

TODAY'S DIFFICULT BUDGET NEGOTIATIONS WILL BE FAR MORE DIFFICULT AS SHELVES GO BARE

There's a detail that often gets missed from slobbering transcription of DOGE propaganda. When Elon Musk first said DOGE would save \$150 billion, he said that money would be saved in FY26 – that is, the year starting in October, the year for which Republicans are pushing through a budget now.

That's important background to the expected release today of Trump's topline proposed budget, which cuts ... \$163 billion from discretionary spending, largely consisting of the things that Elon has been putting through a woodchipper.

The fiscal 2026 budget proposal, which the White House is planning to release on Friday, is a largely symbolic wish list that lays out the president's spending and political priorities. Congress, which Republicans control by narrow majorities in both chambers, will spend months debating which elements of the proposed plan should be turned into law.

The budget plan will propose \$557 billion in nondefense discretionary spending, officials said. It would reduce nondefense discretionary spending by \$163 billion, the officials said. The administration said that represents a 22.6% cut from projected spending in fiscal 2025, which ends Sept. 30. It wasn't clear how the administration calculated that percentage.

[snip]

According to administration officials,
Trump's proposed budget cuts include:

- *Eliminating offices at the Cybersecurity and Infrastructure Security Agency*
- *Defunding "environmental justice" initiatives at the EPA*
- *Closing USAID and reallocating grant funding*
- *Eliminating a federal program that provides grants to nonprofits that help people who face housing discrimination*
- *Defunding the National Endowment for Democracy, a nonprofit that supports democratic institutions around the world*
- *Cutting what it calls "wasteful and woke FEMA grant programs"*
- *Closing the U.S. Institute of Peace, a congressionally funded think tank that seeks to prevent global conflict*
- *Refocusing the National Institutes of Health on research that aligns*

with Trump's "Make America Healthy Again" agenda

- Eliminating a \$315 million grant program for preschool development that the administration contends pushed DEI initiatives
- Cutting \$77 million in grant funding for teacher preparation and professional development the administration says pushed "Critical Race Theory" and DEI initiatives
- Eliminating the Minority Business Development Agency, which promotes minority-owned businesses
- Eliminating the Community Development Financial Institutions Fund, which promotes economic growth in poor communities
- Cutting \$5.2 billion from the National Science Foundation
- Canceling \$15 billion in funding in the infrastructure law signed by former

President Joe Biden for renewable energy technology

- *Eliminating U.S. investments in global funds to help developing countries deal with the effects of climate change*
- *Eliminating EPA research grants to nongovernmental organizations*
- *Cutting \$2.5 billion from the Energy Department's renewable energy program*
- *Cutting \$80 million from renewable energy programs at the Interior Department*
- *Eliminating grants at NOAA, which forecasts weather and monitors oceanic and atmospheric conditions, among other things*

If these cuts aren't made, it's not clear whether DOGE will have saved anything, even while incurring hundreds of billion in costs.

There's already some discomfort between Congress and the Administration about this process.

Tom Cole and other budget Chairs were supposed to meet – and provide advance feedback – both about the prospective budget and the rescissions (the money not spent in this current year for

which Trump needs Congress' retroactive sanction). But Russ Vought rescheduled the meeting to do so from Thursday morning to Thursday afternoon, after members go home for the week.

House Appropriations Chair Tom Cole vented Thursday about the White House's seemingly inattentive approach to its relations with congressional funders, saying that President Donald Trump is not the "commander" of Congress and that top Republicans need the White House to quickly share their funding plans.

The unusually tart comments from Cole (R-Okla.) came after White House budget director Russ Vought canceled a planned Thursday morning meeting with the House's GOP funding leaders because of a "presidential request," Cole said.

While a White House official said that was "fake news" and that the meeting was rescheduled for later Thursday, Cole noted that most lawmakers would already be headed back home.

"It's not going to be happening with all the cardinals later today, because we're not going to be here later today," Cole said of the dozen chairs of the House's appropriations panels.

Those leaders are increasingly vexed that the White House budget office has not shared details of the funding cuts it is already undertaking at federal agencies and its plans for the fiscal year that starts in October.

"Look, no president – and administrations – don't get to dictate what's going to happen here," Cole told reporters Thursday morning. "Congress is not the Army. And the president is the president, but not the commander in chief of Congress."

