The National Council of Social Security Management Associations, Inc.
GREYSTONE GROUP WASHINGTON REPORT
Legislative Report 12-2010
September 16, 2010

Midterm Elections Loom as Congress Returns to Session

With the August recess now in their rearview mirrors, Members of Congress have returned to DC with good intentions of tackling a full legislative agenda. Unfortunately, the reality is that they have not sent a single appropriations bill to the President, the expiration of the Bush tax cuts is only a few months away, and discussions continue to abound regarding another round of economic investments. To the average observer, the many challenges Congress faces before they recess in October might just seem overwhelming. With the target adjournment date for the House being moved up a week to October 1, and the rumor mill still churning regarding the Senate's departure date, the remaining legislative days in the month of September continue to trickle away.

Appropriations

FY 2011 is just around the corner and Congress has made limited progress on the FY 2011 spending bills. The House Appropriations Committee has passed only two of the twelve appropriations bills out of Committee, Transportation-HUD and Military Construction-VA, both of which have been passed by the full House. The Senate Appropriations Committee has passed nine of the twelve spending bills out of Committee, but the full Senate has yet to consider any of them.

It is extremely unlikely that Congress will finish all twelve spending bills before the start of the new fiscal year, and it is clear that some sort of Continuing Resolution (CR) will be needed to allow for the funding of government agencies. As for the structure of this CR, it is still unclear at this time. One potential timeline we have heard rumors about is that there may be an initial CR through November 15 followed by another potential CR until November 30. At that point Congress will decide whether they can wrap things up by the end of the year, or put things off until February.

Neither the House nor the Senate has considered the Labor-HHS-Education Appropriations bill on the floor. This is the spending measure that contains SSA's administrative funding, the Limitation on Administrative Expenses (LAE) account. Both the House and Senate Appropriations Committees have recommended that SSA receive the full President's Budget Request of $12.379 billion for the LAE account, but the Senate included the following Report language:

> *The Committee recommendation also includes a rescission of $250,000,000 from unobligated balances of prior year LAE appropriated funds. SSA has authority to carry over these unobligated balances to invest in information technology infrastructure and software. The Committee supports these investments and the use of these funds for this purpose but notes a significant build-up of unobligated balances that are not expected to be used in fiscal year 2011.*

We have been in contact with the Hill and agency officials to discuss the language above and its potential impact on SSA. We continue to work under the assumption that the House Report contains similar language. This is definitely an issue that we will keep you up-to-date on. The rescission language related to the unobligated prior year LAE funds is definitely of concern, as is the tough budget environment.

Also of interest in the appropriations arena is the annual federal employee pay raise. The House Appropriations Committee has yet to pass their version of the FY 2011 Financial Services-General Government Appropriations bill, which contains the pay raise measures for federal employees. The Senate Appropriations Committee has passed their version of the FY 2011 Financial Services-General Government Appropriations measure and recommended a 1.4% pay raise for federal employees. This matches the pay raise recommended by the President in his FY 2011 Budget Request.

We will keep you updated regarding the structure of the CR as well as the appropriations roadmap for the remainder of the year in future legislative reports.

Federal Employee Issues

It remains possible that Congress could address a few different federal employee related bills during the current session. In May, the Senate passed S. 707, the Telework Enhancement Act of 2010, which was sponsored by Senator Daniel Akaka (D-HI). The House followed suit and passed their version, H.R. 1722, sponsored by Representative John P. Sarbanes (D-3rd-MD), the Telework Improvement Act of 2010, in July of this year. Currently the bills are being considered in conference with staff from the two chambers trying to iron out the differences, at which time they would then send the bill back to each respective body for final passage. Following final passage by both the House and Senate the legislation would then be sent to the President for signature. It seems more and more likely that some version of the Telework bill will reach the President's desk and be signed into law before this year is over. We will continue to keep you posted on the status of the legislation.

In addition, progress continues to be made on the hiring reform front in response to the May memorandum from President Obama requiring changes to the federal hiring system. During a recent meeting of the Chief Human Capital Officers Council, agency officials told OPM Director John Berry that they are making progress in implementing hiring reform mandates, and that they are on track to roll out a new resume-based hiring system by November of this year.

In a GovernmentExecutive.com article entitled, "Hiring reform makes headway," Director Berry said he wants agencies to change policies to help reduce hiring time to 80 days and yet still attract quality candidates.

He stated, "I don't want people just making knee-jerk selections to artificially meet the deadline. The goal is to be able to improve our processes so we can do a better job."

Tax Cuts

One legislative agenda item that seems to be commanding a great deal of attention is the Bush tax cuts that are set to expire at the end of the year. In 2001 and 2003, President Bush passed across-the-board tax cuts for all individuals. These tax cuts are set to expire at the end of 2010. If they were to expire it would mean increased taxes for everyone. President Obama has proposed that moving forward the existing tax cuts should be kept in place for everyone except those making over $250,000 a year. This has created push back from Republicans as well as some centrist Democrats, many of whom believe that with the economy still struggling, tax cuts should remain in place for everyone. Below is a breakdown from the Tax Policy Center (http://www.taxpolicycenter.org/) of the many different scenarios that could take place with the tax cuts and how each of them could affect you.

We anticipate, given that this is an election year that the issue of tax cuts will be one that will hang around for the remainder of the 111th Congress.

High noon on taxes

Congress this year will decide whether to extend the tax reductions from 2001 and 2003 or let them expire at the end of the year. The charts show how income tax rates will change for every income group next year if Congress either extends some of the cuts or allows all of them to expire. The percentages refer to the income tax rate.

If Congress allows all the 2001-03 tax cuts to expire:

SINGLE

Taxable Income	2010	2011
$0 to $8,500	10 percent	15 percent
$8,500 to $34,550	15 percent	15 percent
$34,550 to $83,700	25 percent	28 percent
$83,700 to $174,650	28 percent	31 percent
$174,650 to $379,650	33 percent	36 percent
$379,650 and above	35 percent	39.6 percent

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Taxable Income		
$0 to $17,000	10 percent	15 percent
$17,000 to $57,700	15 percent	15 percent
$57,700 to $139,500	25 percent	28 percent
$139,500 to $212,600	28 percent	31 percent
$212,600 to $379,650	33 percent	36 percent
$379,650 and above	35 percent	39.6 percent

If Congress approves President Obama's budget:

SINGLE

Taxable Income	2010	2011
$0 to $8,500	10 percent	10 percent
$8,425 to $34,550	15 percent	15 percent
$34,550 to $83,700	25 percent	25 percent
$83,700 to $174,650	28 percent	28 percent
$174,650 to $194,050	33 percen	28 percent
$194,050 to $379,650	33 percent	36 percent
$379,650 and above	35 percent	39.6 percent

MARRIED JOINT FILING

Taxable Income		
$0 to $17,000	10 percent	10 percent
$17,000 to $69,100	15 percent	15 percent
$69,100 to $139,500	25 percent	25 percent
$139,500 to $212,600	28 percent	28 percent
$212,600 to $235,450	33 percent	28 percent
$235,450 to $379,650	33 percent	36 percent
$379,650 and above	35 percent	39.6 percent

Source: The Tax Policy Center, which is a joint venture of the Brookings Institution and the Urban Institute in Washington. STAFF

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