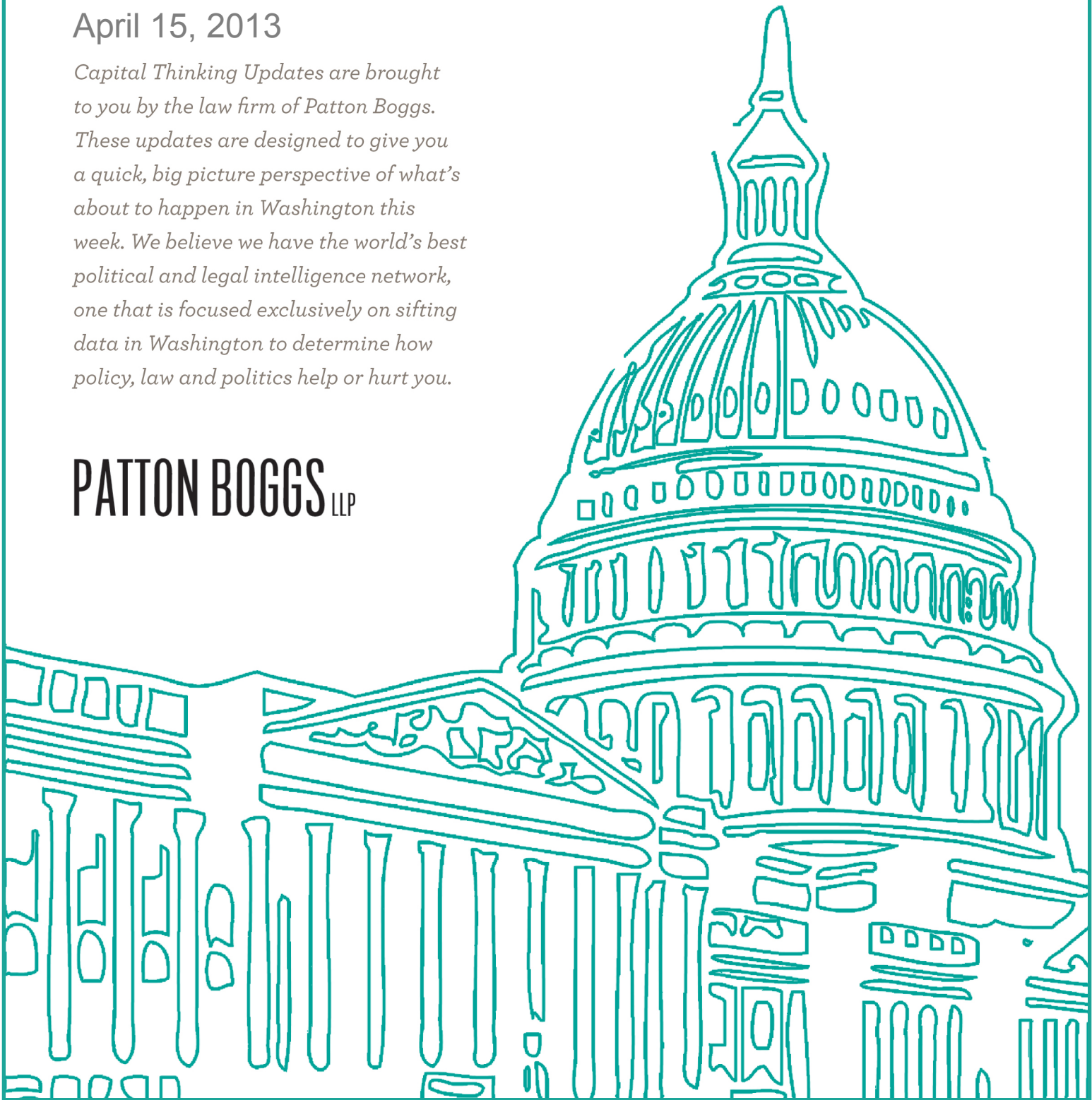


CAPITAL **thinking** UPDATES

April 15, 2013

Capital Thinking Updates are brought to you by the law firm of Patton Boggs. These updates are designed to give you a quick, big picture perspective of what's about to happen in Washington this week. We believe we have the world's best political and legal intelligence network, one that is focused exclusively on sifting data in Washington to determine how policy, law and politics help or hurt you.

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General Legislative

Today, April 15, 2013, the House will meet at 12:00 p.m. for morning hour and 2:00 p.m. legislative business and votes will be postponed until 6:30 p.m. Legislation considered under Suspension of the Rules will include: 1) H.R. 1162 - GAO Improvement Act, as amended; 2) H.R. 249 - Federal Employee Tax Accountability Act; 3) H.R. 882 - The Contracting and Tax Accountability Act of 2013, as amended; and 4) H.R. 1246 - District of Columbia CFO Vacancy Act. On Tuesday, April 16, 2013, the House will meet at 10:00 a.m. for morning hour and 12:00 p.m. for legislative business. Legislation considered under Suspension of the Rules will include: 1) H.R. 1163 - Federal Information Security Amendments Act of 2013; 2) H.R. 756 - Cybersecurity Enhancement Act of 2013; and 3) H.R. 967 - Advancing America's Networking and Information Technology Research and Development Act of 2012. On Wednesday, April 17, 2013, the House will meet at 10:00 a.m. for morning hour and 12:00 p.m. for legislative business. On Thursday, April 18, 2013, the House will meet at 9:00 a.m. for legislative business and last votes are expected no later than 3:00 p.m. Legislation to be considered includes: H.R. 624 - Cyber Intelligence Sharing and Protection Act (Subject to a Rule). On Friday, April 19, 2013, no votes are expected in the House.

The Senate will also convene today, April 15, at 2:00 p.m., and begin a period of morning business.

Agriculture & Food

LEGISLATIVE ACTIVITY

- **Immigration Reform.** The Senate Gang of Eight has announced that this Tuesday, April 16th, the group will release its comprehensive immigration bill, which will address an agricultural worker program. At the end of last week, agriculture groups including the Agriculture Workforce Coalition reached a deal with the United Farm Workers through negotiations also involving Senators Dianne Feinstein (D-CA), Michael Bennet (D-CO), Marco Rubio (R-FL), and Orrin Hatch (R-UT).

