

The 114th Congress Outlook & Challenges

Provident Bank

Beacon Trust

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BIPARTISAN POLICY CENTER

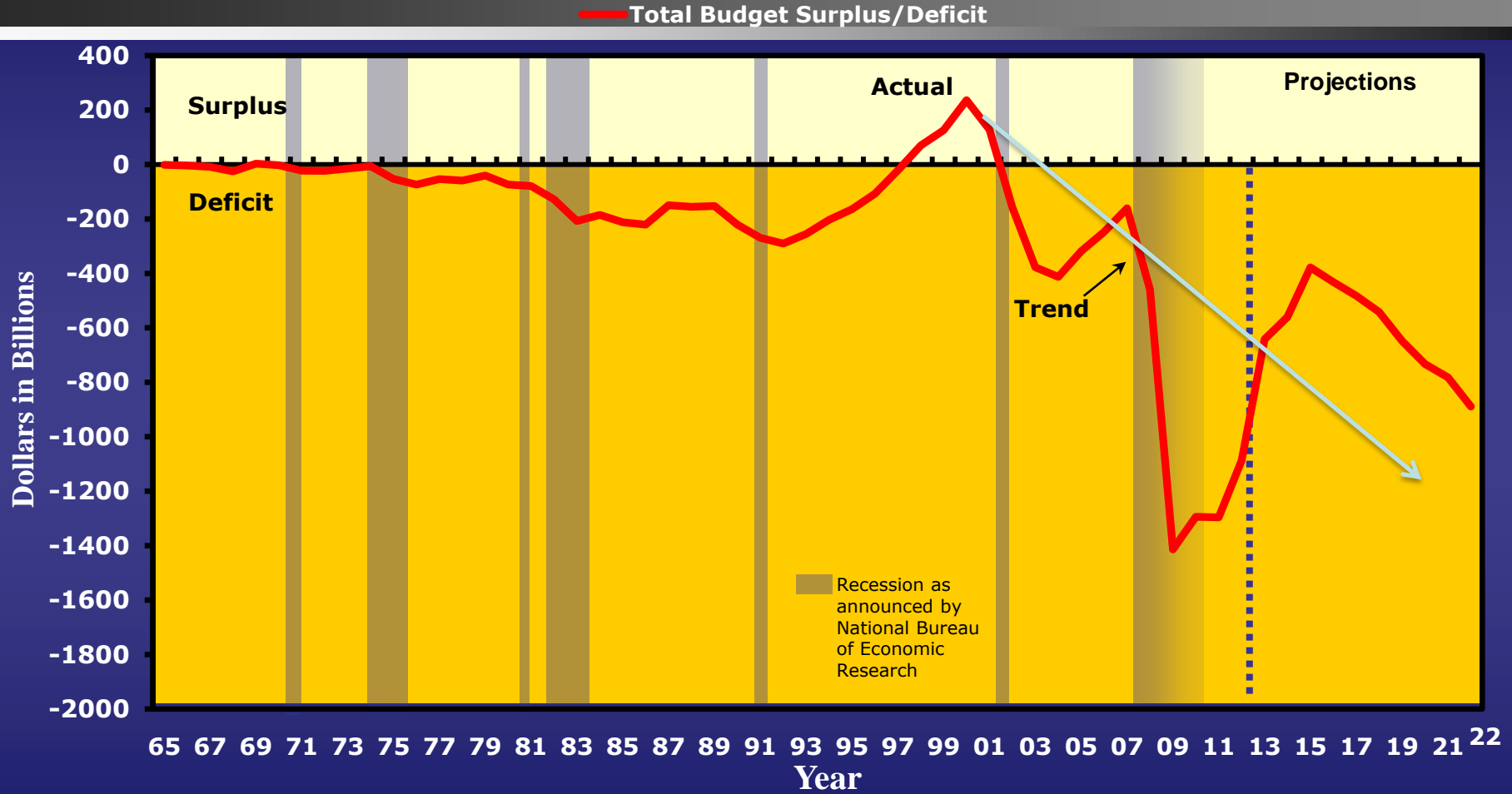
Federal Budget

Economic Environment: Economic Forecasts Calendar Years 2013 - 2015

	2013	Forecast 2014	Forecast 2015
Real GDP Growth			
– Administration	+2.2	+3.1%	+3.4%
– CBO		+1.5%	+3.2%
– Blue Chip		+ 2.2%	+ 3.1%
Inflation (CPI)			
– CBO	+1.5	+ 2.0%	+2.1%
– Blue Chip		+ 1.8%	+ 1.9%
– Administration		+1.6%	+2.0%
Unemployment Rate			
–CBO	7.4%	6.2%	5.9%
– Blue Chip		6.2%	5.6%
– Administration		6.9%	6.4%
10 Year Note			
–CBO	2.35%	2.8%	3.3%
–Blue Chip		2.7%	3.2%
– Administration		3.0%	3.5%

Sources: Congressional Budget Office, August 2014; Blue Chip Economics Forecasts, October 2014; President's FY 2015 Budget Mid-Session Review, July 2014.

