

DHS BUDGET UPDATE: OCTOBER 2018

GOP, White House still not ruling out December shutdown in lame duck border wall fight: Federal funding for the Department of Homeland Security (DHS) will expire on December 7. DHS and several other agencies are still running on a short-term continuing resolution (CR) holding fiscal year (FY) 2018 funding levels in place. Congress must ideally pass a complete FY 2019 funding plan for DHS, or alternatively another CR, to prevent a partial federal shutdown on December 7. President Trump has publicly called for a shutdown over his border wall and immigration priorities since March, when he vowed to never again sign an appropriations package without funding for these priorities.

Both the White House and House Republican leadership explicitly refused to rule out a shutdown when Congress returns next month, both publicly and through our private contacts. House Speaker Paul Ryan (R-WI) affirmed October 8 that [House Republicans will put up a “big fight.”](#) House Majority Leader Kevin McCarthy (R-CA), who hopes to take over Ryan’s spot atop the House GOP conference next year, introduced his own “Build the Wall, Enforce the Law Act” to appropriate a whopping \$25 billion for a border wall and a raft of immigration policy crackdowns. We noted in our review that McCarthy’s bill offers few specifics on how this funding would be allocated to technology, physical infrastructure, or staffing; nor on where cuts could be made to offset this gargantuan spending. Despite its flaws, House Republicans plan to vote on the Build the Wall, Enforce the Law Act in next month’s post-election “lame duck.”

As we noted last month, campaign season threats of a shutdown may not come to pass. Congress has already set final FY 2019 funding for about 75 percent of federal operations. Senate Republican appropriators essentially shrugged at Leader McCarthy’s border wall bill, noting it stood virtually no chance of passing the Senate this year. Further, DHS’s mission shields much of the agency from the impacts of a shutdown, reducing the stakes for public impact. The muted impacts of a shutdown, combined with strong incentives for Congress to wrap up the year’s business and head home before the December holidays, could prevent the long-promised confrontation.

Dems lined up for Appropriations leadership, GOP fight for gavel spills into open: Like the rest of Washington, we’re holding our breath for November 6’s critical midterm elections. Most expect Republicans, now controlling both chambers of Congress and the White House, to lose its majority in the House of Representatives. Below we review the likely new House leaders to be overseeing DHS appropriations next year. The parties are likely to select House Appropriations Committee leaders in late November and early December.

Democrats: House Appropriations Ranking Member Nita Lowey (D-NY) is widely expected to take over the full committee if the House turns to Democratic control. Rep. Lucille Roybal Allard (D-CA) is the frontrunner to chair the committee’s DHS panel. A Democratic takeover would add more slots for Democrats to both the full committee and DHS subcommittee; however, it is nearly impossible to predict which members may end up there thanks to a complex assignment system incorporating both seniority and members’ preferences. One bit to remember: it is very unusual for freshmen to be appointed to Appropriations.

GOP: House Appropriations Chairman Rodney Frelinghuysen (R-NJ) will depart Congress in December, triggering a race for the top Republican spot. The next most-senior Republican on the committee is Rep. Robert Aderholt (R-AL), who currently leads the committee’s agriculture panel. However, because Sen. Richard Shelby (R-AL) already chairs the Senate’s Appropriations Committee, the GOP is unlikely to put another Alabaman in a top appropriations job. Another senior competitor for the gavel is Rep Tom Cole (R-OK), currently leader of the committee’s Labor, Health and Human

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Services, and Education panel. However, Cole is reportedly likely to defer to his friend and frontrunner Rep. Kay Granger (R-TX), who currently leads the committee's defense panel.

[Politico reported October 17](#) on a tense race between frontrunner Granger and the less-experienced Rep. Tom Graves (R-GA), who now leads the smaller financial services panel. Per *Politico*, Graves ruffled feathers by tapping personal friendships with House GOP leaders to bolster his own campaign to leapfrog the more senior Granger. Both Graves and Granger have vowed to refocus the committee on member services, promising individual members of Congress to bring home wins to their districts. Based on contacts with House GOP staffers on Capitol Hill, we expect Granger to prevail.

Besides the full committee gavel, we're also closely watching for subcommittee shuffles. In the final days of October many on Capitol Hill believed that Rep. Kevin Yoder (R-KS), the current leader of House Appropriations' DHS panel, faces a very tough re-election. If Yoder does not return in 2019 the top GOP slot on the DHS panel would again be open for either senior members of the subcommittee, or even senior appropriators not currently on the DHS subcommittee.

Congress likely to ignore Trump's calls for 5 percent cut to all agencies: President Trump announced October 18 he will once again seek to slash "fat" from the federal budget, ordering his Cabinet to plan to slash their agency spending by at least five percent. These plans could show up in February 2019 in the White House's annual budget request to Congress for the coming fiscal year. However, we are skeptical the cuts will ever take effect. The Trump Administration has repeatedly sought huge cuts to federal spending, only for Congress to reject these ideas as they design annual appropriations laws.

Trump plans long-shot attempt to fund border wall in budget reconciliation: [Bloomberg](#) reported October 31 that the Trump Administration and congressional allies may try a budget maneuver called reconciliation to take border wall funding out of appropriators' hands. Without delving too far into arcane procedure: reconciliation is a budget maneuver allowing Congress' majority to make sweeping changes to federal spending while circumventing the Senate's filibuster. Wall funding could also be shifted from "discretionary" funding under appropriators' purview to "mandatory" spending exempt from the annual appropriations process. House Republicans led by Rep. Bradley Byrne (R-AL) introduced a proposal in October to use reconciliation to create a \$25 billion Border Wall and Security Trust Fund.

Theoretically, Republicans could attempt this plan as soon as next month, while they still hold the majority in both chambers. But, we doubt the majority of Republicans would sign off on such a large spending increase, especially while so many remain quietly ambivalent on the cost and utility of the Trump border wall plan. Then, if Democrats take the House next year as many expect, the plan's chances of success will evaporate in January.

Caravan rhetoric strains budget realities in final campaign days: Ahead of the November 6 midterms President Trump and his political allies sought to motivate the Republican base with the same controversial rhetoric on immigration and border security that first brought attention to Trump's presidential campaign three years ago.

However, these promises vary in their feasibility from a budget and appropriations perspective. For example, Trump vowed to deploy 5,000, then later 15,000, American troops to the southern border with Mexico to stop a "caravan" of Central American migrants slowly traveling north to apply for asylum at the U.S. border. [Axios noted that's twice the number of people believed to be in the caravan, and about the same number of U.S. troops currently deployed to Afghanistan.](#) Further, troops deployed to the border are not authorized to enforce immigration law and can only offer logistical and administrative support to DHS officials. By late October the caravan was still hundreds of miles from the U.S. and may not even approach the border until December, leaving analysts scratching their heads at the expense (which could exceed \$50 million, [per Newsweek](#)) and logistical challenges of such a large troop deployment. The Pentagon confirmed October 31 that about 7,000 troops would be deployed to the southern border by early November; it is not clear when the remaining 8,000 troops would deploy or whether the White House would seek spending changes to pay for the deployment.