EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

September 26, 2008
(House)

STATEMENT OF ADMINISTRATION POLICY

H.R. 7110– Making Emergency Supplemental Appropriations for Fiscal Year Ending September 30, 2008, and for other purposes.

(Chairman David Obey (D) sponsor)

Earlier this year, the President and Congress agreed on bipartisan legislative action to provide fiscal stimulus for our economy to respond to signs of a possible economic slowdown. We worked together to enact a bipartisan stimulus package that quickly put more than $150 billion in the hands of American consumers and businesses, focusing on rebates for lower and middle income families. We provided incentives for business investment and in other legislation, extended unemployment benefits, and took direct action to help homeowners.

More recently, the Treasury and the Federal Reserve have taken additional actions to promote stability and strength in the marketplace, including proposing legislation to address the urgent crisis in our credit system to prevent or limit damage to the broader economy. These actions were all tailored to address the most pressing needs in our economy, while recognizing the need to conserve and protect taxpayer dollars to the greatest extent possible. The Senate Democrats' bill, however, fails to meet this standard for responsible legislating.

H.R. 7110 will not provide short term stimulus or long-term growth for the economy. It will not address the economy's most pressing concern, the recent instability in the financial markets. Nor will it be an effective, efficient vehicle for job creation. Instead, the bill would simply increase government spending including self-perpetuating entitlement spending by tens of billions of dollars. Record spending that could lead to record tax increases or higher deficits will not advance our economic recovery; it will hinder it. <u>If this bill were presented to the President, he would veto the bill.</u>

The Administration's specific concerns about the bill include the following:

<u>Infrastructure</u>. The Administration opposes the additional infrastructure spending in H.R. 7110, including spending on highways, transit, school repair and renovation, and water projects. Funding for these longer term projects should be provided through the normal appropriations process and be subject to appropriate budgetary controls. Infrastructure spending is never an effective means to create rapid stimulus. Infrastructure projects require lengthy time periods to plan and build and would not create a substantial number of jobs in the near future. The billions of dollars of previous year Federal transportation earmarks that are currently unspent is further evidence that Federal transportation spending outside traditional state and local processes is unlikely to produce meaningful benefits. In addition, school renovation and repair have long been a State and local responsibility and an increase in funding these activities simply shifts the responsibility to the Federal government instead of providing meaningful stimulus.

Unemployment Insurance. In addition to the 26 weeks of regular State unemployment benefits available to unemployed workers, the President and Congress recently approved an additional 13 weeks of unemployment benefits in July of this year, totaling more than nine months of available benefits for each covered worker. Unemployment benefits should be temporary in nature to encourage a return to work as quickly as possible. In addition, the further expansion of unemployment benefits proposed in the bill fails to target Federal resources to States experiencing high unemployment rates.

Medicaid Payments to States. The Federal Medical Assistance Percentage (FMAP) increases in H.R. 7110 will not stimulate the U.S. economy, but instead shift additional costs from State governments to the Federal taxpayer. FMAP rates are not an appropriate tool to influence short-term economic developments. Instead they are designed to implement a statutory formula using per capita income and other economic factors to share the health care burden between the State and the Federal government. As a result, the Federal government already pays well over half of the cost of States' Medicaid programs.

Food Stamps. On October 1, Food Stamp beneficiaries will see an increase in benefits on average of 11 percent per person per month. In addition, the Food Stamp Program has a Contingency Fund to cover any potential funding shortfalls, and the Administration released $3 billion in August and September to augment funding levels for the current fiscal year. The Food Stamp Program has been well-funded this year to meet the needs of low-income beneficiaries.

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