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*SUPPLEMENTAL APPROPRIATIONS FOR FY1999:
CENTRAL AMERICA DISASTER AID, MIDDLE EAST
PEACE, AND OTHER INITIATIVES*

Larry Nowels, Foreign Affairs, Defense, and Trade Division

Updated May 26, 1999

Abstract. Congress is considering several FY1999 supplemental appropriation requests early in the 106th Congress, including those for Central America hurricane relief, Middle East assistance, and agriculture farm loans. A major issue in the debate is whether to declare the supplemental proposals as emergencies or offset their costs with cuts in existing program funding. This report reviews the President's supplemental requests, discusses the offset issue, and tracks congressional action.

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ABSTRACT

Congress considered several FY1999 supplemental appropriation requests early in the 106th Congress, including those for Central America hurricane relief, Middle East assistance, agriculture farm loans, and Kosovo military and humanitarian operations. A major issue in the debate was whether to declare the supplemental proposals as emergencies or offset their costs with cuts in existing program funding. This report reviews the President's supplemental requests, discusses the offset issue, and tracks congressional action through enactment.

Supplemental Appropriations for FY1999: Central America Disaster Aid, Middle East Peace, and Other Initiatives

Summary

During the early months of 106th Congress, lawmakers considered several major FY1999 supplemental appropriation requests, including those for Central American and Caribbean reconstruction aid in the wake of hurricanes that struck the region in late 1998; additional aid for Jordan, the most urgently sought portion of a three-year package for Israel, Jordan, and the Palestinians to help implement the terms of the Wye Memorandum negotiated in October 1998; farm loan assistance for farmers affected by continued low commodity prices; and Kosovo military and humanitarian operations, a proposal initially considered separately from the others.

The President declared Central America aid, farm loan funds, and Kosova operations as emergencies, thereby avoiding the need to offset the costs of the supplemental. He proposed to cover the expenses of additional Middle East aid by using mostly Defense Department funds. Last year, Congress approved about \$21 billion in emergency funds that were not offset with cuts in existing appropriations, a decision some lawmakers strongly opposed. They argue that all future supplemental initiatives should be fully offset so as not to violate discretionary spending “caps” set for FY1999 and beyond or reduce the projected surplus.

The House and Senate approved bills providing most of the President’s requests for Central America and farm relief, plus adding funds for other congressional priorities. The Senate (S. 544), provided \$2.5 billion in supplemental funding, including nearly four times as much as proposed for farm relief aid (\$592 million) and about \$300 million in loan and other relief programs for American steel and oil and gas industries. The House approved (H.R. 1141) \$1.3 billion in supplemental funds at levels similar to those proposed by the President for Central American, Jordan, and farm relief.

The congressional decision to provide offsets, rescissions, and deferrals to cover most of the costs of new supplemental spending raised significant opposition and veto threats from the White House. S. 544 drew most of the program reductions — nearly \$3 billion — from non-defense emergency supplemental funds appropriated last year in the Omnibus Appropriations Act for FY1999 (P.L. 105-277), plus another \$1.3 billion from domestic programs. The House bill cut mostly (over \$850 million) from foreign policy programs. One of the largest was a rescission of callable capital appropriated prior to 1980 to back U.S. contributions to the World Bank.

After the House, on May 6, passed a separate Kosovo supplemental (H.R. 1664), congressional leaders folded it into the conference report on H.R. 1141. Conferees agreed on May 13 to a \$15.1 billion supplemental measure providing roughly the President’s request for Central America and Jordan, but significantly higher amounts for farm relief and Kosovo operations. All but \$2 billion of the conference agreement is declared an emergency. Conferees dropped most of the offsets opposed by the White House, as well as the Senate steel and oil/gas industry loan programs. The President signed H.R. 1141 on May 21 (P.L. 106-31).

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Supplemental Appropriations for FY1999: Central America Disaster Aid, Middle East Peace, and Other Initiatives

Most Recent Developments

On May 21, President Clinton signed into law H.R. 1141 (P.L. 106-31), legislation appropriating \$15.1 billion supplemental FY1999 funds for Central America hurricane relief, aid to Jordan, American farmer assistance, and Kosovo military and humanitarian operations. As approved by Congress, H.R. 1141 provides funds roughly at the President's request for Central America (\$1 billion) and Jordan (\$100 million), but higher amounts (\$574 million) for farm relief. In addition, lawmakers merged into H.R. 1141 another supplemental spending bill (H.R. 1664) passed by the House on May 6 for Kosovo and other defense-related requirements. The \$12 billion for Kosovo and other defense needs is nearly double the \$6.1 billion request, but \$1 billion less than passed by the House on May 6.¹

All but \$2 billion of the H.R. 1141 is declared an emergency. The conference agreement dropped most of the House and Senate-passed offsets over which the White House had threatened a veto. The largest remaining rescission is \$1.25 billion from food stamp surpluses. Conferees also deleted Senate provisions providing \$1 billion-plus loan programs for U.S. steel and the oil and gas industries. The conference agreement retains, however, a Senate amendment giving states complete control over how to spend money derived from the settlement of lawsuits against tobacco companies. The White House opposes this provision. Conferees further added \$900 million in domestic disaster relief funds to aid victims of the recent tornados in the mid-west.

Background

When the 106th Congress convened in January, it was widely assumed that the President would seek immediate approval of FY1999 supplemental funding for two foreign policy requirements that arose in late 1998 after Congress had adjourned. The Administration's February 1 budget submission for FY2000 included the first of the anticipated supplementals: \$1.9 billion in FY1999 supplemental and FY2000/20001 advance appropriations for assistance to Israel, Jordan, and the Palestinians promised after the October 1998 signing of the Wye River Memorandum. Two weeks later,

¹ For details on the Kosovo supplemental, see CRS Report RS20161, *Kosovo Military Operations: Costs and Congressional Action on Funding*, by Stephen Daggett.

on February 16, the White House submitted the second major supplemental request — \$955.5 million — for emergency disaster relief and reconstruction assistance to countries in Central America and the Caribbean affected by Hurricanes Mitch and Georges that struck the region in late 1998, and for more recent earthquake damage relief for Colombia.

