

OVERNIGHT MONEY: Budget Day!

By Bernie Becker, Erik Wasson and Peter Schroeder - 02/14/11 07:43 PM ET

Tuesday's Big Story:

To mangle a line first used by **President Andrew Jackson**: The Obama administration has released their budget; now let's see them defend it.

Treasury Secretary Timothy Geithner and Jack Lew, the president's budget director, are both set to spend some time on Capitol Hill on Tuesday, headlining three hearings between them.

Geithner is scheduled to testify before the House Ways and Means Committee around lunchtime. Lew, for his part, is set to pull House Budget Committee duty in the morning, then is expected to appear before the Senate Budget Committee in the afternoon. (In a further programming note, stay tuned for more Congressional testimony from these two as the week progresses.)

Geithner and Lew will almost certainly get questioned about the fiscal year 2012 budget's economic assumptions, its approach to war spending and its estimate that it will reduce deficits by \$1.1 trillion over the next decade.

On Monday, GOP officials all around Washington declared, among other things, that the savings the White House claims to have achieved are **a sham** and that the budget follows a well-worn path of spend, borrow and tax.

The president and other administration officials, meanwhile, have said the investments contained in the budget would help the U.S. compete internationally, while also noting that the budget process will be a drawn-out conversation.

What Else to Watch for:

To the House Floor!: Even as the president's budget continues to be digested, debate will begin over the continuing resolution on the House floor in what is shaping up as a key test for leadership's version of the bill.

More conservative House members have declared that they are prepared to offer amendments going beyond \$100 billion in cuts, compared to Obama's 2011 budget. (Rep. Steve King (R-Iowa), for example, is expected to offer an amendment defunding the Obama health reform.)

At this point, it's tough to say if freshmen would vote for the leadership bill if the more conservative amendments fail. But what is clearer is that the Obama budget proposal this

week in many ways has united the GOP, papering over rifts that could emerge on the House floor over the 2011 spending bill.

Big Day for Dodd-Frank: For starters, the House Financial Services Committee – and its ranking member, Rep. Barney Frank (D-Mass.) -- will play host to top federal sentries of the financial system at a hearing tomorrow exploring new derivatives rules put in place by the Dodd-Frank Wall Street reform measure.

Mary Schapiro, the chairwoman of the Securities and Exchange Commission, Gary Gensler, the chairman of the Commodity Futures Trading Commission and Daniel Tarullo, a Federal Reserve governor, are all slated to testify.

According to the title of the hearing, the panel will be exploring the "regulatory, economic and market implications" of the new derivatives rules. And given that the panel is now run by Republicans, the witnesses could face some tough questions about whether the new rules are a burden on the private sector. Schapiro and Gensler also will be heading to Capitol Hill one day after the president's budget called for major boosts in their funding, so we'll be watching to see how warm the GOP might be to that looser pocketbook.

Elsewhere on Capitol Hill, a House Agriculture subcommittee is set to explore Dodd-Frank as well -- specifically how the portion regulating the derivatives industry is coming along. And, finally, the Cato Institute will also be hosting a panel discussion about the measure's constitutionality.

Hearing Roundup: Kathleen Sebelius, the Secretary of Health and Human Services, is also expected to testify about the president's budget, before the Senate Finance Committee. A House Financial Services subcommittee is expected to take a look into the post-conservatorship era for Fannie Mae and Freddie Mac.

Economic Indicators:

-- The Census Bureau is set to drop January sales numbers for retail and food services and, looking back to 2010, figures on manufacturing and trade inventories for December.

-- The Labor Department is slated to release import and export price indexes for January.

-- The Treasury Department is expected to circulate data on international money flow for December.

-- The National Association of Home Builders is scheduled to release a housing market index for February, and the American Petroleum Institute is set to unveil its weekly figures for gasoline production and inventories.

Breaking Monday:

More Budget Talk: Rep. Eric Cantor (R-Va.), the House majority leader, told reporters on Monday that Republicans in his chamber **will include entitlement reform** when they release a budget in the spring, The Hill's Molly Hooper reports.

President Obama was criticized in some quarters for not discussing Social Security, Medicare and Medicaid more in his budget plan. But, as The Wall Street Journal found, Jack Lew said Monday's White House release was **the beginning** of the budget process.

86ing the 1099: The House Ways and Means Committee is expected to **mark up** a bill repealing the health care overhaul's 1099 requirement on Thursday. The Senate has already voted to make that move.

What You Might Have Missed:

On the Money's Monday:

-- Even more budget talk: **Tax reform, Fannie and Freddie, transportation, the Housing and Urban Development Department, the SEC and CFTC, the Commerce Department and the IRS** all get the budget once-over.

-- The TARP inspector general got a **bipartisan round of applause** on his way out.

-- Max Baucus and Orrin Hatch – the top two at Senate Finance – tell the administration to **get cracking** on the Colombia and Panama free trade deals.

-- Baucus and Chuck Grassley want to **help conserve** some more land.

-- And a report commissioned by the Business Roundtable and the U.S. Chamber of Commerce, among others, says broadly regulating derivatives **could cost** 100,000 jobs.