



KELLEN WASHINGTON REPORT

“It is hard to believe we've reached that point in Washington where we are going to fund our United States government two weeks at a time. Critics may look at us and say certainly the men and women who serve in the House and Senate ought to be able to gather together to sit down like adults, Democrats and Republicans, and really plot the spending and budget for our government.”

– Senate Majority Whip Richard Durbin

ALL EYES ON MARCH 18

The federal government will now shut down all non-essential activities on March 18 – unless the White House and congressional Republicans can reach agreement on a budget for the rest of the fiscal year, which ends September 30, or on another two-week stopgap measure. The two sides are so far apart on proposed budget cuts – the White House saying \$6.5 billion and the Republicans calling for \$61 billion – that most observers believe that another two-week stopgap budget is the best that can be hoped for.

Vice President Biden was pressed into service at the last minute yesterday to meet with congressional leaders on the issue, but no progress was reported and no additional meeting was scheduled. Meanwhile, Biden was due in Russia this weekend to talk about unrelated issues, so the prospect of meaningful negotiations on the budget seemed further diminished.

What is now likely to happen is that the Republicans and the Democrats will each present their budgets to the Senate next week, but neither will receive enough votes to overcome a filibuster, so negotiations will continue amid mounting frustration.

“We cannot keep doing business this way,” President Obama said this week after signing the most recent two-week extension. “Living with the threat of a shutdown every few weeks is not responsible.” At the same time, he made it clear that if the Republican proposal were to be approved by the Senate, he would not hesitate to veto it.

Meanwhile, federal agencies are moving ahead with plans for dealing with a potential shutdown. At issue is the record \$1.6 trillion gap between federal spending and revenue in the current fiscal year – with no federal spending authority in place.

WHERE THE MONEY GOES

If anyone still has any doubts about the myriad ways the federal government manages to misspend taxpayers' money, they should glance at the 345-page [report](#) released this week by the non-partisan Government Accountability Office. It focuses on the numerous duplicative programs that could be costing taxpayers up to \$200 billion a year.

Food safety: The GAO found that a total of 15 federal agencies are involved in administering 30 very similar food-related programs that could be more effectively run by a single agency with responsibility for all aspects of food safety. The current fragmented oversight of food safety, it says, has caused "inconsistent oversight, ineffective coordination and inefficient use of resources." It found that 18 federal programs spent a combined \$62.5 billion on food and nutrition assistance in 2008, "but little is known about the effectiveness of 11 of these programs."

Economic development: The report found that 80 different economic development programs at the Department of Commerce, Department of Agriculture, HUD and Small Business Association, overlap on responsibilities. 52 of the programs were designed to fund "entrepreneurial efforts."

Energy: It found that redundant policies encouraging ethanol production cost the government \$5.4 billion in lost revenues last year. Money also was wasted on purchasing numerous plug-in cars that could not be used.

Defense: Many redundancies were found in military operations and medical facilities.

Biological threats: The report found that over two dozen presidentially appointed individuals at five different agencies had the job of heading up defense against biological threats.

Teacher quality: 82 federal programs were identified to "improve teacher quality."

Transportation: 80 federal programs were dedicated to "help disadvantaged people with transportation." Five divisions within the Department of Transportation funded 100 different programs, one of which "functions as a cash-transfer general-purpose grant program."

Financial literacy: 56 programs had the purpose of "helping people understand finances."

Job training: 47 programs were dedicated to job training.

Homeless: Help for the homeless was the purpose of 20 separate federal programs.

"Reducing or eliminating duplication, overlap or fragmentation could potentially save billions of tax dollars annually and help agencies provide more efficient and effective services," the GAO concluded.

While the GAO did not put a figure on how much could be saved by reducing duplication, Sen. Tom Coburn (R-Okla.), who requested the report, estimated that between \$100 billion and \$200 billion was spent on duplicative government activities last year alone

The GAO's "Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue" full-text report can be downloaded [here](#).

1099 HITS SNAG

The House finally passed a bill that would repeal the 1099 provision in the health care law that would require companies, associations and other non-profits to file 1099 tax forms for virtually every transaction. The legislation moved forward Thursday with a 314-112 vote, with 76 Democrats backing the measure. BUT while members of both houses of Congress support the repeal, Democrats are opposing how the bill would offset the loss of approximately \$17 billion in revenue. The House bill would require people who receive health care subsidies to repay the government if their incomes reach a certain level. Senate Democrats are expected to block the repeal until this issue is resolved.

CRISTOL WARNS ASSOCIATION MANAGERS

Rick Cristol, longtime president of the Kellen Company, was elected president of the Association Management Company Institute (AMCI) at its annual meeting. He will focus, he said, on making the advantages of the association management company model better known and on the importance of accreditation. But he also issued a warning on potential new taxation.

“We are the voice and the guardian of our profession,” he told the members. “As our federal government continues to address rising deficits – a record \$1.6 trillion this year – it will be looking for new sources of funding. It may see the non-profit sector as an easy target for reducing or eliminating tax exemptions. Should such taxation initiatives arise in Congress, AMCI is prepared to lend its muscle to ASAE – and the 1500 client associations AMCI members manage – to meet this threat.”

Cristol acknowledged that the last two years have been “extremely challenging” for many associations, but now that the economy is picking up, he said, “AMCs have the opportunity to position our model as the association management solution of choice.” But, he added, “We have to do a better job of furthering awareness of who we are and what we do.”

LATE DEVELOPMENT

Oil prices. Crude-oil futures touched \$104 a barrel Friday – highest since 2008 – as reports emerged of new fighting near Libya’s oil facilities. The International Energy Agency said as much as one million barrels of oil a day have been removed from the market due to the crisis, as reports of a possible truce faded. Reuters reported that an oil facility was on fire at the east Libyan port of Zuetina.