afghan security forces and (2) the Office of Management and Budget submits a report on the proposed use of all the funds on a project-by-project basis.

**Contractor Savings and Reporting Requirements:** Limits to 90 percent the amount of operation and maintenance funds that can be spent before the Pentagon reports on the use of contracted services to support U.S. military and reconstruction activities in Iraq and Afghanistan. In addition, the bill reduces the amounts of funding for operations and maintenance otherwise provided in this legislation by \$815 million "to reflect savings attributable to efficiencies and management improvements in the funding of contracts in the military departments."

**New House Office Space:** Does NOT provide \$16 million "for the maintenance, care, and operation of the House office buildings. This funding—included in the committee mark before it was modified by an amendment—would have provided for bollards, blast protection, *and other security improvements required for House office building space*" (emphasis added). According to press reports, this funding was to renovate a former FDA facility next to the Ford Office Building to provide additional House office building space.

**Base Realignment and Closure Funding:** Provides \$3.1 billion for the Base Realignment and Closure Account to fulfill the Administration's FY07 request. The omnibus appropriations bill (H.J.Res. 20) provided \$2.5 billion for such needs. However, some conservatives may be concerned that all of this funding should have been provided in the omnibus bill, where it would have been subject to budget constraints. Instead, the Appropriations Committee delayed this funding to the supplemental, freeing up dollars within the budget for lesser priorities.

**Walter Reed Army Medical Center:** Prohibits funds in this or any other Act, regardless of current law, from being used to close the Walter Reed Army Medical Center.

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## **Iraq Policy Section:**

**Mission Capable Units in Iraq:** Prohibits funds from being used to deploy any unit of the Armed Forces to Iraq unless the chief of the military department concerned has certified in writing to Congress at least 15 days in advance of the deployment that the unit is fully mission capable.

**Deployment Time in Iraq:** Prohibits funds from being used to initiate the development of, continue the development of, or execute any order that has the effect of extending the deployment or redeployment for Operation Iraqi Freedom in violation of a 356-day maximum (for the Army, Army Reserve, and the National Guard) or a 210-day maximum (for the Marines and Marine Reserves).

**Presidential Certification on Benchmarks:** Requires that the President certify to Congress by October 1, 2007 that the Government of Iraq has:

- “enacted a broadly accepted hydro-carbon law that equitably shares oil revenues among all Iraqis;
- “adopted legislation necessary for the conduct of provincial and local elections, taken steps to implement such legislation, and set a schedule to conduct provincial and local elections;
- “reformed current laws governing the de-Baathification process to allow for more equitable treatment of individuals affected by such laws;
- “amended the Constitution of Iraq consistent with the principles contained in article 137 of such constitution [regarding the protection of existing Kurd laws, regulations, and court judgments]; and
- “allocated and begun expenditure of \$10 billion in Iraqi revenues for reconstruction projects, including delivery of essential services, on an equitable basis.”

**Funds Withheld:** Withholds 50 percent of the funds appropriated by this bill for the Iraq Security Forces Fund, the Economic Support Fund (except for the U.S. Agency for International Development’s pro-democracy funds for Iraq), and International Narcotics Control and Law Enforcement until the President has made the required certification above.

**Withdrawal from Iraq:** If the President is unable to make the above certification by October 1, 2007, or if the above report indicates that the required conditions in Iraq have not been met, the Secretary of Defense would have to commence the withdrawal of the Armed Forces from Iraq and complete such withdrawal within 180 days. Even if the President makes the required certification, the troop withdrawal from Iraq would have to begin by March 1, 2008, and be completed within 180 days. Funds in this Act or any other Act would be immediately available to fund the withdrawal.

**Prohibited Return to Iraq:** Once the withdrawal from Iraq is complete, U.S. Forces could not be sent to or retained in Iraq for any purpose except for certain diplomatic and training missions, or limited, targeted special actions.

**Coordinator for Iraq Assistance:** Directs the President to appoint a Coordinator for Iraq Assistance (subject to Senate confirmation) to coordinate and oversee U.S. political, economic, and military assistance for Iraq.

