

**Federal Legislative Update**  
**Kalispell Chamber of Commerce**  
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Both the House and the Senate were in session for the first half of the week as members from both chambers convened on Tuesday for President Obama's annual State of the Union address. The House adjourned on Wednesday as Democrats held their annual retreat on Thursday and Friday.

On Wednesday, the House passed a short term extension of the Airport and Airway Extension Act of 2012 (H.R. 3800) and the Ultralight Aircraft Smuggling Prevention Act of 2012 (H.R. 3801), but postponed voting on HR 1022, the Buffalo Soldiers in the National Parks Study Act.

The Senate postponed votes on Preventing Real Online Threats to Economic Creativity and Theft of Intellectual Property Act (S.968) and Senate Republicans held their annual retreat on Wednesday. The Senate did pass the SOAR Technical Corrections Act (H.R. 3237) and the St. Croix River Crossing Project Authorization Act (S. 1134), and confirmed John M. Gerrard to be a United States District Judge for the District of Nebraska by a vote of 74-16. The Senate also passed, by unanimous consent, the federal aviation extension (HR 3800) and the ultralight aircraft smuggling prevention bill (H.R. 3801). On Wednesday, the Senate voted to allow the president to raise the debt limit by \$1.2 trillion (HJ Res 98). On Tuesday, conferees from both chambers met for the first time to work out differences over a bill to extend the Social Security payroll tax cut.

The House will take up H.R. 3521, the Expedited Legislative Line-Item Veto and Rescissions Act of 2011 next week. They may also consider three budget reform bills – H.R. 3582, the Pro-Growth Budgeting Act of 2012; H.R. 3578, the Baseline Reform Act of 2012; and H.R. 3581, the Budgeting and Accountability Act of 2012.

Next week the Senate begins with more judicial votes Monday evening and will resume consideration of the motion to invoke cloture on the motion to proceed to the Stop Trading on Congressional Knowledge (STOCK) Act (S. 2038).

**State of the Union Address**

The President outlined his FY13 spending priorities in his State of the Union address on Tuesday evening. Some of the key initiatives he presented included: expand energy development including oil exploration, natural gas production, and renewable technologies (including one of the largest commitments ever to renewable energy); implement a minimum tax for multinational companies to fund tax breaks for companies that create jobs in America; advance support for partnerships between companies and community colleges to train workers for new careers coordinated through a single government program; beef-up border protection, combined with a law to create a path for undocumented immigrant students to become legal U.S. citizens; and establish a financial crimes unit to crack down on large-scale fraud, and a second unit to investigate abusive lending practices and institutional gambling on risky mortgages.

The President used this opportunity to lay out his platform as he runs for reelection this year. He challenged Congress to come together over partisan divides, but at the same time threatened that he would do everything he could to help the economy grow "with or without this Congress."

**President Obama's FY13 Budget Request**

The White House announced earlier this week that it would delay release of its FY13 budget by a week, releasing it on February 13 instead of February 6. Federal law stipulates the budget is to be released on the first Monday in February. Release of the budget was also delayed last year by the Office of Management and Budget when the budget was submitted to Congress on February 14.

*FY13 Defense Budget Request*

While the FY13 budget will not be officially released until February 13, Defense Secretary Panetta met with congressional defense leaders on Wednesday evening and with reporters on Thursday afternoon at the Pentagon to discuss some details of the Pentagon's FY13 budget. The 2013 budget is the first that will grapple with a \$487 billion cut to Pentagon spending over the next decade. Since the budget only projects for 5 years, the reductions included in this budget total \$259 billion over the next 5 years. That doesn't include a potential \$500 billion cut through sequestration starting in January 2013 if Congress does not agree to reach \$1.2 trillion in deficit reduction. The base Defense budget for FY13 is \$525 billion, a slight decrease from the \$531 billion Congress appropriated for 2012 and a reduction of \$46 billion from the \$571 billion projected for 2013 in last year's budget. The Overseas Contingency Operation (OCO) also takes a cut and is \$88.4 billion for FY13 compared to \$115 billion in FY12. The decline in the OCO account is attributable to the full withdrawal of combat troops from Iraq, although some Iraq-related funding remains because of the continued U.S. effort to support the Iraqi government.