Total Budget Surplus/Deficit FY 1965-2022



Source: An Update of The Budget and Economic Outlook: Fiscal Years 2014 to 2024. Congressional Budget Office; August, 2014;

Budget Outlook

FY 2012 – 2018

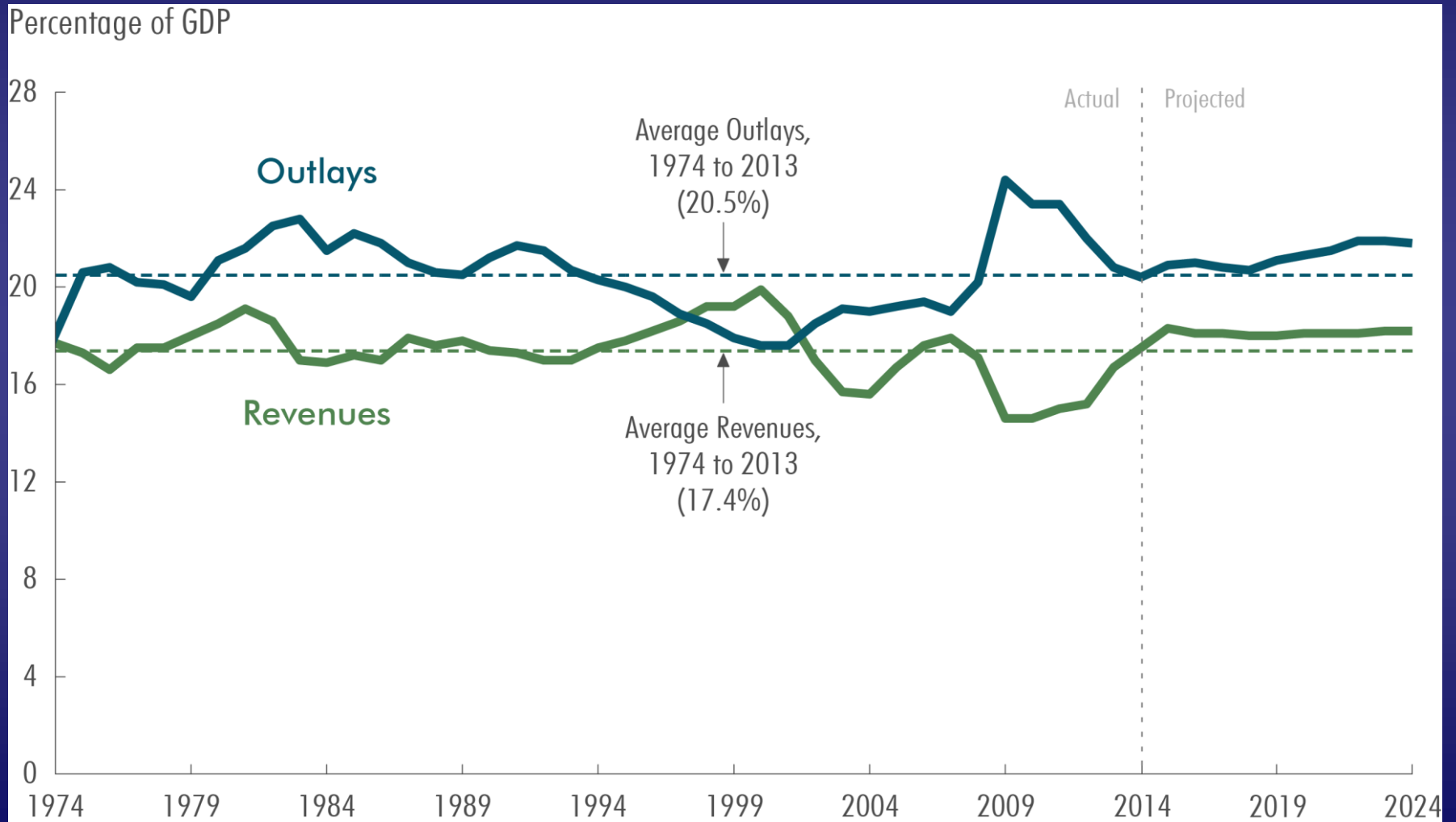
(In Billions of Dollars – % of GDP)

	2012 Actual	2013*	2014 Proj →	2015	2016	2017	2018	...2024	% Δ annual 2013-2024
Receipts	2,450	2,774	3,006	3,281	3,423	3,605	3,748	4,850	+ 5.2%
Spending	3,537	3,455	3,512	3,750	3,979	4,135	4,308	5,810	+ 4.8%
Deficits	1,087	680	506	469	556	530	560	960	+3.2%
% of GDP	7.0%	4.1%	2.9%	2.6%	2.9%	2.7%	2.7%	3.6%	NA
Public Debt	11,281	11,983	12,797	13,305	13,927	14,521	15,135	20,554	+ 5.0%
% GDP	73%	72%	74%	74%	74%	73%	73%	77.2%	
Debt Subject Limit	16,027	16,699	17,783	18,405	19,144	19,883	20,646	26,494	+4.3%
% GDP	100%	101%	103%	102%	101%	100%	99%	100%	

CBO estimate of nominal GDP growth increase 4.4% annually 2013-2024.