**Possible Conservative Concerns:** Some conservatives might be concerned that this legislation would undermine the constitutional authority of the President as Commander-in-Chief. Furthermore, some conservatives might be concerned that this bill would give strength to our enemy by showing American weakness and encouraging our enemy to either wait until after the deadlines in this legislation to launch more attacks and/or to focus their current attacks on ensuring that one or more of the benchmarks required for the presidential certification are not met.

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**Hurricane Relief (Title II):**

*In millions*

<b>Department of Agriculture</b>	<b>Request</b>	<b>House</b>
Livestock Assistance	0	25
Irrigated Crops	0	15
Citrus	0	100
<b>Department of Commerce</b>		
NOAA, Operations, Research, & Facilities	0	120
NASA, Exploration Capabilities	0	35
<b>Department of Defense</b>		
Army Corps of Engineers	0	1,337
<b>Small Business Administration</b>		
Disaster Loan Program Account	0	25
<b>Department of Homeland Security</b>		
FEMA, Disaster Relief Fund	3,400	4,310
Community Disaster Loan Program	0	320
<b>Department of Education</b>		
Innovation and Improvement	0	30
Higher Education	0	30
<b>Department of HUD</b>		
Inspector General	0	10

**Items of Note:**

**Hurricane Livestock Indemnity Assistance:** Provides \$25 million to the Secretary of Agriculture to “resume the 2005 Hurricanes Livestock Indemnity Program to provide additional compensation to livestock producers” in the area declared a disaster area related to Hurricanes Katrina and Rita, to those who suffered losses in excess of the maximum amount of assistance authorized under the indemnity program. The total amount of

assistance that an eligible producer may receive for additional livestock losses may not exceed twice the maximum amount of assistance authorized under the program.

**Irrigated Crop Assistance:** Provides \$15 million for assistance in connection with losses for 2005 and 2006 weather conditions, to producers with respect to irrigated crops in the area declared a disaster related to Hurricanes Katrina and Rita.

**Hurricane Citrus Program:** Provides \$100 million to provide assistance to citrus producers in the area declared a disaster related to Hurricanes Katrina and Rita, who suffered losses in excess of the maximum amount of assistance authorized under the 2005 Hurricane Citrus Program.

**NASA:** Provides \$35 million to NASA, under the “exploration capabilities” account, for “expenses related to the consequences of Hurricane Katrina.” The bill also provides that of amounts previous appropriated to NASA, \$48 million may be used to reimburse hurricane-related costs incurred by NASA in FY 2005.

**Corps of Engineers:** Provides \$1.3 billion to Corps of Engineers for continued repairs on the levee system in New Orleans.

**Small Business Administration:** Provides \$25 million to the SBA for additional funding to carry out the Disaster Loan Program.

**FEMA:** Provides \$4.3 billion for disaster relief at the Federal Emergency Management Agency (FEMA), \$4 million of which is to be transferred to the Office of the Inspector General. The bill extends from 12 months to 24, the time frame in which FEMA can provide funds to pay for utility costs resulting from the provision of temporary housing utilities to Hurricane Katrina evacuees. In addition, the supplemental would eliminate the state and local matching requirements for certain FEMA assistance (in connection with Hurricanes Katrina, Rita, Wilma, and Dennis) in the states of Louisiana, Mississippi, Texas, and Florida, and provides that the federal portion of these costs will be 100%.

**Office of Inspector General:** Provides \$10.2 million for the Office of Inspector General for “necessary expenses related to the consequences of Hurricane Katrina and other hurricanes of the 2005 season.”

**K-12 Education Funding for Hurricane States:** Provides \$30 million to Louisiana, Mississippi, and Alabama for recruiting and compensating teachers and principals in schools affected by Hurricanes Katrina and Rita, for the implementation of “high-quality formative assessments,” and the “establishment of partnerships with nonprofit entities with a demonstrated track record in recruiting and retaining outstanding teachers and other school leaders.”

**Higher Education Funding for Hurricane States:** Provides \$30 million in assistance to institutions of higher education located in a disaster area related to the 2005 Gulf of Mexico Hurricanes.

