



December 7, 2022

WHAT YOU NEED TO KNOW ABOUT

The Lame Duck Government Funding Deal

PRO POINTS

- **Leading lawmakers are still working to clinch a bipartisan deal** on overall defense and nondefense funding totals, a critical first step toward advancing negotiations on a sprawling year-end government funding package. Once top appropriators settle on those figures, they can hash out the details and policy provisions that will comprise the so-called omnibus, which would boost federal agency budgets for the remainder of the fiscal year.
- **Federal cash expires on Dec. 16. As talks drag on**, lawmakers may need to pass at least a one-week stopgap spending bill, continuing current funding levels through Dec. 23. Without a deal to increase spending, congressional leaders have warned they may have to pass a yearlong funding bill known as a continuing resolution, meaning federal agencies would have to operate at stagnant funding levels for the better part of 2023.
- **Many Republicans and Democrats agree the Pentagon can't afford to operate on a yearlong stopgap** — something the military has never had to do — and that additional money to help Ukraine is needed in a year-end government funding accord. But the two sides are split over domestic spending. Republicans argue that Democrats have satisfied their nondefense needs through huge party-line climate, tax, health and Covid aid bills, while Democrats say domestic programs can't get shortchanged in favor of a bigger Pentagon budget.

HOW WE GOT HERE

The midterm elections and a Dec. 6 Senate runoff race in Georgia, which will decide whether Democrats secure a real majority in the Senate next year rather than a 50-50 split, largely delayed serious negotiations on a sprawling appropriations package for fiscal 2023. Democrats also spent much of the year working toward passage of their tax, climate and health care legislation, deploying a filibuster-proof process to push the legislation through Congress without GOP votes. Republicans are now saying that bill, in addition to a Covid aid package passed in 2021, have largely satisfied Democrats' domestic spending needs.

One of the bigger sticking points has been whether to classify the increasingly expensive issue of veterans health funding as defense or nondefense spending. Democrats have wanted to move that money outside of the nondefense total, leaving more money for other domestic priorities. Republicans are still insisting that it's time for domestic spending to take a back seat.

Without a government funding deal in the next few weeks, Pentagon officials are warning of dire consequences for military programs and readiness, including U.S. efforts to compete with China and help Ukraine in its war against Russia. Speaker Nancy Pelosi recently warned that a full-year continuing resolution is possible, calling it a "last resort."

"We can't outcompete China with our hands tied behind our back three, four, five or six months of every fiscal year," Defense Secretary Lloyd Austin said in a recent letter to top appropriators.

While negotiations have been halting, appropriators aren't starting totally from scratch. House Democrats have so far drafted a dozen appropriations bills for the coming fiscal year, passing half of them on the floor in July in one bundle that combined the Agriculture, Energy-Water, Transportation-HUD, Interior-Environment, Financial Services and Military Construction-VA spending measures. Senate Democrats have only released their slate of appropriations bills, holding no markups.



WHAT'S NEXT

The two top Senate appropriators, Sens. Patrick Leahy (D-Vt.) and Richard Shelby (R-Ala.), are both retiring at the end of the year. They're pushing for one last appropriations deal after decades in Congress and a long history as negotiating partners at the top of the Appropriations Committee, boasting a number of hard-fought spending packages over the course of their relationship.

Lawmakers will continue swapping offers on overall funding levels in the hopes of securing the framework for an omnibus deal, which is one of the last legislative vehicles that Congress hopes to pass before the holidays. Members are increasingly worried that the omnibus may be the last bill with new spending levels to pass for at least the next two years, since the slim incoming GOP House majority is deeply fractured over federal spending and a presidential election looms in 2024.

Government funding top priority during remaining lame duck schedule

NOTABLE FUNDING DEADLINES FOR 117TH CONGRESS

Legend: House and Senate in session Only Senate in session Key deadlines						
SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
Dec. 4	5	6	7	8	9	10
11	12	13	14	15	16 GOV'T FUNDING EXPIRES	17
18	19	20	21	22	23	24
25	CHRISTMAS (obs.) FEDERAL HOLIDAY	27	28	29	30	31 TAX/MEDICARE CHANGES
Jan. 1	NEW YEAR'S (obs.) FEDERAL HOLIDAY	3 118TH CONGRESS BEGINS	4	5	6	7

Committee for a Responsible Federal Budget, Offices of House Majority Leader and Senate Majority Whip

That splintered House GOP will officially take control on Jan. 3, putting increased pressure on the government spending negotiations. The fiscal 2023 funding package could include tens of billions of dollars in Ukraine aid and a swath of policy provisions known as riders, while lawmakers race to include their priorities at the last minute. Republicans don't want the funding bill to exceed \$1.7 trillion, which is in line with Biden's discretionary spending request for fiscal 2023.

The funding package could also be the last before a significant shift in appropriations leadership. With Leahy's and Shelby's retirements, Sen. Patty Murray (D-Wash.) is expected to become the top Democrat on the Senate Appropriations Committee, with Sen. Susan Collins (R-Maine) as the ranking Republican.



In the House, Republican Rep. Kay Granger of Texas is set to become House Appropriations chair, with Rep. Rosa DeLauro of Connecticut serving as the top Democrat. It will be the first time in history that four women have held the top spots on the House and Senate Appropriations panels.

House Majority Leader Steny Hoyer (D-Md.) is also leaving his leadership position and pursuing a spot on the House Appropriations Committee, hoping to once again wield the gavel of the Financial Services spending panel, as he did years before. The post would put him in a powerful position as Republicans plan to ramp up their attacks on the IRS's budget, including an \$80 billion infusion from the party-line bill Democrats passed earlier this year.

POWER PLAYERS

- **Senate Appropriations Chair Patrick Leahy:** The retiring Vermont Democrat has said he wants to reach a fiscal 2023 funding deal before the 117th Congress ends.
- **Senate Appropriations Vice Chair Richard Shelby:** The retiring Alabama Republican has worked alongside Leahy for years as a leader of the powerful Senate spending panel.
- **House Appropriations Chair Rosa DeLauro:** The Connecticut Democrat must lead House negotiations with Leahy and Shelby in the Senate.
- **House Appropriations Ranking Member Kay Granger:** The Texas Republican is poised to become chair of the House Appropriations Committee in 2023 as Republicans take back the lower chamber.