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By John Shaw

## US Budget Week: Short-Term Fiscal Policies Worsen Long-Term

--CBO Set To Release Another Dismal Long-Term Outlook Next Wk  
 --House GOP Pass Tax Cut Bill Costing \$287B Over Decade  
 --Senate Confirms Donovan As OMB Chief After Lackluster Debate

WASHINGTON (MNI) - The extent of America's future fiscal challenges will be spelled out next week by the Congressional Budget Office when it releases its annual long-term fiscal outlook, but some of the reasons for these mounting problems have been on full display on Capitol Hill this past week.

As lawmakers vow to probe Obama's \$3.7 billion request for border security programs and scoured the federal tax code to identify \$10 billion in revenues to keep the Highway Trust Fund solvent for the rest of the year, the House approved a tax cut bill Friday that would cost \$287 billion over a decade that is not paid for.

The House approved Friday on a mostly party line, 258 to 160 vote, legislation that would make permanent the 50 percent bonus depreciation tax credit.

The bill, drafted by the Republican majority, would allow firms to deduct 50 percent of the costs of certain equipment in their first year of operation and then deduct the rest of the costs over a depreciation schedule.

The bill would cost \$287 billion over a decade and is not offset.

"I love the bonus depreciation. I think it's great tax policy, but it's a total mystery to me why the House declined to pay for it," says Bill Frenzel, a former Republican congressman who is now a guest scholar at the Brookings Institution.

"The House bill is part of a trend that continues unabated on Capitol Hill: everyone laments the size of budget deficits but then supports policies that make the deficit even larger," Frenzel adds.

The House's action on the bonus depreciation bill comes one day after both of Congress's tax writing committees passed short-term fixes to keep the Highway Trust Fund from running out of money.

The Highway Trust Fund provides reimbursement to states for road and bridge construction, transit infrastructure and operations, and safety programs. The fund faces insolvency later this summer due to a revenue shortfall. This is provoking uncertainty as state governments try to plan infrastructure projects.

The Congressional Budget Office has said the Highway Trust Fund is poised to fall to dangerously low levels later this summer.

Lawmakers have said that if Congress does not act by August 1, states could suffer almost a 30 percent cut in federal transportation funds.

The CBO has said that about \$8 billion is needed to stabilize the Highway Trust Fund for the rest of the year.

The House Ways and Means Committee approved Thursday on a voice vote a package by the chairman of the panel, Dave Camp, to shore-up the Highway Trust Fund.

Camp proposed a \$10.9 billion bill that would extend highway and transit programs through next May with an assortment of provisions including \$6.4 billion in pension smoothing changes, \$3.5 billion from extending customs fees for a decade and a \$1 billion transfer from a gas tax-financed account to fix damaged underground storage tanks.

House Speaker John Boehner told reporters this week he supports Camp's plan and expects it to come to the House floor next week.

Hours after the House panel approve its bill, the Senate Finance Committee approved on a voice vote, its own \$10 billion revenue raising plan to shore up the Highway Trust Fund that has some of the same provisions as does the House bill but softens the pension provision and includes several provisions to compel better compliance with tax law.

Camp, the House tax chief, ripped into the Senate Finance package.

"I do not support, and the House will not support billions of dollars in higher taxes to pay for more spending. Furthermore, it is inconceivable that the House would, as the Senate proposes, grant the IRS additional authority to audit and investigate taxpayers simply so Washington can spend more money," Camp said.

Republican Sen. Bob Corker scorched both of the House and Senate packages, saying they spend funds over the next six months but are offset over a decade. He called the approach "generational theft."

Republican leaders vowed Thursday to scrutinize the Obama administration's request for \$3.7 billion for various programs to slow the surge of young migrants from Central America to the Southwest border of the U.S.

"We're not giving the president a blank check," Boehner said Thursday at a briefing. "This is a problem of the president's own making. He's been president for five and a half years. When's he going to take some responsibility for something," Boehner snapped.

Sen. Richard Shelby, the ranking Republican on the Senate Appropriations Committee, raised questions about Obama's funding request Thursday during a hearing on the proposed package.

"Will this request be the end? Or will it be the beginning of many new requests by the administration for emergency funding?" Shelby asked.

The Senate voted Thursday to approve Shaun Donovan as the next White House director, succeeding Sylvia Mathews Burwell who is now the secretary of the Department of Health and Human Services.

The Senate confirmed Donovan on a 75-to-22 vote.

Donovan has served for the past five years as the Secretary of Housing and Urban Affairs. The Senate voted Wednesday to confirm Julian Castro as the next HUD secretary.

The Senate vote came after only a brief debate.

Finally, the CBO will release next Tuesday its long-term fiscal outlook. This is an annual report that looks at the long-term fiscal future of the nation. It will not include any new deficit forecasts.

The CBO report is certain to note that future spending on major federal health care programs, Social Security, and debt service payments will absorb a much larger share of the economy's total output in the future than they have in the past.

The CBO report will certainly note that the federal government's revenues and outlays are poised to move further and further out of balance.

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