

Washington Preview



September 3, 2013

August recess ushered in the usual lull in Washington activity, but the fall schedule for Congress will more than make up for that with an array of high priority issues on tight deadlines. Chief among these are the continuing debates around government funding for Fiscal Year 2014, the need to raise the federal debt limit, and the automatic spending cuts known as sequestration. When Congress returns on September 9, Members will need to work quickly during the nine scheduled legislative days in the month to come to reach an agreement on a Continuing Resolution (CR) to fund the federal government. One possible outcome to avoid a government shutdown is a global deal between the White House and Republicans that addresses all three funding issues: CR to fund the government, debt ceiling and sequestration.

The government funding crises is further complicated by the escalating situation in Syria. The House and Senate will have to immediately consider President Obama's controversial request for authorization of a military strike in Syria.

ISSUE—GOVERNMENT FUNDING

In March, Congress passed a Continuing Resolution (CR) to fund the federal government through September 30, 2013. If Congress and President Obama are unable to produce new funding legislation, the federal government will shut down on October 1. Under regular order, legislators would allocate funding through a set of a dozen appropriations bills. However, the [appropriations process](#) has stalled, with the House and Senate unable to agree on a single appropriations bill to send the White House.

When Members return in September, they will have limited time to produce a new CR since Congress is expected to have another recess in the middle of the month. Given the short time frame, congressional leaders likely will use the CR to extend funding through mid-December, allowing more time to complete the appropriations process and then pass an omnibus spending bill in December of this year for the remainder of FY14. Republicans are insisting, among other priorities, that the CR should be at current sequester funding levels of \$988 billion.

This now-routine process of extending government funding via CR is complicated this time by increasing calls for using the CR to defund Affordable Care Act (ACA)

implementation by both House and Senate conservative Members. House Republican leadership has yet to make a decision, but many privately fear that shutting down the government over defunding the ACA would be an unwise move that ultimately could cost Republicans the majority in the House.

Senator Coburn, who is one of the more vocal opponents of the defunding push, has cited a report from the Congressional Research Service which states that the major funding of the ACA would carry on in the event of a government shutdown for two reasons. First, much of the ACA is funded through multiple-year or no-year discretionary funds as well as mandatory funds. Second, during the FY2012 shutdown threat, precedent was set by HHS's contingency plan which indicated that ACA implementation could continue as a result of the mandatory funds provided in the law.

Some conservative groups are now calling for a delay of the ACA individual mandate as a compromise position for the coming CR standoff, which could be a more palatable alternative for House GOP leaders.

Regardless of whether the CR is "clean" or includes ACA-related measures, Speaker Boehner will still face the ever-present challenge of finding 218 Republican votes to pass the bill. If he cannot, he will need to turn to Democratic leadership for help which would likely result in concessions on spending levels or sequester cuts.

Three of the many possible scenarios for the CR are:

1. Continued turmoil over ACA funding or delays which leads to a government shutdown.
2. The House passes a CR in mid-September that delays or defunds Obamacare and then adjourns for the brief House recess in late September. The Senate strips out the ACA funding restrictions and sends a relatively clean CR back to the House at the last minute which the House would likely pass with a combination of Republican and Democrat votes.
3. The White House and Leaders in the House and Senate agree to a global deal that includes the CR, the sequester and the debt ceiling in exchange for key Republican priorities such as entitlement reform.

ISSUE—DEBT CEILING

In late August, Treasury Secretary Jacob Lew announced that the U.S. is likely to hit the debt ceiling in mid-October, which is earlier than many analysts previously predicted. Some have questioned the timeline given that the September quarterly tax payments could be substantial and additional dividend payments from Fannie Mae and Freddie

Mac are expected. Treasury may be trying to force Congress into acting sooner rather than later.

Congress and the White House alike have expressed a desire to avoid a repeat of the protracted debt ceiling negotiations of summer 2011. Key House and Senate Republicans, however, continue to demand that any increase in the debt limit include reductions in federal spending as well as possible other concessions, such as approval of the Keystone XL pipeline or changes to the ACA.

Republican leaders have not shown their cards yet on the debt ceiling negotiation, but many believe that the best bet for Republicans is to combine the debt ceiling increase with another outstanding leverage point for Democrats – sequestration. Lumping those two together, some Republican believe, would result in a win-win for both parties. The President could say he stuck to his commitment of not negotiating over the debt ceiling and say that any concessions were related to the sequester. Republicans would hope to come away with more concessions that they might otherwise get on a debt ceiling-only deal.

Obama aides continued to try to find common ground with some Republican senators on fiscal issues throughout the summer, with the most recent meeting on August 29. Reports from the August 29 meeting, however, were not encouraging as both sides decided to take a break from talks as a result of lack of progress.