Normally, when seeking supplemental funds for the current fiscal year, the Administration recommends prompt congressional action — within a few months — to meet what are usually unanticipated requirements. Congress generally completes action on early-year supplemental requests by May or June. In the case of the Central America/Caribbean natural disaster relief, given its emergency nature, the President has asked Congress to act expeditiously, finalizing the funding legislation by the end of March. The Middle East assistance did not appear so urgent until the death of Jordan's King Hussein. Following his death, the White House modified the pending Middle East supplemental on February 19, asking Congress to separate the \$300 million portion for Jordan and to consider it as part of the Hurricanes Mitch and Georges relief package. Presumably, the balance of the Wye Memorandum proposal for Israel and the Palestinians, and the portion of the Jordanian request not funded in the FY1999 supplemental can be taken up later by Congress as part of the regular FY2000 Foreign Operations funding measure.

Central America/Caribbean Reconstruction²

Hurricane Mitch, which struck in late October/early November 1998, left in its wake severe destruction to the economies and people of Honduras, Nicaragua, and other countries in the region. More than 9,000 are confirmed dead, with another 9,000 still missing. More than 3 million people were displaced from their homes. Infrastructure, including roads, bridges, schools, and health clinics, especially in Honduras, was badly damaged. More than a third of Nicaragua's most important crops were destroyed. The World Bank estimates that destruction to the region totals \$5.36 billion.

The United States responded immediately to the crises, providing over \$300 million in emergency humanitarian assistance in the following months, for what has amounted to the largest foreign disaster relief operation ever conducted by the United States. The Administration drew funds for the immediate relief efforts from a number of disaster aid accounts managed by the U.S. Agency for International Development (USAID) and the Defense Department.

To enter the second phase of the U.S. response, the rehabilitation phase, the Administration sought supplemental funding of \$955.5 million.³ Most of the funds

² For more information regarding the effects of Hurricane Mitch and the U.S. response, see CRS Report 98-1030, *Central America: Reconstruction After Hurricane Mitch*, by Lois McHugh.

³ The Clinton Administration's request for hurricane relief excluded a proposal to enhance the trade benefits now extended under the Caribbean Basin Initiative (CBI). The Administration has announced that it will send a separate CBI enhancement proposal soon. See CRS Report RS20102, *Caribbean Enhancement Legislation*, by Raymond Ahearn, March 4, 1999.

are for housing, education, transportation, and public health needs for the victims of Hurricane Mitch, but smaller amounts would also provide relief for two other natural disasters that struck the region recently: Hurricane Georges, especially in the Dominican Republic, and an earthquake in Colombia. Part of the request would also replenish USAID and DOD emergency accounts which were drawn-down during the initial U.S. relief efforts. Major components of the supplemental include:

- \$474 million for road, school, and health clinic repairs, and loans for farmers
- \$64 million for environmental management and disaster mitigation aid
- \$42 million for reconstruction assistance to the victims of Hurricane Georges
- \$10 million for Colombian earthquake relief
- \$41 million for debt reduction for Honduras (\$16 million) and a U.S. contribution (\$25 million) to a Central American trust fund to help countries service their debts owed to the World Bank and regional development banks
- \$80 million for the Justice Department's Immigration and Naturalization Service to pay for the costs of reduced deportations to Central America and to deal with illegal immigrants coming to the United States because of Hurricane Mitch
- \$157.5 million to replenish DOD (\$132.5 million) and USAID (\$25 million)
- \$56 million for U.S. National Guard and Reserve "New Horizons" exercises in the region that will assist with infrastructure repair and medical services.⁴

Wye Memorandum — Middle East Supplemental⁵

On October 23, 1998, Israeli and Palestinian leaders, meeting at the Wye River Plantation in Maryland, signed the Wye River Memorandum calling on the two countries to meet commitments made in earlier peace initiatives, including further Israeli withdrawal from territory on the West Bank. In support of the Wye Memorandum, the United States subsequently pledged additional assistance for Israel, the Palestinians, and Jordan beyond regular annual levels of foreign aid. For Israel, the supplemental military funds would help pay for the costs of redeploying from areas of the West Bank; for the Palestinians, the additional aid would support continuing economic development programs mostly administered through non-governmental organizations; and for Jordan, the economic and military aid would assist Jordanian economic reform programs and military modernization efforts.

⁴ Prior to the White House submission of its supplemental appropriations request, Senator Graham and others introduced S. 371, the Central American and Caribbean Relief Act, authorizing funds for disaster aid and rehabilitation for the region. Amounts recommended in S. 371 are very similar to those proposed by the President in his appropriation request. S. 371, however, further includes a CBI trade enhancement initiative, something the White House says it will submit for consideration, but has not yet sent to Congress. A similar bill was introduced in the House, H.R. 984, on March 4.

⁵ For more information on the Wye Memorandum and Middle East peace efforts, see CRS Issue Brief 91137, *The Middle East Peace Talks*, by Carol Migdalovitz; and CRS Report RS20107, *Middle East: U.S. Foreign Aid - Wye Agreement Funding and the Request for FY2000*, by Clyde Mark.

Initially, the Administration submitted to Congress (February 1, 1999) a comprehensive Wye Memorandum aid request, proposing \$1.9 billion over three years: \$900 million as an FY1999 supplemental and \$500 million each for FY2000 and FY2001 as an advance appropriation.⁶ The country allocations and yearly distributions are illustrated in Table 1. Following the death in mid-February of Jordan's King Hussein, however, the Administration revised its Wye Memorandum supplemental, asking that the Jordan portion be separated and considered by Congress on an urgent basis together with the Hurricane Mitch supplemental. In amending its request, the White House argued that accelerated assistance would help promote stability in Jordan and throughout the region during the leadership transition period.

