January 4, 2013

CONGRESSIONAL SCHEDULE  NEW

The 113th Congress convened yesterday, January 3. The House and Senate met today in joint session to count the electoral votes for president and vice president. The two chambers also separately approved the first installment of Hurricane Sandy relief: a $9.7 billion increase in the federal flood insurance fund to pay insurance claims from the storm (H.R. 41).

Next week, both chambers are expected to be in recess.

BUDGET & APPROPRIATIONS

CONGRESS STEPS BACK FROM THE FISCAL CLIFF  NEW

Congress stepped back from the fiscal cliff on January 1 when the House voted final approval of a legislative package (H.R. 8) that renews many expired or expiring tax benefits and staves off the imposition of the budget sequester. The President signed the measure on January 2.

While the deal negotiated at the last minute by Vice President Joe Biden and Senate Minority Leader Mitch McConnell (R-KY) was not the comprehensive deficit reduction agreement that many in the higher education community and elsewhere had hoped would emerge last year, it does preserve important tax provisions—such as the charitable deduction—and postpones for two months the devastating across-the-board spending cuts in defense and nondefense spending under the sequester.

Among the tax highlights for research universities, the package extends:
• the American Opportunity Tax Credit for five years;
• Section 127 Employer Educational Assistance, including for graduate students, permanently;
• the IRA Rollover for two years (for 2012 and 2013);
• the tuition deduction through 2013; and
• the R&D tax credit for two years.

On the spending side, the package postpones imposition of the budget sequester by two months, to March 1, and reduces the FY13 sequester from $109 billion to $85 billion. As discussed in an analysis by the American Association for the Advancement of Science (AAAS), the measure would cover the $24-billion reduction in the FY13 sequester level with $12 billion in spending cuts, divided evenly between defense and nondefense spending, and $12 billion in new revenue from allowing taxpayers to convert to Roth retirement plans. The still-unresolved final FY13 budget would absorb $4 billion of the spending cuts; the FY14 budget would absorb the remaining $8 billion.

Thus, the actual reduction in the FY13 sequester level is $20 billion: $8 billion from spending cuts moved to FY14 and $12 billion from revenue increases. The AAAS analysis notes that the remaining $4 billion in cuts for FY13 are not across-the-board, as in sequestration; they will be allocated at the discretion of Congress.

BUDGET DEAL POSTPONES MAJOR SPENDING ISSUES NEW

With the sequester postponed for just two months, Congress and the Administration will quickly rejoin the battle over the budget. It remains unclear how policymakers will address the sequester, the related issue of final FY13 appropriations, or the need to raise the debt ceiling, but the issues are likely to be dealt with together.

The March 1 deadline for implementing the budget sequester falls right around the time when Congress will need to raise the debt ceiling in order to prevent the federal government from defaulting on its debt. Moreover, the current FY13 continuing resolution, which funds the government in the absence of enacted appropriations bills, expires on March 27.

OTHER

AAU ISSUES STATEMENT ON GUN VIOLENCE IN AMERICA NEW

In response to the slaughter of school children in Connecticut and other mass shootings, particularly those at educational institutions, the AAU Executive Committee issued a statement on January 3 that says “the time has come for the United States to confront our culture of violence, particularly violence perpetrated by guns.”

The AAU statement calls on the President and Congress to seek “strong, meaningful action” in three areas: gun control, care of the mentally ill, and the culture of contemporary media. While acknowledging that there are no simple “solutions” to violence in America, the university leaders urge policymakers to “apply honest and open scrutiny” to identifying and implementing real,
consequential actions, and suggest that faculty experts could be engaged in the search for effective responses.

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