Source: CBO, Updated Budget Projections: 2014-2024. August 2014.

Total Outlays and Revenues % of GDP

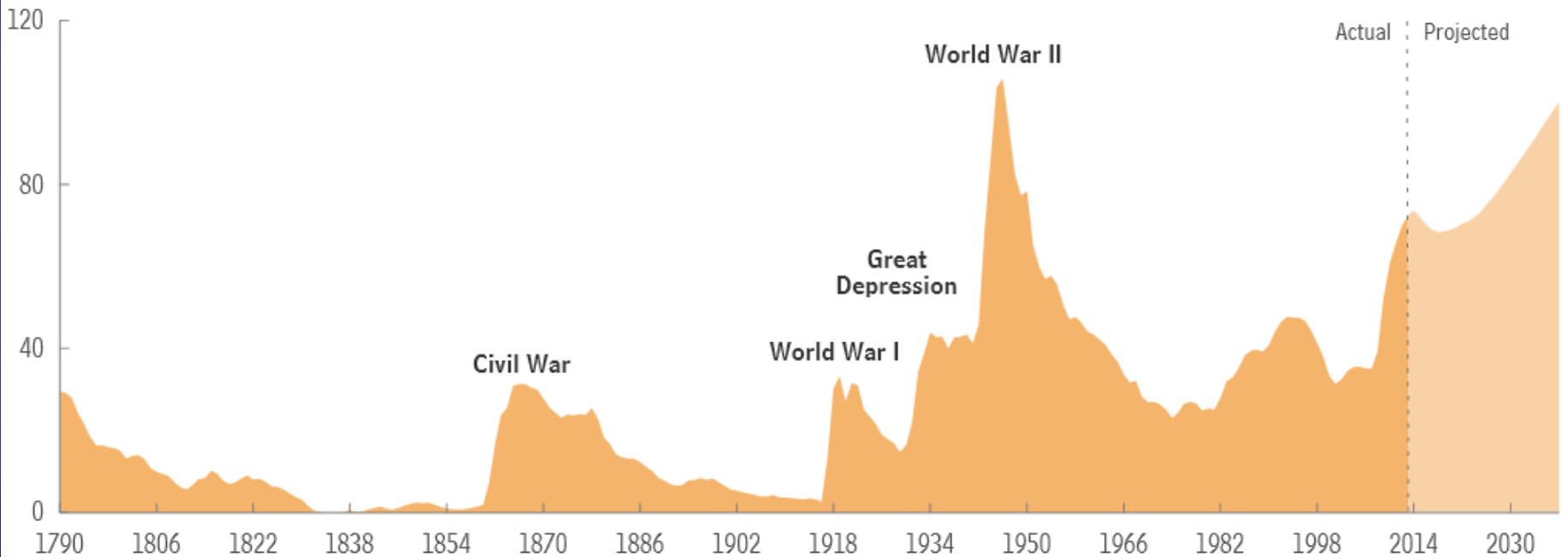


The Accumulation of Public Debt

Exceeds 100% of Economy 2038

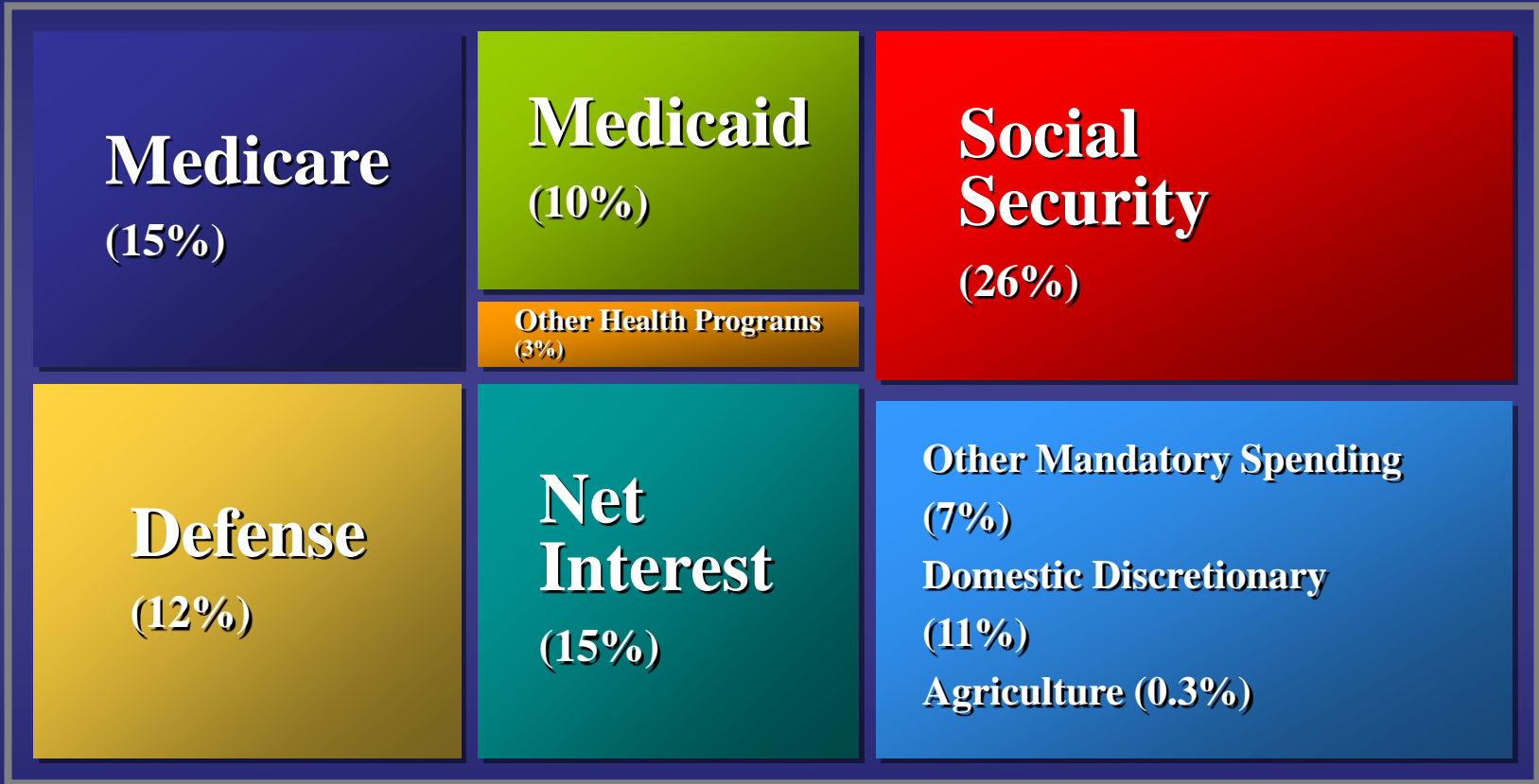
Federal Debt Held by the Public Under CBO's Extended Baseline

(Percentage of gross domestic product)



Source: CBO 2013 Long-Term Budget Outlook; September 2013

Federal Spending Projected for 2024



“Other Health Programs” includes: Health insurance subsidies, exchanges, and related spending; Department of Defense Medicare-Eligible Retiree Health Care Fund (including TRICARE for Life); Children’s Health Insurance Program, and other programs.

Source: The Congressional Budget Office. The Budget and Economic Outlook: Fiscal Years 2014 to 2024, February 2014;

