



## PRESIDENT OBAMA'S BUDGET TO ABANDON DEBT REDUCTION EFFORTS

President Barack Obama's budget, which will be released on March 4, will scrap his previous offer to cut cost-of-living increases in Social Security and other benefit programs – an offer that had been central to his debt-reduction plan. The scrapping of this proposal reflects a pivot for the president away from the issue of debt reduction.

The cost-of-living reductions had long been a source of controversy between the White House and Congressional Democrats who strongly opposed the proposal. The news that Obama will drop the provision comes just after a Democratic Congressional retreat where party leaders planned their 2014 strategy.

In addition to scrapping the cost-of-living provision, it is expected that President Obama's budget will ask for \$56 billion in new spending – another sign that the White House has abandoned debt reduction efforts, at least for this year.

## CAMP TO RELEASE TAX REFORM PROPOSAL

Rep. Dave Camp (R-MI), chairman of the House Ways and Means Committee, told his Republican colleagues on the committee that he intends to release his comprehensive tax reform proposal next week. Camp has been working on his proposal since he became chairman of the committee in 2011.

While Camp will finally unveil his package next week, which is expected to include provisions to lower both individual and corporate tax rates, the legislation has little chance of moving in the current Congress. Republican leaders in the House, who were once strongly in favor of a push on comprehensive tax reform, have cooled on the idea. Camp's negotiating partner in the Senate, former Senate Finance Committee Chair Max Baucus (D-MT), recently resigned to become the U.S. Ambassador to China. Baucus's successor at Senate Finance, Ron Wyden (D-OR), has already made it clear he doesn't plan on moving comprehensive tax reform before the November mid-terms.

[Click here](#) to view the *Washington Business Brief*, Tax Reform and Regulatory Reform

## TRADE PACT ANGERS ENVIRONMENTALISTS

U.S. trade negotiators, working on the Trans-Pacific Partnership pact, have apparently moved away from any mention of the phrase "climate change" according to a leaked summary of the most recent proposal.

The news was met with disappointment by environmental advocates who claimed that the U.S. trade negotiators were weakening an already weak proposal when it came to climate change. The Office of the U.S. Trade Representative (USTR), however, strongly denied that assertion and said the summary of the proposal that was leaked was misleading and not a "complete look at the U.S. effort" on climate change.

According to the USTR spokeswoman, "As part of President Obama's Climate Action Plan, the United States is fully committed and actively working with our partners to negotiate an ambitious agreement in the United Nations Framework Convention on Climate Change."

The AFL-CIO and other unions have trashed the proposed pan-Pacific agreement, claiming that it will drain away U.S. jobs. They've also mounted an intense effort to rally congressional Democrats against key trade authorizing legislation that would clear the way for Congress to vote on the pact with limited debate and no amendments.

## CBO REPORT STOKES MINIMUM WAGE DEBATE

The Congressional Budget Office (CBO) released a report on Tuesday that gave fuel to the fire on both sides of the debate over whether or not to raise the minimum wage.

The report from the nonpartisan CBO examined a proposal favored by President Obama and the congressional Democrats to increase the minimum wage to \$10.10 an hour from the current rate of \$7.25.

The CBO estimates that hiking the minimum wage by nearly \$3 would affect about 16.5 million people. It would reduce employment by about 500,000 workers, but at the same time, about 900,000 of the roughly 45 million Americans who live below the poverty threshold would be lifted above it.

Raising the minimum wage is a top priority for Democrats who view the issue, which polls very favorably, as a powerful tool in the November mid-terms.

## CENTRIST GOPERS CRAFT UI PLAN

Senate Democratic leadership has been aggressively pushing the extension of the lapsed unemployment benefits issue since they returned in January. This week a group of centrist Republicans in the Senate – including Senators Susan Collins (R-ME), Rob Portman (R-OH) and Dan Coats (R-IN) – floated a proposal that would tie an extension of unemployment benefits to reforms to the program.

Republicans – particularly those in blue-leaning states – are anxious to get the unemployment benefits issue off of the table. Polling shows that the issue is a loser for opponents of the effort.

# Government Strategies Advisory This Week in Washington February 21 2014

---

## TRANSPORTATION IN FOCUS

### Monthly reminder of State of the Highway Trust Fund

The Department of Transportation just released its monthly reminder of how badly things are for the Highway Trust Fund. In its latest update, the agency still estimates a highway account shortfall in early August - meaning Congress could have to act around two months before MAP-21 expires at the end of September.

Complicating an already dire funding situation for the Highway Trust Fund is sequestration, which shaved \$700 million off of what was due to the Highway Trust Fund. MAP-21 authorized a \$10.4 billion general fund transfer, but the fund only got \$9.7 billion after the automatic spending cuts. The highway account closed January with \$8.3 billion, but won't last long with the summer construction boom right around the corner. According to the Department of Transportation, the transit account will barely - to the tune of \$440 million - avoid bankruptcy before the end of the fiscal year in September.

### Crude rail agreement close

According to the President of the Association of American Railroads, the freight rail industry and the Department of Transportation (DOT) are close to an agreement to address the safety of crude oil on trains. The agreement will address reduced speeds in populated areas and increased inspections.

