

Today's Climate, =Change?

February 19, 2013

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New??? 113th Congress

- Senate: Democratic Controlled
- House: Republican Controlled
- Executive: Democratic Controlled

Election Results - House

218 SEATS NEEDED FOR MAJORITY



201 DEMOCRATS

0 remaining

REPUBLICANS **234** ✓

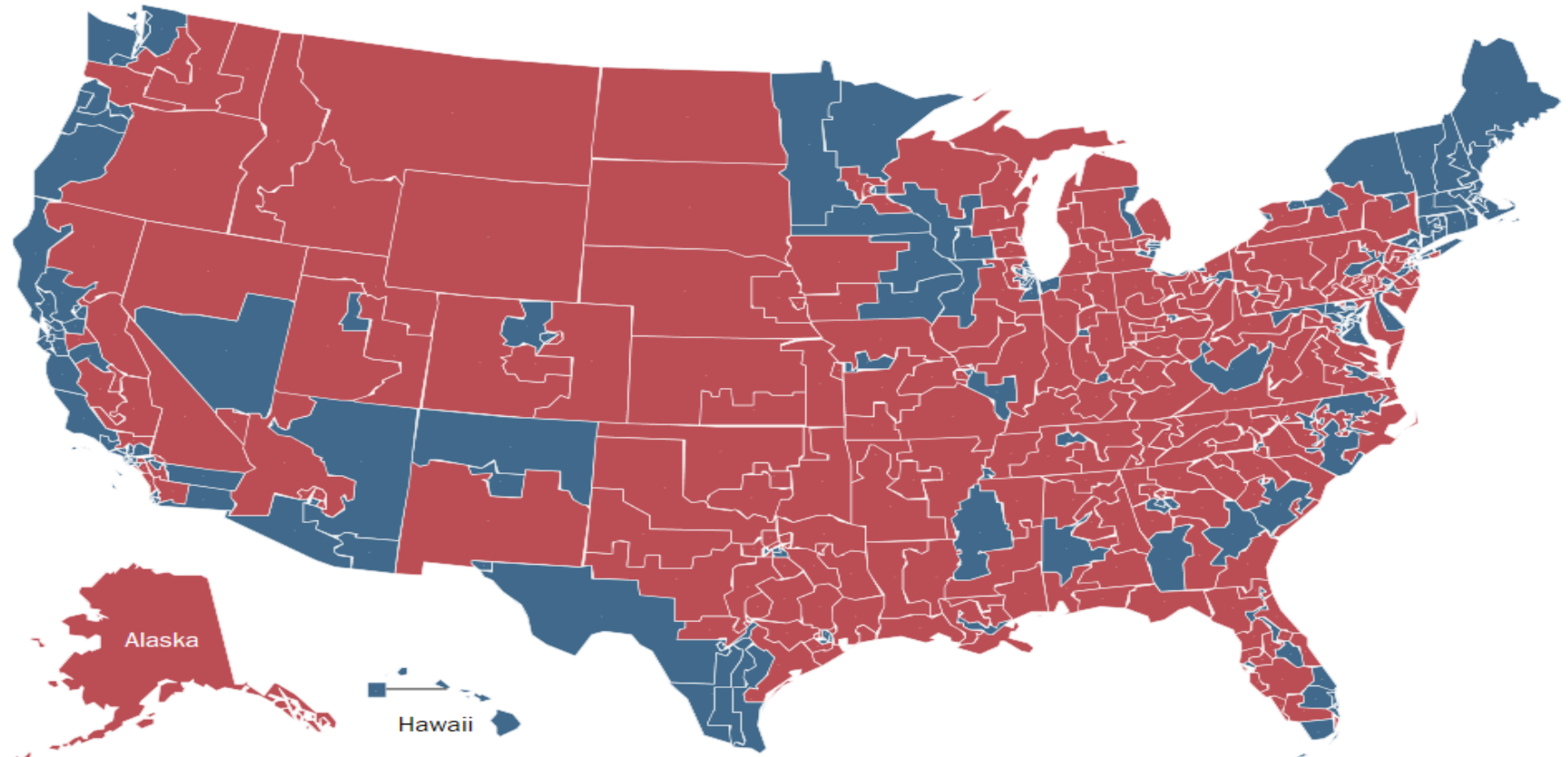


Map

Table

Results
Margin of victory

Results key
Lead Win
Democrat
Republican
Other
No leader*
No results



Last updated on Nov. 19.
Full certified AP results
not available until January.

