SMALL BUSINESS LEGISLATIVE COUNCIL

SBLC WEEKLY

Via E-mail
September 14, 2009 Volume XI, Issue 30

APPROPRIATIONS

The Senate will hunker down and try to focus on appropriations bills this week. As we all know from our civics books, (do they still have them?) this is one of Congress' few direct assignments – fund the government. We know already that Congress will not pass all of the appropriations bills necessary to fund the government before the new fiscal year begins on October 1st. Recently, while not for this reason alone, House Majority Leader Steny Hoyer (D-MD) conceded that the House will probably miss its October 30th target adjournment date.

The House has actually passed their versions of appropriations bills so they are going to take a nap this week while the Senate tries to catch up. There are 12 appropriations bills and the Senate has passed four. The thought is perhaps three or four will make it through the conference committee process and be signed into law before the beginning of the fiscal year. This means the rest of government will be funded through a continuing resolution (CR). Typically, Congress begins with "mini-CRs," giving itself another couple of weeks or a month to finish the funding process. When that phase of self-denial wears off, they resort to longer CRs.

So far, I have not seen any "riders" of particular concern to small business. Riders are language inserted into an appropriations bill to set policy. The typical rider can only influence short-term policy since it is tied to the funding. For example, a rider might say "None of the funds provided herein can used to send a man to the moon." In the past, the appropriations bill for the Department of Labor has been a particularly fertile ground for riders.

DEBT AND DEFICITS

I cannot talk about appropriations without talking about the federal deficit and the federal debt ceiling. On the latter issue, Congress has to provide authorization for how much debt the federal government can carry. A statutory limit has restricted total federal debt since 1917 when Congress passed the Second Liberty Bond Act. The Department of Treasury has told Congress that it will "max out" this month or next. In 2001, the debt ceiling was $5.950 trillion. The current debt ceiling is $12.104 trillion. (Approximately, 29 percent of our outstanding public debt is owned by foreign investors.)

Awhile back, the House of Representatives figured out a way to avoid the painful debate. It has as self-enabling mechanism built into its budget resolution process. When it approves a budget resolution, which it has, it authorizes an automatic increase in the debt ceiling. The Senate, on the other hand, has to vote on an increase. The current amount under consideration is $13.029 trillion.

The Congressional Budget Office (CBO) estimates that the federal budget deficit for 2009 will total $1.6 trillion, which, at 11.2 percent of gross domestic product (GDP), will be the highest since World War II. Says the CBO, "The dramatic expansion of the deficit in 2009 (up from 3.2 percent of GDP in 2008) results from a projected rise in outlays of 24 percent (the largest percentage increase since 1952) and a drop in revenues of 17 percent from last year's levels (the largest percentage drop since 1932).

CBO says on the revenue side, receipts from individual income taxes are expected to fall from 8.1 percent of GDP to 6.5 percent) and corporate income taxes is estimated to decline from 2.1 percent of GDP to 1.0 percent.