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NO SHUTDOWNS

Whatever their ideological differences, there is one thing congressional Democrats and Republicans can agree upon – it would not be a good thing to have a showdown over a government shutdown during campaign season.

Congress is on pace to approve a continuing resolution (CR) to fund the government for six months. The House passed the CR last week and the Senate is expected to do so this week. Congress needs to do so because the federal government's fiscal year begins on October 1st, and yes, folks you guessed it, Congress has failed to pass even one of the appropriations bills in time.

The government will be funded at the level prescribed by the debt ceiling deal law passed last year. However, this is not to be confused with the looming sequestration, the “sort of” across the board cuts required by the same debt ceiling deal law. Sequestration results in additional cuts beyond the baseline. So in January, unless something is done, the funding levels including in the CR will be reduced accordingly. As I have previously reported, we do not know the precise percentage of the sequestration cuts as the specific

number depends on several last minute bits of information. (See the July 30, 2012 Weekly for a detailed explanation.)

The President also released the report required of him on how sequestration will work (see that same Weekly) but the report is also only a slightly more refined sketch of what we knew already.

According to the President's report, “If the sequestration were to occur, the actual results would differ based on changes in law and ongoing legal, budgetary, and technical analysis. However, the report leaves no question that the sequestration would be deeply destructive to national security, domestic investments, and core government functions. Under the assumptions required by the STA, the sequestration would result in a 9.4 percent reduction in non-exempt defense discretionary funding and an 8.2 percent reduction in non-exempt nondefense discretionary funding. The sequestration would also impose cuts of 2.0 percent to Medicare, 7.6 percent to other non-exempt nondefense mandatory programs, and 10.0 percent to non-exempt defense mandatory programs.”

GET OUT OF TOWN

It looks like it will be an even shorter stay for Congress before the election. Before the August recess, the expectation was they would be around until mid-October. Looks like this will be the last week of work for them. This means the effort to deal with the small “e” tax extenders I described in last week's Weekly is not likely to get off the ground.

It also means Congress is doubling down on the lame ducks to turn the car around before we go over the fiscal cliff.