Table 1. Wye Memorandum Supplemental
(\$s in millions)

	FY1999	FY2000	FY2001	TOTAL
Israel — military aid	\$600	\$300	\$300	\$1,200
Palestinians — economic aid	200	100	100	400
Jordan				
economic aid	50	50	0	100
military aid	50	50	100	200
TOTAL	\$900	\$500	\$500	\$1,900

Other Supplemental Requests

In addition to the Central America/Caribbean reconstruction and Wye Memorandum supplementals, the President also proposed several much smaller FY1999 supplemental spending proposals in his February 1 budget submission for FY2000, including those for:

- Supreme Court salaries and expenses — \$1 million for additional staff
- National Oceanic and Atmospheric Administration — \$5 million to address new regulations in the Northeast Multispecies fishery (Gulf of Maine)
- Department of the Interior — \$6.8 million for the Trust Management Improvement Project
- Corporation for Public Broadcasting — \$11 million (plus \$37 million in advance appropriations for FY2000) for acquisition of satellite capacity.

⁶ An advance appropriation is a mechanism for Congress to appropriate funds immediately for an activity or program that will not require funds in the current year. The advance appropriation would be enacted in one year but not be available for obligation until a future year. For scorekeeping purposes, the advance appropriation would count against the year in which the funds are available for obligation. Congress has generally been reluctant to provide advance appropriations. Exceptions, however, are occasionally agreed to, including about \$7 billion in education funding in the FY1999 Labor, HHS, and Education appropriation.

On February 26, President Clinton proposed a further supplemental spending initiative, asking for \$152 million to provide credit and delivery of services to American farmers and ranchers who continue to be affected by a weakened farm economy. Of the total, \$109.6 million would be available to support \$1.1 billion in additional direct and guaranteed loans extended through five programs. Because of low commodity prices, farmers have been drawing on existing USDA loan programs at a faster rate than expected, that may result in the depletion of current resources sometime in the spring.

Submitted separately from this series of supplemental requests, and weeks after the House and Senate had given their approval, the President sent Congress additional supplemental proposals to cover the costs of U.S. military and humanitarian operations in Kosovo (\$6.15 billion) and for additional resources (\$372 million) for the Federal Emergency Management Agency (FEMA) to aid victims of the recent tornados in the mid-West. The House passed a separate Kosovo spending measure (H.R. 1664), but lawmakers added the Kosovo and FEMA funds to the supplemental package for Central America, Jordan, and American farmers when the latter was taken up in mid-May by a House/Senate conference committee.

Paying for the FY1999 Supplementals

A continuing controversy during the recent consideration of supplemental appropriations — and one that has emerged as the most contentious issue in the current debate — is whether to cover the costs of the additional spending through offsets, or to declare the requirement as an “emergency.”⁷ The emergency designation allows Congress to approve the supplemental funds without offsetting the amounts with rescissions in previously enacted discretionary appropriations or finding cuts in mandatory spending programs. But if Congress agrees with the President to define all or part of the supplemental as an “emergency” and not offset the amounts, discretionary spending rises beyond the agreed-upon “caps” and the size of the budget surplus for FY1999 declines. Between 1994 and 1997, Congress usually enacted budget authority offsets for supplementals. Reversing that practice, last year Congress declared nearly all of the \$21 billion supplemental appropriation enacted in P.L. 105-277 as an emergency. Some lawmakers strongly objected to this action and are vigorously opposing efforts to approve any supplemental funding for FY1999 without corresponding cuts in existing budget authority. Some congressional critics argue that, since the current surplus is due to Social Security, approving supplemental funds without offsets will reduce Social Security resources in the future.

The Administration designated the Central America/Caribbean relief package, USDA farm loans, and Kosovo operations as “emergencies,” not requiring reductions in existing budget authority. For the Wye Memorandum, however, the White House proposed to offset most of the \$900 million FY1999 portion with Defense Department funds has met with some opposition in Congress. In addition to rescinding \$18 million in previously enacted military assistance funds, the President

⁷ For a discussion of the debate over emergency supplemental appropriations for defense programs since FY1993, see CRS General Distribution Memo, *Emergency Appropriations for the Department of Defense*, by Stephen Daggett, August 18, 1998.

proposed to use \$652 million of DOD intelligence and \$230 million of DOD ballistic missile defense funds enacted last year as contingent emergency supplemental appropriations in P.L. 105-277. Additional spending for intelligence and missile defense resulted directly from initiatives developed by congressional leaders. Because the funds were “contingent” on the President designating them as an emergency, they are not available until the White House makes such a determination; and the President may choose not to do so. The President said the monies for intelligence and missile defense are not needed this year, and his budget request includes proposals for advance FY2001 appropriations for both of these accounts as offsets.

This proposal is especially controversial as it comes at a time when many in Congress believe that defense spending is too low and are seeking ways to increase appropriations for next year and beyond. Congress is considering a number of alternative offsets, and as noted below, some of these options have drawn sharp criticism from the Administration. A few have brought veto threats from the White House.

Congressional Actions

Agreeing with the President’s recommendation for immediate consideration of the Central America/Caribbean and Jordan supplemental requests, the Senate Appropriations Committee met on March 4 and reported out legislation providing \$1.9 billion in supplemental funding (S. 544), including \$100 million for Jordan, slightly higher than requested amounts for Central America/Caribbean rehabilitation efforts, and about twice as much as proposed for farm relief aid (\$308 million). The Senate panel also added about \$340 million to other Administration proposals, primarily for the transfer of resources for domestic disaster relief programs from HUD to the Federal Emergency Management Agency (FEMA) and for a \$1 billion loan guarantee program for the American steel industry.

Following three days of debate and consideration of more than 50 amendments, the Senate passed S. 544 on March 23. During Senate consideration, several amendments adding and rescinding funds were adopted, bringing the total amount of new spending to \$2.5 billion. The largest new funding amendments were those offered by Senator Bond for an additional \$150 million in aid for American hog farmers, a proposal by Senator Bingaman of \$125 million for oil and gas industry relief, and an initiative by Senator Domenici to create a \$500 million oil and gas guaranteed loan program. The Senate further set aside by tabling three other controversial amendments:

- to require prior congressional approval for the United States to support China’s membership in the World Trade Organization (Senator Hutchinson; tabled 69-30)
- to end funding for any independent counsel in existence more than 42 months after the termination of the independent counsel statute (Senator Torricelli; tabled by voice vote)

- to waive federal recoupment of medicaid claims stemming from tobacco-related state settlements if states agree to fund certain health programs (Senator Specter; tabled 71-29) (see below for more on this issue).