Having advance influence on the rescissions package is particularly important because there are some things that DOGE cut (and more specifically, Pete Marocco cut while Marco Rubio claimed he had not) that Republicans don't want to sanction, starting with PEPFAR.

The administration initially floated sending \$9.3 billion of DOGE cuts to the Hill, which would encompass DOGE's elimination of the main agency providing foreign aid, the U.S. Agency for International Development, as well as zeroing out some money for public broadcasting. The cuts would take just 51 votes in the Senate to pass, which means lawmakers would not need to worry about a Democratic filibuster to make the cuts permanent, under a provision in the 1974 budget law that allows requests for rescinded funding to be expedited. Musk has claimed \$160 billion in savings so far.

This week, however, lawmakers began to raise concerns about even that smaller effort, with Sen. Susan Collins (R-Maine) telling colleagues she would have trouble supporting cuts to PEPFAR, an effort to combat HIV/AIDS abroad that other foreign-policy minded senators also support.

"I think it depends what's in it precisely," Collins said of the package's chances of passing in the Senate. "For example, the \$8.3 billion in foreign aid cuts, if that includes the women's global health initiative as is rumored, if it cuts PEPFAR as it may, I don't see those passing."

[snip]

Rep. Tom Cole (R-Oklahoma), the chairman of the House Appropriations Committee, said passing DOGE cuts could be difficult even in the Republican-

controlled Congress, given the chamber's tiny majority. He's asked the administration to review the package before it is submitted to ensure the cuts have political support.

"Do you really want to roll out and have a failure?" Cole asked. "I think if they put it out there, they need to succeed at it."

The futility of this process – having someone like Elon cut a bunch of things, in hopes Congress would take the politically risky vote to sanction it – has people like Rand Paul and Tom Massie mocking the whole process, to say nothing of Mike Johnson's servitude to Trump.

"One of the most surreal moments this year was at the State of the Union, when my colleagues all got up and clapped because DOGE found all of these cuts and all this wasteful spending," Rep. Thomas Massie of Kentucky, who often wears an electronic national debt-tracker clipped to his suit, told NOTUS on Thursday. "It was all stuff they funded, and all stuff they were going to fund again in the CR. And they were just, like, clapping."

"They didn't realize it was actually an insult and an indictment of their own performance," Massie said. "Not only do we write the checks, we're responsible for the oversight after we do write the checks. And clearly we failed."

[snip]

Massie, for his part, thinks there are plenty of institutional changes that could help Congress do more work to monitor spending, instead of relying on an outside panel like DOGE. One tweak he'd like to see would allow members to hire contractors to do short-term oversight projects instead of relying only on full-time staff.

But, he said, getting serious about spending would also “take a speaker who wants to breathe life back into this institution.”

“Mike Johnson’s stated goal is to carry water for Trump,” Massie complained. “That’s not going to get it done.”

But it may be bigger than that.

If Congress doesn’t approve of Trump’s rescissions – the gutting of foreign aid that is popular with Republicans by boys who know nothing about it – it will make Trump’s legal justification for having made these cuts before a score of judges around the country far more fraught. In the same period Congress will be debating these rescissions, judges will be considering whether the cuts were legal.

This may be Russ Vought’s goal, to treat Congress as an appendage. But in theory, at least, it should create a Constitutional crisis. And this time, the courts will have a say.

This is one of many reasons why I think it so important that Trump’s self-imposed tariff disaster will start causing excruciating pain *before* Congress works through retroactively codifying the things he has been doing.

Right now, it looks increasingly likely that Trump’s tariff emergency will pre-empt – and likely dramatically disrupt – both the effort to codify his agenda and his bid to get SCOTUS to neuter Congress entirely.

[snip]

The shit is going to start hitting the tariff-inflated fan in the next few weeks. We’re beginning to see spikes in certain items (including toilet plunger parts). We’re beginning to see increasingly large layoffs tied to the expect drop in shipping. In the coming weeks, we expect to see expanding

shortages.

Unless something dramatic changes, the US will experience a COVID-like crisis without the COVID, and with no appetite or excuse to start throwing money at people to stave off further crisis.