While the agreement has not yet been formally unveiled, sources say the new farmworker program in the Senate bill would be established in 2015 or 2016, when it would provide an "elevated minimum wage" to six different classes of agricultural workers, and an initial cap on visas that may be raised in cases of emergent grower needs. No more than 337,000 visas would be provided through this program over three years, and the U.S. Department of Agriculture would oversee the provision of visas, as opposed to the U.S. Department of Labor. Under the program, workers would be able to switch employers, and growers would have to provide workers with housing or a housing allowance. The program would also provide a faster track to citizenship for farm workers looking to stay in agricultural jobs.

- **Upcoming Hearings.** Senate Finance Committee Chairman Patrick Leahy (D-VT) scheduled a hearing on immigration for 2:30 p.m. this Wednesday, April 17, with a markup of the bill possibly to follow during the first weeks of May.

Contact Information

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Budget, Appropriations and Sequestration

- **President's FY 2014 Budget Proposal.** On Wednesday, April 10, the President delivered his FY 2014 Budget Proposal to Congress. The President's plan calls for \$3.77 trillion in spending and \$1.8 trillion in deficit reduction over the next 10 years through a combination of tax revenue, entitlement program reductions, discretionary spending cuts, and cost of living adjustments for Social Security beneficiaries, or chained Consumer Price Index (CPI). Through these measures, the President proposes to eliminate sequestration for FY 2014 and years out, thereby setting an FY 2014 discretionary spending cap of \$1.058 trillion for FY 2014. The President's plan was met on Capitol Hill with criticism from both parties, but treated as somewhat of an aside, given that the House and Senate each approved their own FY 2014 Budget Resolutions weeks ago.

On Tuesday, Treasury Secretary Jacob Lew is scheduled to testify before the Senate and House Budget Committees on the revenue provisions included in the President's FY 2014 Budget Proposal.

Patton Boggs prepared an [analysis](#) of the President's FY 2014 Budget Proposal.

- **Congressional FY 2014 Appropriations Activity.** Senate and House Appropriations Subcommittees will continue to hold FY 2014 budget hearings on their agencies of jurisdiction, yet it is unlikely any bills will be drafted until the 302(b) allocations – the topline level of funding for each individual spending bill – are determined. This will, of course, require a topline discretionary spending cap, which may not be determined until the anticipated debt ceiling debate this summer. Senate Democrats will push to eliminate the sequester and adhere to the President's requested spending level of \$1.058 trillion, while House Republicans will adhere to their FY 2014 Budget Resolution (H. Con. Res. 25) which utilizes a \$967 billion spending cap and maintains sequestration. Senate and House Budget Committee Chairmen Patty Murray (D-WA) and Paul Ryan (R-WI) recently met to discuss a joint FY 2014 Budget Resolution; however, there is little optimism those talks will produce an agreement or facilitate a formal conference committee.

Currently scheduled Senate subcommittee hearings this week include:

- April 17 – National Guard Reserve; multiple witnesses (Defense Subcommittee)

- April 17 – Department of Education; Secretary Arne Duncan (LHHS Subcommittee)
- April 17 – National Nuclear Security Administration; Acting Administrator Neile Miller (Energy and Water Subcommittee)
- April 18 – Federal Aviation Administration; Administrator Michael Huerta (THUD Subcommittee)
- April 18 – Food and Drug Administration; Commissioner Dr. Margaret Hamburg (Agriculture Subcommittee)
- April 18 – Department of Veterans Affairs; Secretary Eric Shinseki, Deputy Inspector General Richard Griffin (MilCon-Veterans Affairs Subcommittee)
- April 18 – Department of State; Secretary John Kerry (State-Foreign Operations Subcommittee)

Currently scheduled House subcommittee hearings include:

- April 16 – Department of Transportation; Secretary Ray LaHood (THUD Subcommittee)
- April 16 – Department of Defense; Secretary Chuck Hagel, Joint Chiefs of Staff Chairman General Martin Dempsey, and Undersecretary Robert Hale (Defense Subcommittee)
- April 16 – U.S. Coast Guard; Commandant Admiral Robert Papp, Jr. (Homeland Security Subcommittee)
- April 16 – Department of Agriculture; Secretary Thomas Vilsack, Chief Economist Dr. Joseph Glauber, Budget Officer Michael Young (Agriculture Subcommittee)
- April 16 – Department of Labor; Acting Secretary Seth Harris (LHHS Subcommittee)
- April 17 – Department of Housing and Urban Development; Secretary Shaun Donovan (THUD Subcommittee)
- April 17 – Customs and Border Protection; Border Patrol Chief Michael Fisher, Air and Marine Assistant Commissioner Randolph Alles, Acting Deputy Commissioner Kevin McAleenan (Homeland Security Subcommittee)
- April 17 – Department of Agriculture Research, Education, and Economics; multiple witnesses (Agriculture Subcommittee)
- April 17 – Federal Bureau of Prisons; Director Charles Samuels, Jr. (CJS Subcommittee)
- April 17 – Department of State; Secretary John Kerry (State-Foreign Operations Subcommittee)
- April 18 – Department of Agriculture Marketing and Regulatory Programs; multiple witnesses (Agriculture Subcommittee)
- April 18 – Department of Veterans Affairs; Secretary Eric Shinseki, multiple witnesses (MilCon-Veterans Affairs Subcommittee)

- April 18 – Department of Justice; Attorney General Eric Holder (CJS Subcommittee)

Contact Information

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Cybersecurity

LEGISLATIVE BRANCH ACTIVITY

- **Cyber Intelligence Sharing and Protection Act (CISPA).** Last week, the House Intelligence Committee marked up the Cyber Intelligence Sharing and Protection Act (CISPA) and moved the bill out of Committee by an 18-2 vote. At the closed mark-up, the Committee adopted several amendments aimed at addressing the concerns of privacy and civil liberties groups that have expressed major opposition to the bill. The amended bill is likely to move to the House floor next week. While the White House said that the changes adopted to CISPA address some but not all of the concerns that it had with the legislation, it is unclear whether the Obama Administration will issue another veto threat against the bill as it did last Congress.

