

Supplemental Appropriations to Meet the Moment

INTRODUCTION

The entire premise of the supplemental appropriations packages being debated by Congress for the past several months is wrong. Apart from providing military assistance to Israel, which is a bona fide emergency appropriation in response to the unforeseeable atrocities committed by Hamas on October 7, 2023, the expenditures being considered should be part of the standard annual appropriations process, which is currently ongoing. The war in Ukraine began in February 2022. Making China and Taiwan central in our global defense posture is a long-standing priority. None of this is “supplemental” properly understood.

Moreover, each of these issues—the border, Ukraine, Israel, and China—is vitally important and extraordinarily complex. Each deserves Congress’s full attention and ought to be considered on its own merits.

With that said, The Heritage Foundation is willing to meet Congress where it is, broken as it may be. Here we provide a framework for supplemental appropriations that meets the moment by securing America’s border, providing military assistance to Israel to defeat Hamas and walling off funds from non-governmental organizations (NGOs) that are complicit in terrorism, providing the critical military assistance to Ukraine that it needs to defeat Russia while requiring more from our NATO allies, and taking major steps to deter China and strengthen Taiwan. This should not be treated as a “menu of options,” but rather a comprehensive plan that properly balances America’s priorities and national interests. We

must not do more to secure Ukraine’s border than we do to secure our own, nor should we continue to give lip service to confronting China while continuing to prioritize Europe.

Finally, but perhaps most importantly, we remind Congress that the massive increase in federal deficit spending in the past few years has exacerbated America’s long-standing debt and inflation crisis and brought us to the brink of economic calamity. We can no longer put off concerns about spending as a problem for tomorrow. Therefore, we pay for this supplemental package without adding a cent to the debt.

PRINCIPLE #1: STRENGTHEN BORDER SECURITY (COST: \$0)

- **H.R. 2 plus language to rescind all NGO and sanctuary city money** and transfer those funds to Immigration and Customs Enforcement to be used for detention (not alternatives to detention) and removal flights.
- Remove President Biden’s tools of:
 1. Mass parole;
 2. NGOs (funding);
 3. Catch and release, including the *Flores* court interpretation;
 4. Asylum fraud (just raising the credible fear standard is insufficient);
 5. Unaccompanied alien children;

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6. DHS offering employment authorization for aliens as a default (only Congress should determine which alien populations are eligible for work authorization); and
7. Funding sanctuary jurisdictions.

PRINCIPLE #2: PROVIDE MILITARY ASSISTANCE TO UKRAINE (COST: \$10 BILLION–\$20 BILLION)

- **Allow European partners to address all non-military aid.** Because of their geographic proximity, financial capacity, and plans to integrate Ukraine formally into the European Union, the countries of Europe and their multilateral institutions should take full financial responsibility for Ukraine’s direct budgetary, developmental, humanitarian, and other nonmilitary needs.

- **Provide military aid on a strictly conditional basis.** U.S. military aid to Ukraine ranges from operational support to authorizations for future Presidential Drawdown Authority (PDA) and replenishment funding. The exact amount required will depend on the strategy to bring the war to an end. Given its global security responsibilities, it is critical that the United States carefully conserve its existing resources, from munitions to intelligence, surveillance, and reconnaissance. Europe must substantially ramp up production of the weapons required for Ukraine’s defense. Continued U.S. military aid for Ukraine should be contingent upon:

1. A credible strategy for achieving a desired end state in Ukraine that is approved by Congress.
2. Accountability for all U.S. aid to Ukraine, including an independent Special Inspector General that is not under the control or authority of DOD, the Department of State, or the U.S. Agency for International Development (USAID).

3. A prohibition on (a) the use of authorized or appropriated funds to send weapons to Ukraine that are required by the U.S. and our partners and allies to deter China and (b) the depletion of U.S. stockpiles to satisfy those requirements without short-term replacement.

4. A requirement that European military assistance must comprise the majority of such assistance to Ukraine. Specifically, at any time, no United States military assistance should cause the total amount of United States contributions to exceed 49 percent of the total amount of military assistance contributed to Ukraine from all sources. Military assistance that is authorized should not be appropriated until non-U.S. military assistance provided exceeds the U.S. level as reported by governments and tracked/verified by NATO.

