



1501 M Street NW | Seventh Floor
Washington, DC 20005-1700
Tel: (202) 466-6550 | Fax: (202) 785-1756

MEMORANDUM

To: American Society of Transplant Surgeons
From: Peter W. Thomas; Theresa T. Morgan
Date: February 17, 2011
Re: Analysis of House Continuing Resolution for FY 2011

I. Overview

On Monday, February 14, House Republican leaders released their budget numbers for the remainder of FY 2011. Rather than try to cobble together a massive omnibus spending bill to fund the federal government through the remainder of the fiscal year, House and Senate lawmakers are aiming to pass a continuing resolution (“CR”) which is intended to simply continue funding at existing levels. The federal government is *currently* operating under a continuing resolution (“CR”) which expires on March 4, 2011. On the same day, February 14th, President Obama announced his federal budget proposals for FY 2012, a massive document that is the subject of another analysis which will be sent under separate cover.

Adhering to their campaign promises, the House Republican FY 2011 CR proposal calls for over \$60 billion dollars of cuts to discretionary spending from FY 2010 spending levels. This figure is approximately \$100 billion less than the President’s FY 2011 spending requests, the same number that Congressional Republicans pledged to cut in the run-up to the 2010 elections. The House Appropriations Committee majority leadership is quoted as saying that these spending cuts represent “the largest single discretionary spending reduction in the history of Congress.” Once the House acts, negotiations between the House and Senate will commence in hopes of agreeing on a package of spending levels that can pass both Houses of Congress and be signed by the President.

President Obama has threatened to veto the House CR in its current form. But the political and economic climate is ripe for deep cuts in government spending, as lawmakers from both sides of the aisle clamor to show they are serious about cutting the deficit. In such an atmosphere, the extremely austere budget is likely to gain at least some traction as this process continues and although Senate Democratic leaders will resist some of the proposed cuts, they will ultimately be

forced to accept significant reductions in funding for priority programs for the remainder of FY 2011.

The CR targets for funding reductions or outright termination a number of health and human services programs. The House has already begun debate on the CR (H.R. 1), which provides for just over \$1 trillion in spending through September. House lawmakers from both sides of the aisle have filed over 400 amendments to the bill, a relatively novel process in recent times, where House rules usually preclude the offering of large numbers of amendments. Observers expect the House, which is majority Republican, to pass the resolution. Its fate is uncertain in the Senate.

If the two chambers fail to find a resolution to their budget differences, Congress will likely pass another continuation of the current CR. House Budget Chairman Paul Ryan (R-WI) indicated in press reports that Republicans would prefer that option to shutting down the government. However, any compromise will also have to pass muster with the White House and with President Obama threatening to veto the House bill, it appears the Administration is prepared to shut down the federal government if it perceives that deep spending cuts may be counterproductive to the economic recovery.

II. Specific Terminations and Cuts to Health, Labor and Education Programs

The House CR cuts the overall FY 2011 budget for labor, health and human services and education (“LHHS”) from approximately \$163 billion to \$146 billion. These reductions include the termination of more than 70 programs in this section of the bill alone.

The LHHS section of the CR cuts Labor Department job training programs. In addition, the CR reduces funding for higher education, special education and rehabilitation services and research. As expected, the CR also reduces discretionary spending in several areas that have received funding under the new health care reform law. Opponents of implementation of the Patient Protection and Affordable Care Act (ACA) have adopted a strategy of defunding the new health care reform law and have implemented that strategy in this bill.

HEALTH AND HUMAN SERVICES

Terminations of Select HHS Programs (in millions):

Family Planning	-\$317.5
State Health Access Grant Program	-\$75
Medical Countermeasures Dispensing	-\$10
Patient Navigator	-\$5
National All-Schedules Prescription Monitoring	-\$2
Congenital Disabilities	-\$0.5

Spending Cuts to Select HHS Programs:

<u>Program</u>	<u>Cut from FY 2010</u>	<u>FY 2010</u>
Centers for Disease Control and Prevention	-\$850.0	\$6581
National Institutes of Health	-\$639.5	\$31807.0
Centers for Medicare and Medicaid Healthcare law Provisions	-\$340.0	-
Administration on Aging Healthcare law Provisions	-\$65.0	-
Centers for Medicare and Medicaid Research, Demonstration	-\$32.5	\$35.6
Organ Transplantation	-\$1.0	\$26

DEPARTMENT OF LABOR

Terminations of Select Employment Programs (in millions):

Career Pathways Innovation Fund	-\$125.0
Youthbuild	-\$102.5
Economic Development Fund	
for Community Services Block Grant	- \$36
Workforce Data Quality Initiative	- \$12.5

Spending Reductions to Select Employment Programs:

<u>Program</u>	<u>Less from FY 10</u>	<u>FY 10</u>
Grants to States (Training and Employment Services)	-\$1397.4	\$2969.4
Dislocated Worker National Reserve	-\$100	\$229.2
Dislocated Worker Assistance State Grants	-\$65	\$1183.8
Earmarks (Unspecified)	-\$48.9	
Evaluation (WIA)	-\$10	\$11.6

DEPARTMENT OF EDUCATION

Terminations of Select Education Programs (in millions):

Federal Supplemental Educational Opportunity Grants	-\$757.5
Fund for the Improvement of Education (FIE)	-\$261
Educational Technology State Grants	-\$100
Elementary and Secondary School Counseling	-\$55
Supported Employment State Grants	-\$29.2
Projects with industry	-\$19.2
Teach for America	-\$18
Special Olympics Education Programs	-\$8.1
Demonstration in Disabilities / Higher Education	-\$6.8
Mental Health Integration	-\$6

Cuts to Select Education Programs:

<u>Program</u>	<u>Cut from FY 10</u>	<u>FY 10</u>
Part B Grants to States (Special Education)	-\$557.7	11505.2
Earmarks (Unspecified)	-\$101.5	
Demonstration in Disabilities	-\$6.8	11.6
Earmarks for Rehabilitation Services and Disability Research	-\$5.1	

III. Outlook for FY 2011 Funding for Health, Labor and Education Services

The continuing resolution now funding the federal government will expire within three weeks. As that expiration date nears, the debate in Congress over the federal deficit will only become more pressurized, and this political pressure to dramatically reduce federal spending will not subside before the 2012 election season, or for years to come for that matter. Much of what is being debated within the context of the CR is solely related to discretionary spending, meaning that these bills do not even address entitlement spending (i.e., spending on Social Security, Medicare, and Medicaid). These debates will come as well in the not too distant future. Within the severe fiscal atmosphere facing our country, it is expected that the CR will, in the end, result in a whole host of spending reductions to major programs. The real questions are how deep those final spending cuts will be and whether the federal government will be forced to shut down in the process.

We will compare the House CR with the Senate CR upon its release.