Current Challenge
Outlook for 114th Congress

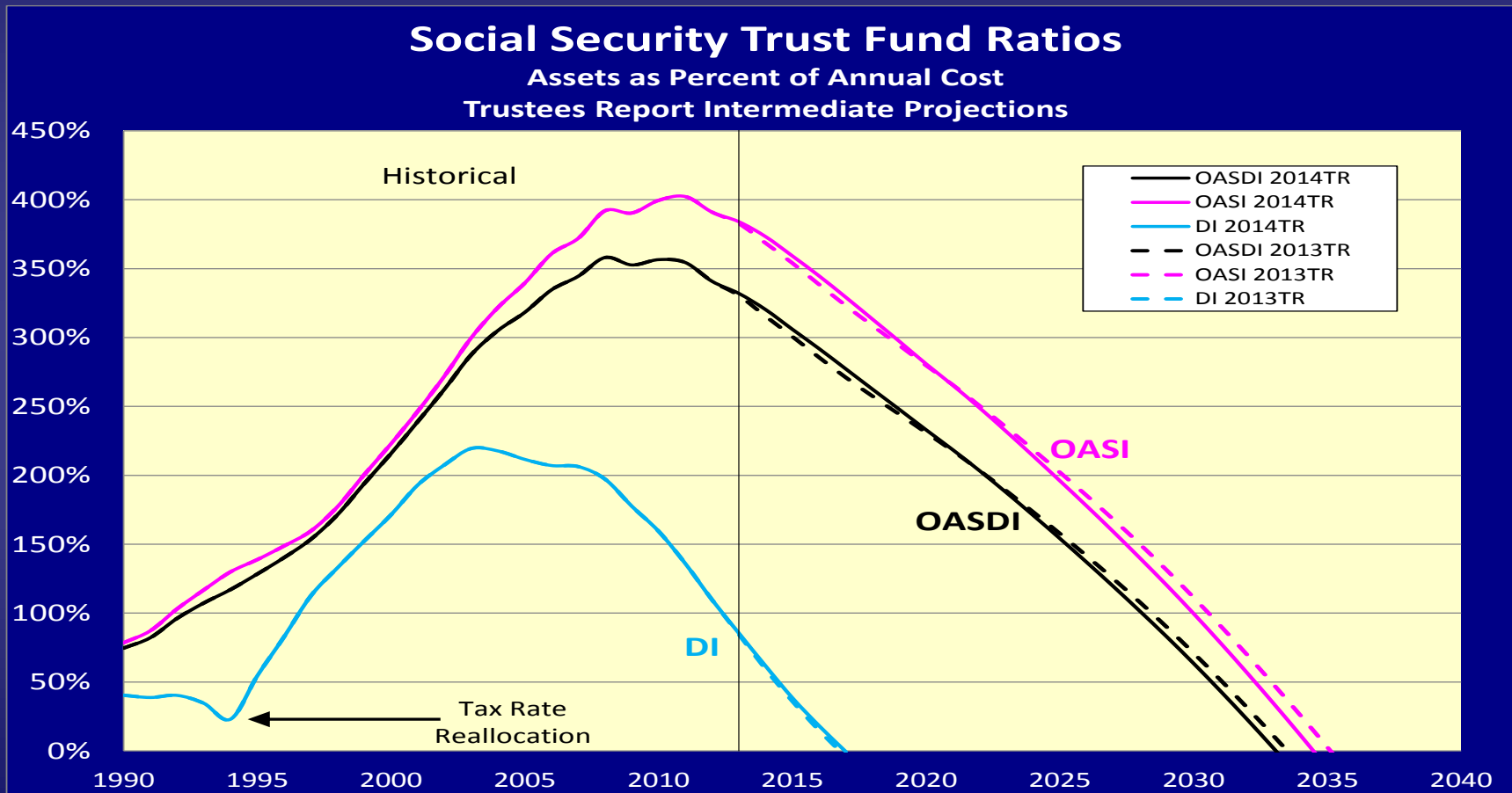
Fiscal Gap Calculations

Alternative Start Date, Target Dates & Target Ratios

Start Date:2014	Through 2040	Through 2089
Debt Target:		
Current: 72%	1.92	3.53
60%	2.25	3.62
36%	3.09	3.85
Start Date: 2019		
Debt Target:		
Current: 72%	2.40	3.86
60%	2.80	3.96
36%	3.84	4.20

Source: Forgotten but Not Gone: The Long-Term Imbalance; Auerbach and Gale, March 2014

Social Security and Disability Trust Funds' Exhaustion



Limits on Discretionary Budget Authority FY 2014 to 2021 (Billions of dollars)

Caps	2014	2015	2016	...	2021	Annual Rate of Increase 2014-2021
Defense	\$ 520.5	521.3	523.1	...	590.1	1.8%
Nondefense	\$ 491.8	492.4	492.9	...	555.9	1.8%
Total	\$ 1,012.2	1,013.6	1,016.0	...	1,146.0	1.8%
Adjusted for Inflation 2014 = 100	\$1,012.2	994.7	976.0	...	980.3	-0.5%

Source: Fiscal Sequestration Report for FY 2014; Congressional Budget Office, January 2014.

November 12 to December ~ 11

113th Congress: Lame Duck Session ~16 Days

- Appropriations CR or Omnibus
 - Current Funding Ends December 11
- Tax Extenders expire December 31-- ~\$900 billion 2015-24
 - 55 Provisions that Expired in 2013 – Credit for R&E; Deduction for State and Local Sales Tax; Partial Expensing of Investment Properties; Section 179 Expensing; and others.
 - 15 Provisions that will Expire in 2014 – American Opportunity Tax Credit; Refundable Child Credit; Earned Income Tax Credit Modifications; and others.
- Terrorism Risk Insurance expires
- Iran Nuclear Interim Agreement expires November 24
- Internet Tax Moratorium expires
- Defense Authorization /Use of Force Authorization

Agenda Items Early 114th Congress

- Administrative: Leadership Elections/Committee Assignments
- President's Budget FY 2016 ~ February
- Statutory Debt Limit Suspension Ends ~ March 15
- Congressional Budget Resolution ~ April
- Continuing Funding Resolution or Omnibus 2015 Appropriation
- Emergency Supplemental
- Medicare Doc Fix ~ expires March 31
- Reconciliation Legislation
- Highway Funding Authorization ~ May 31
- Ex-Im Bank Expires June 30
- Tax Reform (Corporate ?)

Rebalancing: Governance

Mid Term Elections: Possible Impact



U.S. Congress: 113th October 2014



U.S. Congress	House			Senate		
	D	R	Margin	D+I	R	Margin
113th (2013-2014)	199 Vacant 1	233 Vacant 2	R + 34	55 53 (D) 2 (I)	45	D/I + 10

House of Representatives Races 2014

(GOP on Track to Add 4 – 10 Seats)

	Solid D	Likely D	Lean D	Toss Up	Lean R	Likely R	Solid R
Democrats (201)	163	10	12	13	1	2	0
Republicans (234)	0	0	1	4	5	14	210
Totals (435)	163	10	13	17	6	16	210