**HUD Indian Housing:** Provides \$80 million in tenant-based rental assistance for public and Indian housing under HUD.

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**Agriculture Assistance (Title III):**

*In millions*

	<b>Request</b>	<b>House</b>
Crop Disaster Assistance	0	1,808
Livestock Compensation Program	0	1,480
Livestock Indemnity Payments	0	31
Spinach Assistance	0	25
Emergency Conservation Program	0	20
National Dairy Market Loss Payment Program	0	283
Peanut Storage Program	0	74
Aquaculture Assistance	0	5

**Items of Note:**

**Crop Disaster Assistance:** Provides such sums as necessary in agriculture assistance to producers experiencing crop losses in 2005, 2006, or 2007 due to bad weather. Farmers experiencing losses in more than one year would be required to choose only one year for which they wish to receive loss compensation. A large portion would be provided in the form of direct payments to agriculture producers who experienced more than 35% crop loss in expected production. The payment would be 50% of the market price. Producers would not be eligible for these payments if they had failed to purchase available crop insurance. The bill ensures that these disaster payments *would not exceed* 95% of a crop's worth in the absence of hurricane destruction.

**Livestock Assistance:** Provides such sums as necessary to provide compensation for livestock losses in 2005, 2006, and 2007, due to a disaster, including wildfire in the state of Texas and other states and blizzards in the states of Colorado, Kansas, Nebraska, New Mexico, and Oklahoma. Cattlemen experiencing losses in more than one year would be required to choose only one year for which they wish to receive loss compensation.

**Livestock Indemnity Payments:** Provides such sums as necessary to make livestock indemnity payments to producers on farms experiencing livestock losses due to hurricanes, floods, anthrax, and wildfires in the state of Texas and other states, and blizzards in the states of Colorado, Kansas, Nebraska, New Mexico, and Oklahoma. Cattlemen experiencing losses in more than one year would be required to choose only one year for which they wish to receive loss compensation. Payments would be not less than 30% of the market value of the livestock on the day before their death.

**Spinach:** Provides \$25 million for payments to spinach producers that were unable to market spinach crops as a result of the FDA Public Health Advisory issued on September 14, 2006. The payments would not exceed 75 percent of the value of the unmarketed spinach crops.

**Emergency Conservation Program:** Provides \$20 million for the cleanup and restoration of farmland damaged by freezing temperatures during a time period beginning on January 1, 2007 through the date of enactment.

**Milk Income Loss Contract (MILC) Program:** Provides \$283 million for payments under the MILC program, to extend the life from the program for one year, through September 30, 2008. MILC provides payments to dairy farmers when milk prices fall below a certain rate. Although the MILC program expired at the end of FY 2005, Congress authorized a two-year extension in the Deficit Reduction Act of 2005, which is set to expire at the end of FY 2007 (September 30, 2007).

**Peanut Storage Subsidies:** Provides \$74 million for peanut storage payments, to extend these payments through 2007. The Peanut Subsidy Storage program, which is set to expire this year, pays farmers for the storage, handling, and other costs for peanuts voluntarily placed in the marketing loan program. Under the storage program, the Credit Commodity Corporation pays a storage fee of \$2.71 per ton, per month, plus a one-time \$35 per ton handling fee for peanuts placed in the marketing loan program.

**Aquaculture Operations:** Provides \$5 million for payments to “aquaculture operations and other persons in the U.S. engaged in the business of breeding, rearing, or transporting live fish to cover all or a portion of the economic losses incurred by the operation or person as a result of the emergency order issued by the Animal and Plant Health Inspection Service on October 24, 2006, prohibiting the importation of specified species of live fish from Ontario and Quebec, Canada, and the interstate movement of these same species of fish from New York, Pennsylvania, Ohio, Michigan, Indiana, Illinois, Minnesota, or Wisconsin to outbreaks of viral hemorrhagic septicemia.”

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**Other Funding (Title IV):**

*In millions*

	<b>Request</b>	<b>House</b>
Farm Service Agency, USDA	0	48
NOAA, Commerce	0	60
Bureau of Land Management, Interior	0	100
Fish & Wildlife Services, Interior	0	7
National Park Service, Interior	0	1
U.S. Geological Survey, Interior	0	5
Forest Service, USDA	0	400
Secure Rural Schools, USDA	0	400

LIHEAP	0	400
Public Health & Social Services Fund (Avian Flu)	0	970
Architect of the Capitol	0	50

**Items of Note:**

**FDA Office of Women’s Health:** Provides \$4 million for the Office of Women’s Health at the Food and Drug Administration.

