The National Council of Social Security Management Associations, Inc.
GREYSTONE GROUP WASHINGTON REPORT
Legislative Report 4-2012
April 24, 2012

Both the House and Senate reconvened last week following a two-week spring district work period. They are facing an extensive laundry list of work that needs to be accomplished in what will be a shortened legislative calendar year, given the upcoming November elections. Below are a number of items that both the House and Senate will need to address in the coming days, weeks, and months.

Fiscal Year 2013 Budget

Last week, Senate Budget Committee Chairman Kent Conrad (D-ND), introduced a long-term deficit reduction plan. The budget resolution he offered will not receive a final vote nor will it be open to amendments. Instead, Chairman Conrad hopes that the plan, which he modeled on recommendations from the president's 2010 fiscal commission, will spark conversation in the committee on a bipartisan agreement that will be isolated from the contention and rancor surrounding general budget debate in the Congress.

The plan that Chairman Conrad presented proposes $5.4 trillion in deficit reduction over 10 years. Additionally, it includes an overhaul of the tax code, changes to entitlements, **cuts in the federal workforce, an extension of the current federal employee pay freeze, and greater contributions by federal employees to their retirement plans.**

Chairman Conrad is not the only Senator that is putting forward a spending blueprint. Republican Senators have also released spending plans. One of the released alternative budget plans is a proposal by Senator Patrick Toomey (R-PA), S. Con. Res. 37, which he states would balance the budget within eight years, lower marginal tax rates by 20 percent, index the alternative minimum tax for inflation, and lower the corporate tax rate from 35 percent to 25 percent. Senator Rand Paul (R-KY) has also released a proposal, S. Con. Res. 39.

Many in the Senate, including Majority Leader Harry Reid (D-NV), believe that there is no need for a budget resolution, as the Budget Control Act, P.L. 112-25, has already set an overall spending cap for Fiscal Year (FY) 2013. Thus it is highly unlikely that the Senate will ever consider or vote on any budget resolution, no matter who it is from, on the Senate floor.

This point was further reinforced by that fact that the top Senate Republican, Senate Majority Leader Mitch McConnell (R-KY), and the top Republican on the Appropriations Committee, Senator Thad Cochran (R-MS), agreed to stick with the spending cap set in the August debt limit law, putting them at odds with House GOP leaders.

If you recall, on March 29, the House adopted an FY 2013 budget resolution, H. Con. Res. 112, which was largely assembled by Budget Chairman Paul Ryan (R-WI-01), which set the overall spending cap $19 billion below what was set in the Budget Control Act, P.L. 112-25.

<u>Fiscal Year 2013 Appropriations</u>

Last week, appropriators in both chambers began moving their FY 2013 appropriations bills, under tight spending caps. Two House appropriations subcommittees kicked off the process by marking up their respective spending bills, Energy-Water Development and Commerce-Justice-Science.

It is expected that the full House Appropriations Committee will release its spending allocations, called 302(b)s, for all twelve appropriations subcommittees at a hearing tomorrow. **In advance of that hearing, draft numbers are starting to emerge, and the initial prognosis is not good for the Labor-HHS-Education bill.** Draft documents are indicating that the Labor-HHS-Education and Transportation-HUD spending measures will be expected to bear the lion's share of the spending reductions sought by the House, with a combined total of $10 billion.

Again, the House will be working from the $1.028 trillion overall discretionary spending level for FY 2013, which was set in the House-passed budget resolution, and the Senate will be working from the $1.047 trillion level set in the Budget Control Act of 2011, P.L. 112-25.

As mentioned in an earlier legislative report, the difference between the cap set by the Budget Control Act, which the Senate is using, and the one set by the House budget resolution, which the House is using, will certainly cause problems when it comes to finalizing all the respective FY 2013 spending measures.

Further complicating any possible compromise on the FY 2013 spending measures is a threat from the White House that the president will not sign any spending bills that fall below the Senate's level. Jeffrey Zients, acting Director of the Office of Management and Budget (OMB), wrote in a letter last week to House Appropriations Committee Chairman Harold Rogers (R-KY-05), that "until the House of Representatives indicates that it will abide by last summer's agreement, the president will not be able to sign any appropriations bills."

Senate appropriators kicked off their markups last Tuesday, with the respective subcommittees introducing the Commerce-Justice-Science and Transportation-Housing and Urban Development measures.

