



H.R. 2829 – Making Appropriations for financial services and general government for the fiscal year ending September 30, 2008, and for other purposes.

Executive Summary

The House will consider H.R. 2829 the Financial Services and General Government Appropriations Bill for FY 2008, on June 27, 2007, under an open rule. H.R. 2829 provides \$21.4 billion for Fiscal Year 2008, which is \$243 million below the President's request and \$1.9 billion above the FY 2007 funding levels.

The Financial Services and General Government Appropriations bill is the product of a newly reorganized Appropriations subcommittee structure. The legislation appropriates funds for the Department of Treasury, the Executive Office of the President, the Judiciary, the District of Columbia, and Independent federal agencies.

The bill provides for a 3.5% basic pay raise for federal employees, 0.5% higher than the President's request. It also provides \$301 million to assist states in conforming with the Help America Vote Act of 2002 (HAVA), no money was requested by the President for this program, and no funds were Appropriated in FY 2007. The bill provides \$80 million in subsidies for the Small Business Administration 7(a) business loan program, despite objections from the Administration and Republicans on the committee that the program does not need to be subsidized.

Concerns have been raised regarding a number of provisions in the bill including 1) the limitation of IRS private debt collection contracts to \$1 million or less, effectively eliminating the program 2) the omission of a provision prohibiting the use of federal funds in this bill from being used to register unmarried, cohabitating couples in D.C., enabling them to qualify for benefits on the same basis as legally married couples, and 3) the bill revokes a ban on using federal funds for D.C. to sterile needles to drug users.

The Democrats' overall 302(b) allocation levels for FY 2008 represent an \$83 billion increase over the 2007 enacted budget levels. While Democrats defend this substantial increase by claiming domestic programs have been starved in recent years, the reality is that domestic discretionary spending has increased 40% – or 12% in real dollars – since 2001. The Administration has threatened to veto any appropriations bill with more funding than requested.

H.R. 2829 and the accompanying committee report contain 165 earmarks with a totaling \$33.7 million in funding. The bill contains 148 earmarks requested by House Members and 17 earmarks requested by the President.

(Please note that a running list of amendments offered during floor debate will also be available on our [website](#).)

Floor Situation

H.R. 2829 is being considered on the floor under an open rule. The rule:

- Provides one hour of general debate equally divided and controlled by the Chairman and Ranking Member of the Committee on Appropriations.
- Waives all points of order against its consideration of the bill except for clauses 9 (earmarks) and 10 (PAYGO) of Rule XXI.
- During amendment consideration, the Chairman may give priority in recognition to Members who pre-printed his or her amendment(s).
- Waives points of order against provisions that fail to comply with clause 2 of rule XXI.

**Note: This provision waives the House Rule that prohibits authorizing language in an appropriations bill. All Republican Ranking Members signed a letter in objection to this tactic.*

- Provides one motion to recommit with or without instructions.
- Provides that, notwithstanding the operation of the previous question, the Chair may postpone further consideration of the bill to a time designated by the Speaker.

The bill was introduced by Representative Jose Serrano (D-NY) on June 22, 2007. The House Committee on Appropriations reported H.R. 2829 on June 22, 2007.

The bill is expected to be considered on the floor on June 27, 2007.

Funding Summary

Table: Financial Services and General Government

(funding in millions)

	FY 2008 Proposal	President's Request	FY 2007 Enacted
Total	\$21,434	\$21,677	\$19,518
Dept. of Treasury	\$251	\$250	\$216
IRS Taxpayer Services	\$2,155	\$2,103	\$2,138
IRS Enforcement	\$4,925	\$4,925	\$4,686
IRS Operations Support	\$3,770	\$3,770	\$3,545
OMB	\$78	\$71	\$77
Federal Public Defenders	\$830	\$860	\$776
D.C. Courts	\$276	\$214	\$217
Office of National Drug Control Policy	\$27	\$24	\$27
The Supreme Court	\$67	\$67	\$63
Consumer Product Safety Comm.	\$67	\$63	\$63
Election Reform Programs	\$301	\$0	\$0
FCC	\$313	\$313	\$291
FDIC	\$27	\$27	\$31
FEC	\$59	\$58	\$55
Federal Labor Relations Authority	\$24	\$24	\$25
FTC	\$247	\$240	\$211
OPM	\$102	\$102	\$112
National Archives and Records	\$315	\$313	\$279
SEC	\$908	\$905	\$893
U.S. Postal Service	\$118	\$89	\$109

