BUDGET: HOUSE AND SENATE LEADERS UNVEIL RESPECTIVE BUDGET PLANS

The House Budget Committee approved Chairman Paul Ryan's (WI) budget plan on Wednesday, March 13, 2013 by a vote of 22-17 on a straight party-line vote. The draft fiscal 2014 budget resolution calls for reducing the deficit by $4.6 trillion over a 10-year period beginning in 2014 by cutting domestic programs, repealing the Affordable Care Act (ACA), and overhauling the tax code. The plans call for $4 trillion in spending cuts in addition to the deficit reduction achieved by the sequester. Democrats attempted to restore funding to domestic programs through numerous amendments, nearly all of which failed.

The Senate Budget Committee began mark-up of Chairman Patty Murray's (D-WA) budget plan on Wednesday, March 13, 2013. The plan reduces the deficit by between $600 and $700 billion between 2014 and 2023 through equal spending cuts and revenue increases. Sen. Murray said her plan would reduce the deficit by $1.85 trillion over a decade; however, in her calculation, she includes a combination of spending cuts and revenue increases that she proposes to replace the $1.2 trillion, nine-year sequester. The budget resolution would add over $600 billion in additional deficit reduction to the cuts and revenue increases she proposes to replace the sequester.

The Senate plan reduces spending on defense and discretionary programs starting in fiscal 2015 by lowering the caps below the pre-sequester level specified in the debt limit law. Overall, the Democratic plan would not lower discretionary spending as much as the GOP proposal. Revenue under the Senate plan would total $41.164 trillion from 2014 to 2023 compared to $40.241 trillion collected under the House plan. The Senate plan spends almost $5 trillion more than the House proposal during the period – $46.362 trillion compared to the House's $41.466 trillion. Both plans are expected to start with the same legally required discretionary spending limit – an estimated $966 billion – for fiscal 2014, which begins October 1. This is what Congress would be allowed to spend on defense and discretionary domestic programs after the sequester reduction.
Ryan's budget resolution largely revives the plans he has introduced in the previous two years. The blueprint would balance the budget sooner than the plan Ryan proposed last year. The Senate has not voted on a Democratic budget resolution since 2009.

**House Budget Plan**

The House budget resolution would limit domestic discretionary spending to about $414 billion in fiscal 2014, more than $50 billion less than it would be under the 2011 Budget Control Act and the automatic spending cuts that recently took effect.

Specifically, the House plan would include the following cuts:

- **Defense:** Limit defense discretionary spending to $552 billion in fiscal 2014, which begins Oct. 1, essentially wiping out the sequester's effect on the Pentagon and transferring those cuts to the domestic side of the ledger.

- **Medicare:** Turn Medicare into a premium-support program, replace the current fee-for-service system with a voucher-like model beginning in 2024, and include means-testing for seniors. Notably, the budget maintains $716 billion in program savings from the ACA, but would repeal almost all of that law.

- **Medicaid & CHIP:** Turn Medicaid and the state Child's Health Insurance Program (CHIP) into a block grant program that would be indexed for growth based on population increases and inflation.

- **Land Management:** Opens more public land – both onshore and off the nation's coasts – to oil and gas exploration, in addition to approving the northern leg of the Keystone XL oil pipeline. Specifically, the plan calls for dedicating 70 percent of the net revenue from land sales to deficit reduction, rather than requiring the profits to be used to acquire other tracts. It also would cap the Interior Department share of those receipts to $60 million a year, hindering its ability to buy more land.

- **Research and Development:** Intends to provide "sufficient" funding for basic research and development programs for energy technologies but would dial back support for projects near commercial deployment.

- **Energy:** Cut back on energy-focused tax incentives, though it is unclear whether that includes provisions favored by the oil industry, such as a 6 percent manufacturing deduction and percentage depletion for wells. The plan would also rescind any unobligated balances in the Energy Department's stimulus loan guarantee program.

- **Transportation:** Cancels the financing President Obama sought for a high-speed rail network.

