



# *SBLC WEEKLY*

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## ***SPENDING CUTS ROUND ONE***

The House majority has released their version of a continuing resolution to fund the government through the rest of FISCAL YEAR 2011. It is hard for me to explain why you see various numbers associated with it, but the bottom line is I think \$61 billion in cuts is the credible number.

The current continuing resolution runs out March 4<sup>th</sup>. The new proposal by the House majority is very precise in what it cuts. Defense was left largely untouched while the Environmental Protection Agency would have its budget cut significantly. Just about every favorite program of Democrats and the President would lose funding. Which brings us to the question, will Congress pass a new continuing resolution or will the government shut down on March 4<sup>th</sup>?

At the SBLC annual meeting I opined that if anybody was around in 1995 for the shutdown showdown between President Clinton and the Republican-controlled Congress led by then Speaker Newt Gingrich they would try to avoid another shutdown. Nobody felt good about that one.

But this is a different time and a substantial number in the new House majority have come to Washington holding the belief that, if it takes a shutdown to change Washington's spending habits, then so be it. At the

moment, it looks like we will all find out whether that is the cure.

There is no way the Senate Democratic majority is going to go along with a tailor-made-to-hurt continuing resolution. With this opening bid by the House majority, the test of wills has been framed.

I do not think March 4<sup>th</sup> will be shutdown day. I think the House leadership will be given a little wiggle room by its caucus with a short term continuing resolution or two, to allow for negotiations because after all this is still Washington, and nothing gets resolved until you really, really have to.

The President delivers to Congress his proposed budget for fiscal year 2012 today. There is no requirement that Congress consider his proposal, and in recent years, the expression "Dead on Arrival" has been used to describe various Presidents' budget proposals. With the House in Republican hands, this one certainly is DOA.

It is up to Congress to adopt a budget resolution which sets the overall goals for spending and revenues. It is supposed to do so by April 15<sup>th</sup>. It does not always do so. There are various ramifications if it fails to do so, but most of them are procedural in nature. The resolution is internal congressional direction. It does not require a presidential signature. The appropriations and tax committees fill in the details later.

## ***FORM 1099***

The Senate MAY finish their work on the Federal Aviation Administration (FAA) reauthorization bill this week. It now includes a repeal of the Form 1099 expansion, with a rescission of unspecified unspent funds as an offset.

As I reported, the Senate FAA bill is not likely to be the vehicle for the Form 1099 repeal in the House. We expect a mark up of the free standing House version of the repeal bill, H.R. 4, very soon. I thought it would be this week. H.R.4 does not include a revenue offset. This past week there were all sorts of rumors about the bill regarding the nature of the offsets, repeal of similar information reporting requirements and so forth. Our view has been pass a clean bill that the Senate can either approve as is. If the House does not, the Senate will almost certainly swap out any language approved by the House and insert their language. In which case, it either goes back to the House for approval of that version or a conference committee. Seems like needless steps except for political point making. As the Bureau of National Affairs Daily Report for Executives reported, "Whatever they need to do, just do it," Satagaj said, noting he has had a hard time explaining to his members why it has not already been repealed." ☺