Key Provisions

- **The Office of Terrorism and Financial Intelligence:** The bill provides \$56 million for this program, \$13 million above FY 2007, and slightly more than the President's request.
- **The Committee on Foreign Investment in the United States (CFIUS):** The bill assumes that a total of \$940,000 from the accounts providing funds for Administration programs and Economic Policies and Programs will be used to fulfill the request for funds for additional staff at CFIUS.
- **Community Development Financial Institutions (CDFI):** The CDFI is funded at \$100 million, over \$71 million more than the President's request and \$45 million more than FY 2007. The CDFI account provides grants, loans, and

assistance to community development banks and credit unions as well as micro-loan programs.

- **IRS Taxpayer Services:** The bill provides \$2.15 billion for taxpayer services, \$52 million more than the President's request and \$17 million more than FY 2007. The IRS provides services such as answering tax questions, low income taxpayer clinics, tax counseling, education, and pre-filing services.
- **IRS Private Debt Collection:** The bill includes language that limits the size of any private debt collection contract the IRS enters into to \$1 million or less. The report on H.R. 2829 explains that the "The Committee" believes that federal employees could perform the same tasks as private debt collectors without sacrificing the percentage of the collections that private collectors keep as payment for their services. The bill also requires the IRS to report to the Appropriations Committee within 30 days of enactment on the feasibility of retaining IRS employees who are losing their jobs as a result of the "ramp down" of IRS submission processing centers to handle the cases that private debt collectors are now processing.

**Note: Ranking Member Lewis (R-CA), and Ranking Member Regula (R-OH) stated that "...we are concerned that the bill includes a restrictive \$1,000,000 limitation on expenditures associated with private debt collections. This program...is estimated to collect \$1.4 billion in taxes over ten years."*

Counterdrug Technology Assessment Center (CTAC): The bill provides \$10 million, which is \$5 million more than the request and \$10 million less than FY 2007. The President's request sought to terminate \$5 million in funding for the CTAC Technology Transfer program, according to the White House website the program is designed to: "transfer federally developed, counterdrug technologies directly to state and local law enforcement agencies across the nation."

- **High Intensity Drug Trafficking Areas:** The HIDTA is funded at \$226 million. The program, part of the Office of National Drug Control Policy, coordinates drug control efforts among local, State, and Federal law enforcement agencies.
- **National Youth Anti-Drug Media Campaign:** The bill provides \$94 million in funding, which is \$27 million less than the President's request and \$5 million above the FY 2007 level. The GAO recently released a report stating that there is no clear evidence that this Campaign has reduced youth drug use. Consequently, the bill requires the Office of National Drug Control Policy to report to Congress on how the development of a new campaign will effectively reduce youth drug use.
- **Defender Services:** Provides funding for the operation of the Federal Public Defender and Community Defender organizations. Increases the compensation of panel attorneys from \$94 to \$100 an hour.

- **Defender Services in the District of Columbia Courts:** Funds public defenders in D.C. and includes an increase in compensation of panel attorneys from \$65 to \$90 an hour.
- **Election Reform Programs:** The bill provides \$301 million to assist states in conforming with the Help America Vote Act of 2002 and to improve the administration of elections. No funding was appropriated for this program in FY2007, nor did the President request any funding for this program.

