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CONGRESSIONAL SCHEDULE  NEW

Neither house met today.

The House of Representatives returns on Monday, June 14. Democratic leaders next week plan to consider a small business lending bill (H.R. 5297), a measure to address the Supreme Court’s decision to lift limits on corporate spending in federal election campaigns (H.R. 5175), and possibly the FY10 war supplemental funding bill (H.R. 4899). (See item below.)

When the Senate returns, also on June 14, the chamber will continue debate on the unemployment and tax benefit extenders bill (H.R. 4213). (See item below.)

CongressDaily reports that following consideration of the extenders package, Senate Majority Leader Harry Reid (D-NV) plans to take up a bill aimed at promoting job creation in small businesses. The publication also reports that he hopes to consider legislation later this month to address the Supreme Court’s decision on corporate spending in federal elections. Also possible for consideration this month are conference reports on the FY10 supplemental appropriations bill and the financial regulatory reform bill.

BUDGET & APPROPRIATIONS

PATH FOR FY10 SUPPLEMENTAL FUNDING BILL REMAINS UNCLEAR  NEW

Members of Congress returned from the Memorial Day recess this week feeling new pressures to reduce federal spending and budget deficits rather than support new spending initiatives.
In that context, House Democratic leaders are expected to decide next week how to proceed with the FY10 supplemental appropriations bill: whether to have the Appropriations Committee mark up Chairman David Obey’s (D-WI) package, or to take up and amend the $59 billion Senate-approved bill (H.R. 4899).

The $84 billion measure developed by Chairman David Obey (D-WI) includes $23 billion to help states avert threatened layoffs of public school teachers and $5.6 billion to cover the projected shortfall in the Pell Grant program. Public higher education is not included in the education jobs provision, nor does the state maintenance of effort (MOE) provision apply to higher education. As pointed out in a May 27 higher education association letter to Mr. Obey, the latter provision could leave public institutions vulnerable to cuts as states strive to meet the K-12 MOE requirement.

Politico reports that House Democrats are discussing various options for reducing the cost of the bill, including using some unspent Recovery Act funds. The publication adds that Democrats are likely to reduce the education jobs provision from $23 billion to about $10 billion.

The version of the bill approved by the Senate on May 27 does not include the education jobs provision or funding to cover the Pell Grant shortfall.

SENATE TO CONTINUE WORK ON EXTENDERS BILL  NEW

The Senate is expected to complete consideration of its $140 billion unemployment and tax benefit measure (H.R. 4213) next week. The measure is larger than the House-passed version, with a lengthening of the Medicare physician payment fix, and $24 billion to help states pay for increased Medicaid costs.

Meanwhile, Senate Republicans have introduced an alternative extenders package that Congressional Daily reports cuts spending by $113 billion, prevents Medicare physician-payment cuts for two and a half years—a year longer than the Democratic plan—and includes medical malpractice reforms. The bill includes all of the tax benefit renewals in the Democratic plan and also extends unemployment benefits through November. The Republican alternative eliminates all of the $18 billion in tax increases in the Democratic bill, the Build America Bonds program extension, and the $24 billion for state Medicaid funding. It would cut an additional $37.5 billion in spending, including unspent Recovery Act funds.

The House tax and benefit extender package (H.R. 4213), approved on May 28, would extend unemployment support through November, 2010, and extend through 2010 such expired tax benefits as the R&D tax credit, the IRA charitable rollover, and a modified above-the-line tax deduction for qualified education expenses.

The education tax deduction would be scaled back to reduce its 10-year cost from $1.5 billion to $693 million. As described in the rule for consideration, the deduction would be “unavailable to a taxpayer for whom a credit for higher education under section 25A (the Hope and Lifetime Learning Credits) would have provided a greater net reduction in tax liability, without regard to any disallowance or reduction in value of the credit as a result of the alternative minimum tax.”
The separately considered Medicare provisions would provide a 19-month fix to prevent cuts in Medicare physician reimbursements. This provision would provide a 2.2-percent update to physician payment rates for the rest of this year and an additional 1 percent update for 2011. After 2011, rates would return to the current-law levels.

**STILL NO FY11 BUDGET OR APPROPRIATIONS MARKUPS IN THE HOUSE**  

House Democratic leaders also have yet to decide how to proceed on the FY11 budget and appropriations. Democrats have been unable to reach agreement on an FY11 budget resolution because Blue Dog Democrats continue to insist that domestic discretionary spending be cut by two percent from the President’s proposed freeze at the FY10 level. Without a top-line appropriations number, House appropriators are unable to divide the spending pie among the subcommittees and begin their markups.

House Majority Leader Steny Hoyer (D-MD) said yesterday there are now three budget options under review, according to CQToday: writing a budget resolution, approving a deeming resolution that sets the overall spending level for appropriations without a budget resolution, or having the Appropriations Committee send a letter to the Rules Committee.

In the Senate, the Budget Committee approved an FY11 budget resolution on April 22 that accommodates the President’s FY11 requests for defense, homeland security, and veterans programs, but proposes a $4 billion cut below the President’s planned freeze of non-security discretionary spending. The proposed cuts would be taken from the State Department.

The Senate measure also assumes that the President’s proposed increase for Pell Grants would be fully funded, including $5.5 billion for the program shortfall. However, the resolution also assumes that congressional appropriators would reduce funding in other areas, not specified in the resolution, to pay for the shortfall.

**OMB DIRECTS DOMESTIC AGENCIES TO PROPOSE FY12 FUNDING AND PROGRAM CUTS**  

The White Office of Management and Budget (OMB) issued two memoranda on June 8 directing each non-security federal agency to submit two separate plans for cutting both spending and low-priority programs in their FY12 budget submissions.

The first memorandum, from OMB Director Peter Orszag, requires each agency to submit an FY12 budget request that is five percent below the FY12 discretionary budget listed for the agency in the President’s FY11 budget request. “This will allow the President’s Budget to accomplish an overall non-security discretionary freeze even while providing funding for new initiatives and any contingencies that arise over the coming months,” says the memorandum.

The memorandum directs agencies not simply to cut programs across-the-board, but to eliminate low-priority programs and activities, redesign staffing and management processes, and “focus management attention on high-priority performance goals.” It also directs agencies to review with OMB “savings opportunities in the full range of mandatory programs.”
The second memorandum, from Orszag and White House Chief of Staff Rahm Emanuel, directs the agencies to identify the programs and subprograms that “have the lowest impact on your agency’s mission and constitute at least five percent of your agency’s discretionary budget.” This is designated as a separate effort from identifying agency budget cuts of five percent.

EXECUTIVE BRANCH

ADVISORY COMMITTEE TO HOLD JUNE 25 HEARING ON STUDENT ACCESS AND COMPLETION

The Advisory Committee on Student Financial Assistance, an independent committee created by Congress to provide advice on higher education and student aid policy, will hold a hearing June 25 to examine the challenge of college access and completion. Among the agenda items will be a new report from the committee, “The Rising Price of Inequality.”

The hearing will run from 9:00 a.m. to 4:30 p.m. EDT at the Washington Court Hotel, 525 New Jersey Avenue, NW, Washington, D.C.

Those interested in attending must register here on the committee’s website by Monday, June 14. Space is limited.

Questions about the hearing should be directed to Megan McClean, Director of Government Relations, at 202-219-2220 or megan.mcclean@ed.gov.

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