- **Agriculture:** Cuts farm programs by $31 billion but leaves it up to the Agriculture Committee to decide how to make the cuts.

- **Food Stamps:** Converts SNAP into a block-grant program that would be indexed for inflation and eligibility. It also recommends adding time limits and work requirements to SNAP, but says the government should "implement these reforms gradually to give states and recipients time to adjust."

- **Higher Education:** Would save $50 billion over 10 years through several policy changes to Pell grants, including capping the maximum award and limiting the grants to "those who are truly needy." Specifically, the House budget would repeal Pell grant expansions made in the 2007 College Cost Reduction and Access Act, which allowed the maximum annual per-student award to increase from
$4,310 in 2007 to $5,400 by 2012, raised from $20,000 to $30,000 the income level at which a student automatically qualifies for a "zero" expected family contribution, and eliminated a rule that decreased award amounts for students who attend low-cost institutions.

- Tax Code: Reduce the top individual and corporate rates to 25 percent and collapse the current seven tax levels to two: 25 percent and 10 percent.

**Senate Budget Plan**

The Senate plan would raise discretionary spending to $1.058 trillion in fiscal 2014, the level specified in the 2011 debt limit law before the sequester. They would do this by replacing the sequester with an even mix of other spending cuts and revenue from ending certain tax breaks, allowing discretionary spending to rise in fiscal 2014 and succeeding years.

Over the next decade, the plan proposes $240 billion in defense cuts, $142 billion in non-defense discretionary cuts, and $76 billion in other mandatory cuts, compared to the path spending would otherwise take. The plan claims $242 billion in savings from reduced interest payments.

More specifically, the Senate plan includes the following:

- Infrastructure: $100 billion in new funds: $50 billion for programs similar to President Obama's "Fix-It-First" proposal that would make infrastructure investments, $20 billion for school infrastructure spending, $10 billion for an infrastructure bank, $10 billion for other infrastructure investments like waterway dredging and $10 billion for worker training.

- Medicare/Medicaid: $275 billion in health care savings, with $265 billion coming from Medicare and $10 billion coming from Medicaid, according to Budget Committee aides.

- K-12 Education: Increased funding in early childhood education and for Head Start and Early Head Start. It also continues to fund the Child Care and Development Block Grant, which provides support for working families and assists in closing the achievement gap for low-income children.

- Higher Education: Keeps the Pell grant program and its maximum loan amount intact. The proposal also eliminates student loan fee increases associated with sequestration and retains available student loan repayment options.

- Energy: Increases energy research funding at national labs and at the Advanced Research Projects Agency-Energy (ARPA-E), which is focused on high-risk energy research. The proposal would also continue funding the administration's onshore and offshore oil and gas leasing plans, while boosting appropriations for regulators. Finally, the plan would build on President Obama's second-term pledge to redouble efforts to reduce greenhouse gas emissions. The budget resolution promises to increase funds at the EPA and the Energy Department for research into lowering emissions.

For more information, go to:

- Senate Budget Plan, [http://budget.senate.gov/democratic/index.cfm/senatebudget](http://budget.senate.gov/democratic/index.cfm/senatebudget)

