FEBRUARY 2013

Lurching from one budgetary crisis to the next, President Obama and members of Congress, having reached a fiscal cliff deal after the last-minute in January, jockeyed for position in February as the "sequester" approached. The oddly-named package of $85 billion in automatic spending cuts this year and $1.2 trillion in cuts over the next 10 years – crafted as part of a 2011 deal to raise the debt ceiling and intended to be an arm-twisting mechanism that would force all parties to compromise on a replacement measure – was set to go into effect on March 1 after lawmakers and the White House failed to reach an agreement. (The original deadline of January 1 was pushed back by the fiscal cliff legislation.) Discussions of the practical impact of the cuts, as well as the political fallout, ranged from near doomsday scenarios to little more than a shrug about the reductions from a $3.8 trillion annual budget. Coming up in March: the expiration of the continuing resolution that has kept the federal government operating in the absence of a budget bill. Lawmakers and the president will have to determine how to fund the government through the end of the fiscal year on September 30. If a deal is not reached by March 28, a government shutdown could result.

ISSUES AND EVENTS

New Senator Challenges Financial Regulators

One of the newest senators on February 14 challenged a panel of financial regulators regarding the aggressiveness of their enforcement efforts, saying, "The question I really want to ask is about how tough you really are."

Sen. Elizabeth Warren, D-Mass., who took office in January, posed her query during a hearing of the Senate Banking, Housing and Urban Affairs Committee. Warren was active on financial issues before her election to the Senate, most recently leading the start-up of the Consumer Financial Protection Bureau that was created by the 2010 Dodd-Frank Act. She suggested at the hearing that regulators have gone too easy on those who have committed financial misdeeds.

"If a party is unwilling to go to trial — either because they're too timid or they lack resources — the consequence is they have a lot less leverage," Warren said. "If [banks] can break the law and drag in billions in profits and then turn around and settle, paying out of those profits, they don't have that much incentive to follow the law. … I'm really concerned that too-big-to-fail has become too-big-for-trial."

Warren's comments echoed concerns expressed recently by Sens. Sherrod Brown, D-Ohio, and Charles Grassley, R-Iowa, in a letter to Attorney General Eric Holder that asked if the U.S. government considered some firms to be "too big to jail."

While none of the witnesses responded directly to Warren's request to "Tell me a little bit about the last few times you've taken the biggest financial institutions on Wall Street all the way to trial" – even when pressed – Securities and Exchange Commission (SEC) Chairman Elisse Walter defended her agency's approach after the hearing.

"I think Senator Warren was suggesting that we should take big Wall Street banks to trial even when we are getting all the relief we can get at trial through a settlement," Walter said. "I understand that point of view, but I don't agree with it."

Regulators spent much of the hearing reviewing – and defending – their implementation of Dodd-Frank. The Government Accountability Office (GAO) in January released a report that found that regulators have issued rules for less than half of the Dodd-Frank provisions that require them and that, among the 134 provisions with deadlines no later than December 2012, regulators missed the deadlines for 119. Regulators, nonetheless, told lawmakers that the nation's financial system is better off because of Dodd-Frank.

"The financial regulators represented here today have been making significant progress implementing Dodd-Frank Act reforms," Under Secretary of the Treasury Mary Miller said. "Consumers have access to better information about financial products and are benefiting from new protections. Financial markets and companies have become more transparent. Regulators have become better equipped to monitor, mitigate and respond to threats to the financial system. Our financial system has also become smaller as a share of the economy and significantly less leveraged, reducing our vulnerability to a future crisis. Capital requirements for the largest banks have increased substantially, and U.S. banks have raised their capital levels to approximately $1 trillion, up 75 percent from three years ago. We have a new framework in place for protecting the financial system, the economy and taxpayers from the consequences of the failure of a large financial company."

In addition to Miller and Walter, a member of the Federal Reserve Board of Governors and the heads of the Commodity Futures Trading Commission (CFTC), the Consumer Financial Protection Bureau, the Federal Deposit Insurance Corporation and the Comptroller of the Currency testified at the hearing. Some witnesses took the opportunity to note the additional demands that have been placed on their agencies and to ask for increased funding.