ISSUE—SEQUESTRATION

Concern continues to grow over the automatic spending cuts known as sequestration, which went into effect in March. Under sequestration, the federal government is required to make \$1.2 trillion in across-the-board spending cuts over ten years, split evenly between defense and non-defense spending. While the effects of sequestration in its first year have been manageable, concern is growing among policymakers over the long term effects of the spending cuts.

This issue, if addressed, will most likely be attached to one of the other pending big ticket items.

ISSUE—TAX REFORM

Tax reform will heat up this fall with self-imposed deadlines to move bills out of the House and Senate before the end of the year. Senate Finance Chairman Max Baucus (D-MT) and House Ways and Means Chairman Dave Camp (R-MI) continued their tour across America in August to drum up support for tax reform. When the two chairmen return to Washington in September, they are likely to begin work on drafting final

legislative language, which is expected to come later in the fall. While the Baucus and Camp bills will have some common ground, they are likely to differ on several key points.

Given the current debates over government funding, the debt limit, and sequestration, getting comprehensive tax reform through Congress and to the White House will be extremely difficult. At one point, some thought that debt limit and tax reform could merge together into a package, but that is looking less likely given the new timeline announced by Secretary Lew.

The task became even more difficult when Secretary Lew stated in August that he does not “see a path towards comprehensive tax reform” unless it raises additional revenue, which clashes with Republican views that tax reform should be revenue neutral. Chairmen Baucus and Camp, though, remain committed to passing tax reform legislation before they hand over the leadership of their committees in 2015 when Camp is term-limited and Baucus retires.

The business community continues to fragment itself on various issues and into a myriad of coalitions. As business groups raise concerns about the details of tax reform, Members are also keenly aware of constituent interests in tax reform which generally tend to be less concerned about the business side of tax reform and less aware of the benefits. Members continue to be wary about the impact on 2014 elections if the House or the Senate moves forward with a comprehensive tax reform bill that forces votes on difficult issues, especially if any major tax reform package is not likely to be signed into law before the end of 2014.

OTHER ISSUES

Several other outstanding issues face Congress when lawmakers return in September. In addition to the CR and the debt ceiling, the Farm Bill is also on a deadline. The 2008 Farm Bill expired nearly a year ago, but it was temporarily extended through September 30, 2013. Both the House and the Senate have passed bills to reauthorize these programs already this year, but they have yet to work out the significant differences. If Congress is unable to reach a compromise on the Farm Bill, they would have to include a short-term extension of the program before October 1, most likely as part of the CR.

On immigration reform, progress is expected to be slow this month given the short legislative schedule and the serious issues facing Congress in September. The Senate previously passed a comprehensive immigration reform bill in June, but the House has yet to produce similar legislation. Speaker Boehner ruled out accepting the Senate immigration proposal and stated that the House will move at its own pace. The White House is expected to continue to push Congress to enact immigration reform, which is a priority in President Obama’s second term agenda.

On the health care front, as federal and state governments continue ACA implementation, Congress, especially Republicans, are expected to continue their scrutiny of President Obama's signature law. On October 1, Americans will be able to begin enrolling in federally or state controlled insurance exchanges. The rollout of this and other ACA programs has not been without bumps, however. In July, the Obama Administration announced that it would delay the employer mandate, prompting criticism from ACA opponents.

Further concern was raised when HHS announced in August that it would delay slightly the signing of final agreements with insurance plans to be sold on the federal health insurance exchanges. Consequently, Republicans have called for additional delays in the ACA, including the individual mandate. In August, Senate Republican Leader Mitch McConnell (R-KY) went further by calling for HHS to delay the launch of the insurance exchanges. As open enrollment draws nearer, Republicans are expected to continue their criticism of the ACA and call for further delays.

A final issue that Congress will be forced to immediately address upon return is President Obama's proposed military involvement in the deteriorating situation in Syria. Following reports that the Syrian regime used chemical weapons on civilians, President Obama condemned the acts and announced that he would order targeted strikes of Syrian military sites. While President Obama believes he has the authority to execute these strikes, he is seeking Congressional approval first. Reaction to the President's plan was mixed, with Members in both parties split on whether to get involved in the ongoing Syrian civil war. Congress will begin debate over this issue when it reconvenes in September, adding another item that legislators will need to address in the short time that they are in session.

RECENT POLLING**Job Approval: President Obama**

Poll	Date	Results
Rasmussen Reports	September 2	Approve 47, Disapprove 50
Gallup	September 1	Approve 43, Disapprove 48
NBC News	August 28	Approve 44 Disapprove 48

Job Approval: Congress

Poll	Date	Results
The Economist/ YouGov	August 26	Approve 8, Disapprove 73
Gallup	August 11	Approve 14, Disapprove 81
Fox News	July 23	Approve 18, Disapprove 74

Direction of the Country

	Date	Results
Reuters/Ipsos	August 27	Right Track 24, Wrong Track 60
The Economist/ YouGov	August 26	Right Track 28, Wrong Track 62
Rasmussen Reports	August 25	Right Track 29, Wrong Track 64