



BUDGET WEEK

Committee on the Budget • Majority Caucus
U.S. House of Representatives
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Summarizing budgetary issues in legislation
scheduled for the House floor

26 June 2006

Week of 26 June 2006

SUSPENSION CALENDAR

- 1) **A Concurrent Resolution to Correct the Enrollment of the Bill H.R. 889** (S.Con.Res. 103). 
This resolution amends section 414 of the conference report on H.R. 889 – the Coast Guard and Maritime Transportation Act of 2006 – which the House also will consider under suspension today. The current language of the bill requires Coast Guard approval of any plan to construct wind energy facilities in Nantucket Sound, but *prohibits* Coast Guard approval if the Governor of an adjacent State (such as Massachusetts) vetoes the plan. S.Con.Res. 103 replaces this prohibition with language that requires the Coast Guard to submit a report specifying the terms and conditions necessary to provide navigational safety with respect to the plan and any alternative plans. This resolution has no budget implications.
- 2) **Coast Guard and Maritime Transportation Act of 2006** (Conference Report on H.R. 889). 
This bill authorizes the appropriation of \$8.2 billion for discretionary activities of the U.S. Coast Guard [USCG] for fiscal year 2006. The bill also authorizes the appropriation of about \$1 billion for Coast Guard retirement benefits in 2006, but that amount is excluded from this estimate because such benefits are considered an entitlement under current law and are not subject to appropriation. Hence the authorization has no additional budgetary impact. The Congressional Budget Office [CBO] expects that enacting H.R. 889 would increase offsetting receipts – a credit against direct spending – collected from Coast Guard inspection and certification fees by less than \$500,000 a year. Enacting this legislation does not affect revenue. (See S.Con.Res. 103 above for additional information.)
- 3) **Veterans' Compensation Cost-of-Living Adjustment Act of 2006** (H.R. 4843). 
This bill increases the amounts paid to veterans for disability compensation and to their survivors for dependency and indemnity compensation by the same cost-of-living adjustment [COLA] payable to Social Security recipients (effective 1 December 2006). The COLA is already assumed in current law estimates and would have no new budgetary effect. Nevertheless, a new provision of the bill – which applies the COLA to a benefit for surviving spouses with children under the age 18 – would increase direct spending for veterans compensation by less than \$200,000 in 2007, and by \$1 million over the 2007-11 period, causing the Committee on Veterans Affairs to exceed its allocation (as established in the concurrent resolution on the budget for fiscal year 2007) by the same amounts.
- 4) **Congratulating the Miami Heat for Winning the 2006 NBA Championship** (H.Res. 887). 
This resolution has no budget implications.

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PLEASE NOTE: This document addresses budgetary issues only. It should not be taken to address support or opposition on any other grounds. A green flag indicates no serious budgetary or budget compliance concerns. A yellow flag indicates moderate or potential problems. A red flag indicates serious problems. *Also note: Floor schedules and legislative details are subject to change after publication.*

This document was prepared by the majority staff of the Committee on the Budget, U.S. House of Representatives. It has not been approved by the full committee and therefore may not reflect the views of all the committee's members.

5) ***Congratulating the National Hockey League Champions, the Carolina Hurricanes, on Their Victory in the 2006 Stanley Cup Finals*** (H.Res. 881). 

This resolution has no budget implications.

6) ***To Reauthorize Permanently the Use of Penalty and Franked Mail in Efforts Relating to the Location and Recovery of Missing Children*** (H.R. 4416). 

This bill permanently extends Public Law 99-87, which authorized Federal agencies and Members of Congress to include notices about missing children on penalty mail and franked mail, respectively. (These two forms of mail do not require prepayment of postage). This authority was terminated in 1988 but has been used since then. Because the bill codifies current practice and does not affect the amount of franked mail or penalty mail, CBO estimates that H.R. 4416 has no significant impact on Federal spending. It does not affect direct spending or revenue.

7) ***Freedom to Display the American Flag Act of 2005*** (H.R. 42). 

This bill prohibits any condominium association, cooperative association, or residential real estate management association from adopting or enforcing any policy or agreement that would restrict or prevent an association member from displaying the U.S. flag on residential property within the association, with respect to which such member has a separate ownership interest or a right to exclusive possession or use. CBO has not prepared an official cost estimate for this measure, but it is not expected to have a significant impact on the Federal budget, and it is not expected to affect direct spending or revenue.

8) ***Seasoned Customer CTR Exemption Act of 2006*** (H.R. 5341). 

This bill establishes the terms and conditions for when depository institutions will no longer be required to submit reports on currency transactions involving certain customers. It directs the Secretary of the Treasury to issue regulations to implement those changes and to prepare various reports for the Congress related to this program. The bill does not affect direct spending or revenue.

9) ***Recognizing National Homeownership Month and the Importance of Homeownership in the United States*** (H.Res. 854). 

This resolution has no budget implications.

LEGISLATION CONSIDERED UNDER A RULE

Bill: ***Flood Insurance Reform and Modernization Act of 2006*** (H.R.4973). 

Committee: Financial Services

Summary: This bill increases the amount that the Federal Emergency Management Agency [FEMA] can borrow from the U.S. Treasury to cover expenses of the National Flood Insurance Program [NFIP]. Under the legislation, FEMA's borrowing authority increases to \$25.0 billion, from \$20.775 billion.

