

Hicks-Ray Associates



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TO: WESTCAS Membership

FROM: Fred B. Hicks and Tom Ray

SUBJECT: DC Updates

We are working under the assumption that “you can’t tell the players without a program” by sending you this update on the very confused situation with regard to reducing Federal spending and also passing FY12 Appropriations bills. Here goes:

FY12 Continuing Resolution

Most of the Federal government is being kept open by a Continuing Resolution that is set to expire at midnight Friday. It is a virtual certainty that another CR will be passed before Friday, this one lasting until December 16th. That gives the Congress some additional time to try and finalize FY12 spending measures before the New Year.

The CR on Friday is a part of the first so-called Appropriations “mini-bus” which folds the FY12 Agriculture; Commerce, Science, and Judiciary; and Transportation-HUD spending into a single bill. This mini-bus is actually a conference report for all three bills. So by passing it on Friday, the Congress will have dealt with a total of 4 out of the 12 Appropriations bills for the current fiscal year.

A second three bill mini-bus including FY12 Energy and Water Appropriations is currently being debated on the Senate floor. If it passes then a total of 7 bills could be finalized. However, it isn’t clear whether the Senate can complete work on this measure this week. The Congress is out of session next week and doesn’t return until November 28th. There are doubts about whether there will be time on the legislative calendar to continue with floor debate on this mini-bus.

If that is the case, then Congress will have to figure out its next steps by December 16th when the next CR expires. There are two broad possibilities: (1) Another CR into the New Year, perhaps March. (2) A year-long CR for all uncompleted bills. Many people we talk to tend to think that (2) will be the final choice. But we’re not sure.

Fred Hicks - 703.866.4290
P.O. Box 2115
Springfield, VA 22152-0115
fred@hicks-ray.com

Tom Ray - 254.855.0880
P.O. Box 955
Waco, TX 76703-0955
tom@hicks-ray.com

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Congressional Super Committee

The Super Committee is scheduled to report on November 23rd on its proposals to cut \$1.2 trillion in Federal spending. The best bet now is that the Committee has found about \$600 billion in domestic spending. And it will take credit for the \$400 billion that is anticipated to be saved with the end of the Iraq and Afghanistan wars. Finally, it will ask the House and Senate tax-writing Committees to come up with another \$200 billion in tweaks to entitlement programs.

We don't know anybody who thinks that this will work. But it does seem the strategy that is going to be tried.

Hopefully you are not more confused after reading this "explanation" than before you began. Confusing and challenging times in Washington.