"If the SEC does not receive additional resources, I believe that many of the issues to which the Dodd-Frank Act is directed will not be adequately addressed," Walter said. "The SEC would be unable to sufficiently build out its technology and hire the industry experts and other staff sorely needed to oversee and police these new areas of responsibility."

CFTC Chairman Gary Gensler, meanwhile, noted that his commission's staff is below its mid-1990s level, but the futures market has increased five-fold and the swaps market eight-fold since then.

"Market implementation of swaps reforms means additional resources for the CFTC are all the more essential," Gensler said. "Investments in both technology and people are needed for effective oversight of these markets by regulators – like having more cops on the beat. … Without sufficient funding for the CFTC, the nation cannot be assured this agency can closely monitor for the protection of customer funds and utilize our enforcement arm to its fullest potential to go after bad actors in the futures and swaps markets. Without sufficient funding for the CFTC, the nation cannot be assured that this agency can effectively enforce essential rules that promote transparency and lower risk to the economy."

Treasury Fails to Rein in Executive Pay at TARP Companies: Report

The Treasury Department has "failed to rein in excessive pay," at companies that received large federal bailouts, the special inspector general for the Troubled Asset Relief Program (TARP) stated in a report released on January 28.

Special Inspector General Christy Romero left no doubt about her findings, titling the report on 2012 compensation for the top 25 employees at AIG, General Motors and Ally Financial, "Treasury Continues Approving Excessive Pay for Top Executives at Bailed-Out Companies." The report noted that, in 2012, Treasury, through its Office of the Special Master (OSM) for TARP Executive Compensation, approved pay packages of at least $1 million for all of the top 25 employees at the three companies except one, and that it signed off on packages of $3 million or more for 54 percent of those employees. In addition, it approved all 18 requests for pay raises.

The special inspector general released a report in January 2012 that examined pay for the top 25 employees at the other seven companies that had received "exceptional TARP assistance," and, thus, had their executive pay subject to oversight by the Treasury Department. (Executive pay at those companies is no longer subject to Treasury review.) That report noted that Treasury's special master had not effectively controlled executive pay at the companies "because he was under the constraint that his most important goal was to get the companies to repay TARP."

Despite recommendations from the special inspector general to make improvements to the process, the pattern continued last year, the report asserted, as Treasury generally failed to follow its own guidelines that executive pay should target the 50th percentile for executives in similar positions at similar companies, and cash salaries should not exceed $500,000 without good cause.

"[The special inspector general] previously warned that Treasury lacked robust criteria, policies, and procedures to ensure those guidelines are met," the report stated. "Treasury made no meaningful reform to its processes. … Given OSM's overriding goal to get the companies to repay TARP, as in prior years, the companies in 2012 had significant leverage over OSM by proposing and negotiating for excessive pay, warning that if OSM did not provide competitive pay packages, top executives would leave and go elsewhere. By proposing and negotiating for excessive 2012 pay, these executives continue to lack an appreciation for their extraordinary situations and fail to view themselves through the lenses of companies substantially owned by the U.S. Government."

The report recommended that Treasury reevaluate compensation for the covered employees each year; develop policies, procedures and criteria to determine when pay may exceed the guidelines; analyze whether good cause exists to award a pay raise or cash salary over $500,000; and return to using long-term restricted stock for employees, particularly for senior employees such as CEOs.

Treasury disputed the special inspector general's findings, with Acting Special Master Patricia Geoghegan writing in a January 25 letter that the report is "inaccurate in numerous ways." She stated that the average total compensation for AIG's top 25 employees was in the 48th percentile of similar positions at similar companies, General Motors' average was in the 50th percentile, and Ally Financial's average was midway between the 50th and 75th percentiles. She also asserted that Treasury made cuts of more than 90 percent to the average cash pay of the top 25 executives at the seven original "exceptional assistance" companies and that it cut average total pay by more than 50 percent. As for the latest report's four recommendations, she basically said that Treasury is already doing each of those things.