Senate Intelligence Committee leaders have indicated that they will also draft an information sharing bill in the coming weeks. Given that the Senate is unlikely to take up CISPA, it is likely that the bills will have to go to conference if both chambers are able to pass separate bills.

- **Rockefeller Letter to the SEC.** Chairman of the Senate Commerce, Science, and Transportation Committee Jay Rockefeller (D-WV) wrote a letter urging the Securities and Exchange Commission (SEC) to issue guidance on when companies are obligated to disclose their cybersecurity risks to investors. Senator Rockefeller made a similar request in a previous letter in 2011 but the SEC issued staff-level guidance on cybersecurity disclosures, which the Senator said is not enough for investors to understand the true costs and benefits of companies' cybersecurity practices.
- **SECURE IT Act.** Representative Marsha Blackburn (R-TN) introduced a new version of the Strengthening and Enhancing Cybersecurity by Using Research, Education, Information, and Technology (SECURE IT) Act last week, which is similar to the legislation proposed by Senate Republicans last Congress. Representative Blackburn's bill has been slightly modified from previous versions of the legislation to include a new section regarding data security and breach notification.

EXECUTIVE BRANCH ACTIVITY

- **Deputy Secretary Lute Departure.** Deputy Secretary of Homeland Security Jane Holl Lute announced her departure from the Department of Homeland Security last week after serving at the Department for more than four years. While her successor has not been named, some insiders are

pointing to Rand Beers, current Under Secretary of Homeland Security for National Protection and Programs, as a potential replacement.

- **Department of Commerce Notice of Inquiry.** The Department of Commerce is seeking industry comments on how best to incentivize companies to participate in the voluntary cybersecurity program included in the President's Executive Order. Comments are due on Monday, April 29.

Contact Information

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Defense

EXECUTIVE AND LEGISLATIVE BRANCH ACTIVITY

- **North Korea.** Last Wednesday, Secretary of Defense Chuck Hagel said North Korea is “skating very close to a dangerous line” as the North prepared for another missile test (possibly April 15). The Secretary also said: “We have every capacity to deal with any action North Korea will take to protect this country and the interests of this country and our allies.”
- **Pentagon Budget.** Last Wednesday, President Obama released his \$1.058 trillion Fiscal Year (FY) 2014 Budget request, which provides \$526.6 billion in discretionary funding for the Department of Defense. This is \$0.9 billion lower than the FY 2013 enacted amount of \$527.5 billion. The Budget request also includes a placeholder amount of \$88 billion for Overseas Contingency Operations (OCO); however, a full detailed request for OCO will be submitted in the next few weeks and should reflect the latest decisions about force levels in Afghanistan. Defense Secretary Hagel admitted in testimony before the House Armed Services Committee last week that if the President's total federal Budget request is enacted, it “would permit Congress to eliminate sequestration.” The Secretary further explained “the President's Budget proposes some \$150 billion in additional defense savings over the next decade,” noting “these cuts are largely back-loaded – occurring mainly in the years beyond [Fiscal] 2018 – which gives the Department time to plan and implement the reductions wisely, and responsibly, anchored by the President's defense strategic guidance.” If sequestration is not averted, the FY 2014 Defense Department Budget will be cut across the board by \$52 billion.

This Week's Hearings:

Tuesday, April 16: The Senate Armed Services Committee will hold an oversight hearing on the *Situation in Afghanistan*.

Tuesday, April 16: The House Armed Services Committee will hold a hearing on the *FY 2014 National Defense Authorization Budget Request from the Department of the Navy*.

- Tuesday, April 16: The House Armed Services Subcommittee on Readiness will hold a hearing on *The Readiness Posture of the U.S. Army*.
- Tuesday, April 16: The House Armed Services Subcommittee on Intelligence, Emerging Threats and Capabilities will hold a hearing on the *FY 2014 National Defense Authorization Budget Request for Department of Defense Science and Technology Programs*.
- Wednesday, April 17: The Senate Armed Services Committee will hold a hearing on the *FY 2014 Defense Authorization Request and the Future Years Defense Program*. Secretary of Defense Chuck Hagel and Joint Chiefs of Staff Chairman General Martin Dempsey are scheduled to testify.
- Wednesday, April 17: The Senate Armed Services Subcommittee on Personnel will hold an oversight hearing on *Active, Guard, Reserve, and Civilian Personnel Programs*.
- Wednesday, April 17: The Senate Armed Services Subcommittee on Strategic Forces will hold an oversight hearing on *Nuclear Forces and Policies in review of the FY 2014 Defense Authorization Request*.
- Wednesday, April 17: The House Armed Services Committee will hold a hearing on *Recent Developments in Afghanistan*.
- Wednesday, April 17: The House Armed Services Subcommittee on Tactical Air and Land Forces will hold a hearing on *FY 2014 Navy, Marine Corps and Air Force Combat Aviation Programs*.
- Wednesday, April 17: The House Armed Services Subcommittee on Intelligence, Emerging Threats and Capabilities will hold a hearing on the *FY 2014 National Defense Authorization Budget Request for U.S. Special Operations Command and U.S. Special Operations Forces*.
- Thursday, April 18: The Senate Armed Services Committee will hold a hearing on *Current and Future Worldwide Threats*. Director of National Intelligence James Clapper and Defense Intelligence Agency Director Lieutenant General Michael Flynn are scheduled to testify.
- Thursday, April 18: The Senate Armed Services Subcommittee on Emerging Threats and Capabilities will hold a hearing on *The Role of the Department of Defense Science and Technology Enterprises for Innovation and Affordability*.
- Thursday, April 18: The Senate Armed Services Subcommittee on Readiness will hold a hearing on the *Current Readiness of U.S. Forces*.

