

THE
NEW ENGLAND
COUNCIL

September 8, 2008

Dear Member of the New England Congressional delegation,

I hope this letter finds you well and that you and your staff had a safe and enjoyable summer. As the 110th Congress enters its final weeks, I want to take this opportunity to thank you for the work you have done as a cohesive New England delegation over the last two years. This Congress achieved a number of substantive accomplishments, thanks to the leadership and support of the New England delegation, and we are proud and appreciative of these efforts. However, before adjourning *sine die* in the coming weeks, there are several priorities critical to the region that we urge you to support.

Amtrak Reauthorization

Since the expiration of its last authorization bill in 2002, Amtrak passenger rail has been operating without a long-term funding or operational blueprint. The House and Senate have approved an Amtrak reauthorization measure and passage of a conference report for S. 294, *The Passenger Rail Investment and Improvement Act*, will provide Amtrak with the multi-year plan it needs to make critical improvements to infrastructure and maintenance in the Northeast Corridor. The record ridership numbers Amtrak experienced in July are proof that more Americans are relying on rail as an alternative to high gas prices, crowded highways, and increasingly unaffordable air travel. Support for Amtrak was a frequent topic of discussion at the Council's regional transportation summit earlier this year and I have included a Council op/ed from the *Providence Business News* as well as a copy of an earlier letter outlining our support for Amtrak.

Cost of Heating Oil

Second, although the cost of oil has fallen noticeably in the past few weeks, you know well that when cold weather returns to New England this winter, thousands will struggle to heat their homes. New England Congressional delegation members have long been champions for Low Income Home Energy Assistance (LIHEAP) funding, and I know you will continue to advocate for this critical – indeed life-saving – priority. We are incredibly grateful for your recent efforts to push this issue to the forefront, and we hope those efforts will soon pay dividends. Congress can provide a huge boost to needy families by approving additional LIHEAP funding, possibly in a wide-ranging energy bill or even a continuing resolution. Whatever the source of funding, it is critical that increases in energy prices over the last year are matched by a federal commitment to keep pace with the increase in need. I have attached our op/ed from the *New Hampshire*

Business Review, coauthored with Citizens Energy Corp., and a LIHEAP advocacy letter sent to the delegation at the end of the first session of the 110th Congress.

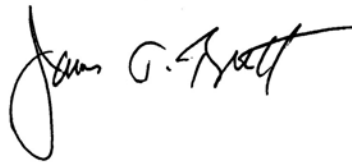
Research & Development Tax Credit

Finally, we are hopeful the expired Research & Development tax credit can be revived and seamlessly extended in 2008. We recognize the budgetary and political ramifications surrounding the wide-ranging tax extender bill that is currently carrying the R&D credit. We applaud the debate over the importance of budgetary discipline balanced with the need to minimize the tax burden on all aspects of our economy during difficult economic times. However, we are hopeful the R&D credit can be restored, retroactively applied for all of 2008, and made permanent moving forward. I have attached an additional copy of a letter I hope you all recently received from the Council outlining our support for the R&D provision and its importance to the New England region.

On a broader scale, over the last year The New England Council has been proud to publish and release our *Washington Report* to our members every Friday after a Congressional work-week. I would like to thank you and your staffs for keeping our office abreast of your activities, and we have been happy to include a number of them in our weekly updates. Although Capitol Hill activity may diminish considerably at the end of the month, I invite you to continue to reach out to us with news of any activities or events that our members may find useful. I have included a copy of our two latest *Washington Reports* – all of which are posted to our website.

Thank you again for all of the support you have shown The New England Council and our priorities during the 110th Congress. Best of luck to you and your staffs hitting the campaign trail in the coming weeks, and please do not hesitate to contact the Council with any issues that may arise.

Sincerely,

A handwritten signature in black ink, appearing to read "James T. Brett". The signature is fluid and cursive, with a large initial "J" and a long horizontal stroke at the end.

James T. Brett
President and CEO

Attachments (7)

THE
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Contact: David O'Donnell
The New England Council
617-723-4009, ext. 27

This piece appeared in:



U.S. House needs to follow Senate support for Amtrak

By James T. Brett, President and CEO

The New England Council

May 5, 2008

A light can finally be seen at the end of the tunnel as New England emerges from the deep freeze of another tough winter. The last few months have seen record snowfalls in many towns and that nasty weather, combined with increased traffic from long weekends in January and February, spring breaks and an always busy Easter weekend, can transform normally routine highway traffic into parking lots and airport terminals into reluctant overnight accommodations.