The House Appropriations Committee, meeting on March 11, reported a similar bill (H.R. 1141), adding small amounts to the Central America rehabilitation request, providing \$100 million for Jordan and \$152 million for farm relief assistance, as proposed by the President. The House Appropriations Committee reported its measure on March 17 and the full House passed it on March 24 (220-211). The House rejected several amendments, including two relating to the contentious offset issue.

New spending programs initiated in the Senate for the steel and oil/gas industries, the Senate provision permitting states to maintain full control over how to spend money from the settlement of tobacco lawsuits, and the congressional proposed cuts in existing resources to pay for the supplementals emerged as the most controversial issues as the legislation went before a conference committee in mid-May. S. 544, which offset all new supplemental budget authority and outlays, drew much of the program reductions from domestic spending (about \$1.3 billion). In order to ensure the bill was budget neutral in terms of outlays, the Senate further adopted an amendment by Senator Gramm that would rescind \$2.25 billion of non-defense emergency supplemental funds enacted in October 1998 (P.L. 105-277) for such things as U.S. embassy security and counter-terrorism programs, Y2K problems, and anti-narcotics programs. When Congress passed P.L. 105-277 last year, lawmakers did not include offsets for these supplemental initiatives.

H.R. 1141, which offset in budget authority all but about \$195 million in defense funds used to provide emergency relief for Central America, cut mostly from foreign policy programs — \$845 million. Unlike the Senate bill, however, the House measure did not provide enough rescissions to make the legislation budget-neutral in terms of outlays — CBO estimated that the House-passed version of H.R. 1141 would cost about \$800 million in outlays over the next 5 years. One of the largest rescissions included in the House bill was callable capital appropriated by Congress prior to 1980 to back U.S. contributions to multilateral development banks. Because of this and other foreign policy cuts, some Administration officials said the President should veto the House measure. Some House Members, on the other hand, opposed the bill because it does not offset all new supplemental spending.

Efforts to convene a conference committee to work out House and Senate differences stalled for weeks as controversy continued over higher spending in the Senate measure and the composition of offsets in both bills. Following the submission in April of another supplemental request for Kosovo military and humanitarian operations, congressional leaders decided to hold preliminary debate on Kosovo spending, and following House passage, to convene a conference meeting that would combine the issues of H.R. 1141 and the Kosovo measure.

On May 13, House and Senate conferees reached agreement on a \$15.1 billion supplemental measure (H.R. 1141), legislation that passed Congress by May 20 and was signed into law by the President on May 21 (P.L. 106-31). The enacted bill provides funds roughly at the President's request for Central America (\$1 billion) and

Jordan (\$100 million), but higher amounts (\$574 million) for American farm relief. H.R. 1141, as approved, nearly doubles the President's Kosovo request — from \$6.15 billion to \$12 billion — but trims \$1 billion from the level passed by the House in H.R. 1664 on May 6. All but \$2 billion of the enacted supplemental is declared an emergency. Conferees dropped most of the House and Senate-passed offsets over which the White House had threatened a veto. The largest remaining rescission is \$1.25 billion from food stamp surpluses. Conferees also deleted Senate provisions providing \$1 billion-plus loan programs for U.S. steel and the oil and gas industries. The conference agreement retains, however, a Senate amendment giving states complete control over how to spend money derived from the settlement of lawsuits against tobacco companies. The White House opposes this provision. Conferees further added \$900 million in domestic disaster relief funds to aid victims of the recent tornados in the mid-West.

Tables 2 and 3, attached at the end of this report, summarize funding and offsets proposed in the supplemental and compares congressional positions with the President's requests. Congressional action on major elements of the supplemental are discussed below.

Central America/Caribbean Relief

S. 544, as passed the Senate, recommended slightly higher funding (+\$12 million) than proposed by the President for Hurricanes Mitch and Georges reconstruction aid and assistance to earthquake victims in Colombia. The Senate fully funded the debt reduction and the Immigration and Naturalization requests, and made small changes to the mix of funding for other elements of the rehabilitation initiative. The House, in H.R. 1141, approved the same overall level as the Senate for Central American/Caribbean relief aid, making slight modifications in the allocation of funds, including the addition of \$5.6 million for USDA to repair damage to the Caribbean National Forest in Puerto Rico. In Committee, the Appropriations panel had defeated an amendment by Representative Pelosi that would have added \$25 million to forgive all debt owed to the U.S. by Nicaragua and Honduras.

The enacted bill fully funds the President's request for Central American relief, plus adds about \$44 million for defense disaster relief and training programs in the region, and military construction repairs in Puerto Rico.

Wye Memorandum - Jordan Aid Package

Both the Senate and House supported the President's request for \$100 million of additional and immediate economic and military assistance for Jordan but deferred the \$200 million advance appropriation proposal for funds beyond this year. The House Appropriations Committee further said that it strongly supported the full Jordan request and expected to favorably consider it as part of the FY2000 Foreign Operations spending bill. As anticipated, the Senate and House also deferred consideration of the remaining portions of the Wye Memorandum package for Israel and the Palestinians. H.R. 1141, as enacted, adopts the approach approved in House and Senate bills.

Farm Relief Aid

S. 544 went well beyond the President's request for supplemental credits and delivery of services to farmers and ranchers affected by continuing low commodity prices. The Senate approved the President's full recommendation for agriculture credits (\$152 million in loan subsidy), plus several new initiatives, including \$100 million for repairs to waterways and watersheds caused by domestic natural disasters, \$30 million for farm land rehabilitation following storm damage, \$150 million in relief for hog farmers who have been hurt by continued low pork prices, and \$70 million the livestock industry. In total, S. 544 appropriated a total of \$592 million for farm assistance. H.R. 1141, as passed in the House, provided funding at levels recommended by the President. The final agreement on H.R. 1141 provides \$574 million in farm relief aid, roughly at amounts passed by the Senate.