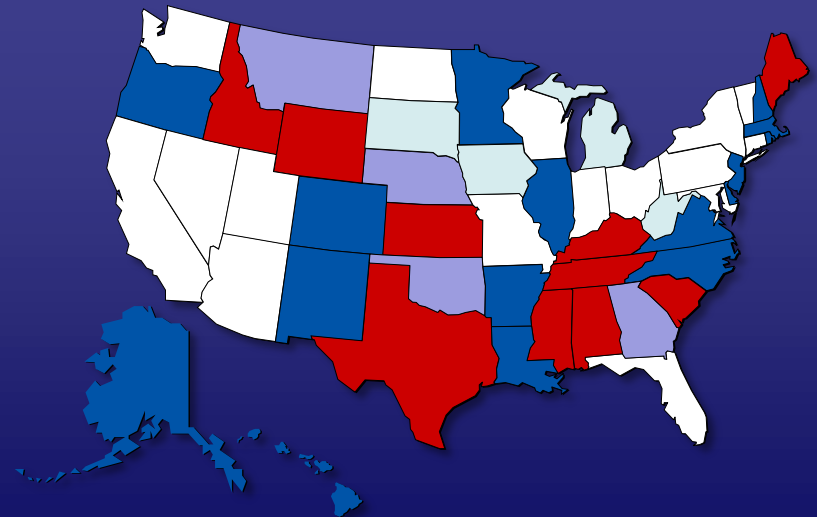
Source: The Cook Political Report -- October 17, 2014

Political Environment 2014 Elections

36 U.S. Senate Elections – 21 D and 15 R

Incumbent Republicans (12)				Incumbent Democrats (17)			
McConnell (KY)	Toss Up	Scott (SC)	Solid R	Coons (DE)	Solid D	Franken (MN)	Likely D
Cochran (MS)	Likely R	Alexander (TN)	Solid R	Schatz (HI)	Solid D	Udall M (CO)	Toss Up
Sessions (AL)	Solid R	Cornyn (TX)	Solid R	Durbin (IL)	Solid D	Shaheen (NH)	Toss Up
Risch (ID)	Solid R	Enzi (WY)	Solid R	Markey (MA)	Solid D	Begich (AK)	Toss Up
Roberts (KS)	Toss Up			Booker (NJ)	Solid D	Landrieu (LA)	Toss Up
Collins (ME)	Solid R			Udall T (NM)	Solid D	Hagan (NC)	Toss Up
Inhofe (OK)	Solid R			Merkley (OR)	Likely D	Pryor (AR)	Toss Up
Graham (SC)	Solid R			Reed (RI)	Solid D	Walsh (MT)	Solid R
				Warner (VA)	Likely D		
Retiring Republicans (3)				Retiring Democrats (4)			
Chambliss (GA)	Toss Up	Coburn (OK)	Solid R	Harkin (IA)	Toss Up	Rockefeller (WV)	Likely R
Johanns (NE)	Solid R			Levin (MI)	Lean D	Johnson (SD)	Lean R

- 12 Republican Incumbents
- 3 Retiring Republicans
- 16 Democratic Incumbents
- 4 Retiring Democrats
- No election



Source: The Cook Political Report -- October 17, 2014

Senate Races 2014, 2016, 2018

	<i>Seats Up in 2014</i>	Toss Up	Lean D	Likely D	Solid D	<i>Seats Up in 2016</i>	<i>Seats Up in 2018</i>
Democrats (54)	21	7	1	3	7	10	24
Republicans (45)	15	3	1	2	12	24	8
		Toss Up	Lean R	Likely R	Solid R		

Source: The Cook Political Report -- October 17, 2014

Governors Races 2014

36 Races

Democrats | 14 Held Seats

Republicans | 22 Held Seats

Solid D	Likely D	Lean D	Toss Up	Lean R	Likely R	Solid R
Brown (CA) Cuomo (NY) Shumlin (VT)	Dayton (MN) Kitzhaber (OR)	MD (O'Malley) Hassan (NH) RI (Chafee)	Hickenlooper (CO) Malloy (CT) HI (Abercrombie) Quinn (IL) MA (Patrick)	AR (Beebe)		

**Governorships
Summary
Today**

**Democrats- 21
Republicans- 29**

Solid D	Likely D	Lean D	Toss Up	Lean R	Likely R	Solid R
	Corbett (PA)		Scott (FL) Deal (GA) Brownback (KS) LePage (ME) Snyder (MI) Walker (WI)	Parnell (AK) AZ (Brewer)	Branstad (IA) Martinez (NM) Haley (SC) TX (Perry)	Bentley (AL) Otter (ID) NE (Heineman) Sandoval (NV) Kasich (OH) Fallin (OK) Daugaard (SD) Haslam (TN) Mead (WY)

**Governors with names in parentheses are retiring.

Governors Races 2014 -- 2015, 2016, 2017

	<i>Seats Up in 2014</i>	Toss Up	Lean D	Likely D	Solid D	<i>Seats Up in 2015</i>	<i>Seats Up in 2016</i>	<i>Seats Up in 2017</i>
Democrats (21)	14	5	3	3	3	1	7	1
Republicans (29)	22	6	3	4	9	2	4	1
		Toss Up	Lean R	Likely R	Solid R			

Source: The Cook Political Report -- October 17, 2014

Would you rather have a candidate who will compromise, or who will stick to their positions?

