

Hicks-Ray Associates



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TO: WESTCAS Membership

FROM: Fred B. Hicks and Tom Ray

SUBJECT: Continuing Updates on Arid West Water Resources Issues

This is the next in a series of reports and updates which we will be sending out during the summer recess of the Congress. These will focus on issues that were unresolved as the Congress went on its summer break and which must still be addressed in the months ahead:

Sequestration

With all of the talk of sequestration, it would be easy to come to the conclusion that even if we survive the earth coming to an end on December 21, the respite will be short-lived since we will all still go off a fiscal cliff on January 2, 2013. While this latter scenario offers some hope for those who enjoy unwrapping Christmas presents and watching football, most would like more than a two week reprieve.

We suggest that there is good news here for the simple reason that Sequestration isn't going to occur in the manner that so many predict for two simple reasons (1) The Federal government has the power to print money. (2) The Congress has the power to ignore or modify whatever it passes into law. Both of these factors will be in play given the projected hit to the economy as a whole if sequestration is allowed to go into effect.

Because the actual sequestration law is so complex with numerous triggers, deadlines, etc. we suggest a much easier way to think about the process is to think back to the Wizard of Oz where Dorothy, the Tin Man, and Scare Crow, when warned of dangers ahead, all begin chanting, "Lions and Tigers and Bears, Oh My!" The faster they skip down the Yellow Brick Road, the faster they repeat this fear until they come face to face with the lion who turns out to be a coward. In place of Judy Garland, Ray Bolger, and Jack Haley just substitute President Obama, Speaker Boehner, and Leader Reid chanting "Sequesters, Budget Cuts, and RIF's, Oh My!" and you can have a complete picture.

FY13 Domestic Discretionary Spending

Although the actual Sequestration process could be said to resemble the Cowardly Lion played by Bert Lahr in the Wizard of Oz, we do not mean to suggest that Federal spending won't be substantially cut in the immediate future and that this won't

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profoundly impact water resources issues of concern to the Arid West. It isn't so much the Sequestration Act itself as the various separate budget cutting processes that it will spawn that will have the greatest impact.

A good example is FY13 Federal Discretionary spending. Appropriations Members and their staffs worked very hard this year to mark up and pass their FY13 bills and both the House and the Senate managed to move 11 out of the 12 bills under their jurisdiction forward. But in Washington no good deed goes unpunished, and all of this effort was rewarded by the announcement last week that a six month Continuing Resolution will be passed by the Congress in September. This means that FY13 won't begin until April 1, 2013 and will be only six months long.

When FY13 does begin, domestic discretionary spending will be subject of a cap of \$1.048 trillion. That sounds like a lot of money but not when compared to the three previous fiscal years:

FY10--\$1.306 trillion

FY11--\$1.300 trillion

FY12--\$1.344 trillion

FY13--\$1.048 trillion

In one sense, that \$296 billion cut in Federal discretionary funding from FY12 to FY13 could be seen as miniscule considering projected FY12 deficits of \$1.2 trillion. But the fact is that nearly \$300 billion is coming out of programs that water resources advocate's support, most particularly the EPA SRF program which has been cut by 44% over just the past few years.

So when people say, "the Federal government can never cut spending" they should be reminded that this is beginning to occur on a substantial scale. Real impacts on Federal spending must await entitlement reform. But it is important to remember that this process is already well begun when it comes to Federal discretionary spending.

[NEXT REPORT: Where is the money going to come from to build water resources infrastructure?](#)