The Pentagon is proposing a number of major program changes to comply with their new budget caps. "After a decade of focus on counter-insurgency operations, the U.S. armed forces must re-hone other capabilities needed for a wider spectrum of missions and adversaries." These changes include aircraft retirements, slowing the pace of building new ships and accelerating the retirement of some existing ships, at least one round of base-closures, reductions in Army and Marine Corps ground forces, slowed procurement of the F-35 Joint Strike Fighter, canceling Block 30 of the Global Hawk program, better use of IT and business and enterprise systems, streamlined staff, limitations on official travel, more skillful contracting practices, better inventory management, deferral of some military construction, reductions in planned civilian pay raises, reductions in contract services, delaying the Army Ground Combat Vehicle, curtailing the Joint Land Attack Cruise Missile Defense Elevated Netted Sensor System, significantly reducing the Joint Air-to-Ground Munition, terminating the Defense Weather Satellite System, delaying Army helicopter modernization, reducing commercial satellite imagery purchases, terminating HMMWV upgrades, providing more limited pay raises beginning in 2015, increasing and adding new enrollment fees for retirees under age 65 in the TRICARE program, establishing a new enrollment fee for the TRICARE-for-Life program for retirees 65 and older, implementing additional increases in pharmacy co-pays, and establishing a BRAC-like authority to review military retirement benefits for future recruits.

Programs that were protected or will receive increased funding in FY13 included the new bomber; upgraded radars for tactical aircraft and ships; improved air-to-air missiles; new electronic warfare and communications capabilities; special operations forces; unmanned air systems; sea-based unmanned Intelligence, Surveillance and Reconnaissance, (ISR); advanced ISR; cyber operations; upgrades to the GPS, the Space Based Infrared System, and the Advanced Extremely High Frequency satellite programs; counter weapons of mass destruction; science and technology programs; the Wounded Warrior Integrated Disability Evaluation System; the Transition Assistance Program; family support; psychological health programs; reserve component support; DOD schools; and the military commissary system.

### **Debt Ceiling Increase**

Yesterday the Senate rejected the House proposal (HJ Res 98) blocking a \$1.2 trillion increase to the \$15.2 trillion debt ceiling. The Senate vote was 44 to 52, with 2 Democrats (Sens. Manchin, WV and Nelson, NE) voting for the measure and 1 Republican (Sen. Brown, MA) voting against the resolution of disapproval. The House passed the resolution last week by a vote of 239-176. The vote was required by the Budget Control Act passed by Congress last August, which gave President Obama the power to unilaterally raise the debt limit unless Congress passed a resolution of disapproval. The new borrowing limit becomes effective close of business today.

The Treasury Department does not expect a need for another increase before the November election, but tax revenue can vary widely. Last year the Treasury Department revised its deadline for lifting the cap when revenue was stronger than predicted.

### **Stop Online Piracy Act (SOPA) and the Protect IP Act (PIPA)**

After strong public opposition, namely protests from thousands of websites including Google, Wikipedia, and craigslist, the House and Senate have indefinitely postponed consideration of SOPA and PIPA. According to House staff, this issue caused the highest web traffic to member websites since the health care debate two years ago with constituents sharing their strong opposition.

Under SOPA and PIPA, the government and copyright holders could force US internet firms to block access to foreign sites that provide Americans with illegal copies of copyrighted and counterfeit goods. House Judiciary Committee Chairman Lamar Smith (R-TX), the main sponsor of SOPA in the House, had planned to finish marking up SOPA next month en route to a possible floor vote. The Senate had also originally planned to move the bill quickly.

While House and Senate leaders have agreed to shelve the current versions, Congress still would like to address the issue of online piracy. Senate leadership continues to engage with stakeholders with a goal of maintaining openness of the internet while protecting Americas' intellectual property. A potential compromise is still possible in the coming weeks or months.

### **Keystone XL Pipeline Decision**

Touted by the many as a job creator and a resource to reduce our dependence on foreign oil, the GOP forced the President to make a decision on the Keystone XL pipeline as part of the two month payroll tax-break extension bill. On January 18, President Obama formally rejected the proposal citing limited time to study the impacts. The administration has delayed a decision on the pipeline until 2013.

However Republicans continue to press the issue as the House Energy and Commerce Subcommittee on Energy and Power held a hearing on Wednesday over legislation (North American Energy Access Act, HR 3548) that would give authority over the pipeline to the Federal Energy Regulatory Commission (FERC). However in that hearing, witnesses from both the State Department and FERC highlighted some legal issues in the bill's language. Senate Republicans are also exploring legislation to force the issue. Senators John Hoeven (R-ND) and Richard Lugar (R-ID) have proposed legislation that would mandate the Keystone pipeline be approved by Congress.