Election Results - Senate



53 DEMOCRATS

51 SEATS NEEDED FOR MAJORITY

0 remaining 2 INDEPENDENTS

REPUBLICANS **45**



30 Democrats not up for election

37 Republicans not up for election

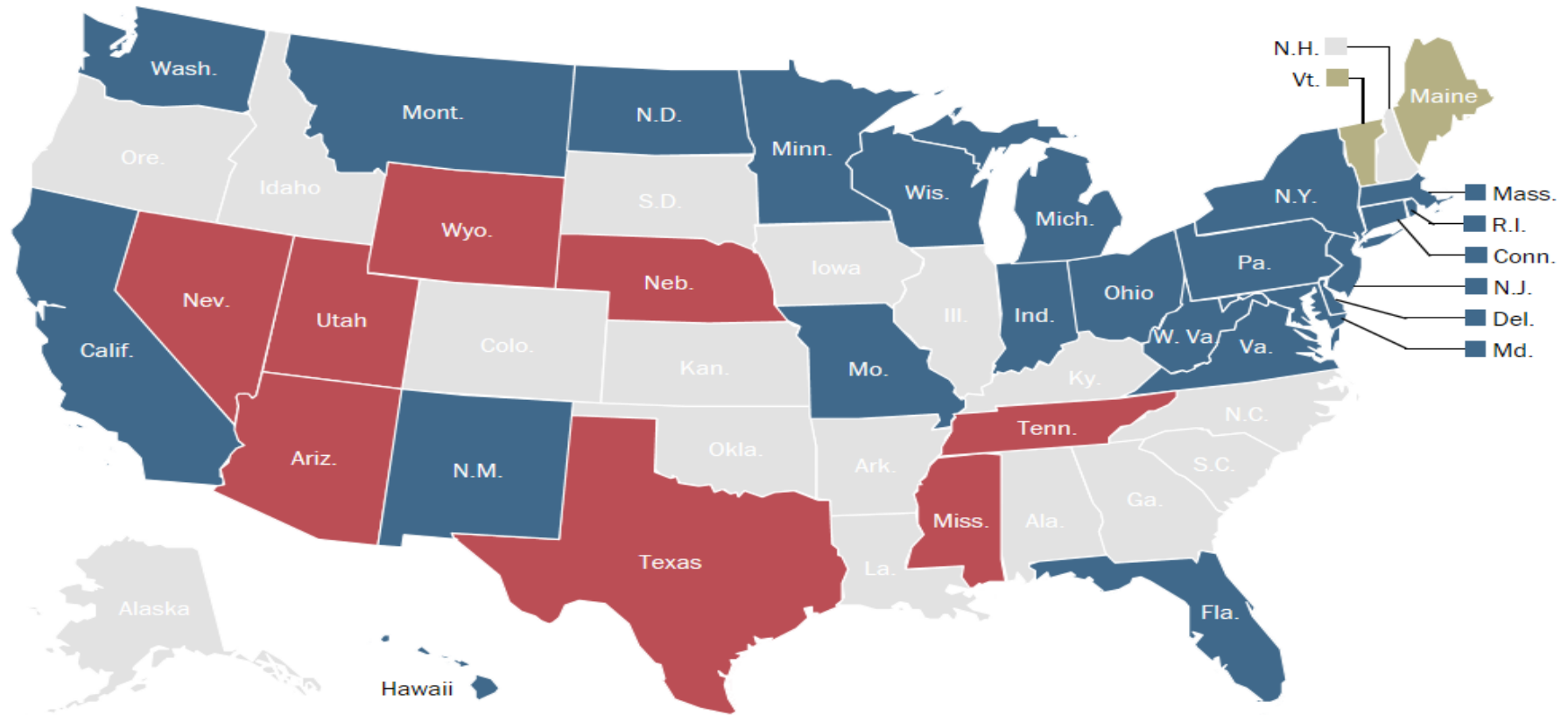
Map

Table

- State results
- State margin
- County results
- County margin

Results key

- Lead Win
- Democrat
- Republican
- Other
- No leader*
- No results



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113th Congress Issues

- Immediate are the BIG 3
 - **Debt Ceiling**—mid-May—New House Republican Proposal to link Congressional Pay to passage of Budget
 - Proposal was passed by the House and Senate
 - **Automatic Sequestration**—delayed to March 1st from Jan. 2 by fiscal cliff deal (candy then and now medicine)
 - **Continuing Resolution**—Expires March 27th

Additional Congressional Issues

- Administration interested in addressing:
 - Immigration reform
 - Gun Control
 - Gay Rights
 - Climate Change