Other Congressional Supplemental and Policy Initiatives

The Senate and House funded several of the President's other smaller supplemental proposals. In addition, S. 544 added \$12.6 million for the U.S. Fish and Wildlife Service's storm damage repair efforts in the Pacific Northwest and Nevada and provided \$2 million for security enhancements at the Holocaust Museum. The latter was deleted by in the conference agreement. An amendment by Senator DeWine added \$23 million for State Department counter-narcotics programs, a provision included in the final bill. An initiative by Senator Bingaman provided for \$125 million in oil and gas industry relief, while a related amendment by Senator Domenici would create a \$500 million oil and gas guaranteed loan program. Neither were adopted by conferees.

The House measure added \$3 million for the U.S. Commission on International Religious Freedom, also included in S. 544, and \$5.6 million for a House page dormitory and renovation of the O'Neill House Office Building. The final legislation includes both of these initiatives.

The Senate bill also contained two new initiatives:

- S. 544 transferred from the Department of Housing and Urban Development (HUD) to the Federal Emergency Management Agency (FEMA) \$313.6 million that had been appropriated in previous supplementals. The funds would be available for disaster relief, recovery, and mitigation assistance to communities included in major disaster declarations issued by the President in FY1998 and FY1999. The Committee noted in its report dissatisfaction with HUD's failure to distribute funds under the Disaster Recovery Initiative, a view sparked mainly by the management of disaster funds after the Northeast ice storms of 1998.⁸ The \$313.6 million FEMA supplemental is offset by a rescission of \$313.6 million from HUD's Community Development Block Grants. The Administration opposes this proposal, requesting instead to

⁸ For a description of the Initiative see: U.S. Dept. of Housing and Urban Development, "HUD Disaster Recovery Initiative," *Federal Register*, v. 62, no. 173, Sept. 8, 1997, p. 47344-58.

consult with the Senate Appropriations Committee regarding its concerns with HUD's disaster relief program. Nevertheless, the enacted bill includes a \$230 million transfer to FEMA.

- On the recommendation of Senator Byrd, S. 544 would create a \$1 billion Emergency Steel Loan Guarantee program to aid American steel companies that have been adversely affected by a surge of foreign steel imports. Subsidy appropriation costs for the loan guarantee activity would be \$140 million. Following strong House opposition to the steel loan program because of its cost, conferees dropped the proposal. House and Senate leaders, however, say they will permit future debate on legislation to establish such a guarantee loan program.

The Senate bill further raised as General Provisions several policy issues, including:

- Extension of the public comment period, due to expire on May 10, 1999, on proposed amendments to surface mining regulations (Section 2002). There is special concern, especially from the Western Governors Association, that the Department of Interior will implement these revisions before the National Academy of Sciences (NAS) issues its anticipated July 31, 1999, report on the adequacy of existing state and federal regulations. Section 2002 would block any implementation until at least 120 days after the NAS issues its report, pushing back publication of new rules until at least December 1999. The Administration opposes a delay in the rule-making process. Conferees adopted the Senate position.
- Prohibition for the federal government to recoup any of the Medicaid funds recovered by the states in the \$206 billion tobacco settlement. The President's FY2000 budget includes a 5-year projection of federal recoupment of settlement funds, starting at \$4.6 billion in FY2001 and increasing to \$4.8 billion in FY2004. Since the lawsuits against tobacco companies were partially based on tobacco-related Medicaid expenditures, some argue that some of the settlement money should return to the federal government. At a minimum, some contend, the states should be required to earmark a portion of the funds for smoking abatement and child health programs. During floor debate, the Senate tabled an amendment by Senator Specter (71-29) that would have allowed the federal government to waive recoupment of Medicaid claims if states used a portion of the tobacco-related settlement funds for activities intended to reduce the use of tobacco products, to improve public health, and to help tobacco farmers diversify their production.⁹ The Administration opposes the Senate Committee provision but supports positions similar to those expressed in the defeated Specter amendment. The final legislation retains the Senate position.

⁹ For more information, see the CRS tobacco electronic briefing book at [<http://www.congress.gov/brbk/html/ebtobtop.html>].

In addition, conferees added a new provision regarding the Federal Aviation Administration's (FAA) program of grants-in-aid to airports. The Airport Improvement Program (AIP), is currently authorized through May 30, 1999. House and Senate leadership has indicated this leaves insufficient time to enact either of the multi-year FAA reauthorization bills under consideration (H.R. 1000; S. 82). Language added to the supplemental appropriations would extend the AIP's authorization to August 6, 1999. If the authorization is not extended, the AIP could go into abeyance. Projects underway could continue but no new projects could be approved.

Congressional Offsets for Supplemental Appropriations

Representing the greatest departure from the President's supplemental proposal, the Senate and House recommended the rescission and other savings provisions that would offset nearly all new budget authority, and in the case of the Senate, outlays as well. The Senate measure cut \$4.8 billion, mostly from domestic budgets, plus proportional reductions in emergency and regular FY1999 non-defense budget accounts. The House measure cut \$1.12 billion from existing budget authority, three-quarters of which was drawn from foreign policy programs. During House floor debate on March 24, lawmakers rejected two amendments that would have, in one case, deleted several of the foreign policy rescissions (amendment by Representative Obey; 201-228) and in the other, rescinded additional funds in order to make H.R. 1141 fully offset in budget authority (amendment by Representative Tiahrt; 164-264).

The decision to offset the supplemental and the selection of specific program reductions raised the strongest objections from the Administration, with recommendations from some officials that the President should veto either measure. The final conference agreement, however, appears to defuse the offset controversy. Of the total amount of new appropriations (\$14.9 billion), all but \$2 billion is designated as emergencies, not requiring cuts in existing funds. Nearly all of the emergency appropriations are for Kosovo operations. Conferees deleted the most controversial offsets: the Senate-passed across-the-board cuts in non-defense emergency funds enacted last year, and the House-approved \$648 million rescission of World Bank and other MDB callable capital.

