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Hello from the nation's capitol-

It looks to be a very active week on Capitol Hill and the action will likely not slow down until the Memorial Day Recess in late May. The House and Senate this week will continue to work on the federal budget resolution and the House is aggressively moving ahead with energy and climate change legislation. In addition, the Senate is finalizing their appropriations requests to the subcommittees. Below is a briefing from Congressional Quarterly's Budget Tracker Newsletter. It includes an update on the budget, energy/climate change legislation and health reform.

I am now located in Washington DC. Please feel free to contact me at the contact info below. I will also be back in Corvallis over the Memorial Day recess and look forward to catching up with some of you then.

Best,

Kate

Budget Readied for Approval

Democrats this week expect to adopt a fiscal 2010 budget resolution that sets the stage for action on President Obama's health care, education and energy priorities.

House-Senate conferees plan to meet Monday afternoon on the measure, and expect to agree to a final budget that can be adopted by the two chambers on Tuesday and Wednesday. Under a tentative deal struck late last week, the budget would provide reconciliation protection from Senate filibuster for later legislation to overhaul the nation's health care system and change federal student loan lending. Health care in particular is the top priority of Democrats and the president, and they say that they hope to move health care legislation in a bipartisan fashion — but want reconciliation as a backup in case Republicans threaten to filibuster. Republicans say allowing reconciliation virtually guarantees a lack of bipartisanship. "Instead of being a bipartisan effort as the American people expect and deserve, health care reform by reconciliation would completely shut out the minority from having any input whatsoever," said top Senate Budget Republican Judd Gregg of New Hampshire in an April 24 statement.

The tentative agreement would not, however, provide reconciliation protections for cap-and-trade climate change legislation, which has been a focus of much GOP opposition during debate on the budget in both chambers. Although Democrats said they did not intend to move cap-and-trade using reconciliation, Republicans had argued that the House budget's reconciliation instructions for health care could also be used for cap-and-trade, because the same committees were involved and reconciliation instructions can't dictate what policy must be reported by the specified committees. (The House budget provides reconciliation protection for

legislation reported by Ways and Means, Energy and Commerce, and Education and Labor — with both health care and cap-and-trade being under Ways and Means and Energy and Commerce jurisdiction. The Senate budget included no reconciliation instructions.) Under the tentative deal, Senate reconciliation instructions would be provided for Finance and Health, Education, Labor and Pensions — but not for any Senate panel with jurisdiction under cap-and-trade. This also means that if Democrats are able to move health care or student loan legislation without the need for reconciliation, those reconciliation protections could be used for other legislation reported by those panels.

Democrats at the end of last week were still working out the details of the budget's limit on discretionary spending, which is expected to provide about $10 billion less than Obama's $1.096 trillion proposal. The House budget calls for $7 billion less than Obama, while the Senate would allow $15 billion less. Adoption of a final budget will give the House and Senate Appropriations committees their 302(a) allocation for discretionary spending, which they will later distribute among the 12 spending bills and begin the fiscal 2010 appropriations process. Appropriations markups may begin in late May. Adoption of a final budget resolution will also provide for automatic House passage of legislation to increase the nation's statutory debt limit, pursuant to the House's so-called Gephardt rule. The House budget calls for a debt limit increase of $925 billion, which would raise the debt ceiling to $13.029 trillion.

To help show reduced deficits in future years, the draft budget deal also differs in several other ways from Obama's budget proposal — including by assuming that the president's "Making Work Pay" tax cuts will expire. That tax cut, which provides $400 for most workers and $800 for couples, was enacted as part of the Economic Recovery Act (PL 111-5) and expires at the end of 2010. The tentative deal also assumes that discretionary spending in future years of the five-year budget is reduced compared to the president's plan, and that offsets are found for the cost of alternative minimum tax "patches" the last two years of the budget and for the cost of preventing scheduled cuts to Medicare physican reimbursement rates for the last three years. Under Obama's plan, those costs would not be offset — so those budget assumptions help reduce the budget's deficit to about 3 percent of GDP (or $500 billion) in five years. Obama's budget would result in a deficit of 4.3 percent of GDP ($749 billion) in the fifth year, according to CBO.

Assumed decisions for future years in congressional budgets can be changed, however, because Congress usually adopts a new budget each year. In many ways, a congressional budget resolution is effectively a one-year document, rather than an enforceable multiyear planning document. The two most important elements in any budget are the limit on discretionary appropriations for the budget year, and any reconciliation protections against filibuster for subsequent legislation (which can have multi-year implications on spending and revenues).

OBAMA CONTINUING CALL FOR FISCAL DISCIPLINE: President Obama on Wednesday will hold a nationally televised press conference to mark his 100th day in office.

Obama is likely to talk more about his budget, and almost certainly will face questions about which programs he is targeting for cuts. Obama on April 20 announced that he had asked his Cabinet to cut a total of $100 million in spending in the next 90 days, and that he would be seeking to cut and eliminate more federal programs in the future. It's expected he will submit his detailed fiscal 2010 budget to Congress next week.