As for the Labor-HHS-Education spending bill, the spending measure that contains the administrative funding for Social Security Administration, appropriators have yet to announce plans for writing the massive bill. As in past years, this huge spending measure will most likely be one of the last and most controversial of all the appropriations bills. Further complicating this year's challenge of moving this bill, will be the Supreme Court ruling on the 2010 health care overhaul (P.L. 111-148, P.L. 111-152), which we should see handed down in June. The primary reason for this is that the Labor-HHS-Education spending measure includes a number of sections that would/could fund pieces of the health care law.

Yet again, leadership in both the House and Senate have stated they would like to move the 12 individual spending measures, but given the elections, and the difference between the spending levels in the House and Senate, it is highly unlikely that all 12 measures will be completed prior to the end of the current fiscal year, on September 30, 2012. The likely scenario is that lawmakers will have to introduce a continuing resolution, perhaps multiple continuing resolutions, until they are able to complete the spending measures, which will most likely be after the elections.

Part-Time Retirement Bill

Last Wednesday, the House Oversight and Government Reform Committee voted unanimously to advance legislation that would allow retirement-eligible employees to work part-time and to roll unused leave into their Thrift Savings Plans.

The bill, H.R. 4363, the Federal Employee Phased Retirement Act, would allow federal employees to continue working part-time, while partially retired. The bill was sponsored by the Chairman of the House Oversight and Government Reform Committee, Representative Darrell Issa (R-CA-49).

Not all of the bill's details, and impacts, are yet fully available or apparent, but as we obtain additional information regarding the legislation we will provide updates.

OPM Pension Backlog

The Office of Personnel Management's (OPM) efforts to fix its federal employee pension processing backlog, by some reports, is moving faster than expected. OPM has struggled for a number of years to process federal retirees' pension claims quickly and accurately. The result of such struggles has been tens of thousands of new retirees waiting months to receive their complete annuities.

In January, OPM Director John Berry, who has stated that fixing the problem is his top priority, outlined a strategy to attempt to do so, once and for all. Berry indicated this would be accomplished through a combination of increased staffing, streamlined processes, improved information technology, and better cooperation with other agencies.

At the beginning of April, OPM stated that its backlog dropped to 52,274 claims in March, a 14 percent decrease since January. Additionally, OPM processed 40 percent more claims in March than in any other month since it started to track such numbers. It currently takes OPM roughly 150 days to finish the average claim.

General Services Administration Scandal

Following the General Services Administration's (GSA) scandal involving a lavish conference in Las Vegas in 2010, there continues to be a flurry of hearings and various oversight activities on Capitol Hill.

One such activity was the introduction of the Accountability in Government Act, by Senator Claire McCaskill (D-MO), Chairwoman of the Senate Homeland Security and Governmental Affairs Subcommittee on Contracting Oversight.

Senator McCaskill's bill would require approval from a federal agency head or designee for all conferences costing more than $200,000. The legislation would also require agencies that sponsor conferences to report details annually to Congress, as well as create stricter provisions on employee bonuses.

As the activity on the Hill continues we will provide updates related to legislative action that could have a significant impact on federal employees as a whole.

STOCK Act

Earlier this month, the President signed into law S. 2038, the Stop Trading on Congressional Knowledge Act of 2012 (STOCK Act), which strengthens the ban on insider trading by Members of Congress and other government officials, who might profit on private knowledge they gain from their work.

Two weeks after the STOCK Act was signed into law, the Senior Executives Association (SEA) wrote congressional leaders requesting repeal of two provisions in the STOCK Act that require federal employees to disclose financial information – because of the burdensome, complex, and invasive nature of the provisions.

SEA leadership indicated that these regulations are overly burdensome and complex and may result in Senior Executives unknowingly running afoul of the rules, and the requirements will most certainly have a chilling effect on the recruitment and retention of Senior Executives.

Trustees Report

This past Monday, the Social Security and Medicare trustees released their annual financial reports. The reports warned that Medicare and Social Security are on a track to deep fiscal problems. By 2024, the trustees stated, the Medicare trust fund won't be able to cover seniors' hospital benefits. Social Security is expected to reach the same tipping point in 2033.

It is not that the funds will be completely out of money in 2024 and 2033. Rather, the funds simply will not be taking in enough money to continue paying 100 percent of the benefits.

The depletion of the Medicare trust fund by the 2024 date is the same as what was predicted last year, while the trustees moved up by three years, the date by which the Social Security trust fund would be unable to pay full benefits.

The depletion of both the Social Security and the Medicare trust funds will most certainly be the topic of future congressional hearings. We will certainly cover any hearings and provide additional information as it becomes available.

Greystone Group LLC
418 C Street, NE
Washington, DC 20002
202-547-8530/FAX 202-547-8532
Contact: Rachel Emmons or Aaron Hunter
E-mail: rachele@greystone-group.com or aaronh@greystone-group.com