Instead, conferees increased a Senate-proposed \$521 million rescission in the food stamp program to \$1.25 billion. In proposing this offset initially, the Senate Appropriations Committee noted that according to revised requirements, not all food stamp funds would be needed in FY1999 and would expire at the end of the fiscal year. The Committee had recommended a \$285 million rescission, but the level grew during Senate debate in order to offset additional new spending for hog farmer relief, State Department counter-narcotics programs, grants to low-income migrant and seasonal farm workers, the Conservation Reserve Program, and the Rural Communities Advancement Program. Based on the most recent estimates, it appears that there will be at least a \$1.4 billion, and perhaps as much as \$2 billion surplus in food stamps.¹⁰ Conferees also rescinded \$350 million in HUD public and Indian

¹⁰ For further information, see CRS Report 98-59, *Food Stamps: Background and Funding*.

housing funds. Food stamps, the housing deferral, and the transfer of HUD funds to FEMA make up nearly all rescissions included in the enacted legislation.

Among those rescissions dropped by conferees, but over which strong White House opposition emerged, included:

- Immigration and Naturalization Service — \$65 million rescission in S. 544 for salaries and the citizenship and benefits program office. The reduction in INS salaries could have effected efforts to hire additional border agents. The INS is also facing an unprecedented two million pending case load of naturalization applications.
- Contributions to International Organizations and Peacekeeping — \$46 million rescinded in S. 544, funding that, according to the Senate Appropriations Committee, was in excess of approved or required levels. It is possible that recent exchange rate gains coming from a stronger dollar could have reduced the impact of this reduction for international organization contributions, but it also might have resulted in adding to existing U.S. arrears to these organizations.
- Foreign aid to Haiti, Russia, and Bosnia — \$30 million rescinded in S. 544 that would be drawn from existing funds for Haiti, Russia, and Bosnia. H.R. 1141 rescinded \$45 million for aid to Eastern Europe and the former Soviet Union.
- Foreign food aid loans — \$30 million rescinded in H.R. 1141. The House Appropriations Committee said that funds carried in from the previous year would be sufficient to maintain the program at planned levels even with this reduction. The Administration, however, had assumed a \$50 million carry-in for FY2000 in its budget request in order to keep the program operating at current levels.
- Callable capital for the World Bank and other regional international financial institutions — \$648 million rescinded in H.R. 1141. Prior to 1980, Congress appropriated both paid-in capital, funds the U.S. actually transferred to the Banks, and callable capital, a “full faith and credit” commitment by the U.S. government that could be provided in the event of a bank crisis. None of this callable capital has ever been drawn upon, and since 1980, only paid-in capital has been appropriated and “scored” as a budget item. The House Committee contended that its action would not alter its support for the MDBs nor would it have any significant impact on the financial strength of the banks. Treasury Secretary Rubin, however, told the House Foreign Operations Subcommittee on March 17 that several experts had advised him that the Committee’s action could increase the borrowing costs of the banks and undermine MDB efforts to stabilize Asian and Latin American economies in crisis. He further warned of the precedent this rescission would set — about \$12 billion in pre-1980 appropriated callable capital exists that some lawmakers might be inclined to draw from in future spending bills that require offsets. He would recommend a veto of the bill, he said, if the rescission remained in the bill. Moreover, some Members pointed out that the callable capital appropriations had no

outlays associated with them, so that the rescission would not have resulted in any real reduction in U.S. government expenditures.

- Russian plutonium and uranium disposal — \$150 million rescinded in H.R. 1141. The Committee noted that U.S.-Russian agreements to set up programs to dispose of the excess plutonium and uranium from nuclear weapons had yet to be settled and that not all of the \$525 million appropriated for FY1999 was needed. Administration and other critics contended, however, that the agreements are nearly in place, and that the House action sent a signal that the United States was not committed to maintaining the security of the excess nuclear material.

In addition, S. 544 proposed to rescind nearly \$3 billion of the funds Congress appropriated in last year's Omnibus Appropriation Act (P.L. 105-277) for non-defense emergency activities. This would have represented about a 44% reduction for all emergency funding, other than DOD—Military, provided in Division B of the omnibus spending measure.¹¹ The Senate Appropriations Committee had proposed a rescission of \$343 million, or about 5% of unobligated non-defense emergency funds in P.L. 105-277, in the reported version of S. 544. During floor debate, Senator Gramm pointed out that while S. 544 offset new budget authority recommended in the bill, outlays for supplemental funds would be higher than outlays rescinded in the bill — the overall effect of S. 544 would be to add about \$441 million in expenditures for FY1999. In order to ensure that new spending in S. 544 would not reduce the projected surplus, Senator Gramm proposed and the Senate agreed to rescind \$2.25 billion in budget authority from emergency non-defense money in P.L. 105-277, an amount that would result in \$441 million in fewer outlays for FY1999. After adopting the Gramm amendment, the Senate also approved additional supplementals for livestock industry relief and oil and gas industry aid, both of which were offset by additional cuts from last year's emergency supplemental. As passed, S. 544 rescinded \$2.968 billion in budget authority from the non-defense emergency money in P.L. 105-277.

Cuts would have been made on a proportional basis across all non-defense accounts, which Congress approved on an emergency basis without offsets. Among the major emergency initiatives funded in P.L. 105-277 that would have potentially been affected by a proportional reduction included money for U.S. embassy security and other counter-terrorism enhancements, Y2K conversion, counter-narcotics programs, and domestic natural disaster assistance. The reduction in embassy security funding was especially contentious. The Administration has proposed a follow-on, \$3 billion 5-year initiative that would begin in FY2001. But an expert panel recommended in late 1998 that the State Department needs to spend \$1.4 billion per year for 10 years in order to provide adequate security to counter terrorist threats at

¹¹ Congress approved about \$5.9 billion for emergency agriculture relief programs in P.L. 105-277, but because these amounts were enacted in Division A of the bill, where regular FY1999 appropriations were placed, they would not be affected by this provision in S. 544.