Contact Information

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Education

LEGISLATIVE ACTIVITY

- **Gun Safety and Violence Prevention at Schools.** A procedural vote on Thursday, April 11 has set up floor debate on Monday to consider a gun control package (S. 649, *Safe Communities, Safe Schools Act of 2013*). The Office of Management and Budget released a [Statement of Administration Policy](#) on April 11, expressing strong support for the measure, which would increase investments in school security allowing districts, colleges, and universities to address pressing needs to help keep children safe. Majority Leader Harry Reid (D-NV) has promised an open process during floor debate, which will attract several Republican amendments causing difficult votes for vulnerable Democrats. Even if the Senate manages to pass a bill, it is unlikely the House will move quickly to act on it.
- **College Affordability.** As reauthorization of the Higher Education Act (HEA) looms, Congress has scheduled two hearings this week on what is expected to be a major component of the measure: college affordability. On Tuesday, April 16, the House Education and the Workforce Committee's Higher Education and Workforce Training Subcommittee will hold a hearing titled "Keeping College Within Reach: The Role of Federal Student Aid Programs." As the Committee prepares to reauthorize HEA, the hearing will provide an opportunity to consider ways to simplify and strengthen federal aid programs.

Also on Tuesday, Senate Health, Education, Labor and Pensions (HELP) Committee Chairman Tom Harkin (D-IA) has called a full Committee hearing titled "The Challenge of College Affordability: The Student Lens." At the Senate hearing, with interest rates set to double on federally subsidized student loans July 1, Democrats and student panelists are likely to champion a proposal introduced by Senator Jack Reed (D-RI) last week to freeze current interest rates for two years while Congress negotiates a long-term fix.

Contact Information

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Energy

LEGISLATIVE ACTIVITY

- **FY 2014 Budget Proposal Highlights.** The President requested \$11.7 billion for the Interior Department, a nominal increase over prior years, and proposes new policies and investments to cut foreign oil imports in half by the end of the decade. The President requested \$28.4 billion for the Department of Energy (DOE), a modest increase over prior years, and again prioritizes increased funding for basic R&D investments in clean energy and alternative fuel programs. Compared with FY 2012 enacted levels, the Administration has requested a 40-percent increase for DOE's clean energy technology activities and a 30 percent overall increase in funding for these programs across all federal agencies (totaling \$7.9 billion). The budget proposes \$100 million to review and permit new renewable energy projects on federal lands and waters, to make permanent the renewable production tax credit and the deduction for energy efficient commercial property, and to provide an additional \$2.5 billion in credits for investments in advanced energy manufacturing projects. As in prior years, the President would eliminate all tax preferences specific to the oil and gas industry (as well as to the coal industry), including provisions governing the current favorable treatment for intangible drilling costs and the section 199 manufacturing credit.
- **Congressional Hearings.** On Tuesday, House Natural Resources Subcommittees will hold oversight hearings on the President's FY 2014 budget request for the Bureau of Reclamation, the federal Power Marketing Administrations, and the U.S. Geological Survey; the Subcommittee on Energy and Mineral Resources will hold a legislative hearing on H.R. 3, to approve the Keystone XL pipeline; and House Science, Space, and Technology Subcommittees will assess the efficiency and effectiveness of wind energy tax incentives during a joint oversight hearing. On Thursday, the Senate Energy and Natural Resources Committee will consider the President's FY 2014 budget request for the Department of Energy.

REGULATORY ACTIVITY

- **Green Buildings.** The Green Building Advisory Committee will next meet on May 1.
- **International.** The International Trade Administration will host a meeting of the Environmental Technologies Trade Advisory Committee on May 14. The Committee will review the federal government's role in supporting the early adoption of environmental technologies, discuss ways to leverage sustainability concepts to increase U.S. environmental exports, and discuss the status of the U.S. Environmental Export Initiative.
- **Oil & Gas Storage Tanks.** The Environmental Protection Agency has [proposed](#) narrowing the scope, streamlining monitoring requirements, and relaxing emission reduction standards for certain crude oil and natural gas storage tanks used at production sites. Comments on the proposal are due by May 13.

- **Nuclear.** Comments on the Nuclear Regulatory Commission’s draft regulatory basis document, which will underpin potential regulatory changes concerning station blackout mitigation strategies, are due by May 28.
- **Arctic Drilling.** The public comment period for the Supplemental Draft Environmental Impact Statement for Effects of Oil and Gas Activities in the Arctic Ocean has been extended 30 days, to June 27.
- **Offshore Lease Sales.** The Bureau of Ocean Energy Management has prepared a Final Supplemental Environmental Impact Statement for oil and gas Lease Sale 233 in the Gulf of Mexico’s Western Planning Area and Lease Sale 231 in the Central Planning Area, scheduled for 2013 and 2014.

Contact Information

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Environment

LEGISLATIVE ACTIVITY

- **FY 2014 Budget.** The Obama Administration has proposed a Fiscal Year 2014 budget of \$8.15 billion for the U.S. Environmental Protection Agency (EPA). This request is below EPA’s previous FY 2013 enacted and annualized level of funding of \$8.50 billion.
- **Water Resources.** On Tuesday, April 16, the House Committee on Transportation and Infrastructure, Subcommittee on Water Resources and Environment, will hold a hearing concerning a new Water Resources Development Act (WRDA) in order to authorize funding for water infrastructure projects. As this is typically a six-year authorization bill, the last WRDA Act was passed in 2007.
- **Water Power.** On Tuesday, April 16, the House Committee on Natural Resources, Subcommittee on Water and Power, will hold a hearing on the President’s proposed FY 2014 Budget for the Bureau of Reclamation’s Water Resources Programs and the U.S. Geological Survey’s Water Program.
- **Forests.** On Tuesday, April 16, the Senate Committee on Energy and Natural Resources will hold a full committee hearing to consider the President’s proposed budget for the U.S. Forest Service for FY 2014.

REGULATORY ACTIVITY

- **Chesapeake Bay Update.** The U.S. Environmental Protection Agency (EPA), in conjunction with six other U.S. federal agencies, has released a progress [report](#) titled “Strategy for Protecting and Restoring the Chesapeake Bay Watershed.” The six other agencies involved are: U.S. Departments of Agriculture, Commerce, Defense, Homeland Security, Interior, and Transportation. The strategy

memo reports on goals outlined in Executive Order 13508, signed by President Obama in May 2009, which include: Restore Clean Water; Recover Habitat; Sustain Fish and Wildlife and Expand Citizen Stewardship. In FY 2012, the amount that federal agencies utilized for Chesapeake Bay restoration and protection was more than \$460 million.