**Note: Ranking Member Lewis (R-CA), and Ranking Member Regula (R-OH) stated: "it seems unlikely that these funds could possibly be used effectively before the 2008 election season begins. It should be also noted that the Election Assistance Commission has recently reported to the Committee that as of the end of October, the States had more than \$1.3 billion in available balances from prior year appropriations."*

- **Consumer Protection Activities:** The bill provides funding for the US SAFE WEB Act to fight cross-border fraud and deception, and protection against ID theft.
- **Morris K. Udall Scholarship:** The scholarship program, which rewards excellence in national environmental policy, is funded at \$2 million. The President did not request any funds for this program.
- **Subsidies for SBA 7(a) Business Loans:** The bill provides \$80 million in subsidies for the 7(a) business loan program. According to the SBA: "7(a) loans are only available on a guaranty basis. This means they are provided by lenders who choose to structure their own loans by SBA's requirements and who apply and receive a guaranty from SBA on a portion of this loan. The SBA does not fully guaranty 7(a) loans. The lender and SBA share the risk that a borrower will not be able to repay the loan in full."

**Note: Ranking Member Lewis (R-CA), and Ranking Member Regula (R-OH) stated: "The 7(a) program has been operating at record levels without a subsidy appropriation since 2005. Past practice has proven that subsidies limit access to SBA loans if demand for loans exceeds the availability of appropriations." The SBA Administrator also testified that: "Zero subsidy is good stewardship of taxpayers' money while creating a more stable loan program for small business."*

- **Federal Employee Pay Raise:** The bill provides for an increase of 3.5% in the rates of basic pay for federal employees, which is 0.5% higher than the President's request.
- **Federal Funds for petitioning for a voting Representative in D.C.:** The bill revokes a ban on using Federal funds in D.C. for "any petition drive or civil

action which seeks to require Congress to provide for voting representation in Congress for the District of Columbia.”

- **Needle Exchange:** The bill revokes a ban on using Federal Funds for the District of Columbia to conduct “any program of distributing sterile needles or syringes for the hypodermic injection of any illegal drug.”
- **Benefits for Unmarried, Cohabiting Couples in D.C.:** The bill removes a provision included in past years’ Appropriations bills that bans the use of federal funds in this bill from being used to register unmarried, cohabiting couples in D.C., enabling them to qualify for benefits on the same basis as legally married couples.

Amendments Pre-Printed in the Congressional Record on June 25, 2007

(Please note that a running list of amendments offered during floor debate will also be available on our [website](#).)

Rep. Garrett (R-NJ): The amendment would extend the current exemption for Sarbanes-Oxley Section 404 compliance for small businesses through FY2008. It is currently set to expire at the end of FY2007.

Rep. Upton (R-MI): Prevents any funds in the bill from being used to buy any light bulbs unless the light bulbs have the “ENERGY STAR” or “Federal Energy Management Program” designation.

Amendments Pre-Printed in the Congressional Record on June 26, 2007

Rep. Cardoza (D-CA): The amendment would reduce the funding for the General Activities, Policy and Operations account by \$14.3 million.

Rep. Cardoza (D-CA): The amendment would reduce the funding for the for the General Activities, Policy and Operations account by \$5 million and increases the Office of Inspector General by \$5 million.

Rep. Conaway (R-TX): The amendment would express the Sense of Congress that any reduction in the amount appropriated in H.R. 2829 should be dedicated to deficit reduction, not remain in the 302(b) allocations.

Rep. Tom Davis (R-VA): The amendment would increase funding for the Federal Payment for School Improvement account (DC) by \$1 million, increase funding by \$344,000 to improve public school education in the District of Columbia, increase funding by \$333,000 to expand quality public charter schools in the District of Columbia, increase funding by \$333,000 to provide opportunity scholarships for students in the District of Columbia, and reduces funding by \$1 million for the Office of Special Counsel, Salary and Expenses account.

Rep. DeFazio (D-OR): The amendment would reduce funding by \$10 million to the Selective Service System, Salaries and Expenses account, and increases funding by \$10 million for the Small Business Administration, Salaries and Expense account.

Rep. DeFazio (D-OR): The amendment prohibits funds from being used by the Selective Service System to prepare for, plan, or execute the Area Office Mobilization Prototype Exercise.

Rep. Ellsworth (D-IN): The amendment prohibits funds from being used to enter into a contract in the amount greater than the simplified acquisition threshold unless the prospective contractor certifies in writing to the agency awarding the contract that the contractor owes no Federal tax debt.

Rep. Hulshof (R-MO): The amendment increase funding for the Federal Drug Control Programs, High Density Drug Trafficking Areas Programs by \$8 million, with corresponding offsets from the Election Assistance Grants.

