

KUTAK ROCK LLP
SUITE 1000
1101 CONNECTICUT AVENUE, N.W.
WASHINGTON, D.C. 20036-4374
202-828-2400
FACSIMILE 202-828-2488
www.kutakrock.com

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GEORGE R. SCHLOSSBERG
george.schlossberg@kutakrock.com
(202) 828-2418

MEMORANDUM

TO: ADC BOARD OF DIRECTORS
TIM FORD
TODD HERBERGHS
TRISH JONES

FROM: MR. SCHLOSSBERG
MR. PERSKY, LEGISLATIVE ASSISTANT

DATE: APRIL 6, 2011

RE: HOUSE PROPOSES TEMPORARY MEASURE INCLUDING MILCON
CUTS TO AVERT GOVERNMENT SHUTDOWN

Introduction

On Monday night, House Republicans introduced a new one-week CR extension with \$12 billion in cuts. The CR would fund the government for only one week, but would fund the Defense Department for the remainder of the year. The \$12 billion in cuts includes rescissions totaling \$629.5 million from military construction accounts, and importantly, would rescind \$200 million from unobligated BRAC 2005 funds. According to a House Appropriations Committee press release, "These rescissions are the result of construction costs decreasing from original estimates due to a competitive bidding environment." The rescissions include:

- \$200 million rescinded from unobligated balances of the 2005 Defense Base Closure Account
- \$148.5 million rescinded from Military Construction, Defense-Wide
- \$160 million rescinded from Military Construction, Army
- \$34 million rescinded from Military Construction, Navy and Marine Corps
- \$87 million rescinded from Military Construction, Air Force

**HOUSE PROPOSES TEMPORARY MEASURE INCLUDING MILCON CUTS TO
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Government Shutdown Possible

Lawmakers are scrambling for the third time this year to avert a government shutdown, as the current temporary measure funding the government expires Friday night. Congress failed to pass a budget prior to the start of the fiscal year and the government has been running on a series of stopgap measures since October 2010 as a result.

Temporary compromises kept the government funded since October, but lawmakers have failed to reach agreement during the current round. There is still time to reach a compromise, but congressional aides say Wednesday is the “drop-dead date” to avoid shutdown. If a deal is agreed to after Wednesday, it may not provide enough time to push the measure through the legislative process before time runs out.

The last government shutdown was in 1995, lasting from November 14 through November 19, and again from December 16, 1995 through January 6, 1996 (a CR was passed and then expired between the two shutdowns before the matter was ultimately resolved).

Democratic Opposition

Senate Democrats are opposed to a so-called “hybrid approach,” where the Department of Defense receives full-year funding but the rest of the government is only funded temporarily. As a result, the Senate is likely to oppose the House measure. If the Senate and President support the House measure, government shutdown will be averted at the cost of over \$600 million to military construction funding. If the Senate refuses to accept the House offer, however, the government will shut down unless an eleventh hour compromise is reached.

As of Wednesday morning, negotiations continue even as officials prepare for a possible shutdown. The House floated the idea of a new full-year budget compromise that would fund the government through the end of the year and cut an additional \$40 billion. There is no language for the proposal, so it is not possible to identify line item cuts. It is unclear how the Senate will react to the measure at this time.

If you have any questions concerning this information, please call George Schlossberg directly at (202) 828-2418 or email him at george.schlossberg@kutakrock.com, or call Eli Persky directly at (202) 828-2465 or e-mail him at eli.persky@kutakrock.com.