**National Oceanic and Atmospheric Administration (NOAA):** Provides \$60.4 million for the National Marine Fisheries Service under NOAA to be distributed among fishing communities, Indian tribes, individuals, small businesses, including fishermen, fish processors, and related businesses for assistance to “mitigate the economic and other social effects caused by the commercial fishery failure, as determined by the Secretary on August 10, 2006.” According to the Committee Report, this funding is to be used to provide disaster relief for those along the California and Oregon coast affected by the “2006 salmon fishery disaster in the Klamath River.”

**Rescinding Homeland Security Funding:** Rescinds \$89.8 million in funding that, according to the Committee, “would have lapsed in FY 2006 if it were not for a provision in the 2007 Appropriations Act allowing it to remain available through FY 2007.”

**Wildland Fire Management:** Provides a combined \$500 million for the Bureau of Land Management and the U.S. Forest Service “urgent wildland fire suppression activities.”

**Avian Flu:** Provides \$969 million for the Department of HHS to continue to prepare and respond to an avian flu pandemic. Of this funding, \$870 million is to be used for the development of vaccines.

**Secure Rural Schools Act (Forest County Payments):** Provides \$400 million to be used for one-time payments to be allocated to states under the Secure Rural Schools and Community Self-Determination Act of 2000. This program provides a funding stream (known as forest county payments) to counties with large amounts of Bureau of Land Management land, in order to compensate for the loss of receipt-sharing payments on this land caused by decreased revenue from timber sales due to environmental protections for endangered species. The authorization for these forest county payments expired at the end of FY 2006, and counties received their last payment under the Act in December 2006.

**LIHEAP:** Provides \$400 million for the Low-Income Home Energy Assistance Program (LIHEAP).

**H5N1 Vaccine Compensation:** Provides \$50 million to compensate individuals for injuries caused by the H5N1 vaccine, which is a flu vaccine.

**Payment to Widow of Rep. Norwood:** Provides \$165,200 to Gloria W. Norwood, the widow of former Rep. Charlie Norwood (R-GA), an RSC Member, who passed away last

month. In the Emergency Supplemental Appropriations Act of 2005 (H.R. 1268), Congress provided \$162,100 to Doris Matsui, the widow of former Rep. Robert Matsui.

**Capitol Power Plant:** Provides \$50 million to the Capitol Power Plant for asbestos abatement and safety improvements.

**Liberia:** Provides that money appropriated for FY 2007 for the Bilateral Economic Assistance program at the Department of Treasury may be used to assist Liberia in retiring its debt arrearages to the International Monetary Fund, the International Bank for Reconstruction and Development, and the African Development Bank.

**NTSB Lease:** Amends a provision in the continuing resolution, which provided \$78.9 million for the National Transportation Safety Board, Salaries and Expenses, to “include amounts necessary to make lease payments due in FY 2007 on an obligation incurred in 2001 under a capital lease.”

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### **Contracting Reform (Title V):**

**Minimizing Sole-Source & Cost-Reimbursement Contracts:** Requires agencies that spend more than \$1 billion on federal contracts to develop and implement a plan to minimize the use of noncompetitive contracts and cost-reimbursement contracts, and submit plans to Congress and the Comptroller General of the General Services Administration (GSA). GSA is directed to submit an analysis of each plan to Congress within 18 months.

**Contract Disclosure and Justification:** Requires contract justification and approval documentation (for both civilian and defense agencies) be posted on the relevant agency’s website and through the Federal Procurement Data System within 14 days of awarding the contract (except documentation that is exempt from public disclosure).

**Reporting Contractor Overcharges:** Requires that a report be submitted to Congress on a quarterly basis containing a list of all contractor costs (in excess of \$1 million) that are unjustified, unsupported, questioned, or unreasonable under any contract, task, or subcontract. This provision also requires agencies to provide un-redacted copies of audit reports within 14 days, upon a request from a chairman or ranking member of certain House and Senate committees.