Rep. Musgrave (R-CO): The amendment would prohibit the Member Cost of Living Adjustment for FY2008.

Rep. Musgrave (R-CO): The amendment would reduce by 0.5% any appropriation that is not required to be appropriated or otherwise made available by a provision of law.

Rep. Wolf (R-VA): The amendment would establish the Securing America's Future Economy (SAFE) Commission Act (as described in H.R. 473), which is appropriated \$1.5 million.

Rep. Sessions (R-TX): The amendment would strike section 738, the "Requirement for Public-Private Competition."

Rep. Flake (R-AZ): The amendment would prohibit funds from being used for the Advantage West Economic Development Group, Certified Entrepreneurial Community Program.

Rep. Flake (R-AZ): The amendment would prohibit funds from being used for the Boston Chinatown Neighborhood Center Workforce Development Initiative.

Rep. Flake (R-AZ): The amendment would prohibit funds from being used for Detroit Renaissance for a business district.

Rep. Flake (R-AZ): The amendment would prohibit funds from being used for the Fairplex Trade and Conference Center, Pomona, California.

Rep. Flake (R-AZ): The amendment would prohibit funds from being used for the Grace Johnstown Area Regional Industries Incubator and Workforce Development program.

Rep. Flake (R-AZ): The amendment would prohibit funds from being used for the Mitchell County Development Foundation, Inc. for the Home of the Perfect Christmas Tree project.

Rep. Flake (R-AZ): The amendment would prohibit funds from being used for the Oil Region Alliance of Business, Industry and Tourism.

Rep. Flake (R-AZ): The amendment would prohibit funds from being used for the San Francisco Planning and Urban Research Association, SPUR Urban Center.

Rep. Flake (R-AZ): The amendment would prohibit funds from being used for the West Virginia University Research Corporation for renovations of a small business incubator.

Rep. Flake (R-AZ): The amendment would prohibit funds from being used for the Youngstown Warren Regional Chamber, Salute to Success, Business Entrepreneurship Incubator.

Rep. Flake (R-AZ): The amendment would prohibit funds from being used for the City of Charlotte, NC, Belvedere Business Park Project.

Rep. Flake (R-AZ): The amendment would prohibit funds from being used for the City of Los Angeles, Adams-La Brea Retail Project.

Rep. Flake (R-AZ): The amendment would prohibit funds from being used for the Historic Downtown Retail Project, Valley Economic Development Center.

Rep. Flake (R-AZ): The amendment would prohibit funds from being used for the SEKTDA [SE KY Tourism Development Association] for economic and small business development.

Rep. Flake (R-AZ): The amendment would strike \$500,000 from the Federal Payment to the Office of the Chief Financial Officer of the District of Columbia account.

Rep. Jordan (R-OH): The amendment would reduce spending across-the-board by 8.9%. The intent of the amendment is to take spending to FY 2007 levels.

Rep. Goode (R-VA): The amendment would prohibit the use of federal taxpayer dollars from being used to extend employment, health, or governmental benefits to domestic partners of District of Columbia government employees. The prohibition on federal dollars being used to implement DC's domestic partnership program has been in place for the last 15 years.

Rep. Lucas (R-OK): The amendment would prohibit funds to be used by the United States Government to seize or otherwise take possession of, other than for value given in a sale or exchange, any coin, medal or numismatic item made or issued by the United

States Government before January 1, 1933, that, as of the date of the enactment of this Act, is not already in the possession of the United States Government.

Rep. Poe (R-TX)/Rep. Cuellar (R-TX): The amendment would increase by \$10 million funds to U.S. District Courts while reducing by \$10 million funds for the District of Columbia Courts.

Rep. Terry (R-NE): The amendment prohibits the Member's Cost-of-Living Adjustment for FY2008.

Additional Views

A Statement of Administration Policy issued by the Bush Administration on June 26, 2007 states: "The Administration commends the Committee for not exceeding the President's request in total for the programs funded by this bill. However, the Administration opposes a number of provisions in the Committee-reported bill."