Last year the U.S. Senate took a step toward alleviating these problems by showing strong support for a long-range commitment to Amtrak passenger rail. For years The New England Council, the country's oldest regional business organization, has been an important voice in Washington in supporting Amtrak. It is difficult to overstate the importance of safe, efficient and comprehensive passenger rail to individuals, families and businesses in Rhode Island, and throughout the East Coast and the nation. It is

critical that in 2008 the House of Representatives seize the momentum created by the recent Senate passage of a six-year Amtrak reauthorization bill.

Travelers of all kinds face frustrating challenges these days. The high cost of gas makes driving a costly proposition in even the most fuel-efficient vehicles and traffic jams, accidents and construction can turn a seemingly predictable drive into a day-long headache. Airports up and down the East Coast are operating at near capacity and minor mechanical glitches, bad weather and overbooking (especially early in the day) can cause ripples in the aviation system that lead to seemingly endless waits in terminals and on tarmacs.

Amtrak operates more than 30 trains every day in Rhode Island and in Fiscal Year 2007 saw more than 750,000 boardings or dismounting of passengers from Amtrak trains. The rail service also benefited Rhode Island residents in other ways, employing more than 250 Rhode Islanders with total wages of more than \$15.7 million during FY07. Amtrak continues to be a critical piece of the state's overall transportation network as a reliable and affordable option for workers heading to out-of-state commercial centers like Boston without clogging the Interstate 95 and Interstate 93 corridors.

This success extends beyond New England as well. Last year, Boston, New York, Philadelphia, Baltimore and Washington, D.C., were in the top eight of the busiest stations in the country in total ridership, and more than 1,700 trains daily operated over some portion of the Northeast. This accounted for nearly 9.5 million passengers last year. Without Amtrak, these travelers would have found an alternative way to arrive at their destination, further choking already congested highways and runways, or even worse, forgoing the trip and negatively affecting our regional and national economy.

Long-term planning for Amtrak has not been addressed by Congress since the rail system's current reauthorization expired in 2002, giving it no reasonable sense of security on a year-to-year basis. While the Council recognizes the appropriations process funds Amtrak on an annual basis, the Senate bill gives Amtrak the blueprints to begin improving its efficiency, service and economic viability. It is nearly impossible for a business of any size to plan its future not having a reasonable sense of its overall financial position and the Senate's action puts Amtrak one step closer to operating on a sound footing where it can undertake any multi-year changes it deems appropriate.

As you plan your vacations, and undoubtedly build in extra time to accommodate longer lines and increased traffic, think about the millions of Americans that rely on Amtrak service each year. And perhaps more importantly, imagine if that service were unavailable, and those travelers were then forced to the highways or runways. The Senate's action will help Amtrak undertake needed long-term improvements and The New England Council will continue to work to keep Amtrak rolling in the future. •

James T. Brett is president and CEO of The New England Council, the nation's oldest regional business organization.

THE
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November 6, 2007

Dear Member of Congress:

On behalf of the New England Council, I urge you to seize the momentum created by the recent Senate passage of S. 294, a six-year Amtrak reauthorization bill, and work with your colleagues to pass similar legislation in the near future. As you all know well, it is difficult to overstate the importance of safe, efficient, and comprehensive passenger rail to individuals, families, and businesses throughout New England, the entire East Coast, and the nation.

Travelers of all kinds face frustrating challenges these days. The high cost of gas makes driving a costly proposition in even the most fuel-efficient vehicles, and traffic jams, accidents, and construction can turn a seemingly predictable drive into a day-long headache. Airports up and down the East Coast are operating at near capacity, and minor mechanical glitches, bad weather, and overbooking (especially early in the day) can cause ripples in the aviation system that lead to seemingly endless waits in terminals and on tarmacs.