NBC/Wall Street Journal , 10/8 -12/2014

Party	Compromise	Stick to His/Her Positions
All	50%	42%
Democrat	62%	32%
Republican	37%	54%
Tea-Party Members	32%	60%

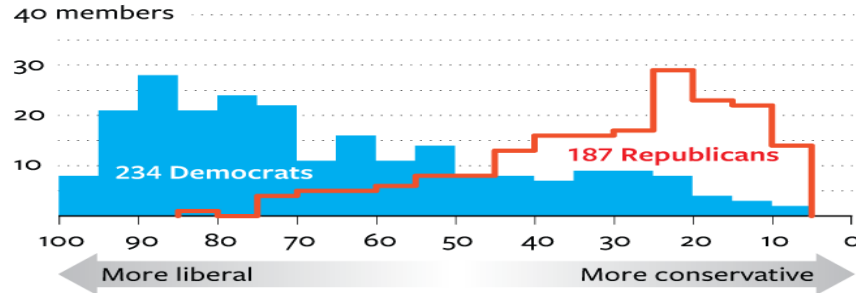
“A House Divided”

Getting to Yes: National Journal

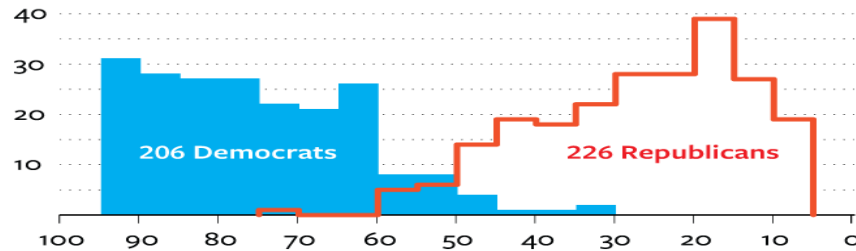
Alex Roarty, February 23, 2013

1982

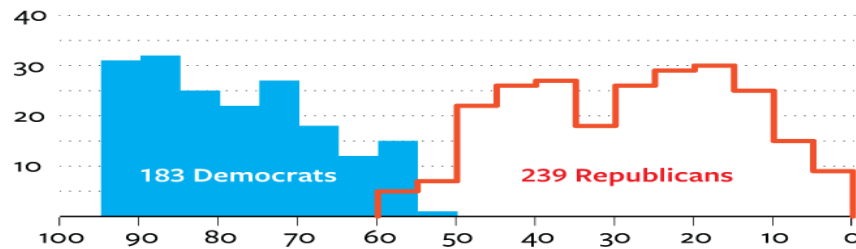
Distribution of liberal composite scores, by party