Possible Amendments

The Administration is concerned that an amendment may be offered on the Floor that would weaken current sanctions against Cuba. The Administration believes that it is critical to maintain sanctions and travel restrictions to deny economic resources to the Castro regime. Lifting the sanctions now, or limiting our ability to enforce them, would provide assistance to a repressive regime at the expense of the Cuban people. If the final version of the bill contained a provision that weakens current restrictions against Cuba, the President would veto the bill.

In addition, the Administration would strongly oppose any amendment that would substantially change Federal policies and law on abortion and use taxpayer dollars for the destruction of human life. If the final bill presented to the President were to contain such provisions, the President would veto the bill.

Department of the Treasury

The Administration strongly objects to section 106, which would severely curtail, if not end, IRS private debt collection, even though this program will yield a net benefit to taxpayers of \$22 million in FY 2007. Terminating this program would cost taxpayers an estimated \$63 million in FY 2008 and at least \$1.5 billion over the next 10 years. The Government Accountability Office (GAO) also reported that the IRS has made "major progress" in addressing the critical success factors outlined by GAO, including ensuring that both taxpayer rights and the security of taxpayer information are protected.

The Administration strongly objects to funding for the Community Development Financial Institutions Fund that exceeds the request by over \$70 million, and in particular the report language that directs not less than \$14 million be spent on the Bank Enterprise Award (BEA) Program. The BEA Program provides funds to for-profit banks based on their past activity, and has not demonstrated that its awards increase lending and financial services in economically distressed communities.

District of Columbia (D.C.)

The Administration strongly opposes the bill's exclusion of a longstanding provision that disallows the use of Federal funds to register unmarried, cohabitating couples in the District, to enable them to qualify for benefits on the same basis as legally married couples. Under Federal law, legal marriage is the union between a man and a woman. Federal tax dollars are not used to extend employment benefits to domestic partners of Federal employees, and D.C. should not enjoy an exception to this rule. If the final version of H.R. 2829 does not include this longstanding provision, the President's senior advisors would recommend he veto the bill.

The Administration also strongly opposes lifting the ban on funding for needle distribution programs to illegal drug users in the District of Columbia. Needle distribution programs facilitate illegal drug use. Drug use prevention and treatment programs are superior public health alternatives because these programs reduce both the sharing of contaminated needles and the harms of illegal drug use.

In addition, the Administration opposes the bill's provision that would allow the District to use local taxpayer dollars to hire lobbyists to advocate for statehood and voting representation. The Administration also opposes the exclusion of a current-law provision that prevents the use of Federal funds to pay the salaries and expenses of D.C.'s "shadow" senators and representative.

Election Assistance Commission (EAC)

The Administration strongly objects to \$300 million provided for grants to States to implement voting system requirements and upgrades in the Help America Vote Act of 2002 (HAVA), as additional Federal funds are not needed to accomplish the purpose of the Act. Although administration of elections is primarily a State and local responsibility, nearly \$3 billion has already been appropriated to States to implement HAVA since 2002, and States have made substantial improvements to the integrity of voting processes. Over \$1.3 billion in unspent funds remain available and, in addition, States can retain interest earned on their unspent federal grants. This unusual authority has provided over \$150 million in interest earnings that States may use for HAVA-related expenditures. Moreover, some States are returning unused prior appropriations.

Small Business Administration (SBA)

The Administration strongly opposes the addition of \$80 million of taxpayer-funded credit subsidy for SBA's 7(a) loan guarantee program. The program has provided record levels of lending for the past three years, during which the program has operated on a zero-subsidy basis at fee rates consistent with historical levels. Relying on appropriated subsidies risks returning the program to uncertain loan availability and destroying the stability that both borrowers and lenders agree is crucial for this widely-used program.

Civilian Pay

The Administration strongly opposes the 3.5 percent increase for Federal employee pay and urges the House to adopt the President's proposal. The Committee proposal exceeds the President's request and the average increase in private-sector pay, measured by the

Employment Cost Index. This arbitrary across-the-board increase would cost agencies over \$600 million in FY 2008 and would not target any specific recruitment or retention challenges.

Staff Contact

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