**Technology: House Judiciary Examines Abusive Patent Litigation Issue**

The House Judiciary Subcommittee on Courts, Intellectual Property and the Internet held a hearing on March 14, 2013 entitled “Abusive Patent Litigation: The Impact on American Innovation & Jobs, and Potential Solutions.” Witnesses were: Mr. Mark Chandler, Senior Vice President, General Counsel and Secretary, Cisco Systems, Inc.; Ms. Janet L. Dhillon, Executive Vice President, General Counsel and Secretary, J.C. Penney Company, Inc.; Mr. John G. Boswell, Senior Vice President, Chief Legal Officer and Corporate Secretary, SAS Institute, Inc.; Mr. C. Graham Gerst, Partner, Global IP Law Group, LLC; Mr. Philip S. Johnson, Senior Vice President and Chief Intellectual Property Counsel, Johnson & Johnson; and Mr. Dana Rao, Vice President and Associate General Counsel for Intellectual Property Litigation, Adobe Systems, Inc., on behalf of the Business Software Alliance (BSA).
Mr. Chandler testified that the patent system has been transformed by 21st Century profiteers into a casino unrelated to innovation.” Among other issues, he called for passage of the SHIELD Act, which is intended to stop patent infringement suits by Patent Assertion Entities (PAEs), also known as patent trolls, by shifting legal fees to them if they lose the case. These firms acquire patents for the sole purpose of instituting litigation to obtain substantial financial settlements from companies. He also called for stemming the PAEs use of the International Trade Commission as another way to extort money from companies.

Mr. Rao testified that patent assertion lawsuits impose substantial costs on both innovators and customers. In Adobe’s first 26 years of its history, it faced 19 patent lawsuits. However, he said, since 2009, 30 patent infringement suits have been filed against it. Also, before 2009, Adobe had received eight demand letters alleging patent infringement; in 2012 alone, it received 33 such letters. Adobe supports the provisions laid out in the U.S. Patent and Trade Office’s Software Partnership initiative to “improve the assessment of whether an application meets the requirements of Section 112 of the Patent Act to fully describe how a claimed inventions works,” he said. Mr. Rao also called on the USPTO to allow examiners more time to decide on the merits of applications of software-implemented inventions.

In regards to congressional action, Adobe and BSA also support passage of the SHIELD Act, and note that it also includes safeguards that allow individual inventors to continue to assert their rights.

For more information, go to: http://judiciary.house.gov/hearings/113th/hear_03142013_2.html.

EDUCATION: HOUSE EDUCATION ASSESSES STRENGTHENING FEDERAL STUDENT LOAN PROGRAMS

The House Education and Workforce Committee met on Wednesday, March 13, 2013 for a hearing on “Keeping College Loans Within Reach: Examining Opportunities to Strengthen Federal Student Loan Programs.” The hearing focused on reforming Stafford Loan interest rates, the relative merits of moving toward a more market-based student loan rate, income-based repayment (IBR) options, and renewing the Higher Education Act. In 2012, Congress temporarily extended a lower interest rate on subsidized Stafford Loans made to undergraduate students at a cost of $6 billion. Unless Congress takes action, this lower rate will expire on June 30, 2013.

Witnesses included: Dr. Deborah J. Lucas, Sloan Distinguished Professor of Finance, Massachusetts Institute of Technology, Cambridge, MA; Mr. Jason Delisle, Director of the Federal Education Budget Project, New America Foundation, Washington, D.C.; Mr. Justin Draeger, President and CEO, National Association of Student Financial Aid Administrators, Washington, D.C.; and Dr. Charmaine Mercer, Vice President of Policy, Alliance for Excellent Education, Washington, D.C.

Mr. Draeger criticized Congress for its delay in preventing Stafford Loan interest rates from doubling. He also took issue with last year's actions to prevent the same increase and Congress's decision to partially fund that expense by reducing the eligibility for subsidized Stafford loans. He recommended moving to a long-term, market-based solution by returning to a variable interest rate. Additionally, Mr. Draeger recommended creating more IBR options for borrowers to help them avoid unmanageable debt levels and pursue lower-paying fields. Finally, he suggested modifying the consolidation option to eliminate borrowers' ability to convert a floating rate loan to a fixed rate loan with the same interest rate.

Dr. Lucas described issues with the existing student loan interest rate system, stating that similarly situated students attending the same institution in different years receive very different amounts of government assistance. She explained that this volatility makes it more difficult for prospective students to assess the affordability of pursuing a higher education. She also promoted
moving to market-indexed rates for federal loans in order to reduce volatility of subsidies for borrowers and taxpayers and help stabilize the budgetary costs of the program.