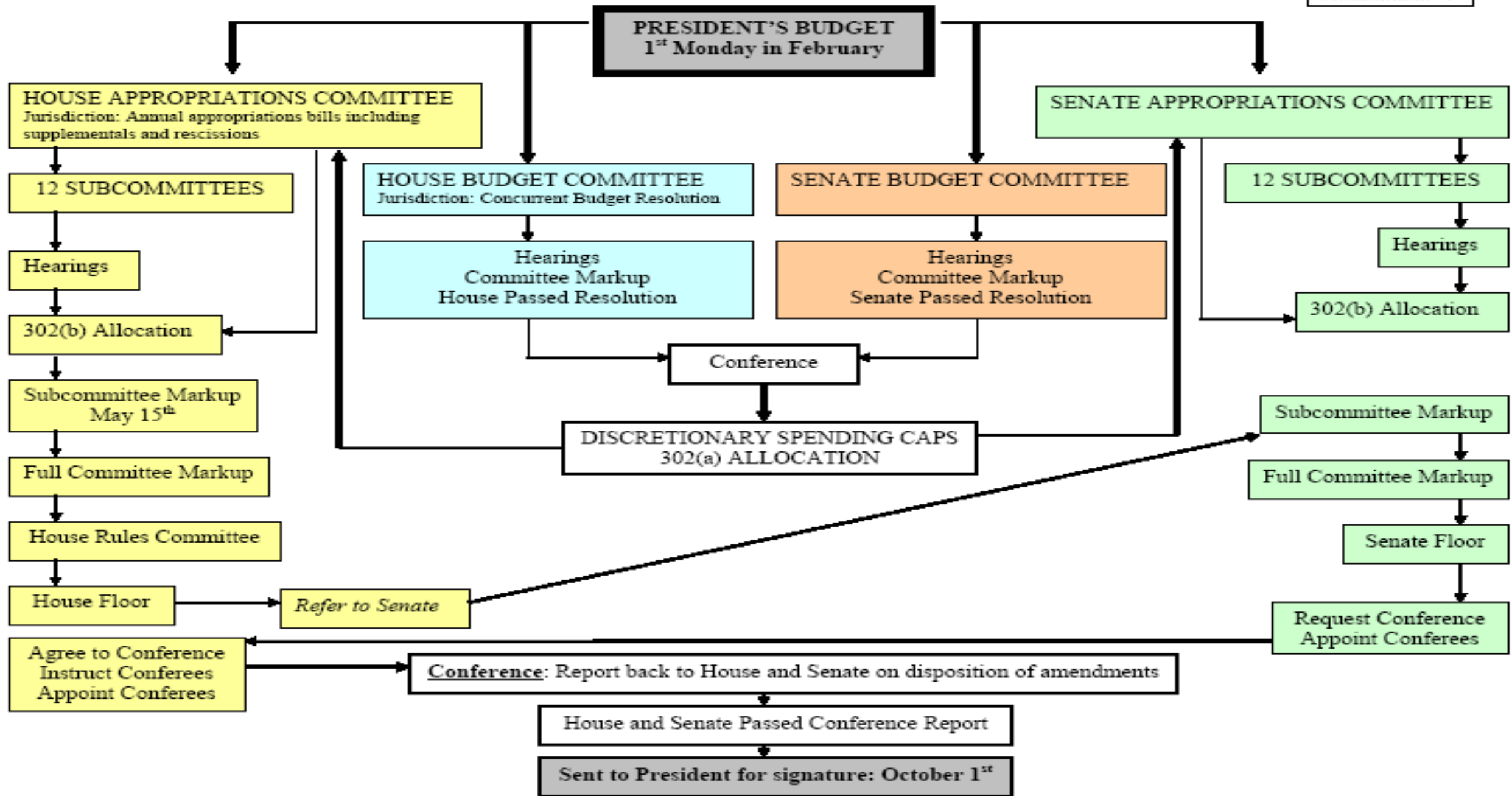
All are VERY contentious issues with the ability to gridlock

Budget Timetable

- **First Monday in February**---President submits his budget to the Congress.
- **April 15th**---House and Senate compete consideration of the Congressional Budget Resolution.
- **May 15th**---Appropriations bills may be considered in the House.
- **May-July**---House and Senate Appropriations committees work on appropriations bill setting spending levels for the various Federal agencies.
- **June**---Federal Departments and Agencies begin developing the NEXT year's Federal budget.
- **October 1st**---Fiscal Year begins.