"The facts show that OSM continues to fulfill its regulatory requirements," Geoghegan wrote. "OSM has limited excessive compensation while at the same time keeping compensation levels that enable the 'exceptional assistance' recipients to remain competitive and repay TARP assistance."

Senate Democrats Express Support for CFPB Nominee

A majority of the Senate on February 14 wrote to President Obama to express support for his nominee to lead the Consumer Financial Protection Bureau (CFPB).

Obama has nominated Richard Cordray – for the second time – to be the director of the bureau. Cordray has been the director since Obama used a recess appointment to put him in that position in late-2011 after Senate Republicans indicated that they would block his first nomination. Republicans – who have opposed the bureau from the start – have again pledged to prevent a vote on Cordray and are trying to use the issue as leverage to get Democrats to agree to reform the agency, which they complain is not sufficiently accountable to Congress.

In the letter, 52 Democrats and two independents pledged that they will "do all we can to secure [Cordray's] confirmation without delay."

"As supporters of strong and effective consumer protection, we oppose efforts to weaken the CFPB through structural changes, including as the price for Senate approval of Director Cordray's nomination," they wrote. "Never before has a President's nominee to lead an agency been blocked, because a minority of Senators do not support the existence of the agency. It is important to remember that most of the significant checks and balances embodied in the agency's structure reflect bipartisan ideas agreed to by a supermajority of the Senate when the Dodd-Frank Wall Street Reform and Consumer Protection Act was approved two and a half years ago, and there is absolutely no evidence that the agency's structure requires change."

The letter followed by nearly two weeks a February 1 letter to Obama in which Senate Minority Leader Mitch McConnell, R-Ky., and 42 Senate GOP colleagues wrote that they will "continue to oppose consideration of any nominee, regardless of party affiliation, to be the CFPB director until key structural changes are made to ensure accountability and transparency at the Consumer Financial Protection Bureau."

Republicans want to replace the director with a five-member commission and give Congress direct control over the bureau's funding, which now comes from the Federal Reserve.

On January 25, a federal court ruled that Obama's "recess appointments" of three people to the National Labor Relations Board (NLRB) were unconstitutional. The recess appointments provision of the Constitution, the court decided, only applies during the recess between sessions of Congress, not during breaks within a given session. It further ruled that, in order for vacancies to be filled in this manner, they must *occur* during a recess, not merely exist during one. Obama appointed Cordray to be the director of the CFPB on the same day that he made the NLRB appointments. As a result, that appointment, which was already being challenged in a separate lawsuit that also takes aim at other parts of the Dodd-Frank Act, which created the bureau, is now in question. In February, eight state attorneys general joined that lawsuit, bringing to 11 the number of states that are officially siding with the plaintiffs. The U.S. Supreme Court will most likely have the last word on the matter.

GAO Studies Impact of Financial Crisis, Dodd-Frank

The financial crisis may have cost the United States as much as $10 trillion or more in output, and it is unclear if the Dodd-Frank Act will do much to prevent a recurrence, according to a report released in February by the GAO.

The GAO found that studies vary widely in their calculations of long-term output losses resulting from the recession, ranging from a few trillion dollars to $13 trillion. The GAO also noted other metrics that, in some way, capture the impact of the downturn, such as the unemployment rate staying above 8 percent for more than three years, the longest stretch since the Great Depression; median household net worth falling by nearly 39 percent between 2007 and 2010, largely because of declining house values; and a sharp increase in the number of foreclosures.

In 2010, Congress passed Dodd-Frank, which included many financial regulations reforms aimed at preventing a repeat of the problems that led to the crisis. The GAO, though, did not find many reasons to be sanguine about what the law's impact will be.

"Our review of the literature and discussions with a broad range of financial market regulators, participants, and observers revealed no clear consensus on the extent to which, if at all, the Dodd-Frank Act will help reduce the probability or severity of a future crisis," the report stated.

