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House GOP Leaders Set to Cut Spending

Leadership Shake-Up Spurred Policy Shift

By Jonathan Weisman
Washington Post Staff Writer
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House Republican leaders have moved from balking at big cuts in Medicaid and other programs to embracing them, driven by pent-up anger from fiscal conservatives concerned about runaway spending and the leadership's own weakening hold on power.

Beginning this week, the House GOP lawmakers will take steps to cut as much as \$50 billion from the fiscal 2006 budget for health care for the poor, food stamps and farm supports, as well as considering across-the-board cuts in other programs. Only last month, then-House Majority Leader Tom DeLay (Tex.) and other GOP leaders quashed demands within their party for budget cuts to pay for the soaring cost of hurricane relief.

DeLay told a packed room of reporters on Sept. 13 that 11 years of Republican rule had already pared down the federal budget "pretty good." If lawmakers had suggestions for cuts, DeLay said he would listen, but he was not offering anything up.

But faced with a revolt among many conservatives sharply critical of him for resisting spending cuts, DeLay three weeks later told a closed meeting of the House Republican Conference, "I failed you," according to a number of House members and GOP aides. Then, in a nod to the most hard-core conservatives, DeLay volunteered, "You guys filled a void in the leadership."

The abrupt shift reflects a changed political dynamic in the House in which a faction of fiscal conservatives -- known as the Republican Study Committee, or RSC -- has gained the upper hand because of DeLay's criminal indictment in Texas, widespread criticism of the Republicans' handling of Hurricane Katrina, and uncertainty over the future of the leadership, according to lawmakers and aides.

Now, cutting the budget -- which only months ago seemed far from possible -- is at the center of the agenda in the House. "No one wants to have an argument with friends, but that argument facilitated the debate that led to the package [of cuts] that [House Speaker J. Dennis] Hastert has now put out there," said Rep. Mike Pence (Ind.), chairman of the RSC and a leading proponent of cuts to offset new government spending.

But Republicans could be taking a big risk by cutting Medicaid programs while their standing in the polls has plummeted and Democrats gear up for a fight. "We have seen a sea change in the budget policies of House Republicans," said Thomas S. Kahn, the Democratic staff director of the House Budget Committee. "Clearly, the RSC's influence over their budget policies is in the ascendancy."

The RSC launched a public crusade for spending cuts last month, with its leaders using news conferences, television appearances and media interviews to all but accuse the GOP leadership of profligacy. House leaders at first tried to crush the RSC, or at least push its efforts back behind closed doors.

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But a Texas grand jury's Sept. 28 indictment of DeLay changed the balance of power, forcing the leadership to shore up its conservative base and raising the prospect of a new leadership election that would further undermine GOP unity entering an uncertain election season.

DeLay may continue to exercise power informally, as he did Oct. 7 in working the floor to help narrowly pass an energy bill. But DeLay and his leadership allies are mindful that the rank and file could demand new elections to permanently fill the majority leader's post -- temporarily being held by Rep. Roy Blunt (Mo.) -- if members grow impatient with GOP policies.

"Our real leverage has come from the fear that DeLay will not have a post to come back to," said Rep. Jeff Flake (Ariz), another RSC leader. "They are deathly afraid of a leadership election in January."

A revolt has been stirring within the House GOP ranks for months. Fiscal conservatives had accepted an expanded federal role in education enshrined in President Bush's No Child Left Behind Act, had lost a fight to block the Medicare prescription drug benefit -- the largest entitlement expansion since Lyndon Johnson was president -- and had even embraced the mammoth transportation law that passed this summer with a record-shattering number of pork-barrel projects.

Since Bush came to office, federal spending had grown by a third, from \$1.86 trillion to \$2.47 trillion, while record budget surpluses turned to record deficits. Conservative activists, led by talk show hosts and opinion columnists, had begun pressing Republicans hard on what they saw as Big Government Conservatism.

"Congress had found itself very much on the defensive," said Ronald D. Utt, a federal budget expert at the Heritage Foundation. Then came Katrina in late August.