As Congress prepared to adopt a budget similar to Obama's that would increase spending, the president in his weekly radio/video address reiterated his call for fiscal discipline and said he would seek broader government reforms — including by asking Congress to enact statutory PAYGO. "It's time to fundamentally change the way we do business in Washington," he said, arguing that one of the "pillars" of a new foundation for economic prosperity must be fiscal discipline. In addition to his call for statutory PAYGO, Obama said the administration would establish a process for promoting "bottom up" ideas from federal workers for savings and performance improvements, and would create "new incentives to reduce wasteful spending" by allowing agencies to keep a portion of savings they identify from their budgets. He also said the White House later this year would host an event to hear the ideas of private businesses for making government more efficient.

BAUCUS LAYS OUT HEALTH CARE OVERHAUL IDEAS: Senate Finance Chairman Max Baucus, D-Mont., last week said that creating a government-run insurance plan probably wouldn't be his first line of attack in overhauling health care, preferring to focus instead on the system for self-insured companies.

While a government-run insurance plan was still on the table, Baucus said, "It might be a bit on the side of the table." Instead, he said, he would focus on preserving the insurance system for self-insured companies while expanding private insurance and public programs such as Medicaid, the insurance program for the poor. "We'll end up with more private insurance and more public insurance," he said at an April 24 press briefing. Baucus laid out broad details of his overhaul plans, many of which he will share in greater depth in a closed-door session on Wednesday with members of Senate Finance.

Baucus previously backed the idea of a government-run plan to compete with private insurers and drive down costs, but the political difficulty of the idea has put pressure on him to drop it. Many Republicans vehemently oppose any idea of a government-run insurance plan, while many on the left are demanding its inclusion. His vision would make substantial changes to the insurance market, but with the goal of letting people keep insurance that they like. For many uninsured looking to buy coverage, Baucus would like to "set up a system similar to Massachusetts," where people can buy insurance through a "connector" that offers standard minimum benefit plans with subsidies for those who cannot afford it. Baucus is writing his own bill out of Senate Finance, while Senate Health, Education, Labor and Pensions Chairman Edward M. Kennedy, D-Mass., is drafting a related but separate bill that will be combined with Baucus' on the floor.

Baucus and the committee's ranking Republican, Charles E. Grassley of Iowa, also are looking to revamp health care payment systems like Medicare so they foster more efficient payment trends. Some areas of the country with efficient health systems spend far less to get the same quality of care as other, far more costly regions. Experts like former CBO Director Peter R. Orszag, now director of the White House's budget office, have predicted that getting high-cost areas more in line with the country's more efficient regions could save hundreds of billions of dollars.

Another key player in a health overhaul, HHS Secretary nominee Kathleen Sebelius, is on track to win Senate confirmation on Tuesday even though the Kansas governor dismayed some Republicans by vetoing a state abortion bill. As several on-the-fence Republicans appear to waver, Sebelius' confirmation vote could be far closer than she or President Obama would like — and it would be politically disastrous for Obama if her confirmation were to fail or if she were forced to withdraw. The offices of Maine Republican Sens. Olympia J. Snowe and Susan Collins on Friday reiterated that they will support Sebelius.

HOUSE DEMOCRATS BEGIN INTENSE NEGOTIATIONS ON CLIMATE BILL: House Democrats will start intense negotiations on a global warming bill with the aim of a committee markup this week, though many in the party say they cannot support it without major changes.

Energy and Commerce is considering legislation to limit pollution that contributes to climate change, but the draft bill leaves many issues unwritten or unresolved. The goal remains to complete a subcommittee markup in the next two weeks and for the full committee to approve a bill by Memorial Day. Accomplishing this will require winning over Democrats like John D. Dingell of Michigan, a close ally of the auto industry. He wants the bill to include funding for research on advanced vehicle technologies, and include a "cash for clunkers" program to help consumers pay for new cars. A group of Democrats led by Rick Boucher of Virginia was expected to negotiate through the weekend with Energy and Commerce Chairman Henry A. Waxman, D-Calif. Most of the skeptics about the bill come from Midwestern or Southern states and worry about its impact on factories and coal-fired power plants.

While committee leaders plan to stick with the cap-and-trade model, the details are up for debate. Some Democrats want the federal government to give a portion of the emissions permits to industry free of charge. An alternative is to auction the permits and use the revenue for consumer rebates or to fund clean-energy research. The draft bill already includes language to give some free allowances to manufacturing sectors, such as steel and cement, which could have a competitive disadvantage with developing countries. Gene Green, D-Texas, wants to expand this provision to include oil refineries. Another tricky issue will be how stringent the bill should be, especially in the early years of the program. The draft bill would reduce emissions 20 percent below current levels in 2020. This is at the upper end of the recommendations of the U.S. Climate Action Partnership, a coalition of environmentalists and industry, which has called for a cap between 14 percent and 20 percent.

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Go Beavs!