- **Hydraulic Fracturing Research.** EPA's Science Advisory Board Staff Office will hold a public meeting of the Hydraulic Fracturing Research Advisory Panel to provide an opportunity for independent expert members of the ad hoc Panel to provide comment on EPA's *Study of the Potential Impacts of Hydraulic Fracturing on Drinking Water Resources: Progress Report*, which was released in December 2012. The meeting is also intended to provide opportunities to brief the panel on the last scientific and technical developments in this area. The meeting will be held on May 7, 2013, from 9:30 a.m. to 6:00 p.m. and May 8, 2013, from 8:00 a.m. to 6:00 p.m. A teleconference will be held on May 16, 2013, from 1:00 p.m. to 5:00 p.m. The meeting will be held at the Westin Arlington Gateway Hotel located at 801 North Glebe Road, Arlington, VA, 22203. The teleconference number can be obtained by contacting hanlon.edward@epa.gov.
- **Oil and Gas and Sulphur Operations in the Outer Continental Shelf.** The U.S. Department of Interior, Bureau of Safety and Environmental Enforcement (BSEE) has issued a final rule which revises and adds several new requirements to regulations for Safety and Environmental Management Systems (SEMS) which were designed to promote worker safety and environmental protection during offshore oil and gas and sulphur operations. The rule establishes additional requirements for conducting job safety analyses for activities identified in an operator's SEMS program. In addition, this final rule requires that SEMS programs be audited by an accredited audit service provider. The agency maintains that the rule will assist in the agency's efforts to reduce accidents, injuries and spills during oil and gas activities on the Outer Continental Shelf. The rule becomes effective on June 4, 2013, with the exception of the auditing requirements under § 250.1920, which require compliance by June 5, 2015.

Contact Information

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Financial Services

LEGISLATIVE ACTIVITY

- **Treasury Secretary Jack Lew to Testify on President's FY 2014 Budget.** On Tuesday, April 16, Treasury Secretary Jack Lew will testify before the Senate Budget Committee on President Obama's FY 2014 Budget.

- **Senate Banking Subcommittee to Hold Hearing on Independent Foreclosure Review.** On Wednesday, April 17, the Senate Banking Subcommittee on Housing, Transportation, and Community Development will hold a hearing titled “Helping Homeowners Harmed by Foreclosures: Ensuring Accountability and Transparency in Foreclosure Reviews.” The witnesses participating at the hearing will be Lawrence L. Evans, Director of the Financial Markets and Community Investment at the Government Accountability Office, and Joseph A. Smith, Jr. Monitor, National Mortgage Servicing Settlement, Commissioner of Banks in North Carolina and Chairman of the Conference of State Bank Supervisors.
- **Senate Banking Subcommittee to Evaluate FHFA.** On Thursday, April 18, the Senate Banking Subcommittee on Housing, Transportation, and Community Development will hold a hearing titled, “Oversight of the Federal Housing Finance Agency: Evaluating FHFA as Regulator and Conservator.” There will be two panels of witnesses. The first panel will consist of Mr. Edward DeMarco, Acting Director of the Federal Housing Finance Agency, and the second panel will include Inspector General Steve A. Linick from the Federal Housing Finance Agency Office of the Inspector General.
- **House Financial Services Subcommittee to Explore the Role of FSOC and “Too Big to Fail.”** On Tuesday, April 16, the House Financial Services Subcommittee on Oversight and Investigations will hold its second in a series of hearings examining the role of the Financial Stability Oversight Council (FSOC) in determining which institutions are “too big to fail.” The hearing will be titled “Who is Too Big to Fail: Does Dodd-Frank Authorize the Government to Break Up Financial Institutions?” The witnesses will be: Scott G. Alvarez, General Counsel of the Federal Reserve Board of Governors; Richard J. Osterman, Jr., Acting General Counsel of the Federal Deposit Insurance Corporation (FDIC); and James Wigand, Director of the Office of Complex Financial Institutions at the FDIC.
- **House Financial Services Subcommittee to Discuss Challenges Facing Community Banks.** On Tuesday, April 16, the House Financial Services Subcommittee on Financial Institutions and Consumer Credit Subcommittee will hold a hearing on how federal regulations affect community banks. The hearing is part of a series to examine the impact of regulations on small financial institutions.
- **House Financial Services Subcommittee to Examine SEC’s Implementation of the JOBS Act.** On Wednesday, April 17, the House Financial Services Subcommittee on Oversight and Investigations will hold a hearing titled, “Examining the SEC’s Failure to Implement the JOBS Act and its Impact on Economic Growth.” The hearing will assess the status of rulemaking required by the Jumpstart Our Business Startups Act.
- **House Financial Services Committee to Discuss Housing Finance System.** On Wednesday, April 17, the House Financial Services Committee will hold a hearing on the obstacles to private capital in the housing finance system.

REGULATORY ACTIVITY

- **Mary Jo White Confirmed by Senate to Chair SEC.** On Monday, April 8, the Senate unanimously confirmed Mary Jo White to serve as the next Chairman of the Securities and Exchange Commission (SEC). Chairman Mary Jo White enjoyed broad bipartisan support during the nomination process.
- **SEC and CFTC Adopt New Rules on Identity Theft.** On Wednesday, April 10, the SEC and the Commodity Futures Trading Commission (CFTC) adopted new “Identity Theft Red Flag” rules that require certain entities subject to the SEC’s or CFTC’s enforcement authority to establish programs to address the risks of identity theft.
- **SEC to Hold Roundtable on Fixed Income Markets.** On April 16, the SEC will hold a roundtable on fixed income markets to discuss potential ways to improve the transparency and efficiency of fixed income markets. The roundtable will focus on the corporate bond market and the municipal securities market, which was the subject of a July 2012 Commission report.