Lawmakers rushed back to Washington, eager to demonstrate their sympathy for the victims of the storm after Bush was widely criticized for his tardy response.

A planned conservative agenda of tax cutting, a permanent end to the estate tax, and the first cuts in Medicaid and other entitlement programs in nearly a decade appeared lost. Some Republicans were even suggesting it might be time to raise taxes, joining a chorus of Democrats pressing to roll back some of Bush's tax cuts.

"There was an element of the last straw in this," Pence said.

By Sept. 7, Congress had already enacted a \$10.5 billion hurricane-relief measure, with a \$52 billion bill pending. Rep. Jeb Hensarling (R-Tex.) went to the House Rules Committee with an amendment to pay for the next installment with a one-time, 3 percent cut to all federal programs subject to Congress's annual spending bills, outside of defense, homeland security and veterans affairs.

The move was crushed. Instead, House leaders put the Katrina funding up for a vote under the rules reserved for non-controversial bills -- such as the renaming of a courthouse -- with no amendments allowed.

Conservatives were furious, Flake said, but not nearly as furious as they would become Sept. 13. The RSC was created in the early 1970s by conservative gadfly Paul Weyrich and other outside activists to watch over the House GOP leadership, but its power has waxed and waned, largely according to the dictates of the leadership it was supposed to be watching over.

Now, under Pence, the group was flexing its muscles. He had announced a news conference for Sept. 14 to unveil "Operation Offset," a menu of spending cuts that would more than pay for hurricane relief. On Sept. 13, DeLay suggested that "after 11 years of Republican majority, we've pared [the government] down pretty good." Then he issued what conservatives took as a challenge.

"My answer to those that want to offset the spending is, 'Sure, bring me the offsets,' " he said. "I will be glad to do it, but no one has been able to come up with any yet."

That afternoon, Pence attended a leadership meeting in Hastert's conference room, where he would get an earful, according to several leadership aides. It was one thing to suggest that Republicans consider budget cuts to pay for Katrina relief, but it was quite another to call a news conference, the leaders told Pence. And to suggest that the RSC was reining in a free-spending party was out of bounds. The deficit for 2005 was coming in nearly \$100 billion below initial forecasts, they said, and GOP leaders that spring had muscled through Congress a budget blueprint that ordered up \$35 billion in entitlement cuts over five years, the first such effort since 1997.

The appeals appeared only to harden the conservatives' resolve. And DeLay, for so long a symbol of conservative power, found himself an object of ridicule. One member, who spoke on the condition of anonymity, said Republicans joked that one of the cuts could not be the president's proposed mission to Mars, because DeLay was already up there.

DeLay spokesman Kevin Madden said that some of the criticism of DeLay was unfounded. He had challenged lawmakers to bring forward budget cuts, but he had also emphasized that the cuts already ordered in the budget would go through.

But two confidants of DeLay, who spoke on the condition of anonymity to not jeopardize their relationship with the still-powerful Texan, said he now knows he and other Republican leaders stirred up a hornet's nest that day.

"He screwed up," one of the confidants said of DeLay's comments. "People were completely taken aback. That more than anything else was the reason Republicans were upset."

The events of Sept. 13 ricocheted through conservative talk shows, the Internet and newspaper columns, where Republicans were taking a beating from the right.

Then on Sept. 28, DeLay was indicted by a Texas grand jury on charges that he had conspired to funnel illegal corporate donations to Texas candidates.

Under House rules, DeLay had to relinquish his post as majority leader, but he pleaded with Republicans not to permanently replace him while he is fighting the charges.

In the turmoil, leaders had no choice but to firm up support with their conservative base and try to head off a leadership fight, lawmakers and leadership aides said.

After several meetings, Hastert emerged from a closed Republican session the night of Oct. 6 to announce that he had gotten the message. Cuts to entitlement programs such as Medicaid, food stamps and farm supports would be raised from \$35 billion to \$50 billion in the massive budget bill that will be compiled in November. Republicans would push an additional across-the-board spending cut for 2006 and would try to trim programs already funded.

"We went from being in the doghouse to being feted as the heart and soul of the party," Flake said jokingly.

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