PRINCIPLE #3: TIGHTEN SANCTIONS ON RUSSIA (COST: \$0)

- **In coordination with allies, prohibit Russian banks or third-party proxies from using the U.S. banking system to process payment transactions for sales of Russian oil and gas.** Despite multiple rounds of allied sanctions, Russia continues to earn substantial revenue from its oil and gas exports and obtain goods and services to support its military aggression.
- **Place sanctions on all companies, including financial institutions, that import Russian oil and gas and/or export to Russia proscribed goods and services.**
- **Employ frozen Russian assets, currently valued at around \$300 billion, to pay back military assistance, impose costs on Vladimir Putin, and penalize Russian aggression.**

PRINCIPLE #4: PROVIDE MILITARY ASSISTANCE TO ISRAEL (COST: \$14.1 BILLION)

- **Provide Israel with the security assistance and weapons it needs to defend itself**, including replenishing its missile defense systems.
- **Prevent the diversion of humanitarian assistance to Hamas and other terrorist groups in Gaza by prohibiting any funding for the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA)** and requiring the application of USAID’s Administrative Directive Assistance (ADS) 319, signed on January 2021, on vetting of humanitarian assistance, but excluding the use of “Exceptions to Policy,” and vet all persons handling U.S. government funds throughout the delivery process for such assistance through U.S. government anti-terrorism databases in coordination with Israel.

PRINCIPLE #5: DETER CHINA AND STRENGTHEN ASSISTANCE TO TAIWAN (COST: \$27 BILLION)

As of this writing, the debate over full-year DOD appropriations is ongoing. The supplemental should follow appropriations and be only for amounts not funded in regular appropriations.

- **Authorize \$5 billion in Presidential Drawdown Authority for Taiwan with replenishment.** This would allow the United States to accelerate the delivery of weapons required by Taiwan, including coastal defenses, air and missile defenses, long-range fires, anti-armor weapons, and enablers. Transfers to Taiwan should not undermine U.S. readiness. The United States must also backfill as appropriate. Multi-year authorizations would provide flexibility in the event of absorption challenges. Crucially, the prohibition on sending weapons to Ukraine that U.S. or Taiwanese forces require to deter China would ensure that Taiwan is first in line for PDA for relevant weapons.

- **Appropriate \$4 billion in foreign military financing (FMF) for Taiwan.** This amount would meet the spending levels for fiscal year (FY) 2023 and FY 2024 that were authorized in the 2023 National Defense Authorization Act’s Taiwan security provisions and would support new production of weapons required by Taiwan. FMF should be made available subject to the condition that Taiwan continues year-on-year increases in its defense budget and raises overall defense spending to 3 percent of gross domestic product (GDP) during the period of disbursement.
- **Fully fund the \$542 million in U.S. Indo-Pacific Command unfunded requirements**, including Joint Training Team Taiwan, Joint Task Force Micronesia, operationalizing of near-term space control, Guam Defense System, and Persistent Targeting for Undersea.
- **Invest \$14 billion to build weapons and munitions stockpiles for a Taiwan contingency.**
- **Invest \$3.4 billion in the U.S. submarine industrial base.** The United States must strengthen its submarine industrial base as quickly as possible, not just for purposes of supporting AUKUS but also—and more importantly—to produce and sustain undersea warfare capabilities required by the United States to deter or defeat Chinese aggression in the near term.

PRINCIPLE #6: REJECT ANY INCREASE IN THE NATIONAL DEBT (TOTAL PROPOSED SUPPLEMENTAL APPROPRIATIONS: \$51 BILLION–\$61 BILLION; TOTAL PAY-FORS: 100 PERCENT)

There are several important considerations involved in offsetting the budgetary effects of a spending package: The savings should (a) be realized as quickly as possible (ideally in the same time frame as the spending) because

this reduces or eliminates short-term deficit increases that lead to higher interest payments; (b) be concrete rather than speculative or a gimmick; and (c) target spending that is of minimal national interest.

- **Rescind the remaining balance of the Coronavirus State and Local Fiscal Recovery Fund (SLFRF).** This would be an ideal budgetary offset. The Biden Administration is seeking (without authorization from Congress) to extend the window for state and local governments to draw from the SLFRF's roughly \$120 billion in unobligated funds. This increases the likelihood that most or all of the remaining unobligated funds will be spent. Accordingly, rescinding the SLFRF would offset the supplemental package outlined in this report—and would do so rapidly.

The SLFRF was created based on flawed reasoning. While some state and local governments experienced a reduction in

revenue in 2020, federal aid passed the same year more than made up the difference. Since there were not genuine shortfalls to necessitate the SLFRF, state and local governments have used the fund for many wasteful and unnecessary purposes, including corporate welfare, recreation and tourism subsidies, bonuses for government workers, and more. The fund's balance should therefore be considered a low priority for federal legislators.

- **Stop allowing amended tax returns with Employee Retention Credit (ERC) claims.** The ERC is another policy relic from the pandemic era and, like the SLFRF, is prone to waste and abuse. The ERC expired in 2021, but the deadline to file amended returns claiming the ERC runs until April 2025. Congress should advance the deadline so that the IRS stops accepting ERC claims. The bulk of the budget impact from eliminating the ERC would occur by the end of FY 2026.