LEGISLATIVE AND REGULATORY ACTIVITY

- **FY 2014 Budget.** On Wednesday, April 10, the President released his proposed budget for FY 2014. The Budget highlights the Administration’s commitment to implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act). It allocates \$14.2 billion in discretionary funding for the Department of Treasury. The budget increases funding for the SEC and the CFTC, allocating \$1.67 billion in offsetting fee collections to finance the SEC and \$315 million to fund the CFTC.

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Homeland Security

LEGISLATIVE ACTIVITY

- **Budget and Appropriations.** The President requested \$59.95 billion for the Department of Homeland Security (DHS) budget in FY 2014, which is an increase from the \$56.94 billion requested in FY 2012. DHS Secretary Janet Napolitano testified on the FY 2014 Budget Request before the House Appropriations Homeland Security Subcommittee on Thursday, April 11, facing questions about Transportation Security Administration security fees, the necessary number of Immigrations and Customs Enforcement detention beds, funding for the National Bio and Agro-Defense Facility, grant funding and consolidation, drug interdiction, and other issues.

- **Border Security.** Border security continues to be a major focus of discussions to overhaul the immigration system. The bipartisan Senate “Gang of 8” legislation, expected this week, would establish vast new border fences and require surveillance of 100 percent of the southwestern border. Republican Members of the House Homeland Security Committee introduced a stand-alone bill to create a comprehensive national strategy to secure the border. DHS had warned of potential Customs and Border Protection furloughs due to sequestration, but the agency now believes it can avert this measure. The FY 2014 budget would increase funding for border patrol agents.
- **TSA Privatization.** Democrats are seeking to roll back a provision of the Federal Aviation Administration reauthorization package that changed the standard for airports seeking to use the Screening Partnership Program, which allows airports to use private contractors so long as they can show that the contractors would not be detrimental to national security. New legislation by House Homeland Security Ranking Member Bennie Thompson (D-MS) and Senator Sherrod Brown (D-OH) would restore the agency’s discretion to approve or reject airports’ private contractor applications and would keep foreign subsidiaries from serving as contractors.

UPCOMING HEARINGS

- **Senate Judiciary Committee.** The full committee will hold a hearing on “Comprehensive Immigration Reform Legislation” on Wednesday, April 17, at which Secretary Napolitano will testify.
- **Senate Homeland Security and Governmental Affairs Committee.** The full committee will hold a hearing on the “DHS Budget Submission for Fiscal Year 2014” on Wednesday, April 17.
- **House Homeland Security Committee.** The full committee will hold a hearing on the “President’s FY 2014 Budget Request for the Department of Homeland Security” on Thursday, April 18. The Subcommittee on Counterterrorism and Intelligence’s hearing titled “Counterterrorism Efforts to Combat a Chemical, Biological, Radiological, and Nuclear (CBRN) Attack on the Homeland” has been rescheduled for April 25.
- **House Appropriations Committee.** The Subcommittee on Homeland Security will hold two budget hearings over the next week: (1) the Budget Hearing for the United States Coast Guard on Tuesday, April 16; and (2) the Budget Hearing for Customs and Border Protection on Wednesday, April 17.

Immigration

LEGISLATIVE ACTIVITY

- **Senate.** The bipartisan “Gang of Eight” Senators are expected to announce their legislation at a press conference on Tuesday, April 16. This comprehensive bill will address all aspects of the U.S. immigration system, and represents a bipartisan compromise after months of closed-door negotiations and drafting. The group has reportedly reached agreement on all major aspects of immigration overhaul, including an announcement by Senator Dianne Feinstein (D-CA) last week that a deal has been reached on agricultural workers, including wage issues and visa caps. The

legislation would also authorize up to \$3.5 billion for the Department of Homeland Security to set up a five-year border security plan.

- **House of Representatives.** The bipartisan group of eight members of the House of Representatives is also drafting legislation, but they are still working out a number of issues, including family immigration and agricultural workers. However, Representative Luis Gutierrez (D-IL) still hopes that the bill will be introduced in the next two weeks. Nevertheless, other factions of the House of Representatives have begun to introduce stand-alone pieces of legislation addressing specific aspects of the immigration system.

UPCOMING HEARINGS

- **Senate Judiciary Committee.** The full committee will hold a hearing on “Comprehensive Immigration Reform Legislation” on Wednesday, April 17, at 2:30 p.m. in Dirksen Senate Office Building Room 226. The sole witness will be Department of Homeland Security Secretary Janet Napolitano.
- **Senate Judiciary Committee.** For the comprehensive immigration reform bill, the full committee plans three days of markup each week of May, beginning May 7.

Contact Information

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International

EXECUTIVE AND LEGISLATIVE BRANCH ACTIVITY

- **North Korea.** During a House Armed Services Committee hearing last week (Thursday) with Chairman of the Joint Chiefs of Staff General Martin Dempsey, Congressman Doug Lamborn (R-CO) disclosed a Defense Intelligence Agency report that found North Korea “currently has nuclear weapons capable of delivery by ballistic missiles.” General Dempsey refused to comment on the report, citing the fact that it was classified. Later that day, Director of National Intelligence James Clapper issued a statement: “North Korea has yet demonstrated the full range of capabilities necessary for a nuclear armed missile.” Tension remains high on the Korean Peninsula, especially with North Korea threatening an imminent ballistic-missile test, possibly Monday, which is the anniversary of former North Korea leader Kim Il-Sung’s birth date. North Korea has warned foreign diplomats in Pyongyang that it is unable to guarantee their safety.

Secretary of State John Kerry arrived in Seoul last Friday to meet with South Korean President Park Geun-hye and Foreign Minister Yun Byung-se. The Secretary reassured them of Washington’s support for South Korea and Japan, and said a North Korean missile launch would be a “provocative and unwanted attack.” Secretary Kerry also suggested China needs to “put some teeth” into efforts to

press Pyongyang to abandon its nuclear ambitions, noting denuclearization is a shared bilateral policy. Last Saturday, the Secretary traveled to China and, on Sunday, was in Japan. Last Wednesday, Russian Foreign Minister Sergey Lavrov told the media “On North Korea, we have no differences with the United States.”