The GAO added, however, that, "studies have found statistical evidence suggesting that certain reforms are associated with a reduction in the probability of a crisis," and it listed several Dodd-Frank provisions that regulators, academics and others suggested may "enhance financial stability, at least in principle, and help reduce the probability or severity of a future crisis." These included the creation of the Financial Stability Oversight Council and the Office of Financial Research; heightened prudential standards for "systemically important" institutions; orderly liquidation authority for regulators; regulation of swaps; and mortgage-related and other reforms.

"Experts had differing views on these provisions, but many expect some or all of the provisions to improve the financial system's resilience to shocks and reduce incentives for financial institutions to take excessive risks that could threaten the broader economy," the report stated. "While acknowledging these potential financial stability benefits, experts generally were cautious in their assessments for several reasons. Specifically, the effectiveness of certain provisions will depend not only on how regulators implement the provisions through rulemaking or exercise their new authorities but also on how financial firms react to the new rules, including whether currently regulated financial activity migrates to less regulated institutions or markets. In addition, a few experts with whom we spoke said that some of the act's provisions could increase systemic risk and, thus, have adverse effects on financial stability."

The agency found it difficult to quantify the economic cost of Dodd-Frank, offering conclusions not much more specific than, "according to academics and industry representatives, by imposing higher costs on financial institutions, the Dodd-Frank Act may indirectly impose higher costs on businesses and households and reduce their investment and consumption with a consequent effect on economic output." It also noted the possibility of unintended consequences, such as firms investing more heavily in safe and liquid securities such as U.S. Treasury bonds, thus inflating their value, or moving their financial activities outside the United States.

Lawmakers Consider Reforms to Medicare Payment Formula

A congressional panel held a hearing on February 14 to consider possible reforms to Medicare's Sustainable Growth Rate (SGR) formula.

The SGR, which was intended by Congress to automatically set Medicare's physician payment rates, annually threatens to slash the federal government's payments to doctors for services provided to Medicare patients. This year, were it not for a provision included in the "fiscal cliff" deal that passed in January, payments would have been cut by 26.5 percent. The cuts are blocked only for a year, though, and the SGR calls for the rates to be cut by 25 percent in January 2014. Congress has overridden the SGR calculations every year since 2003 in order to avoid payment cuts that, it has been feared, would drive doctors out of the Medicare program.

At the hearing of the Senate Energy and Commerce Committee's Health Subcommittee, Glenn Hackbarth, chairman of the Medicare Payment Advisory Commission (MedPAC), told lawmakers that the SGR is "fundamentally flawed" and should be repealed immediately.

"The array of new models for paying physicians and other health professionals is unlikely to change dramatically in the next few years," Hackbarth said. "Rather than wait longer, we urge the Congress to repeal the SGR now and to begin rewarding physicians and other professionals as they shift their practices from open-ended [fee-for-service] to accountable care organizations (ACOs). As additional new payment models move from pilot stage to implementation, similar incentives may be established for them. By committing to this course now, the Congress could stimulate physician interest in new payment models and thus accelerate their development and adoption."

Several non-government witnesses agreed that the SGR formula should be replaced with a system that pays according to value rather than volume. Harold Miller, executive director of the Center for Healthcare Quality and Payment Reform and president and CEO of the Network for Regional Healthcare Improvement, also stressed that "fundamental changes" need to be made in the fee-for-service system.

"Congress will have limited success in controlling Medicare spending and providing truly high-quality care to Medicare beneficiaries if it merely uses quality-based pay-for-performance or shared savings programs built on top of the dysfunctional fee-for-service system," Miller said.

Robert Berenson, an institute fellow at the Urban Institute, though, cautioned that, "in some ways, the value-based payment concept has gotten off track." He noted that there are several challenges related to performance measurement and said that officials should move away from a model based on collecting and publicly reporting certain performance metrics and move toward payment methods that "embed the incentives for better care into the payment model itself."