Mr. Delisle put forth the following recommendations: (1) addressing flaws in the IBR program and making it the sole repayment option for borrowers; (2) ending the subsidized Stafford interest rate benefit; (3) creating a fixed formula for setting student loan interest rates; (4) setting one loan limit for all undergraduates, irrespective of their dependency status; (5) ending the Grad PLUS loan program, but increasing Stafford limits for graduate students; (6) ending the Parent PLUS loan program; and (7) limiting loans to 150% of program length.

Mr. Delisle generally concurred with Mr. Draeger and Dr. Lucas regarding market-based interest rates for student loans, emphasizing the need for Congress to develop a rational, long-term plan for setting interest rates.

Republicans expressed concern that President Obama's proposed student aid changes to Supplemental Education Opportunity Grants, Perkins Loans, and Work-Study could result in unwanted federal price controls and increased confusion for institutions and borrowers. They also criticized the DOE's management of the Direct Loan Program, alleging that it has a poor customer service record, data breeches, difficulty in rehabilitating loans, and unexpectedly changes loan amounts for borrowers.

Democrats, including Rep. George Miller (Martinez), the Committee's ranking member, suggested they would favor additional loan counseling requirements.


SECURITY: HOUSE JUDICIARY SUBCOMMITTEE EXAMINES 21ST CENTURY CYBER THREATS

The House Committee on the Judiciary's Subcommittee on Crime, Terrorism, Homeland Security, and Investigations met on March 13, 2013 to examine the state of cyber security investigation, prosecution, and prevention. Witnesses included: Jenny S. Durkan, United States Attorney, Western District of Washington; John Boles, Deputy Assistant Director, Cyber Division, Federal Bureau of Investigation; Robert Holleyman, President and CEO, BSA - The Software Alliance; and Orin S. Kerr, Fred C. Stevenson, Research Professor, George Washington University Law School.

Issues Discussed:

Panelists expressed concern about the increasing frequency and complexity of cyber attacks that originate both domestically and from abroad. Ms. Durkan put forth several legislative proposals to enhance federal prosecution efforts, including updating the Racketeering Influenced and Corrupt Organizations Act ("RICO") to make the Computer Fraud Abuse Act ("CFAA") offense subject to RICO, clarifying and updating the forfeiture provision of the CFAA, and simplifying the CFAA's sentencing provisions. Mr. Boles discussed the FBI's recent efforts to prevent cyber crimes through its Next Generation Cyber Initiative and praised partnerships with the private sector to better manage cyber threats.

Mr. Holleyman made several recommendations to improve cyber threat preventing, including the following: (1) promoting real-time sharing of cyber-threat information; (2) strengthening law enforcement tools and resources; (3) supporting cyber security research and development; (4) updating the Federal Information Security Management Act of 2002 (FISMA) with more "future-proof" language that encourages agencies to engage in continuous; (5) real-time monitoring; and (6) passing a uniform data-breach notification law.
Professor Stevenson suggested several revisions to the CFAA, including narrowing the CFAA to only apply to those who circumvented technological access barriers, thereby reducing the risk that the CFAA would be used to prosecute innocent activity. Additionally, he recommended better defining and narrowing the felony provisions of the statute to ensure that it accurately distinguishes between minor and major offenses.

For more information, go to: http://judiciary.house.gov/hearings/113th/hear_03132013_2.html

IMMIGRATION: HOUSE WORKFORCE COMMITTEE EXAMINES IMPACT OF GUESTWORKER PROGRAM ON ECONOMY

The House Education and Workforce Subcommittee on Workforce Protections held a hearing on March 14, 2013 entitled “Examining the Role of Lower-Skilled Guest Worker Programs in Today’s Economy.” The witnesses were: Ms. Laura Foote Reiff, Co-Managing Shareholder, Greenberg Traurig LLP, Tysons Corner, VA, on behalf of the Essential Worker Immigration Coalition; Mr. Fred Benjamin, Chief Operating Officer, Medicalodges, Inc., Coffeyville, KS, on behalf of the American Health Care Association; Ms. Mary Bauer, Legal Director, Southern Poverty Law Center, Montgomery, AL; and Mr. Dan Musser, President, Grand Hotel, Mackinac Island, MI.