- **Syria.** Last week before the Senate Foreign Relations Committee, U.S. Ambassador to Syria Robert Ford highlighted a “competition” between extremists and moderates in Syria and noted Iran’s role in the conflict “helps the Assad regime build sectarian militias and attracts Hezbollah and Iraqi militants into Syria.” Last week, Senate Foreign Relations Committee Ranking Member Bob Corker (R-TN) sent a letter to President Obama noting that the Senate must be fully consulted before any decision to expand U.S. involvement to stem the crisis in Syria, including U.S. military action or any lethal assistance to Syrian opposition forces. Regardless, Senator Corker did not rule out supporting expanded U.S. involvement. Senate Foreign Relations Committee Chairman Robert Menendez (D-New Jersey) said last Thursday that U.S. non-lethal aid is “certainly a good thing.” However, he noted the United States has yet to help the opposition “be able to change the dynamics of the struggles so we have less bloodshed, less instability.” Meanwhile, Secretary Kerry will travel on Saturday, April 20 to Istanbul, Turkey, to join the *Friends of Syria* meeting.
- **Magnitsky Law.** Last Friday, in accordance with the U.S. law, the Treasury Department released its first list of 18 Russian officials who will be subject to visa bans and asset freezes under the *Sergei Magnitsky Rule of Law Accountability Act*. The next day, Russia in turn listed 18 former U.S. officials. Meanwhile, National Security Advisor Tom Donilon traveled last Sunday to Moscow to discuss further cuts to the U.S. and Russian nuclear arsenals, Syria, and other topics.
- **President’s FY 2014 Budget.** Last Wednesday, President Obama released his \$1.058 trillion FY 2014 Budget request, which provides \$47.8 billion in discretionary funding for the Department of State and the U.S. Agency for International Development. This is a six-percent decrease from the FY 2012 enacted level, largely due to lower Overseas Contingency Operations activity. The President’s Budget proposal continues to prioritize funding for global health to achieve the vision of an AIDS-free generation, food security, and combatting climate change. Furthermore, the Budget: provides more than \$1.2 billion to support the Administration’s rebalance of diplomatic and assistance resources to the Asia-Pacific region; continues to support transitioning countries in the Middle East and North Africa region; continues to promote U.S. exports and help U.S. companies navigate foreign regulations; proposes \$4 billion for Department of State security programs, in line with the recommendations of the Benghazi Accountability Review Board; and sustains U.S. security, diplomatic, and development goals in Afghanistan, Pakistan and Iraq.

In advance of Secretary Kerry’s testimony this week before Congress on the FY 2014 State Department Budget, House Foreign Affairs Committee Chair Ed Royce (R-CA) and Ranking Member Eliot Engel (D-NY) issued a joint statement, saying “We look forward to working with the Administration and our colleagues in Congress to modernize U.S. food aid programs while ensuring maximum impact and efficiency.”

- **Trade.** Last Friday, the Administration announced completion of bilateral consultations with Japan about its interest in joining the Trans-Pacific Partnership (TPP). Acting U.S. Trade Representative

Demetrios Marantis said the consultations resulted in a “robust package of actions and agreements with Japan in the automotive and insurance sectors, as well as non-tariff measures.” In response, House Ways and Means Chairman Dave Camp (R-MI) said: “I intend to continue my intensive consultations with the Administration on the TPP agreement. The bottom line is Japan must address its longstanding tariff and non-tariff barriers to U.S. exports – in particular on autos, insurance, and agriculture. I will not support Japan’s entry into TPP unless we obtain airtight assurances that Japan’s participation in the TPP negotiations will neither diminish the comprehensive and ambitious nature of these negotiations nor delay the goal of concluding the negotiations this year.”

This Week’s Hearings:

Tuesday, April 16: The Senate Foreign Relations Subcommittee on African Affairs will hold a hearing on *Examining Ongoing Conflict in Eastern Congo*. The Administration is not scheduled to testify.

Tuesday, April 16: The Senate Foreign Relations Committee will convene a business meeting, to discuss: (1) S. 657, the Foreign Prison Conditions Improvement Act of 2013; (2) S. Res. 90, a resolution related Kenya; and (3) review Secretary of the Treasury Jacob Lew’s nomination to be U.S. Governor of the International Monetary Fund.

Tuesday, April 16: The House Foreign Affairs Subcommittee on Africa will hold a hearing on *Kenya’s 2013 Elections*. The Administration is not scheduled to testify.

Tuesday, April 16: The House Foreign Affairs Subcommittee on Europe, Eurasia and Emerging Threats will hold a hearing on *China’s Rapid Political and Economic Advances in Central Asia and Russia*. The Administration is not scheduled to testify.

Thursday, April 18: The House Foreign Affairs Subcommittee on Human Rights will hold a hearing on Tier Rankings in the Fight Against Human Trafficking. The Administration is not scheduled to testify.

Secretary of State John Kerry is scheduled to testify before the following Congressional Committees:

Wednesday, April 17: The House Foreign Affairs Committee will hold a hearing on *Securing U.S. Interests Abroad: The FY 2014 Foreign Affairs Budget*.

Wednesday, April 17: The House Appropriations Subcommittee on State and Foreign Operations will hold a hearing on the *FY 2014 Budget Request for the State Department*.

Thursday, April 18: The Senate Foreign Relations Committee will hold a hearing on *National Security & Foreign Policy Priorities in the FY 2014 International Affairs Budget*.

Thursday, April 18: The Senate Appropriations Subcommittee on State and Foreign Operations will hold a hearing on *Proposed FY 2014 Appropriations*.

