

ENS Resources

Weekly Washington Update - February 10, 2012

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Next Week in Washington D.C.

- ⇒ Budget: President Obama will transmit his annual budget request to Congress on Monday. The budget proposal is expected to call for \$3 trillion in deficit reductions over 10 years, including \$1.5 trillion in tax increases
- ⇒ Transportation: The Senate and will begin debate on surface transportation reauthorization
- ⇒ Unemployment: If Congress doesn't act by February 29, benefits would be cut to 26 weeks

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**U.S. Environmental
Protection Agency**

Fiscal Year 2013 Budget Poised for Release Amidst Deep Political Divisions

Next Monday, the President will transmit his budget request for fiscal year 2013 that begins October 1, 2012. All budgets are political documents by their very nature because they set out policy priorities by the numbers. However, this budget will mark a special moment. It will be a moment where politics and fiscal realities intersect in the most fundamental of ways. With the collapse of the Super Committee in November, Congress and the White House are staring at a January 2013 deadline that will mandate sequestration (budget cuts) across the entire government. With the exception of entitlements, over the next ten years \$55 billion must be annually cut from domestic spending programs. This means that the debate over the President's budget request will be influenced by this very real fiscal reality. Since

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no elected Member wants to make a final decision prior to an election as consequential as this year's, any such decisions will likely be delayed until after the November elections. This will ensure that decisions are reached by those expected to be in power in 2013.

One notable difference in the debate is that Congress will not become entangled in an argument on overall spending levels. These levels were agreed to, ahead of schedule, last year as part of the Budget and Deficit Control Act. Instead, it is likely that budget decision-making will be heavily influenced on providing adequate funding to preserve priority programs and projects that may be subject to across-the-board spending cuts later in fiscal year 2013 when the budget ax is slated to fall. While this situation may arise, the pressure to avoid indiscriminate program reductions and control the deficit may become the catalyst for Congress and the White House to find common ground on how to avoid the cuts and preserve some level of the expiring Bush tax rates. Add to this witches brew the debt ceiling limit that is expected to be part of the debate (the current level will be exceeded in January or February of 2013) and the budget that is released on February 13 may have a half-life of a few weeks before the realities of budget cuts and debt limits take center stage in one of the most politically contentious Congresses in generations.

House Transportation-Energy Bill Revenue Projections Fall Short

This week, the House Committee on Rules released a consolidated American Energy and Infrastructure Jobs Act of 2012 ([HR 7](#)). It is anticipated that the bill will be brought to the House floor next week. In addition, the [Congressional Budget Office](#) (CBO) scored the three energy production bills to be used to boost infrastructure funding as producing \$4.3 billion over 10 years for the Highway Trust Fund (or 5% of the needed funds). The revenue would not start flowing until 2014.

- H.R. 3407, which would open up the Arctic National Wildlife Refuge for new drilling would generate \$1.5 billion in federal revenue during the House Republican Leadership transportation bill's span 2012-1016;
- H.R. 3408 which promotes oil shale drilling would generate \$5 million (all in 2016); and
- H.R. 3410 which mandates new drilling offshore would generate \$508 million 2012-2016.

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The CBO also scored the American Energy and Infrastructure Jobs Financing Act of 2012 (H.R. 3864), which would extend through fiscal year 2018 the existing taxes that are dedicated to the Highway Trust Fund, and would extend through fiscal year 2016 the authority to expend amounts credited to that fund. CBO projected net revenues accruing to the highway trust fund amount to \$37 billion in 2013, and rise to \$41 billion in 2018.

House Republican's Answer Criticism of Transit Shift - The House transportation-energy bill eliminated the current Mass Transit Account, shifting those funds to the Highway Trust Fund and creating a new "Alternative Transportation Account." This action resulted in an immediate negative response from many national business and transportation organizations. House Republican's have responded to this criticism by offering legislation (H.R. 3813) that would increase the amount federal employees contribute to their retirement, and change the formula used to calculate their pensions.

Senate Finance Committee Acts on Transportation Reauthorization

On February 7, the Senate Committee on Finance held an Open Executive Session at which they approved (17-6) the Highway Investment, Job Creation and Economic Growth Act of 2012. The legislation would reauthorize and provide \$10.5 billion for the Highway Trust Fund and pay for the Senate's proposed highway bill entitled, "Moving Ahead for Progress for the 21st Century Act (MAP-21)." In order to move the bill, Committee Chairman Max Baucus (D-MT) promised Republicans he will work with them to find a replacement for a provision that changes how inherited Individual Retirement Accounts are taxed before the Senate votes on the transportation bill.

Ranking Member Republican Orrin Hatch (R-UT) offered and withdrew amendments to strike offsets except for the Leaking Underground Storage Tank Trust Fund transfer, push approval of the Keystone XL pipeline and repeal the Davis-Bacon prevailing wage requirement on transportation projects. Senator Mike Enzi (R-WY) withdrew an amendment to raise the U.S. gasoline tax by indexing it to inflation.