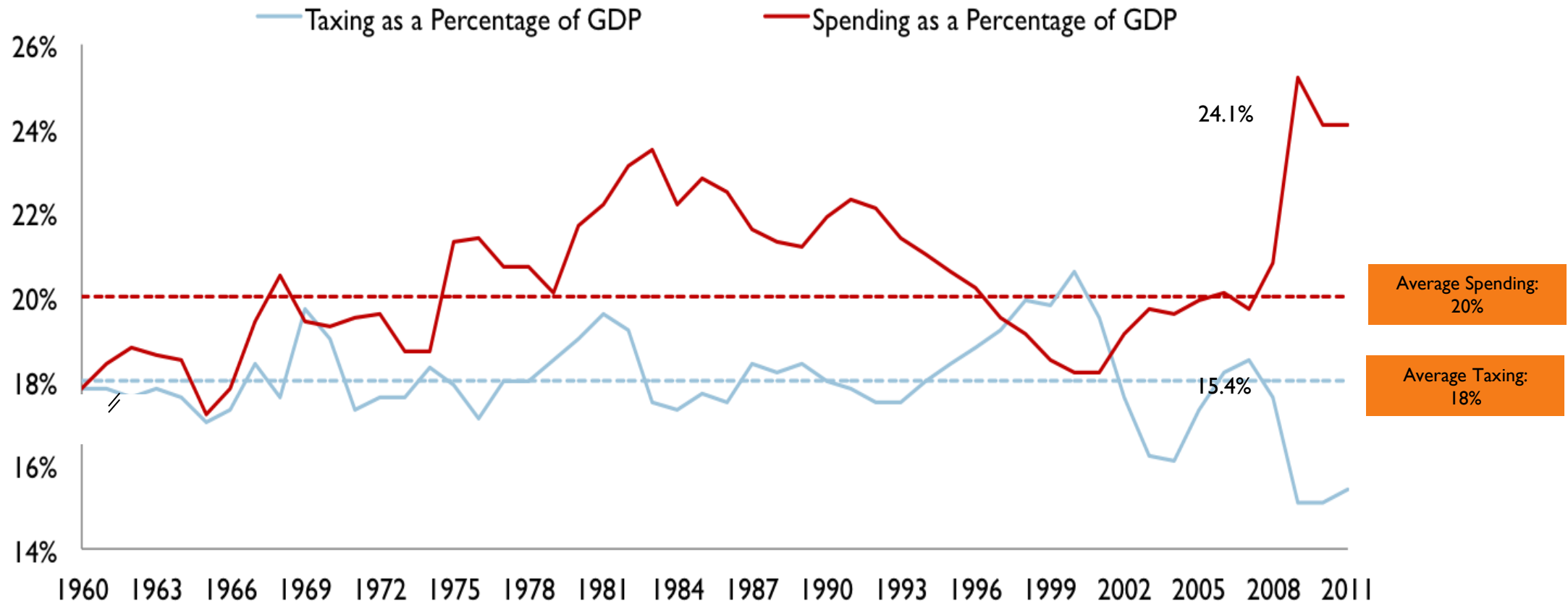
APPROPRIATIONS PROCESS

Attachment 1



A Yawning Gap Between Federal Spending and Tax Revenues

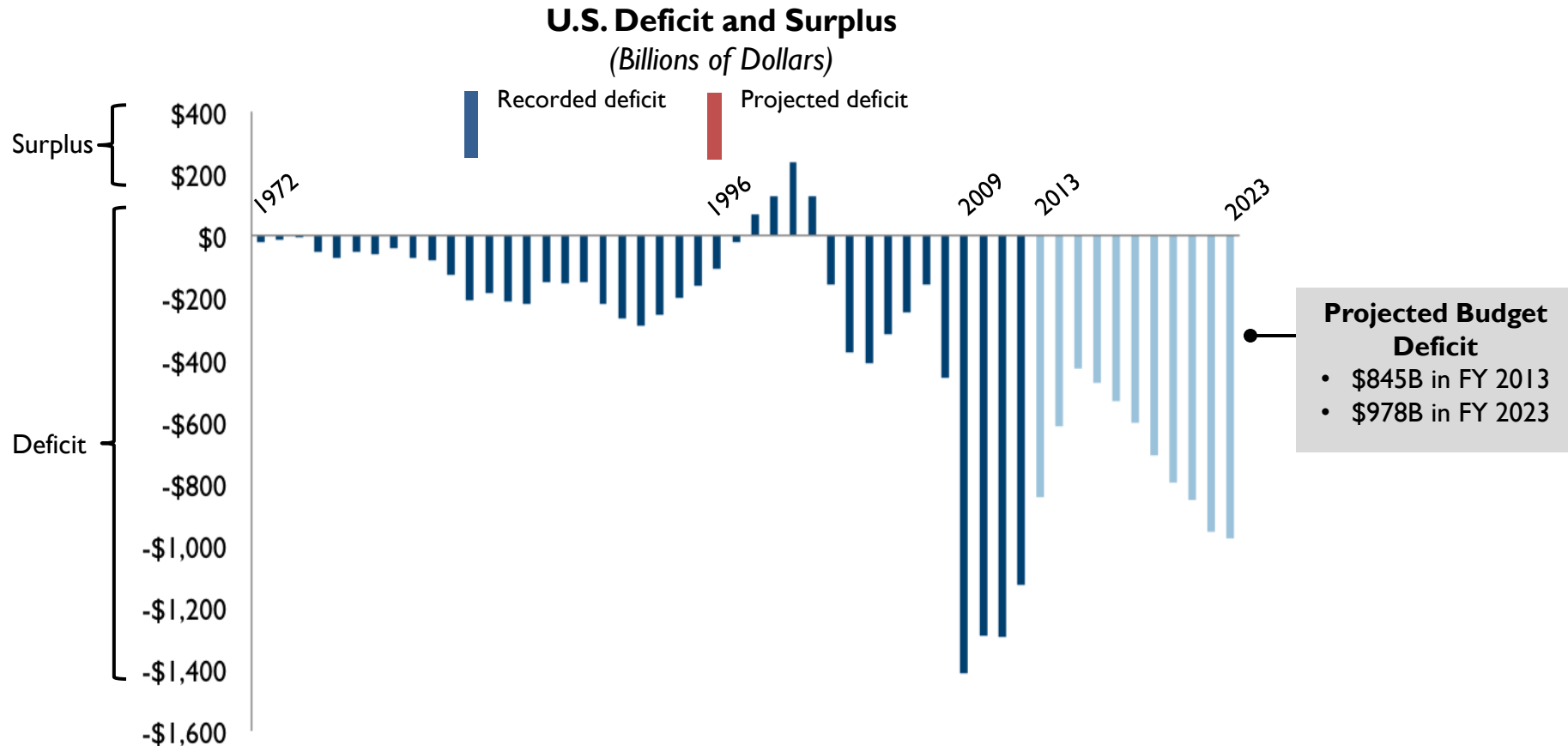
Taxing and Spending as Percentages of GDP



Analysis

- Fiscal cliff deal focused on individual tax policy and effectively held flat federal revenue
- Many Republicans consider sequestration the only way to force spending cuts; Obama wants to delay sequester with a combination of spending cuts and tax increases

Deficit Expected to Dip But Remain High In Next Decade



Analysis

- The CBO projects that the FY 2013 budget deficit will be smaller than deficits registered in past four years assuming continuation of current laws governing taxes and spending
- Beginning in FY 2016, the CBO estimates that budget deficits will increase due to rising health care costs, interest payments on federal debt and an increase in federal subsidies for health insurance

Key Terms

Sequestration

Measures meant to reduce federal spending; primarily consists of **deficit reduction sequester**, mandating automatic, across-the-board spending cuts for federally funded programs in order to meet national budget goals, and **discretionary caps**, limiting future federal spending

