

**RELEASE IN FULL**

**From:** H <hdr22@clintonemail.com> on behalf of H  
**Sent:** Saturday, March 21, 2009 3:47 PM  
**To:** Jack Lew; Jake Sullivan  
**Cc:** Hillary Clinton  
**Subject:** Kent Conrad

I had a very long conversation w Sen Conrad. The outlook for passing any budget is, in his opinion, (as it perennially is) grim. The new CBO deficit number of 2.3T is 700B off OMB forecast. The projected deficits of 1T/yr amount to 5-6% of GDP. As he said, we wouldn't be able to join the EU.

Bottom line: he knows we've made a strong case and he'll do all he can, but we'll have to fight thru conference.

He doesn't think he will get any R votes in committee or on the floor, and he already knows he won't get Ben Nelson and Evan Bayh. So w neither Franken or Kennedy, he faces a big challenge. Jack will remember the cliffhanger we had in '93.

Therefore, he said the following: he knows we did the right thing putting recurring programs into the budget, rather than using supps as in the past 8 years. But the reality still is that the big increase from 09 to 10 is a shocker for people even when they understand. (For many members the supplementals were funny money since they didn't go into the base so everyone could pretend the budgets were less than actual expenditures.)

He is moving lots of \$ out of the budget, including 250B for TARP II. The OMB increase for us is 28% not 40% since the IMF money is no longer attributed to the international affairs budget. But, the average non defense domestic increase is 10.6%. So we stick out at 2.5x as much. So he cut us by 4B but will fight to hold the line there. He thinks that is better than losing the overall vote on the floor or a vote to strip out more of our \$.

He has told the WH not to send the supp up in the midst of the budget fight or even this scenario won't work. It will cause "sticker shock" and complicate everything. Members are overloaded by TARP-Stimulus-Omnibus-Budget so adding a Supp and Tarp II would cause an implosion.

I spoke also w Spratt who gave me same message about Obey as Jack rec'd. He said he would help and we need to get a better # out of the House so we have more leverage in conference.

Secy Gates also talked w Conrad on our behalf.

I'll share more when I see you tomorrow.