Ms. Foote Reiff explained that “The Essential Worker Immigration Coalition (EWIC) is a coalition of businesses, trade associations, and other organizations from across the industry spectrum that support reform of U.S. immigration policy to facilitate a sustainable workforce for the American economy....” She laid out numerous industries where she said positions are available for lesser skilled workers, but employers cannot find U.S. workers to fill the jobs. EWIC has proposed filling this void by enacting a provisional visa program which would expand when U.S. labor needs intensify and contract during economic downturns when U.S. labor needs subside. Among the provisions are instituting two tracks – one for employers and one for prospective employees – to match workers with jobs, and complete portability for foreign employees to move freely to another job. The proposal also advocates a “dual intent” for the visas. The initial visa would be temporary: two years, renewable twice. However, there would be a path to a green card for workers who pass an evaluation on their assimilation and success in the U.S.

Ms. Bauer detailed the abuses committed against workers under the current H-2B (non-agricultural workers) program. She testified that the program is actually a disincentive for employers to hire American workers because of the low wages and substandard conditions that guestworkers endure. Noting that H-2B workers do not have the same protections that H-2A agricultural workers currently have, she advocated strongly for effective protections for the wages and working conditions of these guestworkers.


ENERGY: HOUSE SCIENCE SUBCOMMITTEE ASSESSES COSTS/BENEFITS OF ENERGY TECHNOLOGY SUPPORT

The House Science, Space, and Technology Subcommittee on Energy met on Wednesday, March 13, 2013 to assess the costs and benefits of federal financial support for energy technologies. Specifically, the Subcommittee received testimony regarding various forms of Federal financial support for the development and production of fuels and energy technologies, including tax incentives, loan guarantees, and direct spending on research, development, demonstration and commercialization activities.
Witnesses included: Dr. Terry Dinan, Senior Analyst, Congressional Budget Office; Ms. Mary Hutzler, Distinguished Senior Fellow, Institute for Energy Research; and Mr. Malcolm Woolf, Senior Vice President Policy & Government Affairs, Advanced Energy Economy.

Issues discussed at the hearing included:

Over a 3-year period, from fiscal year 2007 through fiscal year 2010, total federal energy subsidies increased from $17.9 billion to $37.2 billion, an increase of 108 percent over the 3-year period. The largest increases in federal energy subsidies were in renewable and end-use subsidies.

Mr. Dinan summarized the various types of federal support for the development and production of fuels and energy technologies in recent decades, including (1) tax preferences, largely directed toward temporary energy efficiency and renewable energy projects since 2006, and (2) direct investments, loans, and loan guarantees, which - excluding the 2009 stimulus legislation – has generally declined.

Mr. Dinan noted that, without government intervention, households and businesses have little incentive to consider potential environmental damage and that taxes levied on those damaging energy production sources is the most direct and cost-effective method for addressing that problem. Additionally, he praised government funding for private research and development because it encourages societal benefits that private companies might not otherwise seek; however, he criticized the Department of Energy's late-stage funding of energy technology demonstration projects as not cost-effective.

Ms. Hutzler criticized the use of government subsidies for the energy market – both for renewable and traditional energy products. Furthermore, she claimed that subsidies do not result in job creation; rather, they shift jobs from one sector of the economy to another.

Mr. Woolf described the structural market barriers to the entry of new energy technologies and the role of federal financial support in overcoming those barriers. He also recommended reorienting federal financial support to more effectively encourage private sector innovation in technologies that promote a secure, clean, and affordable energy.