1997



2012

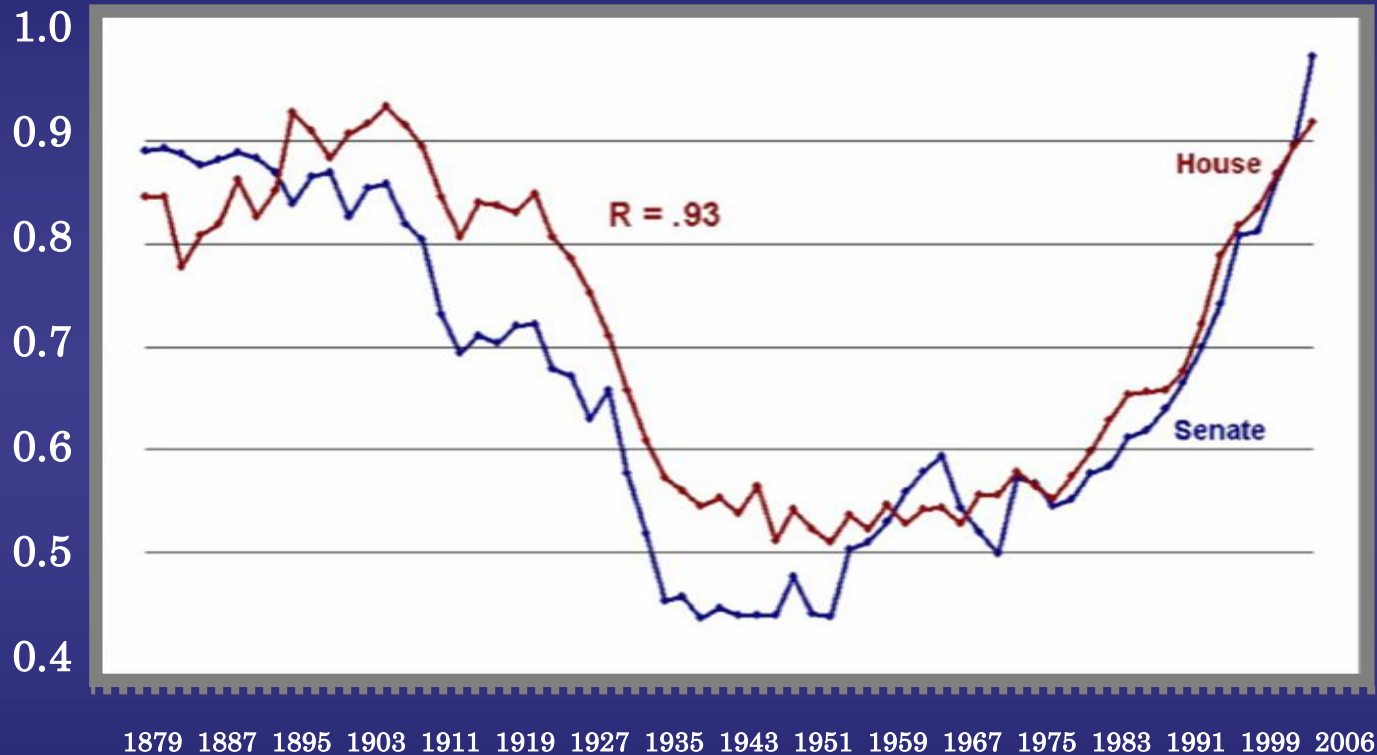


Source: *National Journal* analysis of House roll call votes

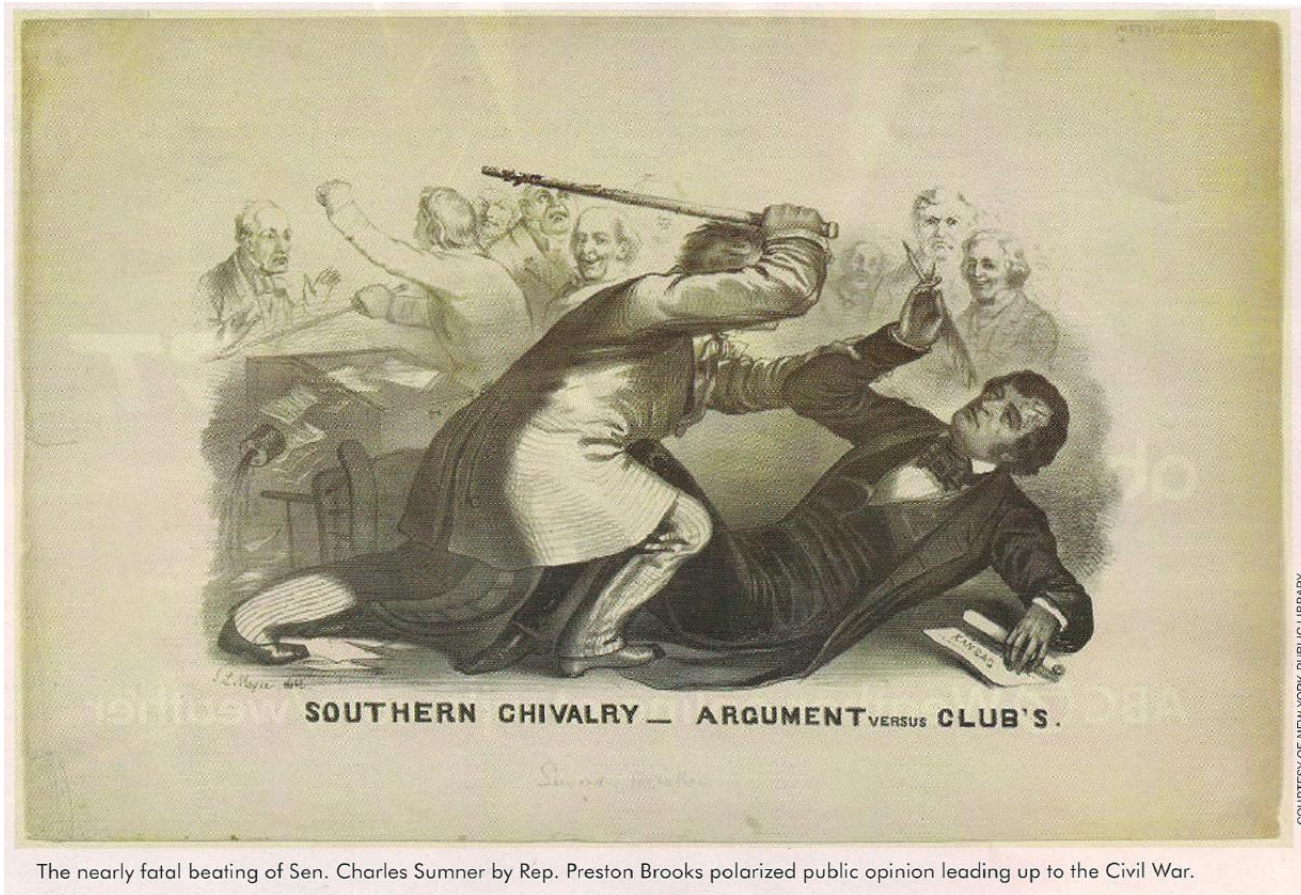
Party Polarization 1879-2006

Distance Between the Parties First Dimension

Distance Between the Parties



Source: Polarized America, The Dance of Ideology and Unequal Riches. McCarty, Poole, and Rosenthal. MIT Press, June 2006



The nearly fatal beating of Sen. Charles Sumner by Rep. Preston Brooks polarized public opinion leading up to the Civil War.