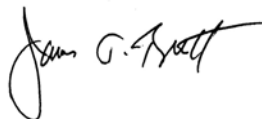
Amtrak continues to serve as a critical piece of the transportation puzzle in the Northeast Corridor, and its recent record-breaking ridership numbers reflect its importance. Last year, Boston, New York, Philadelphia, Baltimore, and Washington, DC were in the top 8 of the busiest stations in the country in total ridership, and more than 1,700 trains daily operated over some portion of the northeast. This accounted for nearly 9.5 million passengers last year. Without Amtrak, these travelers would have found an alternative way to arrive at their destination, further choking already congested highways and runways, or even worse, forgoing the trip and negatively affecting our regional and national economy.

Long-term funding and strategizing for Amtrak has not been addressed by Congress since the rail system's current reauthorization expired in 2002, giving it no reasonable sense of security on a year-to-year basis. While the Council recognizes the appropriations process has funded Amtrak on an annual basis, and hopefully will continue to do so, S. 294 gives Amtrak the blueprint to begin improving its efficiency, service, and economic viability. It is nearly impossible for a business of any size to plan its future not having a reasonable sense of its overall financial position and Senate passage of S. 294 puts Amtrak one step closer to operating on a sound footing where it can undertake any multi-year changes it deems appropriate.

The New England Council is also asking for your support when Fiscal Year 2008 Amtrak funding comes before the House, possibly in the form of the 2008 Transportation, Housing and Urban Development, and Related Agencies Appropriations Conference Report. It is critical that Congress provide ample funding for the next 11 months to allow current service to continue while efforts to improve efficiency are undertaken.

Once again, I urge you to work with your colleagues to bring up and pass a long-term reauthorization that gives appropriators a multi-year blueprint to help Amtrak provide its vital service to millions of Americans. As always, please don't hesitate to contact me with any questions.

Very Truly Yours,

A handwritten signature in black ink, appearing to read "James T. Brett". The signature is fluid and cursive, with a large initial "J" and a stylized "B".

James T. Brett
President & CEO



Contact: David O'Donnell
The New England Council
617-723-4009, ext. 27

This piece appeared in:



Fuel aid is an economic necessity for region

By Joseph P. Kennedy II and James T. Brett

Apr 25, 2008

Every household feels at least a little financial chill when oil tops a record \$100 a barrel. But for our most vulnerable families, soaring heating costs represent a clear and present danger. This season witnessed several deaths in New England, including two young children who perished in a Dorchester (Mass.) blaze just after the New Year, because of improperly used space heaters.

But there's a broader cost to heating oil prices creeping up toward \$3.50 a gallon – an impact that has nothing to do with bleeding-heart liberal sympathy for the poor and everything to do with the economic vitality of our region, which is more dependent on heating oil than any other part of the country.

Simply put, our regional economic self-interest depends on making sure that heating our homes never becomes an unaffordable luxury.

When working families who struggle day to day to pay their bills simply can't keep up with the price of oil, they'll move to other parts of the country, further accelerating our population loss.

Talk to those who drive our cabs, clean our homes, take care of our sick, tend to our elderly, mow our lawns, fill our food orders and hold down so many other essential jobs. You'll find many eyeing the exit ramp from New England.

High housing costs are bad enough, but when heating bills start eating up over 25 percent of a household's income, people increasingly look to warmer climes.

While skyrocketing heating costs threaten our economic base, we get little more than the cold shoulder from Washington. Organizations like the New England Council and non-profits like Citizens Energy Corp. have advocated for years on behalf of the poor to secure increases in federal fuel assistance.

But energy costs have grown so high, so fast, that we fear a quickening exodus from our region and a corresponding downturn in our competitiveness.

Over 20 years ago, the maximum benefit from the federal Low Income Home Energy Assistance Program topped out at \$750. Heating oil at the time cost 70 cents a gallon, meaning that a household could buy over 1,000 gallons with the aid. This past winter heating oil cost about \$3.30 a gallon.

That meant fuel assistance households could only buy about one-fourth of what they used to receive — not even enough to fill a single tank.

No wonder that parents living on the margins of our economy often must choose between keeping their children warm or keeping their children fed. It is no surprise that malnourishment in children and hospital visits increase during the cold months as families spend more on fuel and less on food.

This year, LIHEAP was funded at \$2.3 billion, well short of the \$3.1 billion spent on the program two years ago, when oil was trading at under \$50 a barrel. Some observers would point out that this year's funding level represents a \$405 million boost over last year, but that hike is illusory.