Budget Control Act of 2011 (BCA)

Mandated sequestration starting Jan. 2, 2013 if Congress could not reduce deficit by \$1.2T–\$1.5T over a 10-year period

American Taxpayer Relief Act (ATRA) of 2012

Mandates modified sequestration starting March 1, 2013 if Congress cannot negotiate a way to avoid it

Sequestration and Spending Caps

MARCH 1 SEQUESTER

REVISED SPENDING CAPS

	<u>FY</u>	<u>Cap</u>	<u>Change %</u>
<ul style="list-style-type: none"> ▪ Fiscal cliff deal reduced to \$85.3B and delayed to 3/1 			
<ul style="list-style-type: none"> ▪ Cut to each defense and non-defense account reduced to \$42.7 from \$54.7 billion 	2012	1.028	1.8
	2013	1.043	1.8
	2014	1.058	1.8
<ul style="list-style-type: none"> ▪ Defense: to 7.3% from 9.4% 	2015	1.086	1.9
<ul style="list-style-type: none"> ▪ Nondefense: to 5.3% 5.9% from 8.2% 	2016	1.107	1.9
	2017	1.131	2.2
<ul style="list-style-type: none"> ▪ Defense may have new \$12 billion cut on 3/27 	2018	1.156	2.2
	2019	1.182	2.2
	2020	1.208	2.2
	2021	1.234	2.2