[snip]

[M]aybe Trump will get a deal and convince people who can't buy fans and toilet plungers – to say nothing about small businesses who will be filing for bankruptcy and farmers watching their crops go to waste – that his tariffs aren't a disaster. Maybe he will make a humiliating reversal on tariffs, one of the few things in which Trump actually believes. Maybe that will happen. Republican members of Congress, in particular, have a near-infinite ability to allow themselves to buy rank bullshit and that may well happen here.

Or, maybe, the economy will be in meltdown by May, June, July, when the Administration needs near-total unity from Congressional Republicans to codify Trump's policies into law.

How's that going to work out?

[snip]

What I am certain of, though, is that the wavering unanimity we're seeing as everyone rubbernecks at the car crash of Trump's trade policy may dissolve if Trump continues to willfully destroy the US economy.

Tom Cole is *already* pissy at Russ Vought, and pissy especially because Vought has snubbed Congress' power of the purse. Susan Collins, his counterpart on appropriations in the Senate, is already warning Trump things may not work out like he imagines.

That's this week, when the impact of Trump's tariff emergency is mostly anxiety and initial lost jobs.

Next week, when the Chairs who had a meeting with Vought that he unilaterally rescheduled will return to work, is when the shit hits the tariff-inflated fan.

Some of the last cargo ships carrying Chinese goods without crippling tariffs are currently drifting into US ports. Come next week, though, that will change.

Cargo on ships from China loaded after April 9 will carry with them the 145% tariff President Donald Trump slapped on goods from that nation last month. Next week, those goods will arrive, but there will be fewer ships at sea and they will be carrying less cargo. For many importers, it is too expensive to do business with China.

[snip]

"Starting next week is when we begin to see the arrivals off of that (tariff) announcement on April 2," said Gene Seroka, executive director of the Port of Los Angeles, where nearly half of the business comes from China. "Cargo coming into Los Angeles will be down 35% compared for a year ago."

Again, I'm not saying this will grow Republicans a spine (though this negotiation was always going to be difficult given the majorities). I'm not saying this will change the outcome.

I am saying that the already-testy negotiating environment is going to get far testier as shelves start to go bare.

Update, May 12: In a very good state of play on the fragile status of negotiations, David Dayen notes:

There's a mechanism in the reconciliation instructions that ties the amount available for tax cuts to the spending cuts; if Republicans fail to hit \$2 trillion, they have to pull the tax cuts back. That could mean time-limiting them, pulling parts out, or raising taxes elsewhere in the package, like the tax increase for millionaires that Trump has gently proposed. "Gently" is precisely the word, as on Friday Trump spat out a word salad about such a tax increase that concluded, "Republicans should probably not do it, but I'm OK if they do!"

Slightly increasing the top marginal rate on taxpayers who make above \$2.5 million in income, as a policy matter, does not offset the large loophole on pass-through income, the lack of a wealth tax to deal with capital income, all the tax avoidance strategies (like "buy, borrow, die") rich people use to skip taxes, and the gutting of the IRS that would track that money down. But it would close off a Democratic talking point about how the Trump tax cuts are only for the rich, while humiliating the last part of the Republican establishment Trump hasn't corralled: the "no new taxes" fiscal zealots.

But that ideology is embedded in Republican DNA; while a couple of Freedom Caucus right-populists like Rep. Andy Harris (R-MD) might go along with it, there are few others. As an example of the bind he and his party are in, Trump also floated closing the "carried interest" loophole that lowers the tax rates for hedge funders. Within days, four committee chairs and the head of the Republican campaign arm in the House joined a letter saying, basically, "No way."

That incident shows that **Trump's falling approval ratings and the likelihood of a recession are diminishing his ability to dictate terms to Congress.** The initial Energy and Commerce proposal I scooped last week included a White House proposal for "most favored nation" status for prescription drugs, a measure Trump tried by executive order in his first term that would attempt to limit drug purchases in Medicare to the price other countries pay.

But suddenly, Trump declared that he would announce the most favored nation initiative today, by executive order. As Bill Scher says correctly, this is a sign of weakness, that he couldn't get the idea past Republicans in Congress and the phalanx of drug company lobbyists who surround the Capitol. Republican congressional opposition takes away one of the few budget-reducing measures that is actually popular, by dropping the cost of prescription drugs. [my emphasis]