"Then targeted quality measures can complement the new payment method by focusing on particular activities, some of which might be adversely affected by the altered payment incentives," Berenson said. "That is the approach [the Centers for Medicare and Medicaid Services] is taking under the Shared Savings Program for ACOs. Incentives for more prudent use of resources derive from the fully implemented shared savings payment approach. And, the quality of certain activities that might be compromised in the zeal to contain costs is being measured to help guard against stinting on care."

The hearing is the latest event in a month of activity related to the SGR. Reps. Allyson Schwartz, D-Penn., and Joe Heck, R-Nev., recently introduced legislation that would replace the formula with a system that focuses more on paying for value. Payments would automatically increase each year from 2015 to 2018, then, after this transition period, they would be based on innovative approaches that do not simply reward physicians for treating more patients and conditions.

Republican leaders from the House Ways and Means Committee and the House Energy and Commerce Committee, meanwhile, have released a "framework" for SGR reform that also aims to promote improved quality of care and greater efficiency.

And the effort to reform Medicare payments got a boost when the Congressional Budget Office (CBO) released a report that forecast that dropping the SGR formula and freezing physician payments at their current levels would cost $138 billion over the next 10 years, a nearly 44 percent reduction from the $245 billion that had been projected. The price tag was reduced, according to the CBO, primarily because of lower spending for physician services in recent years.

CMS Releases 'Sunshine Rule'

The Centers for Medicare and Medicaid Services (CMS) has released a long-delayed rule aimed at making information about payments from pharmaceutical companies and medical device manufacturers to physicians available to the public.

The 2010 Patient Protection and Affordable Care Act directed that manufacturers of drugs and medical equipment that are covered by Medicare, Medicaid or the Children's Health Insurance Program (CHIP) submit records of their payments to physicians to CMS, which would then post them on a public website. Required disclosures would involve payments for food, entertainment, gifts, consulting fees, honoraria, research funding or grants, education or conferences, royalties or licenses, and charity.

Regulations implementing the "Sunshine Act" were to be issued by the Department of Health and Human Services (DHS) by October 1, 2011, with the first reports from drug and device companies to be submitted in January 2012. Both of those deadlines were missed.

“You should know when your doctor has a financial relationship with the companies that manufacture or supply the medicines or medical devices you may need,” said Peter Budetti, CMS deputy administrator for program integrity. “Disclosure of these relationships allows patients to have more informed discussions with their doctors.”

Several groups have recently pushed the Obama administration to release the final rule, with the AARP, the AFL-CIO and other organizations, for example, writing in a joint letter on January 14 that, “There is a significant consequence for healthcare system costs associated with the ongoing delay in implementation because of the practice by some physicians of over-prescribing certain drugs, or by otherwise prescribing medically unnecessary and expensive treatments.”

The American Medical Association (AMA), in an October letter to CMS, though, expressed concerns about the program, objecting to plans to have CMS’ Center for Program Integrity manage it. This, the group said, “will cause significant confusion about the purpose of the transparency reports and create a strong perception that anything contained in a transparency report presumptively raises ethical, fraud, abuse, and program integrity concerns.” The organization was non-committal following the release of the rule, saying it would “carefully review” it.

The CBO Reduces Projected Impact of Health Care Reform on Uninsured

The CBO has reduced by 6-7 million its projection of the number of people who will have health insurance in 10 years who would not have had coverage without the 2010 health care reform law.

The CBO had been projecting that the law would increase the number of people with insurance by about 32-33 million. In a report released in February, though, it cut that number by nearly one-fifth. In 2023, it predicted, 30 million people will lack insurance, compared to 56 million who would have been uninsured without the Patient Protection and Affordable Care Act.

The revisions result in part from the “fiscal cliff” deal that lawmakers reached in January. Previous projections assumed that marginal tax rates would rise on January 1, but the January deal blocked the increases for most Americans, and lower tax rates reduce the advantage that tax-exempt health care benefits have over cash compensation, making employers somewhat less likely to provide such benefits.