In addition, the bill reforms the NFIP by requiring FEMA to phase in actuarially sound premium rates for flood insurance on commercial and non-primary residences (i.e., second and vacation homes). H.R.4973 also authorizes FEMA to expand the flood insurance program to include new types of insurance and higher dollar limits on the amount of coverage available. The bill raises – from 10 percent to 15 percent – the cap on the average annual premium increase allowed for each risk category.

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Cost: The bill increases direct spending by \$1.425 billion in fiscal year 2006 and \$2.8 billion in fiscal year 2007 (\$4.225 billion over 2006-11), as CBO assumes that FEMA will spend one-third of the new borrowing authority in 2006 and two-thirds in 2007. By raising certain civil penalties, the bill also increases revenue by an estimated \$1 million annually.

Budget Act: H.Con.Res. 376 – the fiscal year 2007 budget resolution – provides a \$3.325 billion fiscal year 2007 reserve fund for a bill liquidating the NFIP's remaining 2005 obligations under certain circumstances. The budget resolution provided for special scoring rule for legislation that would reform the flood insurance program and phase out the insurance subsidies for second homes and commercial properties. For such legislation, the resolution provided that repayment of amounts borrowed to pay the extraordinary claims would not be included in determining whether the changes in the program would produce savings. This type of scoring rule, which has been used in the past, is necessary to prevent the result that necessary reforms to the program are not enacted because of anomalies in CBO scoring. On this basis, the bill's reforms are estimated to provide savings over the period of the budget resolution. (An exact estimate was not available.)

Because the bill appears to achieve the policy goals of the budget resolution, it does not violate the Congressional Budget Act. Otherwise, the bill would have violated the Budget Act, because it increases direct spending by amounts exceeding the fiscal year 2006 and 2007 allocations of direct spending provided to the Financial Services Committee pursuant to H.Con.Res. 95 – the 2006 budget resolution – and H.Con.Res. 376.

Bill ***The Science, State, Justice, Commerce, and Related Agencies Appropriations Act for Fiscal Year 2007*** (H.R. 5672) 

Committee: Appropriations

Summary: This appropriations measure includes, in part, funding for programs in the Department of Justice, including the Federal Bureau of Investigation, the Drug Enforcement Administration, assistance to State and local law enforcement, the United States Marshals Service, the Bureau of Alcohol, Tobacco, Firearms and Explosives, and the Edward Byrne Justice Assistance Grants program.

It also provides funding for the Department of Commerce and Related Agencies, including the Patent and Trademark Office, the National Institute of Standards and Technology, the Manufacturing Extension Partnerships program, the National Oceanic Atmospheric Administration and the National Weather Service. In addition, it provides funding for certain science agencies, such as the National Aeronautics and Space Administration and the National Science Foundation. It also provides funding for the State Department, including appropriations for worldwide security improvements and replacement of vulnerable embassies, the Diplomatic and Consular Programs, and funding for International Broadcasting.

Other programs funded in this measure are the Federal Communications Commission, the Securities and Exchange Commission, the Legal Services Corporation, and the Small Business Administration.

Cost: It is expected this measure will provide a total of \$59.8 billion for fiscal year 2007. This is \$142 million less than the President's request of \$59.7 billion for fiscal year 2007 and \$970 million higher than the fiscal year 2006 funding level.

Budget Act: This measure does not violate the provisions of the Congressional Budget Act. (Please see the Budget Committee's forthcoming *Appropriations Update*.)

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Bill: *Domestic Energy Production Through Offshore Exploration and Equitable Treatment of State Holdings Act of 2006* (H.R. 4761). 

Committee: Resources

Summary: This bill amends the Outer Continental Shelf Lands Act [OCSLA] to revise the determination of adjacent zones and planning areas in the subsoil and seabed of the outer Continental Shelf [OCS]. It prescribes guidelines for: 1) lease administration; 2) lease grants; 3) lease receipts; and 4) allocations to states and coastal municipal political subdivisions. It prescribes implementation guidelines for leasing areas located within 100 miles of California or Florida, and declares without force or effect all provisions of existing federal law that prohibit spending appropriated funds for OCS oil and natural gas leasing and pre-leasing.

The bill establishes the Federal Energy Natural Resources Enhancement Fund, the Federal Energy And Mineral Resources Professional Development Fund, and the National Geologic Data and Mapping Fund. It also amends the Energy Policy Act of 2005 to repeal the requirement for: 1) a comprehensive inventory of OCS oil and natural gas resources; and 2) payments for oil shale and tar sands leases. Finally, it amends the OCSLA to repeal the coastal impact assistance program.

Cost: Although a final cost estimate was not available, H.R. 4761 is expected to increase direct spending by as much as \$3 billion over 5 years and \$11 billion over 10 years. The measure increases net direct spending as formulas that allocate offsetting receipts from auction proceeds and royalties from production are adjusted to increase the State share. Preliminary estimates indicate that the negative budgetary implications of the revenue sharing are greater than the positive effects from bringing new OCS waters into production.

Budget Act: This bill violates section 302 of the Congressional Budget Act because it increases direct spending by an amount expected greatly to exceed the allocation of direct spending to the Resources Committee provided pursuant to H.Con.Res. 376, the concurrent resolution on the budget for fiscal year 2007. It also violates section 303 of the Budget Act, because it contains provisions that first provide new budget authority for a fiscal year for which a budget resolution has not yet been adopted.

(Please see the Budget Committee's forthcoming *Legislative Update*.)