U.S. facilities overseas. Some critics in Congress have called the Administration's \$3 billion initiative as inadequate and say they will press for more funding.¹²

Legislation

P.L. 106-31 (H.R. 1141)

Making Emergency Supplemental Appropriations for FY1999. Marked-up and ordered reported by the House Appropriations Committee, March 11, 1999. Introduced and reported (H.Rept. 106-64) on March 17. Passed the House March 24 (220-211). Passed the Senate on March 25, after inserting the Senate-passed text of S. 544. House/Senate conferees reached agreement on May 13, after inserting funding for Kosovo military and humanitarian operations that the House had passed in H.R. 1664 on May 6 (H.Rept. 106-143). Conference report filed on May 14 (H.Rept. 106-143); agreed to in the House on May 18 (269-158); agreed to in the Senate on May 20 (64-36). Signed by the President on May 21.

S. 544 (Stevens)

Emergency Supplemental Appropriations Act for Fiscal Year 1999. Introduced and reported by the Committee on Appropriations, March 4, 1999 (S.Rept. 106-8). Passed the Senate March 23. Senate passed H.R. 1141 on March 25, after inserting the text of S. 544.

¹² For example, on April 29, the House International Relations Committee reported H.R. 1211, authorizing \$1.58 billion for security and maintenance of U.S. missions, \$1.1 billion more than the State Department proposes for FY2000.

Table 2. Supplemental Appropriations, FY1999
(\$s in millions)

	Request	Senate	House	Conf.
Central America/Caribbean Aid:				
Central America/Caribbean Recovery Fund	\$621.0	\$611.0	\$621.0	\$621.0
Debt Restructuring-Nicaragua & Honduras	41.0	41.0	41.0	41.0
USAID Disaster aid	25.0	35.0	25.0	25.0
DOD Disaster Relief	132.5	132.5	132.5	133.6
DOD "New Horizons"	56.0	57.2	62.4	62.3
Justice/Immigration & Naturalization	80.0	80.0	80.0	80.0
Caribbean Natl Forest, Puerto Rico	0.0	0.0	5.6	5.6
Mil Con-Hurricane Georges Reconstruction	0.0	14.5	0.0	31.4
TOTAL, Central America/Caribbean	955.5	971.2	967.5	999.9
Jordan/Wye Memorandum Assistance	300.0*	100.0	100.0	100.0
Farm Relief Aid:				
Migrant & Seasonal Farm worker grants	0.0	25.0	0.0	20.0
Farm Service Agency S&E	42.8	42.8	42.8	42.8
Ag Credit Insurance Fund subsidy	109.6	109.6	109.6	109.6
Emergency Conservation Program	0.0	30.0	0.0	28.0
Livestock Indemnity Program	0.0	3.0	0.0	3.0
Livestock Industry Relief	0.0	70.0	0.0	70.0
Watershed & Flood Prevention	0.0	100.0	0.0	95.0
Conservation Reserve Program	0.0	28.0	0.0	28.0
{Conservation Reserve Program — FY2000}	0.0	0.0	0.0	{35.0}
Rural Communities Advancement Program	0.0	30.0	0.0	30.0
Rural Housing Insurance Fund subsidy	0.0	1.5	0.0	1.5
Rural Housing Grants	0.0	1.0	0.0	1.0
Section 32 agriculture asst (pork sector aid)	0.0	150.0	0.0	145.0
Agricultural Marketing Service	0.0	0.7	0.0	0.0
Total, Farm Relief	152.4	591.6	152.4	608.9
Kosovo Military & Humanitarian Operations (HR 1664):				
Military personnel (SW Asia)	16.5	—	16.5	16.5
Kosovo Military Operations	3,300.9	—	3,300.9	3,300.9
DOD Kosovo Refugee Operations	335.0	—	335.0	335.0
Readiness & Munitions Reserve	850.0	—	1,311.8	1,100.0
Southwest Asia Military Operations	257.8	—	257.8	257.8
Munitions Procurement	697.9	—	697.9	697.9
Operational Rapid Response Account	0.0	—	400.0	300.0
Spare Parts	0.0	—	1,339.2	1,124.9
Depot Maintenance	0.0	—	927.3	742.5
Recruiting	0.0	—	156.4	100.0
Readiness Training	0.0	—	307.3	200.2
Base Operations	0.0	—	351.5	182.4
FY2000 Pay & Retirement	0.0	—	1,838.4	1,838.4
Coast Guard pay and O&M	0.0	—	—	200.0
Military Construction	0.0	—	1,071.0	475.0