That's because the increase all went to emergency assistance — with its release controlled by the White House, which is sitting on a total of some \$121 million in emergency money.

Stagnant LIHEAP funding coupled with cold temperatures and high energy prices increased demand for assistance this winter. Citizens Energy alone received over 200,000 calls for assistance on the first day our phone lines opened.

States were forced to decide whether to increase the number of households they serve with smaller dollar amounts or hold the number of recipients and the amount they receive steady, but fail to meet the growing need for assistance.

In the richest nation on earth, this is unacceptable. In a region uncommonly dependent on heating oil, this is devastating.

Given the extraordinary cost increases in fuel, LIHEAP needs equally extraordinary increases in funding just to provide the bare minimum for those in need. And the federal government has a critical role to play and obligation in keeping its citizens safe during the winter season.

In New England, companies like State Street Bank, Citizens Bank, and Bank of America made sizable contributions to Citizens Energy's Oil Heat Fund, which provides assistance to additional families in need. Donations from other companies and interested individuals would help bridge the widening gap between available resources and the heating needs of struggling families.

However, private charity cannot and will not absolve the federal government of its responsibility at a time when royalties and tax revenues from energy companies are swelling the federal coffers. Keeping the heat on in the homes of the poor is not just good for our families – it's also good for our New England economy.

Joseph P. Kennedy II is chairman and president of Citizens Energy Corp. James T. Brett is president of the New England Council.

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November 14, 2007

Dear Member of Congress:

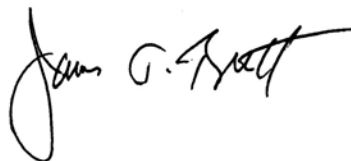
The Northeast is on the doorstep of another winter. As the amount of daylight continues to shrink, so will temperatures, and snow will follow close behind. On behalf of the New England Council I urge you to seize any opportunity to provide federal relief to New England households that will struggle with the high cost of heating their homes this winter. A reasonably warm place to live is a matter of survival in a harsh New England winter, and as the debate over next year's budget for the Low-Income Home Energy Assistance Program (LIHEAP) continues to unfold (along with a majority of the appropriations process), please take advantage of any available means to provide for those who need assistance.

As you know well, the price of a barrel of crude oil (a significant factor in home heating oil costs) has almost hit triple digits in the last few weeks, and record energy prices once again will force many families to face the horrific choice of purchasing essentials like food and medicine, or turning on their heat. These all-too frequent increases in crude oil prices also take time to translate into the "true" cost of heating oil, so the worst financial burden for many individuals and families may still lie ahead. Combine this with familiar spikes in gasoline prices (and worse gas mileage with car heaters in overdrive), and the winter season can present a financial burden that proves too much for many New Englanders.

One U.S. Department of Energy figure in particular underscores just how critical LIHEAP funding is to our communities: 6.3 million homes in the Northeast rely on heating oil to heat their homes – a staggering majority of the 8.1 million oil-burning households in our country. Therefore, it is no surprise that New England is disproportionately affected by high energy prices and in disproportionate need of assistance.

The \$2.41 billion in federal LIHEAP funding for Fiscal Year 2008 (a \$250 million increase over FY07) included in the Labor, Health and Human Services, and Education Conference Report that was sent back to Congress will provide relief for many New England families. However, unpredictable market factors (like future hurricanes in the Gulf of Mexico, political instability overseas, or extreme cold snaps) may continue to drive energy prices or demand for assistance higher. It is critical as the appropriations process continues, for the Labor, Health and Human Services bill and others, that members of the New England delegation do all they can to secure additional funding so that states can provide meaningful relief to as many families as possible.

Very Truly Yours,



James T. Brett
President & CEO

THE
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July 29, 2008

Dear Member of Congress,

As you know, the Research and Experimentation (also known as Research and Development) tax credit expired at the end of 2007. Reviving the R&D credit is critical to the future of New England's economy. An Ernst & Young study released in April illustrates this point, showing that New England benefits from the tax credit like few other regions. As a Council, we acknowledge the political and budgetary realities of the wide-ranging bill (S. 3335) containing an R&D extension that the Senate may debate this week. Regardless, the New England Council is urging members of the New England Senate delegation to support a seamless extension of the Research and Experimentation credit before Congress adjourns for the year.