The CBO forecasts that, as a result of the law, the number of people with employer-provided coverage in 2023 will be seven million lower than it otherwise would have been – previous reports predicted that it would be three million lower – and the number with non-group or other coverage will be four million lower. The number of people getting coverage through health care exchanges – which were created by the law – will be 25 million higher and the number covered by Medicaid or the Children’s Health Insurance Program (CHIP) will be 12 million higher, according to the report.

IRS Issues Final Rules on Health Insurance Affordability, Employer Penalties

Employers will face penalties if they decline to offer their employees "affordable" health care coverage for themselves, but not if they refuse to do so for their families, under the terms of final rules issued by the IRS.

The 2010 health care reform law directs that a penalty of $3,000 be imposed on employers that have 50 or more employees for each full-time worker who is not offered coverage that is considered to be "affordable" and who, as a result, receives federal subsidies to buy insurance in one of the new state-level exchanges that are to be launched in 2014. The IRS rules, though, decree that this will only apply to individual coverage, not family coverage.

The rules set the insurance affordability threshold at an employee contribution of no more than 9.5 percent of income. If the employee must pay more than that, he or she would be eligible for subsidies, and his or her employer could face penalties.

Public comments will be accepted on the rules through March 18. A public hearing on the rules is scheduled for April 23.

HHS Rules Implement Key Provisions of Health Care Reform Law

The Department of Health and Human Services (HHS) in February released final rules implementing several key aspects of the 2010 Patient Protection and Affordable Care Act.

A rule on essential health benefits defines the minimum coverage standards for insurers that participate in the state-level health insurance exchanges that are to be launched in 2014 to provide a place for individuals and small businesses to buy policies. The rule includes ten categories of benefits – including dental and mental health – and establishes requirements for cost-sharing and actuarial value.

A separate rule implements availability and premium provisions of the reform law. The rule prohibits coverage denials based on existing conditions; requires premiums to be based on only four factors: age, tobacco use, family size and geography; prohibits insurers from denying renewal requests based on a person's health; prevents insurers from establishing separate risk pools with higher premiums for higher-cost consumers; and directs that catastrophic plans be made available in the individual market.

"Being sick will no longer keep you, your family or your employees from being able to get affordable health coverage," HHS Secretary Kathleen Sebelius said.

Federal Government to Run More than Half of State Insurance Exchanges

The federal government will run more than half of the state-level health insurance exchanges that are to begin in 2014.

The 2010 Patient Protection and Affordable Care Act directed that exchanges be created in each state to provide a place for individuals and small businesses to buy policies. States are not required to develop exchanges, but the federal government will set one up in any state that does not do so.

The deadline for states to declare whether or not they intend to create an exchange was February 22, and 17 states – including California – and the District of Columbia have indicated that they will establish an exchange on their own, while seven others plan to partner with the federal government on an exchange. That leaves 26 states in which the exchanges will be run out of Washington. Of those 26, only two have Democratic governors. Of the 17 states that are taking the initiative on the exchanges, only four have Republican governors.

RELATED NATIONAL AND INDUSTRY NEWS

Large Public Pension Plans Outperform Small Ones: Wilshire

Very large public pensions earned average investment returns of 13.43 percent in 2012, nearly one point higher than the 12.47 percent returns enjoyed by small funds, according to Wilshire Associates.

Wilshire found that funds with more than $5 billion in assets – which it referred to as "mega plans" – and those with $1-5 billion in funds ("large plans," which earned returns of 13.25 percent in 2012) did better than those with less than $1 billion ("small plans") because of their use of more diverse investment classes.

"Large and mega plans outperformed small plans because of greater exposure to other classes, such as international stocks and alternatives, versus the traditional U.S. equity and U.S. bonds," said Robert Waid, a managing director at Wilshire.

While mega plans had an average of 22.3 percent of assets invested in international stocks and 9.6 percent in alternative investments, small funds had 10.6 percent invested internationally and nothing in alternatives.

Mega plans and large plans both produced annual returns of 7.96 percent over the past 10 years, while small plans returned 6.95 percent. These numbers include a nearly 25 percent loss across all plans in 2008.

The study examined 1,570 plans with more than $2.75 trillion in assets.

