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CONGRESS RETURNS FROM SPRING RECESS

Congress returns to Washington today after a two-week district work period. As we enter the second quarter of the year, we are likely to see continued debate and some progress on:

- Budget & Appropriations
- Presidential Nominations
- Gun Control
- Immigration Reform
- Cybersecurity
- Tax Reform
- Debt Limit

Budget & Appropriations

Before leaving for the spring recess, Congress finalized spending for the remaining six months of Fiscal Year 2013, with a Continuing Resolution (CR) that extends through September 30, 2013. The spending bill was approved by the Senate on March 20 and the House on March 21, and the president signed it into law on March 26 – just one day before the existing CR was set to expire, thereby averting a government shutdown.

Looking ahead to Fiscal Year 2014, the House and Senate have both passed budget resolutions—the first time the Senate has done so in four years. The proposed budgets offer different visions of federal spending for the next fiscal year, ensuring that there will continue to be a heated debate about spending priorities. House and Senate Appropriations Committees and Subcommittees will now begin hearings on the various spending bills and the chairs of the House and Senate Appropriations Committees, Rep. Hal Rogers (R-KY) and Senator Barbara Mikulski (D-MD), have both said they want to see a return to “regular order” in the appropriations process. They plan to have all 12 spending bills marked up and ready for floor consideration by the summer.

President Obama is set to release his budget proposal for FY14 on Wednesday, April 10. The proposal was due by February 10, but the White House delayed its release, saying that they had been focused on sequestration and finalizing the FY13 CR. The proposal will, of course, not be the final approved spending plan for FY14, but will offer some insight into President Obama’s priorities for the coming fiscal year.

Further complicating the budget debate, however, will be calls to tackle the nation's long-term fiscal situation and the need to reduce the deficit – all while addressing the impacts of automatic budget cuts and forced federal furloughs of sequestration which are just starting to take effect.

Nominations

As the Obama Administration enters its second term, the president's nominees for various cabinet posts continue to work through the Senate confirmation process. John Kerry has been confirmed as Secretary of State, Jack Lew has been confirmed as Secretary of the Treasury, and Chuck Hagel has been confirmed as Secretary of Defense. Other nominations, including those for Secretary of Energy, Secretary of the Interior, Secretary of Labor, and Administrator of the Environmental Protection Agency, are outstanding with nominees in various stages of the process. Nominees for some posts, such as Secretary of Commerce, Secretary of Transportation, and U.S. Trade Representative, have not yet been named.

Immigration Reform

In the Senate, a bipartisan "Gang of Eight" has been working on an immigration reform proposal, announcing last week that they had reached "substantive agreement" on the framework of their proposal. While the Chamber of Commerce and labor groups have agreed with provisions of the Senate proposal, some industry sectors have raised concerns about certain provisions and are likely to seek modifications to the Senate bill. The Gang of Eight was expected to unveil their proposal this week, although over the weekend there was some indication that it may be delayed a bit longer as they work to craft a bill that all eight Senators will defend against amendments. The Gang of Eight is comprised of Senators Marco Rubio (R-FL), John McCain (R-AZ), Lindsey Graham (R-SC), Jeff Flake (R-AZ), Chuck Schumer (D-NY), Robert Menendez (D-NJ), Michael Bennet (D-CO), and Richard Durbin (D-IL).

A bipartisan group of House members are likely to announce their immigration reform proposal soon, and are said by Speaker Boehner to have been secretly working on this issue for as long as four years. That proposal is said to include provisions to secure the border, reform the system for visas, create a permanent nationwide E-verify system, and perhaps most challengingly, determine how to fairly address the status of immigrants who are already in the U.S. without documentation.

Gun Control

In March, the Senate Judiciary Committee approved several gun control measures that are likely to be included in the gun control legislation the Senate will take up this month. The Senate proposal will call for expanded background checks on gun purchases, and increased penalties on "straw purchasers" buying guns for persons legally prohibited from purchasing a gun. Missing from the Senate legislation will be any provisions banning certain semiautomatic weapons and limits on high-capacity ammunition clips. Leadership in the House has said that they do not intend to bring gun control to the House floor until the Senate acts.

Cybersecurity

Also on the legislative agenda is cybersecurity. In addition to President Obama's Executive Order that was issued in February, various hearings have been held on cybersecurity already this year, and there are discussion drafts of new cyber security legislation. The main cybersecurity vehicle in the House is the *Cyber Intelligence Sharing and Protection Act (CISPA)*, which was the legislation that made it the farthest in the debate on cybersecurity in the previous congress. This week, the House Committee on Intelligence is expected to hold a closed-door markup of CISPA. This bill is expected to pass the House but will likely not pass the Senate. On the Senate side, Democratic members still favor a broader approach to cybersecurity based on the framework in the Executive Order.

Tax Reform

As evidence of the high priority tax reform has for the congressional agenda this year, and what such reform may entail, Senate Finance Committee Chairman Max Baucus (D-MT) and House Ways & Means Committee Chairman Dave Camp (R-MI) penned an op-ed for the Wall Street Journal today titled “Tax Reform is Very Much Alive and Doable: Closing Special Interest Loopholes Will Help Lower Rates and Boost the Economy.” Noting that the last comprehensive overhaul of the tax code was a quarter century ago, Chairmen Baucus and Camp say that together their committees have held more than 50 hearings and heard from hundreds of experts, and have either released or are working on discussion drafts of a tax reform bill. They write that their efforts are based on three principles: to boost America’s families, to level the playing field for U.S. employers, and to ensure parity for small businesses. The Ways & Means Committee has created 11 working groups tasked with providing feedback on tax reform from academia, taxpayers, tax practitioners, and other stakeholders. Their submissions are due by April 15. While no one expects comprehensive tax reform to be completed in the next few months, there does appear to be a serious effort to start the process. With 2014 an off-year election, any tax reform measure would need to move sooner rather than later so as to not become engulfed in election year politics.

Debt Limit

Finally, we will see continued debate of the nation’s debt limit. The current temporary suspension of the debt limit is set to expire on May 9, 2013. Unless an agreement is reached on raising the debt limit before then, the new Secretary of the Treasury Jack Lew will need to resort to the use of “extraordinary measures” to ensure that the nation’s debt does not exceed the limit. These accounting measures were taken by former Treasury Secretary Timothy Geithner when the government approached the debt limit, and it is generally thought that such measures will only work through sometime in August. Many see the upcoming breach of the debt limit as an opening for President Obama to once again pursue his “grand bargain” of \$4 trillion in deficit reduction over the next decade, while Republicans might see it as an opportunity to push for cuts to government entitlement programs. Should the debate on the debt limit continue on through the summer as the Treasury uses extraordinary measures to keep the federal government from defaulting, the August horizon for the effectiveness of these measures will nearly coincide with the end of the fiscal year on September 30 – setting the stage for yet another epic fiscal confrontation between the White House and Congress.

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