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Finance Bill Provisions:

- Extension of Highway-Related Taxes - Would extend motor fuel taxes three non-fuel excise taxes at their current rates through September 30, 2015. The six excise taxes finance the Federal Highway Trust Fund program, three highway motor fuel taxes, a retail sales tax on heavy highway vehicles, a manufacturers' excise tax on heavy vehicle tires and an annual use tax on heavy vehicles.
- Extension of Highway Trust Fund Expenditure Authority - Revenues from highway excise taxes will expire on March 31, 2012
- Transfer of \$3 billion from the Leaking Underground Storage Tank Trust Fund to the Highway Trust Fund (along with a third of all future LUST money)
- End biofuel tax credits for black liquor
- Move guzzler taxes to the HTF
- Authorize a 100 percent levy on Medicare providers who owe back taxes
- Shift certain customs fees to the HTF instead of the general fund
- Tougher requirements on inherited individual retirement accounts, requiring younger beneficiaries to pay taxes over five years instead of spreading them over their lifetimes

Amendments (accepted):

- Would allow state infrastructure banks to sell tax-credit "TRIPs" bonds and raise the limits of debt small issuers can sell to \$30 million per year from \$10 million through 2013
- Would exempt interest paid by private activity bonds, issued for projects outside the purview of general obligation bonds, from the alternative minimum tax
- Would exclude private activity bonds issued for water infrastructure from an annual cap

Heritage Foundation Threatens GOP Members with Black Mark - Heritage advised senators against voting for the two-year Senate bill and said it would reduce their conservative ranking if they do vote for MAP-21. "Continuing to fund programs above dedicated revenue sources will inevitably lead to revenue increases (i.e. tax hikes) or bailouts."

Thank You Mr. President - Not! - In response to President Obama's letter in support of the Senate version (MAP-21) highway bill, Senator James Inhofe stated, "While I appreciate President Obama's support for our highway bill, I must reiterate that this bill has enjoyed bipartisan success precisely because the President has stayed out of it."

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Recent Senate Floor Statements on Key Policy Issues:

Water Infrastructure (2.9.12) - Senator Sherwood Brown (D-OH) - I am reintroducing the Clean Water Affordability Act. In previous Congresses I introduced this legislation with our Republican colleague from Ohio, Senator Voinovich. This bill will protect ratepayers, lead to cleaner water, and promote economic development. It would invest \$1.8 billion to be distributed over the next 5 years through a grant program for financially distressed communities

Transportation Reauthorization (2.7.12) – Senator James Inhofe (R-OK) - Here I am ranked always as one of the top three most conservative Members. Senator Boxer from California is a very proud liberal. One thing: I do not mind people being liberals if they are proud liberals and admit it. Well, she does. She is a liberal. She feels the government should have greater control of some of the things we do. Consequently, she is doing essentially the same thing as the current chairman of the Environment and Public Works Committee as I would be doing if I had still been chairman of the Environment and Public Works Committee; that is, coming up with a highway bill.

House Holds Hearing on Western Water Policy

On February 7, the House Committee on Natural Resources, Subcommittee on Water and Power held a hearing entitled, "[Water for Our Future and Job Creation: Examining Regulatory and Bureaucratic Barriers to New Surface Storage Infrastructure.](#)" In his opening statement, Committee on Natural Resources Chairman Doc Hastings (R-WA) stated, "Regulations and associated litigation have hijacked these projects, to the point where their very purposes have been compromised and the construction of new water storage to continue to meet the needs of these regions is nearly impossible to achieve."

Testifying at the hearing were: [Pat O'Toole](#), President, Family Farm Alliance – Wyoming; [Thad Bettner](#), General Manager Glenn-Colusa Irrigation District- California; [Jerry Brown](#), General Manager, Contra Costa Water District – California; [Norm Semanko](#), Executive Director, Idaho Water Users Association; and, [Michael Gabaldon](#), Director, Technical Resources, U.S. Bureau of Reclamation.

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New Reports and Studies

[Energy-Water Nexus: Information on the Quantity, Quality, and Management of Water Produced during Oil and Gas Production. GAO-12-156](#)

[S. 1953, Research and Innovative Technology Administration Reauthorization Act of 2011](#) CBO Cost Estimate

[Transit Grants Available](#) – The U.S. Department of Transportation announced the availability of \$826.5 million in fiscal year 2012 discretionary funds to modernize and repair transit vehicles and facilities.

San Francisco Bay Water Quality Improvement Fund Grants

[San Francisco Bay Area Water Quality Improvement Fund \(FY 2011 Funds\)](#)

[San Francisco Bay Area Water Quality Improvement Fund \(FY 2012 Funds\)](#)

[US Bureau of Reclamation – FY 12 Spending Plan](#)

[U.S. Army Corps of Engineers – FY 12 Spending Plan](#)

Hearings

Senate

Date: February 15, Time: 9:30 am
Committee: Agriculture, Nutrition & Forestry
Hearing: Energy and Economic Growth for Rural America

Date: February 16, Time: 9:30 am
Committee: Energy and Natural Resources
Hearing: Fiscal 2013 Budget: Energy

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Date: February 16, Time: 2:15 pm
Committee: Indian Affairs
Hearing: Energy Development in Indian Country

Date: February 28, Time: 10:00 am
Committee: Energy and Natural Resources
Hearing: Fiscal 2013 Budget: Interior

House

Date: February 15, Time: 10:00 am
Committee: Appropriations
Hearing: Fiscal 2013 Appropriations: Department of Homeland Security

Date: February 16, Time: 1:30 pm
Committee: Appropriations
Hearing: Fiscal 2013 Appropriations: Interior Department

Date: February 17, Time: 9:30 am
Committee: Appropriations
Hearing: Fiscal 2013 Appropriations: U.S. Forest Service

Date: February 28, Time: 1:00 pm
Committee: Appropriations
Hearing: Fiscal 2013 Appropriations: Bureau of Indian Affairs

Date: February 29, Time: 1:00 pm
Committee: Appropriations
Hearing: Fiscal 2013 Appropriations: Environmental Protection Agency

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