CALIFORNIA CONGRESSIONAL DELEGATION NEWS

California Representative Proposes Bill to End Bailouts

A California congressman in February proposed legislation that is aimed at preventing bank bailouts.

The "Systemic Risk Mitigation Act," from Republican Rep. John Campbell would substantially increase capital requirements for very large financial institutions – those with at least $50 billion in assets – mandating that they hold at least 15 percent of their assets in long-term bonds. This, Campbell indicated, would create an incentive for these firms to break themselves up, thus reducing the risk that any one company could pose to the economy.

"The more concentrated our banking sector is, the less stable it is and the more subject to systemic risk it becomes," Campbell said. "This legislation solves that problem by disconnecting the American taxpayer from the implicit guarantee currently perpetuating a system built on future bailouts. It will build a wall of private capital between the banking sector and the American taxpayer. It will make our banking system more transparent, accountable, competitive and stable."

The legislation also would repeal the Volcker Rule, a measure opposed by the GOP that, when implemented, will prevent banks from engaging in proprietary trading, but Campbell said that the repeal provision is not a "core element" of the bill.

Campbell chairs the House Financial Services Committee's Monetary Policy and Trade Subcommittee.

Senator Boxer Proposes Carbon Tax Legislation

A California senator in February proposed creating a carbon tax to counter climate change.

Sen. Barbara Boxer, D-Calif., and Sen. Bernie Sanders, I-Vt., are sponsoring two bills, the "Climate Protection Act" and the "Sustainable Energy Act," which would, among other things, tax carbon in an attempt to reduce emissions by 80 percent by 2050; increase spending on sustainable energy technologies; and use 60 percent of the money collected through the carbon tax – which is estimated to total $1.2 trillion over 10 years – to provide a monthly rebate to every legal U.S. resident to offset potential increases in fuel costs.

Boxer, who chairs the Senate Environment and Public Works Committee, said she hopes to have the bill on the Senate floor for a vote by the summer. The legislation's odds of passage are slim in the Democrat-controlled Senate and virtually nonexistent in the Republican-controlled House. Still, though, Boxer stressed that, "The people are the ones who are in control of what happens."

"And that's a great thing, because they are so far ahead of us," she said. "They know what they are seeing. No big oil company can sit down in their living room and tell them Superstorm Sandy didn't happen, or droughts didn't happen, or fires, or this bark beetle, or all these other things they see happening in front of their eyes."

In previous sessions of Congress, Boxer has unsuccessfully proposed climate change legislation based on an emissions cap-and-trade model.

On the same day that Boxer and Sanders announced their proposals, the GAO released a report that, for the first time, identified climate change as a "high-risk" area for the federal government.

"Climate change poses risks to many environmental and economic systems – including agriculture, infrastructure, ecosystems, and human health – and presents a significant financial risk to the federal government," the report stated. "However, the federal government is not well positioned to address this fiscal exposure, partly because of the complex, cross-cutting nature of the issue."

Climate Change Task Force Solicits Ideas

A new congressional task force on climate change that is co-chaired by a California representative is reaching out to hundreds of businesses and organizations to get their views on the subject.

Rep. Henry Waxman, D-Calif., and Sen. Sheldon Whitehouse, D-R.I., announced in January that they had formed and are co-chairing the Bicameral Task Force on Climate Change, whose goals include raising awareness about climate change among members of Congress and the public; providing a forum in which to discuss possible solutions; and working to "enact measures that reduce carbon pollution, spur new technologies and enhance efforts to adapt to the harm that climate change is already causing that we will not be able to avoid."

Waxman and Whitehouse said on January 31 that they have written to more than 300 businesses and organizations – including energy companies, financial services firms, automobile manufacturers, labor unions and environmental groups, among others – to ask them to submit, in Waxman's words, "their best ideas for addressing climate change."

"The window to prevent catastrophic climate change is rapidly closing," they wrote. "If we do not act soon, our children and future generations will suffer from irreversible changes to our environment that we are causing. We have a moral obligation to act."