Contact Information

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TAX

LEGISLATIVE ACTIVITY

- **President Releases FY 2014 Budget.** Last week, the President released his FY 2014 Budget that included a host of changes to the tax code and entitlement programs. Regarding tax, the Budget proposal divides the proposed changes in tax law into two broad categories — changes reserved for revenue neutral business tax reform and changes that would be independent of tax reform. It contains a number of tax incentives intended to increase growth and create jobs, as well as a number of revenue raisers and provisions intended to reduce the deficit, simplify the tax code, reduce the tax gap, and strengthen tax administration. While there are some new provisions, including increased tobacco excise taxes, many of the provisions contained in the budget request, particularly on the revenue-raising side, are items the President has requested in years past that Congress has chosen not to act on, at least in the absence of comprehensive tax reform.
- **Tax Writing Committee Meetings Continue.** The Senate Finance Committee last week held the second meeting in their series of closed-door Committee meetings on tax reform. The closed-door meetings are intended to facilitate discussion among Senators in an attempt to find where agreement on policy exists. The sessions are expected to include discussion on most major policy elements of tax reform. This second meeting, held Thursday, on “Business Investment and Innovation,” generally covered the current challenges and potential goals for tax reform. Issues considered included Section 179 expensing, research and development credits, Section 1202 stock, passive activity loss rules, inventory accounting, and depreciation and amortization. For a full recap of the issues presented, the Committee released an option paper available [here](#).

In the House, this week the Ways and Means Committee is expected to wrap-up their work in the bipartisan Tax Reform Working Groups. Public comments will be accepted through Monday, April 15, 2013, and those comments will be included in a final Joint Committee on Taxation report, which will be delivered to the Ways and Means Committee on Monday, May 6, 2013.

- **Baucus and Camp Issue Joint Letter.** Senate Finance Committee Chairman Max Baucus (D-MT) and House Ways and Means Committee Chairman Dave Camp (R-MI) co-authored a Sunday *Wall Street Journal* op-ed suggesting that their efforts to achieve comprehensive tax reform will not be focused on devoting revenues toward deficit reduction, but rather toward lowering rates. The Chairmen agreed that comprehensive reform should lead to a system that is as progressive as the current structure, that “special-interest loopholes” should be closed to lower rates, and that lower and middle income Americans should not pay more in taxes than they do under the current tax system.

- **Tax Hearings Next Week.** The following tax hearings are scheduled in the House Ways and Means and Senate Finance Committees next week:

Tuesday, April 16: Senate Finance Committee hearing on tax fraud and tax identification theft: moving forward with solutions.

Thursday, April 18: House Ways and Means hearing on the President's and other bipartisan entitlement reform proposals.

REGULATORY ACTIVITY

- **Draft FATCA Form 8957 Released.** The U.S. Treasury Department recently released Form 8957, a draft of the FATCA registration form for financial institutions. Although FATCA registration can be accomplished most efficiently and effectively through an electronic online process, which will be available in July 2013, the questions that will be presented in the online process will appear very similar to the questions presented on the draft form recently released. Financial institutions registering through the online process will receive notice of registration acceptance and obtain a Global Intermediary Identification Number (GIIN) needed to demonstrate FATCA compliance on an expedited basis. The draft form can be found [here](#).

Contact Information

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Transportation & Infrastructure

FY 2014 BUDGET

- **Surface Transportation.** The President's FY 2014 Budget Request includes \$50 billion in Immediate Transportation Investments and proposes robust, long-term reauthorizations of the surface transportation and passenger rail programs to be financed through "savings from ramping down overseas military operations" in Iraq and Afghanistan. The Budget proposes to reserve these savings to fund a six-year reauthorization of MAP-21 beginning in FY2015 that would increase funding by 25 percent above current levels. With respect to key discretionary programs, the President's Budget provides \$500 million for the TIGER program and \$1.98 billion for the New Starts program, representing modest increases over the final FY 2013 levels. The President has previously made these requests for \$50 billion in immediate investments and to use the "peace dividend" to finance long-term reauthorizations, and they have not garnered support in Congress.
- **Aviation.** The President's Budget makes airports eligible recipients of DOT grants of up to \$2 billion out of the Administration's proposed \$50 billion in Immediate Transportation Investments program, and such grants would cover 100 percent of the eligible costs.

- **National Infrastructure Bank.** The President’s Budget calls for a National Infrastructure Bank to be created as an independent governmental entity with an initial \$10 billion appropriation, which would support approximately \$100 million in low-interest loans and loan guarantees. Eligible projects would include transportation, water and energy projects. The bank could finance up to 50 percent of eligible project costs. The Administration has proposed the creation of a National Infrastructure Bank in every budget dating back to FY 2010, though with some variations in the structure of the bank.
- **Private Activity Bonds.** The Administration proposes modifying certain restrictions in the qualified private activity bonds (PABs) program. The various proposals include repealing the \$150 million limit on volume of outstanding nonhospital section 501(c)(3) organization bonds, increasing the national limitation for qualified highway or surface freight transfer facility bonds from \$15 billion to \$19 billion, eliminating the volume cap for qualified PABs issued for water infrastructure, increasing the limitation on the use of proceeds for land acquisition from 25 percent to 35 percent, and repealing the government ownership requirement for certain types of exempt facility bonds.
- **America Fast Forward Bonds.** The proposal would create a new, permanent bond program that would be an optional alternative to traditional tax-exempt bonds. Like Build America Bonds (BABs), America Fast Forward (AFF) Bonds would be taxable bonds issued by state and local governments in which the federal government makes direct payments to governmental issuers at a 28 percent subsidy payment rate. The Budget proposes broadening the use of AFFs beyond the types of projects eligible for BABs to include financing for section 501(c)(3) nonprofit entities and the types of projects that can be financed with qualified private activity bonds (PABs).

The proposal also includes a temporary 50-percent federal subsidy rate for “American Fast Forward Bonds for School Construction.” Eligible uses would include: (1) original financings for governmental capital projects for public schools and state universities; and (2) new money financings for section 501(c)(3) nonprofit educational entities such as nonprofit schools and nonprofit universities that could use qualified section 501(c)(3) bonds. This temporary subsidy would be effective for bonds issued in 2014 and 2015.

HEARINGS

- **WRDA Reauthorization.** The House Transportation and Infrastructure (T&I) Subcommittee on Water Resources and Environment has scheduled a hearing titled “The Foundations for a New Water Resources Development Act” for Tuesday, April 16th at 10:00 a.m.
- **Implementing MAP-21.** The House T&I Subcommittee on Highways and Transit has scheduled a hearing titled “Implementing MAP-21: The State and Local Perspective” for April 25 at 10:00 a.m.

Contact Information

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