For more information, go to:

EDUCATION: HOUSE SCIENCE SUBCOMMITTEE EVALUATES IMPACT OF INDUSTRY AND PHILANTHROPIC INITIATIVES ON STEM EDUCATION

The House Committee on Science, Space, and Technology's Subcommittee on Research met on Wednesday, March 13, 2013 to examine industry and non-profit philanthropic science, technology, engineering, and mathematics (STEM) education initiatives. Specifically, the Subcommittee discussed STEM education programs across federal research agencies in the context of the America Creating Opportunities to Meaningfully Promote Excellence in Technology, Education, and Science Act (America COMPETES Act) reauthorization. The America COMPETES Act increases basic research investment in the physical sciences, expands educational opportunities in the science, technology, engineering, and mathematics fields, and develops an infrastructure for innovation.

Witnesses included: Ms. Shelly Esque, President, Intel Foundation, Vice President, Legal and Corporate Affairs, and Director, Corporate Affairs Group, Intel Corporation; Dr. Bob Smith, Vice President and Chief Technology Officer, Engineering and Technology, Honeywell Aerospace; Dr. Vince Bertram, President and Chief Executive Officer, Project Lead the Way; and Ms. Andrea Ingram, Vice President of Education and Guest Services, Museum of Science and Industry.
Panelists expressed strong interest in improving STEM education in order to promote innovation and remain globally competitive. Specifically, the witnesses recommended more programs to increase the number of students who choose to pursue advanced degrees and careers in STEM fields. Additionally, they emphasized the importance of increasing STEM literacy for all students, including those who ultimately decide not to pursue STEM-related careers.

Several panelists also praised partnerships between private, non-profit, and government that educate students through STEM programs.

Ms. Esque's testimony focused on three topics: (1) the importance of a highly skilled workforce to Intel's manufacturing and research investments in the United States; (2) the role of STEM education in fostering innovation to solve global challenges; and (3) Intel's education programs and partnerships to create that workforce and foster innovation.

Dr. Bertram noted that STEM programs generally only focus on the top or bottom 10 percent of students; however, his organization aspires to prepare all students from sixth to twelfth grade at various learning levels. He suggested reforming STEM to better reflect some of the successful strategies exhibited by Project Lead the Way.

For more information, go to: http://science.house.gov/hearing/subcommittee-research-stem-education-industry-and-philanthropic-initiatives.

**IMMIGRATION: SENATE HOMELAND SECURITY EXAMINES BORDER SECURITY**

On March 14, 2013, the Senate Homeland Security and Governmental Affairs Committee held a hearing entitled: “Border Security: Measuring the Progress and Addressing the Challenges.” Witnesses were: The Honorable Doris Meissner, Senior Fellow and Director, U.S. Immigration Policy Program, Migration Policy Institute; Edward Alden, Bernard L. Schwartz, Senior Fellow, Council on Foreign Relations; and David A. Shirk, Ph.D., Director, Trans-Border Institute, University of San Diego.

The witnesses all agreed that border enforcement is vastly superior to what it was in the past, but questions remain about the true effectiveness of border security, especially given its costs. To ensure a more effective use of resources, Dr. Alden supported focusing on improving outcome performance measures and called for the development of a performance management system for enforcement of immigration laws. He said Congress should make the development and reporting by the administration of such performance measures mandatory, and tie this to future appropriations.

Dr. Shirk testified that “at present, there is very little evidence that further investments in border security will yield the desired result. Moreover, it seems plausible higher fences, greater manpower, and more technology will be ineffective in significantly reducing unauthorized immigration flows in the absence of reforms to facilitate the process for both legal immigration and temporary guest worker status.”

The witnesses also agreed that, based on past evidence, instituting legal paths for low-skilled workers would lead to fewer workers entering the country illegally. Dr. Shirk also supported making B-1 visa holders eligible to use those visas for temporary work. B-1s are currently used along the southern border to allow Mexicans or others to enter the U.S. for short periods to shop or visit relatives, but they are not supposed to be used to obtain work. In addition, he testified that efforts should be focused on encouraging the Border Patrol to focus “on harms, and not the harmless.” He called for a “trusted travelers” program to more efficiently handle the vast majority of border crossers who pose no harm to the United States.
For more information, go to: