



Budget and Appropriations

What to Watch For

Despite the unified government in Biden's first two years as President, the budget and appropriations process has not been without challenges. With a narrow House majority and a 50-50 Senate, Democrats have used the reconciliation process to pursue budget-related legislation. In lieu of full Fiscal Year 2023 funding, Congress passed a continuing resolution to temporarily fund the government into December. Under conditions generally conducive to a productive Congress, appropriations legislation has not always been easy. With Republicans in control of at least one chamber of Congress, future appropriations processes may be more challenging.

Fiscal Year 2023 Funding

In the near term, Congress must pass legislation that will fund the government for the remainder of FY 23. Prior to its adjournment at the end of September, Congress passed a continuing resolution, which extended funding for government programs through December 16th and averted a government shutdown. The Republican House victory and the Senate being up in the air will likely complicate this, as some Republicans have already called for another short-term continuing resolution to wait until a newly elected Republican majority is sworn in. This would provide Republicans more control over spending levels and various programs for the remainder of FY23. Should they decide to wait, in addition to having to simultaneously work on both FY23 and FY24 spending bills, all of the House and Senate earmarks (dubbed "Community Funding Projects" and "Congressionally Directed Spending") currently included in the House and Senate bills, would be lost. See below for more information on earmarks.

In his FY23 appropriations request, President Biden sought major funding increases to the Department of Commerce, Department of Veterans' Affairs, and Environmental Protection Agency.

Debt Limit

The government is expected to hit the current debt ceiling of \$31.4 trillion sometime early next year. Raising the debt limit is necessary to allow the Treasury to pay bondholders on debt incurred by the federal government. President Biden and legislators will need to negotiate a deal to avoid the risk of the federal government defaulting, which would have serious economic consequences.

Some House Republican leaders have voiced support for using the debt limit negotiations as a way to gain concessions aimed at limiting federal spending. Similar negotiations took place during the Obama administration, which resulted in the Budget Control Act of 2011, which raised the debt limit and instituted budget caps on discretionary spending. It is worth noting that Congress subsequently passed bills to raise those budget caps. Democrats will likely push for consideration of the debt limit during the lame duck session.

Ukraine Support Funding

Republicans are divided over continued funding for the Ukrainian war effort. Several Republicans, including current Minority Leader Kevin McCarthy (R-CA), have suggested that continued funding for the Ukrainian war effort may be more challenging in a GOP-controlled House. Others, including Senate Minority Leader Mitch McConnell (R-KY) and Mike McCaul (R-TX), Ranking Member of the House Foreign Affairs Committee, disagree and support continuing to fund Ukraine.

Earmarks

Democrats brought back earmarks in 2021 (for FY22) for the first time in a decade and in a vote of 102-84, House Republicans also removed their own ban on earmarks. For FY22, only 109 Republicans requested earmarks, but the process became more appealing to Republicans this year with over 120 Republicans requesting earmarks for FY23. With the House changing control, there will be calls from parts of the GOP to ban earmarks yet again. However, we are thinking it is likely that earmarks, in some form or another, will remain given the allure for Members to control direct funding to their districts/states. The return of earmarks came with greater transparency and in turn less criticism as in years past.

Congressional Leadership Changes

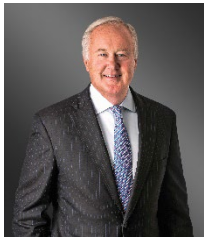
The Senate Appropriations Committee will undergo major changes in the 118th Congress, as both Chairman Patrick Leahy (D-VT) and Ranking Member Richard Shelby (R-AL) are retiring. Each has served time as chairman in recent congresses. They will leave behind a track record of bipartisan dealmaking and collaboration. Sen. Patty Murray (D-WA) is expected to be the top Democrat on the committee. On the Republican side, Sen. Susan Collins (R-ME), will become the top Republican on the entire committee, as well as the Subcommittee on Defense.

In the House, the top Republican on the Committee on Appropriations is likely to be Rep. Kay Granger (R-TX). She has served as Ranking Member since 2019. The top Democrat will be Rep. Rosa DeLauro (D-CT), who has served as Chair since 2021.

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