The announcement is expected to come from the Secretary of Transportation as early as next week. DOT convened meetings with the rail industry after a series of high-profile derailments and explosions, including one in Canada that killed dozens of people. A source familiar with the ongoing talks said high-ranking DOT officials, including Transportation Secretary Anthony Foxx's staff, FRA Administrator Joseph Szabo and PHMSA Administrator Cynthia Quarterman have been in near daily contact with the railroad industry in an effort to come to a quick agreement on steps to bolster crude transport safety. The source also said DOT is considering steps it will take on its own.

### Obama pushing truck fuel efficiency

On Tuesday, President Obama went to Maryland to promote his plan to raise fuel efficiency requirements for medium and heavy-duty trucks. While heavy-duty trucks constitute just 4 percent of the trucks on the roads, they are responsible for 20 percent of the fuel consumption and greenhouse gas emissions.

Earlier, the president directed EPA Administrator Gina McCarthy and Transportation Secretary Foxx to issue a new rule for heavy-duty trucks by March 2015 with final implementation a year later.

The administration, however, will not simply wait for that rule to be issued and implemented. In the interim, the president said he would push for new credits for companies that manufacture alternative-fuel vehicles and for those that build the infrastructure alternative-fuel vehicles rely on.

Those credits are part of a broader Obama proposal to repeal \$4 billion in oil and gas tax incentives and replace them with a \$2 billion investment in various U.S.-based biofuel, natural gas, and related technologies, along with a \$200 million tax credit for building out infrastructure that would support advanced vehicles, and an extension of an expired tax credit for producers of cellulosic biofuels.

## THE STIMULUS: FIVE YEARS LATER

This week marked the five-year anniversary of President Obama signing the \$787 billion economic stimulus package – also known as the American Recovery and Reinvestment Act. Even five years later, the stimulus package – and its impact – remain highly debated and highly partisan.

To mark the five-year anniversary, the Obama Administration released a **report** on the impact of the stimulus package.

The White House report claims that the stimulus package generated an average of 1.6 million jobs a year for four years through the end of 2012 and that it raised the level of gross domestic product by between 2 percent and 3 percent from late 2009 through mid-2011.

### **Political bits**

#### **House**

California 35th Congressional District: Rep. Gloria Negrete McLeod (D-CA) announced she would not seek re-election in November, after serving just one term in Congress. McLeod, who represents a safely blue district, said she was leaving Congress to run for local office.

Minnesota 7th Congressional District: A poll commissioned by the National Republican Congressional Committee shows that incumbent Collin Peterson (D-MN) is vulnerable in November. Just 33 percent of respondents said he deserved to be re-elected.

New Jersey 12th Congressional District: Rep. Rush Holt (D-NJ) announced he would not seek a 9th term in Congress this November. Democrats are expected to hold this solidly Democratic district.

New York 21st Congressional District: 2012 nominee Matt Doheny (R-NY), who narrowly lost last cycle, announced he was once again running for Congress.

Washington 4th Congressional District: Two Republicans, former Washington Redskins player Clint Didier and State Senator Sharon Brown, announced they will run for the seat being vacated by the retirement of Rep. Doc Hastings (R-WA).

#### **Senate**

Kentucky: The Chamber of Commerce began airing ads this week on behalf of Senate Minority Leader Mitch McConnell (R-KY).

North Carolina: Physician Greg Bannon (R-NC), who is seeking the GOP nomination for Senate, owes two of his former investors in a start-up more than \$250,000 after a jury found against him on Tuesday of this week.

### **A look ahead**

#### **House**

Tuesday, Feb. 25 – The Senate Banking, Housing, and Urban Affairs Committee will hold a hearing on Reauthorizing TRIA (Terrorism Risk Insurance Act): The State of the Terrorism Risk Insurance Market, Part II at 10:00 a.m. in 538 Dirksen.

#### **Senate**

# Government Strategies Advisory This Week in Washington February 21 2014

---

Wednesday, Feb. 26 – The House Judiciary Committee will hold a hearing on Enforcing the President's Constitutional Duty to Faithfully Execute the Laws at 10:00 a.m. in 2141 Rayburn.

## ***Washington by the numbers***

11 - The percentage of Americans who have a favorable view of North Korea.

26 - The percentage of Americans who think the sun revolves around the Earth.

## ***They said what?***

"All we need is something bad to be in these 27,000 emails, and all attention will turn to Wisconsin." -- Mike Tate, chairman of the Wisconsin Democratic Party, on the national political implications of a now-closed investigation of Gov. Scott Walker (**Washington Post**)

## ***Washington humor***

"I spent my Presidents Day the same way I always do. I spent it quietly hating everyone who has the day off today." --Jimmy Kimmel

□  
**Steven C. LaTourette**, President | 202.559.2600

McDonald Hopkins Government Strategies LLC  
101 Constitution Avenue NW, Suite 600 East, Washington, D.C. 20001

[www.mcdonaldhopkinsgs.com](http://www.mcdonaldhopkinsgs.com)

## IMPORTANT NOTICE:

Although McDonald Hopkins Government Strategies LLC is owned by the law firm McDonald Hopkins LLC, McDonald Hopkins Government Strategies is not a law firm and does not provide legal services. Accordingly, the retention of McDonald Hopkins Government Strategies does not create a client-lawyer relationship and the protections of the client-lawyer relationship, such as attorney-client privilege and the ethics rules pertaining to conduct by lawyers, do not apply.