	Request	Senate	House	Conf.
State Dept. Diplomatic & Consular	17.1	—	17.1	17.1
Security of U.S. Missions & Evacuations	7.9	—	53.4	53.4
Migration & Refugee aid	125.0	—	195.0	266.0
Emergency Migration & Refugee Fund	95.0	—	95.0	165.0
Economic Support Fund--“front-line” states	105.0	—	105.0	105.0
East European aid	170.0	—	75.0	120.0
USAID Disaster aid	71.0	—	163.0	163.0
Food aid for refugees in the Balkans	0.0	—	0.0	149.2
Temp resettlement-Kosovar Albanians in US	100.0**	—	0.0	100.0
TOTAL, Kosovo	6,149.1	—	13,014.5	12,010.2
Other Supplementals:				
US Fish & Wildlife natural disaster repair	0.0	12.6	0.0	12.6
US Holocaust Museum security	0.0	2.0	0.0	2.0
Federal Emergency Management Agency	0.0	313.6	0.0	230.0
FEMA tornado disaster relief	372.0	0.0	0.0	900.0
Steel Loan Guarantee Program	0.0	145.0	0.0	0.0
NOAH - Northeast Multispecies Fisheries	5.0	3.9	0.0	1.9
Supreme Court	0.9	0.9	0.9	0.9
Army National Guard Technician Pay	0.0	20.0	0.0	20.0
Special Trustee for American Indians	21.8	6.8	21.8	21.8
Corporation of Public Broadcasting	48.0*	18.0	48.0*	48.0*
Court of Veterans Appeal	0.4	0.0	0.0	0.0
Postal Service Fund	29.0	0.0	29.0	29.0
US Commission on Intl Religious Freedom	0.0	3.0	3.0	3.0
Architect of the Capitol	0.0	0.0	5.6	5.6
HHS-Nursing Home Appeals	0.0	1.4	0.0	1.0
Corps of Engineers-Lake Tahoe	0.0	0.5	0.0	0.0
Interior-Headgate Rock Hydroelectric Project	0.0	5.0	0.0	0.0
Interior-Glacier Bay Natl Park fishing comp.	0.0	3.0	0.0	26.0
Counter-narcotics R&D — State Department	0.0	23.0	0.0	23.0
Natl Drug Control-High Intensity Trafficking	0.0	1.3	0.0	2.5
Oil and Gas Industry Relief	0.0	125.0	0.0	0.0
Oil and Gas Guaranteed Loan Program	0.0	127.5	0.0	0.0
Census funding	0.0	0.0	0.0	44.9
WTO meeting in Seattle	0.0	0.0	0.0	1.3
Election monitoring in East Timor (ESF)	0.0	0.0	0.0	6.5
BATF Natl Tracing Center	0.0	0.0	0.0	4.5
Education for the Disadvantaged (FY2000)	0.0	0.0	0.0	56.4*
NTSB-TWA Flight 800 investigation	0.0	0.0	0.0	2.3
Terrorism Commission	0.0	0.0	0.0	0.8
Chapter 11 — General Provisions	0.0	8.0	0.0	9.7
IFI Commission & IMF Committee	0.0	0.0	0.0	1.5
TOTAL, Other Supplementals	477.1	820.5	108.3	1,455.2
GRAND TOTAL	7,834.1	2,483.3	14,342.7	15,174.2

* Includes advance appropriations for FY2000/FY2001.

** Unofficial request from the Administration.

Table 3. Rescissions, Offsets, and Deferrals
(\$s in millions)

	Request	Senate	House	Conf.
Domestic Programs:				
Food Stamp Program	\$0.0	521.0	\$0.0	\$1,250.0
Dept. of Justice—IG Office	0.0	5.0	0.0	0.0
Dept. of Justice—INS, S&E	0.0	40.0	0.0	0.0
Dept. of Justice—INS, Citizenship & Benefits	0.0	25.0	0.0	0.0
Natl Oceanic & Atmospheric Administration	0.0	3.0	0.0	0.0
Interior Dept-Bureau of Land Mgmt.	6.8	6.8	6.8	6.8
Labor Dept-Unemployment Insurance	5.7	17.4	21.0	22.4
HUD-Public and Indian Housing	0.0	350.0	0.0	350.0
Education Dept-Research, Stats,&Improve.	0.0	8.0	6.8	6.5
HUD-Community Development Block Grant	0.0	313.6	0.0	230.0
EPA-Climate Change Technology Initiative	0.0	10.0	0.0	0.0
Executive Office of the President	10.0	0.0	10.0	10.0
USDA - Counter-drug R & D	0.0	23.0	0.0	22.5
Drug Control Program-Special Forfeiture Fund	0.0	1.3	0.0	0.0
Farm Service Agency-Emergency Conservation Fd	0.0	0.7	0.0	0.0
Dept of Transportation, Payments to Air Carriers	0.0	0.0	0.8	0.8
Fed Hwy Admin-State Infrastructure Bank Prog	0.0	0.0	6.5	6.5
PL 480 Food aid	0.0	0.0	30.0	0.0
Federal Transit Administration	0.0	0.0	1.3	1.3
HHS, Fed Capital Loan Program for Nursing	0.0	0.0	2.8	2.8
Corps of Engineers-Scranton, PA	0.0	5.5	0.0	0.0
Bureau of Tobacco and Firearms	0.0	0.0	0.0	4.5
Total, Domestic	22.5	1,330.3	86.0	1,914.1
Foreign Policy Programs:				
Contribution-Intl Organization/Peacekeeping	0.0	43.0	0.0	0.0
Contribution-Global Environment Facility	0.0	60.0	25.0	25.0
Contribution (voluntary)-Intl. Orgs.	0.0	10.0	10.0	0.0
Contribution-Intl Peacekeeping (non-UN)	0.0	0.0	10.0	0.0
Multilateral Development Banks Callable Capital	0.0	0.0	648.0	0.0
USAID Development aid	0.0	0.0	40.0	0.0
Economic Support Fund	0.0	10.0	17.0	5.0
East Europe/Bosnia aid	0.0	10.0	20.0	0.0
Former Soviet/Russia aid	0.0	10.0	25.0	0.0
Foreign Military Financing	18.0	0.0	0.0	0.0
Export-Import Bank	0.0	0.0	25.0	0.0

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	Request	Senate	House	Conf.
Trade and Development Agency	0.0	0.0	5.0	0.0
USIA Buying Power Maintenance	0.0	0.0	20.0	20.0
International Broadcasting	0.0	1.0	0.0	0.0
Total, Foreign Policy	18.0	144.0	845.0	50.0
Defense Programs:				
DOD, O&M Defense-Wide—fuel costs	0.0	217.7	0.0	0.0
DOD—Intelligence	82.0	0.0	40.0	0.0
Mil Con/DOD Base Realignment & Closure	0.0	14.5	0.0	31.4
Russian Plutonium & Uranium Disposal	0.0	0.0	150.0	0.0
Total, Defense	82.0	232.2	190.0	31.4
Non-defense emergency in P.L. 105-277	0.0	2,968.0	0.0	0.0
Non-defense discretionary for FY1999	0.0	100.0	0.0	0.0
TOTAL, Rescissions, Offsets, & Deferrals	\$122.5	\$4,774.5	\$1,121.0	\$1,995.5