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## **SCHIP Funding (Title VI):**

**SCHIP:** Provides \$750 million to the Secretary of HHS to provide assistance to the SCHIP “shortfall states” (see list below), in the form of an amount “as the Secretary determines will eliminate the estimated shortfall.” This provision is direct spending that is essentially capped at \$750 million and designated as an emergency to avoid budget constraints. *By including this spending in the supplemental, the Majority avoids its own PAYGO rules.* In addition, the use of an emergency designation for this type of direct spending may be unprecedented—RSC staff has found no instance where Medicare, Medicaid, and SCHIP have been designated as an emergency.

The State Children’s Health Insurance Program (SCHIP) is a block grant provided to states for health care coverage for low-income children in families with income above Medicaid eligibility levels. States receive a fixed federal contribution, which is intended to last for three years, and any unused funds at the end of that time period are redistributed to states that have used the entire grant. Some states experience a “shortfall” in funding, in light of decisions to insure adults, pregnant mothers, and children from families with significantly more income than the poverty level (350% in one state). According to a 2006 CRS report, the following 14 states will likely have a shortfall in FY 2007: Alaska, Georgia, Illinois, Iowa, Maine, Maryland, Massachusetts, Minnesota, Mississippi, Missouri, Nebraska, New Jersey, Rhode Island, and Wisconsin.

**Planned Parenthood Protection for Nominal Drug Prices:** Does NOT amend current law to include additional entities (such as certain 501c3s), including “a health center of an institution of higher education, the primary purpose of which is to provide health services to students attending the institution,” to a list of entities permitted to benefit from “nominal prices” for sales by a manufacturer of covered outpatient drugs under Medicare. This provision was stripped during mark-up. According to the Committee Report (before it was amended), this provision would have “clarif[ied] current law that **planned parenthood clinics** and certain university clinics can continue to receive nominal drug prices” (emphasis added).

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## **Minimum Wage-Tax Provisions (Title VII):**

**Minimum Wage Increase:** Increases the federal minimum wage from \$5.15-per-hour to \$7.25-per-hour over two-plus years—a 41% increase. *Yields \$16.5 billion in private-sector costs over five years.*

**Mariana Islands:** Applies a federal minimum wage to the Commonwealth of the Northern Mariana Islands and increases it steadily until it matches the new \$7.25 mandate for the 50 states.

**Tax Increases and Shifts:** Implements several tax increases and shifts, including: denying the lowest maximum capital gains tax rate for certain minors and adults, extending the

suspension of interest payments due to the IRS, and adjusting the deadlines for corporate estimated tax payments. *Costs taxpayers \$1.380 billion over the FY2007-FY2017 period.*

**Tax Cuts:** Implements several tax cuts, including: extending and expanding the Work Opportunity Tax Credit (WOTC), extending section 179 expensing, extending the restaurant tip credit, allowing the WOTC and the tip credit to be claimed against the Alternative Minimum Tax (AMT), and adjusting the self-employment taxes of married couples. *Saves taxpayers \$1.792 billion over the FY2007-FY2017 period.*

**Possible Conservative Concerns:** Some conservatives might be concerned that the federal minimum wage itself is anti-capitalist, since it prevents an employer and a potential employee from engaging in free-market labor negotiations. Furthermore, quickly-increased labor costs unrelated to business conditions will encourage or force employers to fire employees, reduce working hours for existing employees, and/or postpone plans to hire additional employees. Conservatives may also be concerned with the pace of this increase, which would mandate employers to give certain employees a whopping 41% raise over two-plus years, yielding \$18 billion (according to CBO) in intergovernmental and private-sector costs over five years (which is not nearly offset by the tax relief paired with the minimum wage increase).

Some conservatives may be concerned that this title contains some *permanent* tax increases on some taxpayers to “pay for” certain *temporary* tax cuts for other taxpayers.

**Additionally, some conservatives may be concerned that the small business tax-cut provisions (\$1.8 billion over eleven years) do not even come close to offsetting the costs of the minimum wage increase (\$17 billion for small businesses over five years).**

Furthermore, the bill chips away at the capital gains and dividends tax cut (by preventing certain students under age 24 and certain non-students under age 19 from getting the lowest rate available under current law), while effectively increasing interest penalties for certain taxpayers, and accelerating certain quarterly tax payments for corporations.

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