If Republicans decide to pursue such legislation, a larger debate looms over the legislative vehicle that could be used to pass the bill. Such 'must pass' bills include the extension of the payroll tax break (which expires at the end of February) or the transportation reauthorization bill. Committee leaders aren't particularly keen on including it in either of those bills given the contentious nature of the issue.

### **FAA Reauthorization**

House Speaker John Boehner (R-OH) and Senate Majority Leader Harry Reid (D-NV) negotiated a compromise on the biggest issue blocking passage of an FAA reauthorization bill, raising hopes that FAA programs will finally be reauthorized after 4 ½ years and what will be 23 extensions of existing authority.

The dispute was over a House-passed provision that would have nullified a National Mediation Board (NMB) ruling that made it easier for rail and airline workers to unionize. Under the Boehner-Reid agreement, the NMB ruling would be allowed to stand, but the bill will raise from 35 to 50 percent the percentage of eligible bargaining unit members needed to petition in order for a certification vote to occur. The agreement includes other more minor changes to NMB rules and procedures as well.

The remaining issues for conferees include changes to the Essential Air Service program and new long-distance flights into and out of Washington Reagan National Airport. Conferees are meeting on those and other issues and seem confident that they will resolve them.

Because the prior extension would have expired this Monday, January 31, both the House (on Tuesday) and the Senate (on Thursday) passed another extension (as noted, the 23<sup>rd</sup>) until February 17 in order to give conferees time to complete their work.

### **Surface Transportation Reauthorization**

The prospects for progress on surface transportation reauthorization improved somewhat this week as House Transportation and Infrastructure (T&I) Committee Chairman John Mica (R-FL) announced that his committee would mark up its reauthorization bill this Thursday, February 2, and rumors flew that other House and Senate committees might mark up next week as well. The T&I Committee was supposed to release the text of their bill today, but that release has now been postponed until Tuesday.

The best bet for an additional reauthorization markup appears to be a Senate Banking Committee markup of their transit title for the bill. That markup will likely occur on Thursday, with text probably released on Monday. Rumors about markups by the Senate Finance Committee and the House Natural Resources Committee have not been confirmed by the leaders of those committees. The House Ways and Means Committee must also mark up for a reauthorization bill to happen, and the Senate Commerce Committee might mark up a rail title as well.

### **Defense Sequestration**

This week House Majority Leader Eric Cantor (R-VA) expressed concern regarding the deep spending cuts sequestration will inflict on the defense budget this year. Cantor proposed that Republicans and Democrats work together to find a 1-year patch and cuts within other areas of the budget in order to postpone sequestration until 2014. His proposal to push off sequestration is similar to that of House Armed Services Committee Chairman Buck McKeon (R-CA).

### **Payroll-Tax**

In December, Congress approved a two month extension of a payroll-tax holiday, long-term unemployment benefits and the “doc fix” to keep Medicare physicians from a pay cut. This extension will expire on February 29. This week 20 lawmakers were assigned to negotiate a yearlong extension of the package, holding their first meeting on Tuesday. House Ways and Means Committee Chairman Dave Camp (R-MI) and Senate Finance Committee Chairman Max Baucus (D-MT) were appointed as the chairman of the conference committee. The 1-year extension bill passed by the House in December is

the base bill under consideration, but is expected to be significantly reworked. Republicans and Democrats are far apart on how to pay for the bill, which is expected to cost at least \$160 billion. Democrats continue to hold that the cost of the extension package should be partially offset through a tax increase on high-income earners or corporations, while Republicans counter that any tax increase is unacceptable and that the entire package should be deficit neutral. The next meeting is scheduled for February 1.

### **Hill Resignations & Retirements**

Two more Members of Congress announced their departure this week. First, Rep. Gabrielle Giffords (D-AZ) resigned from Congress on Wednesday to focus more attention on her recovery from the brain injury she sustained when she was shot during a constituent event in Tucson in January 2011. Arizona Governor Jan Brewer (R) has until 5PM on Saturday to call a special election and to set the primary dates. The primary will occur 80 to 90 days after the vacancy, and the general election will occur 50 to 60 days after the primary. The winner will complete the remainder of Rep. Giffords' term.

On Thursday, Rep. Brad Miller (D-NC) announced his retirement at the end of the 112<sup>th</sup> Congress. The five-term Miller faced an uphill reelection battle after the redistricting process adjusted his district to be substantially more Republican. Miller is the 17<sup>th</sup> House Member to announce his or her retirement this cycle.

We will continue to update you on legislative activity in the House and Senate.