



KELLEN WASHINGTON REPORT

“The speaker told the president that the house will not be put in a box and forced to choose between two options that are bad for the country – accepting a bad deal that fails to make real spending cuts, or accepting a government shutdown due to inaction.”

– Statement from the Speaker’s office

“I think the American people recognize that we're in some pretty unsettled times right now. Certainly businesses recognize that. Families recognize it. We don't have time for games. We don't have time for trying to score political points.”

– President Obama, April 5

WHAT A GOVERNMENT SHUTDOWN WOULD MEAN

Washington is in limbo this week as Republicans and the White House await a potential shutdown of the federal government. Speaker John Boehner and President Obama failed to reach agreement Tuesday on how to avoid a shutdown and another short-term budget fix -- for as perhaps as little as a week -- seemed increasingly likely. Federal agencies were making plans to keep essential services and national security operations in place, while determining which services, and which employees, were not vital. Federal employee unions, meanwhile, were complaining loudly that the uncertainties were unfair to their members. The shutdown would begin the morning of Saturday April 9th

What would a shutdown mean to business? A brief shutdown would have little effect, according to experts. The chief impact would be an almost imperceptible slowing down of decisions by federal agencies. A longer shutdown could be more harmful, but both the administration and congressional leaders seemed determined to avoid this.

Treasury Secretary Timothy Geithner warned that a shutdown would have a “very material” impact on the Treasury Department and would damage the country’s economic recovery. While a shutdown was considered unlikely to affect the Defense Department, Defense Secretary Robert Gates appealed to Congress to exempt the Pentagon from the short-term budget fixes that make vital planning decisions virtually impossible.

Government functions that would continue despite a government shutdown include military operations, air traffic controls, TSA screening of passengers at airports, VA hospitals, border patrols, federal prisons and protection of federal facilities, as well as the Federal Emergency Management Agency (FEMA.) But the shutdown would close national parks, cause delays in federal benefit payments, and lead to major delays in processing applications for US visas, for example.

The first of two government shutdown in 1995 led to some 800,000 federal employees being furloughed, but fewer are expected to be affected this time because so much federal work is now being handled by contractors who may or may not be impacted. Many questions remain unanswered.

MEANWHILE, 2012 WILL SOON BE HERE

As the White House and Republican leaders continue their standoff over the budget for 2011, whose fiscal year ends in September, House budget committee chairman Paul Ryan (R-WI) dropped his bomb for 2012, calling for cuts of \$179 billion in the President's proposed budget for the next fiscal year, and a total reduction of \$6.2 trillion over the next 10 years.

"The proposal stands little chance of becoming law," commented the *Wall Street Journal*, "but it marks an extraordinary political statement by House Republicans. It amounts to a gamble that voters are so concerned about the size of government that they are willing to accept significant cuts in popular programs." Among these programs are Medicaid, Medicare and Social Security.

"Clearly, these developments will impact trade associations and professional societies in many different ways," said Rick Cristol, president of the Kellen Company and president of the Association Management Company Institute. "Those of us in association management will be following all these budget developments very closely and taking action where necessary to protect association members' interests."

OBAMA LAUNCHES RE-ELECTION CAMPAIGN

As expected, President Obama chose this week to announce his 2012 re-election campaign, doing so quietly by means of a video on the Internet. Not everyone was pleased, including House budget chief Paul Ryan, who had also chosen this week to unveil his 2012 budget. In an interview, he commented, "I find it kind of ironic that the week we're trying to engage the President, the Democrats and the country with an honest debate about our budget, with real solutions to fix this country's problems and prevent a debt crisis, the President is launching his re-election campaign." Other Republican comments on the President's announcement were less kind. Democrats generally welcomed the President's early announcement as a smart move, financially as well as politically.

SENATE VOTES TO REPEAL 1099

The Senate on Tuesday voted 87-12 to repeal the health care overhaul's 1099 tax reporting requirements, finally ending months of debate and votes over the provision that would have required all businesses to fill out a 1099 form each time they spend \$600 or more. The bill, which passed the House in March, now heads to President Obama, who has indicated he will sign it, despite concern over how to replace the money the provision would have raised.

KAINE STEPS UP TO PLATE, SCHULTZ TO TAKE SEAT

Democratic National Committee Chair Tim Kaine, a former governor of Virginia, announced Tuesday that he will challenge former Sen. George Allen for retiring Democratic Sen. Jim Webb's seat in 2012.

Rep. Debbie Wasserman Schultz (D-Fla.) is expected to succeed Kaine as chair of the DNC, according to top Democratic sources. Known for her strong fundraising capabilities and influence in the swing state of Florida, Wasserman Schultz was purportedly President Obama's pick over former Ohio governor Ted Strickland.

FDA EMBARRASSED BY EMPLOYEE'S ILLEGAL STOCK TRADING

It was bound to happen. Washington is literally teeming with government workers who have access to financially sensitive information and the Securities and Exchange Commission has long suspected that more than a few federal employees use secret government information to enrich themselves in the financial markets.

But they are difficult to catch. This changed recently when a chemist with the Food and Drug Administration and his son were arrested for allegedly making nearly \$4 million profit by illegally trading on confidential information in advance of at least 27 FDA announcements about upcoming drug approvals. The chemist, who worked in FDA's Center for Drug Evaluation and Research, was "entrusted with privileged information to perform his job of ensuring the health and safety of his fellow citizens," according to the indictment, but "he and his son repeatedly violated that trust to line their own pockets."