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FY2012 Budget Plans

Congress is faced with the dual challenges of finalizing a 2012 budget and deciding whether to increase the federal debt ceiling. Several alternative budget plans have been released or are under consideration:

President Obama released his fiscal year 2012 budget on February 14, 2011. The President's budget claims to reduce the federal deficit by approximately \$1.1 trillion over the next decade. Nearly two-thirds of the reduction comes from spending cuts, including a five-year freeze on non-security discretionary spending and a \$78 billion reduction in the spending requested by the Pentagon over the next five years. The President's budget also limits certain tax deductions as well as proposes to improve America's international competitiveness by reducing the corporate tax rate and eliminating special interest tax "loopholes."

The House Republican Plan, known as the "Ryan Plan" after House Budget Committee Chairman Paul Ryan (R-WI), is the most aggressive in terms of cost cutting. Ryan proposes to reduce government spending by \$6.2 trillion over ten years and reduce the federal deficit by \$4.4 trillion over the next decade. Over \$1 trillion of the proposed spending reduction comes from the assumption that the health care law passed in 2010 will be repealed. The plan reduces approximately \$389 billion from Medicare, \$735 billion from Medicaid and \$923 billion in discretionary spending over the next decade. The Ryan Plan passed the House on April 15 on a largely party line vote of 235-193. Like the President's plan, the Ryan Plan reduces the U.S. corporate tax rate and proposes the elimination of "special interest" tax breaks. Along these lines, Chairman Ryan (along with Speaker of the House, John Boehner), recently raised the possibility of reducing certain tax benefits for oil companies.

The so-called "Gang of Six" may also release a budget proposal in the near future.. Comprised of six members of the U.S. Senate – three Democrats and three Republicans – the Gang of Six budget is expected to closely track the recommendations from the National Commission on Fiscal Responsibility and Reform (the Bowles-Simpson Commission). Many expect the plan will, like the Ryan Plan, reduce the federal deficit by approximately \$4 trillion over the next 10 years. However, whereas the Ryan Plan achieves its deficit reduction almost exclusively through spending cuts, the "Gang of Six" proposal is expected to include approximately \$3 trillion in spending cuts and \$1 trillion in revenue increases over ten years. The "Gang of Six" proposal may be in jeopardy, however, as Senator Colburn recently left negotiations, saying that the group was at an impasse.

Finally, President Obama recently established a bipartisan, bicameral working group, headed by Vice President Biden, that seeks to find a long-term solution to America's budget deficit. The group has had several meetings, and the participants have described the discussions as generally positive although no formal proposals have been advanced yet.

Finding common ground between the House, Senate and White House will not be easy. Many believe that the Gang of Six budget, if they are able to come together and produce one, would represent the best opportunity to reach a compromise amongst the various parties. However, it is not clear any budget which contains tax increases will be able to pass the House. Likewise, it is not clear that a majority of the

Democrat-controlled Senate will pass any budget that negatively impacts the major entitlement programs – Medicare, Medicaid and/or social security – without some sort of tax increase on “high income” earners – however that is ultimately defined.

Of course, we will be watching developments very closely.

Scott Gluck is of counsel in Venable's Legislative Practice Group. Mr. Gluck can be reached at 202.344.4426 or at segluck@Venable.com.

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Federal Appropriations Earmarks: Have We Moved From Feast to Famine?

In the past, traditional appropriation's advocacy strategy was a pretty straightforward process. However, the 112th Congress has ushered in a new set of rules regarding so-called "earmarks". These changes, or "reform" have created great uncertainty in dealing with more conventional Capitol Hill funding requests. Indeed, the usual process of submitting a response to a lawmaker's funding request form, and following it up with meetings with the Congressional member and their staff to advocate on behalf of a particular project request is no longer the way business is being conducted.

On the contrary, it is now apparent that a hybrid approach is required in order to differentiate one's request from another's. Additionally, this requires selective groundwork with the authorizing committee's of jurisdiction, which inevitably play a more pivotal role in pointing the way for appropriators. Lawmakers no longer have the ease of selecting hometown projects to include for funding. There is no doubt that money will continue to be spent, but the process of how projects, programs and select initiatives find their way to the top has changed dramatically.

Though some federal lawmakers will continue to accept personal office requests for funding (especially in the Senate), both chairs of the respective appropriations committees have vowed to exclude earmarks for the next two fiscal years. This shift in procedure will demand a greater need to expand the reach of a targeted advocacy initiative into the authorizing committee's as well as within select agencies. Greater advocacy with key authorizing committee's of jurisdiction, as well as agency outreach and education, now form the key elements of a successful appropriations strategy.

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Bumpy Road Ahead for Immigration Reform

Last week, President Obama traveled to El Paso, Texas to visit the border and give a speech urging lawmakers to take up the issue of comprehensive immigration reform. This is the first time since July 2010 that the President has given a major speech on the topic. Part of President Obama's campaign in 2008 was a promise of passing a comprehensive reform in his first year in office. Since this issue has yet to be tackled and the President's promise not kept, he has lost the trust of some Latino voters. Many critics have spoken out by saying they believe the President's speech last week was just a campaign ploy to regain his popularity among Latino voters but White House officials have said otherwise.

The Republican party has and will continue to be a major obstacle President Obama will face in attempting to get Congress to take action on immigration reform. The Republicans' goal is to first secure the border, and then deal with a more comprehensive reform, once they believe the border is secure. With Republicans controlling the House, any comprehensive measure is highly unlikely to pass through both chambers. Just a day after President Obama's speech in El Paso, Senate Democrats re-introduced the Development, Relief and Education for Alien Minors (DREAM) Act, which would create a path to legal status for young children of illegal immigrants if they join the armed forces or attend college for two years. Because the legislation does not stand much chance of passing in the House, Senate Majority Leader Harry Reid (D-NV) has suggested attaching the DREAM Act to legislation dealing with the E-Verify system, which is under the jurisdiction of the House Judiciary Committee. House Judiciary Chairman Lamar Smith (R-TX) has labeled the E-Verify legislation a top priority of the Committee but remains opposed to the DREAM Act.

While the Obama Administration will continue to push Congress to work on a comprehensive immigration reform measure, the unfavorable climate on Capitol Hill should make passage of the initiative incredibly difficult.

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Bart Stupak, Former Congressman and Chair of House Energy and Commerce Subcommittee, Joins Venable

Former Michigan Democratic Congressman [Bart Stupak](#) has joined the firm's Washington, DC office as a partner in the Legislative and Government Affairs Group.

As a senior member of the House Energy and Commerce Committee and Chairman of its subcommittee on Oversight and Investigations, Mr. Stupak played a major role in setting government policy and legislation in a variety of key sectors, including energy, healthcare, telecommunications and international trade. Under his leadership, the subcommittee launched investigations into security breaches at U.S. nuclear labs and facilities, food and drug safety, and commodity markets manipulation.

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