The Ernst & Young study does an excellent job detailing the widespread importance of the R&D credit to our region. In 2005, nearly 4,300 New England businesses reported a form of research and development activity, with over 2,400 of those in Massachusetts. Four New England states (MA, CT, RI, and NH) are above the national average in R&D activity as a share of their gross state product – all four states in the top ten nationally. The study shows that businesses of all sizes take advantage of the credit -- 29% of the firms claiming the R&D credit had \$1 million or less in assets, 21% had \$25 million or more, with the remaining 50% falling somewhere in between. In total, over 17,700 businesses claimed \$6.6 billion in 2005. And scientific and technical services, as well as the information sector (lynchpins of the New England economy), represent a significant percentage of those nearly 18,000 companies.

At least 35 states, including each New England state, also provide R & D credits, suggesting the credit's effectiveness at generating research expenditure and lending a broader urgency to its extension. Any state credit tied to the Internal Revenue Code in effect for the taxable year (providing a state tax credit for research expenses incurred which would qualify for the Federal R&D tax credit, for example) may be inapplicable until the federal credit is revived.

We acknowledge that the expired R&D tax credit probably isn't at the forefront of conversation around most American dinner tables. In difficult economic times, millions of us are working harder and longer thanks to high gas prices and other energy costs. Almost all Americans struggle to squeeze every ounce out of their paychecks.

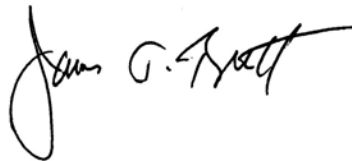
However, a commitment to research and development is an investment in the future of our country for our children – and their children as well. For example, New England

researchers are finding ways to use fossil fuels in a cleaner manner, deliver them more efficiently, and develop the next generation of alternative and renewable sources of fuel. Cleaner-burning, hybrid, and fuel-cell cars are being developed to benefit our environment, as well as stretch the monthly budgets of those combating gas prices at \$4 a gallon gas prices.

Research and development practices inherently involve a certain degree of the unknown. Experimentation by its nature is undertaken without a firm understanding of the result, which is very much the environment in which a great deal of research and development takes place. Extending the research and development tax credit gives companies a safety net, ensuring that regardless of the end result, the federal government recognizes the importance of the research. The R&D tax credit is an investment in the future of our nation and the quality of our day-to-day lives.

New England can and will lead the nation in technological breakthroughs that will change the way generations of Americans live their lives. A seamless extension of the expired research and development tax credit is an investment in those breakthroughs, and should be reinstated and extended before Congress adjourns so this critical research does not move overseas or is shut down altogether. If you have any questions, please do not hesitate to call me or Jeff Turcotte of the Council's Washington, DC office at (202) 547-0048.

Very Truly Yours,

A handwritten signature in black ink, appearing to read "James T. Brett". The signature is fluid and cursive, with a large initial "J" and a long horizontal stroke extending to the right.

James T. Brett
President & CEO

THE
NEW ENGLAND
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WEEKLY WASHINGTON REPORT
FRIDAY, AUGUST 1, 2008

NEXT WEEK IN CONGRESS

Congress has adjourned for its five-week summer recess, to reconvene (following party nominating conventions) on or around Sept. 8. At that time, Congress is expected to begin a stretch of three (possibly four) legislative weeks before adjourning the 110th Congress sine die. It remains possible, however unlikely, that a lame-duck, post-election Congressional session will happen. It is more plausible that Congress will pass a multi-month continuing resolution for the vast majority of the Fiscal Year 2009 appropriations bills and reconvene after a new president is inaugurated.

BUDGET/APPROPRIATIONS

On Monday, the Office of Management and Budget (OMB) released its “Mid-Session Review” providing an update on the government’s budgetary position. While the updated projections show a smaller-than-expected deficit for Fiscal Year 2008 (\$389 billion, \$21 billion less than the Feb. 08 projection), OMB predicts a record budget deficit for the coming year (in terms of gross dollars) at nearly a half-trillion dollars. The \$482 billion estimate fails to include additional funding that will almost certainly be needed to continue military operations in Iraq and Afghanistan that will likely exacerbate the FY09 deficit far beyond \$500 billion. The FY08 deficit projections, which do not include the cost of a recently approved housing/mortgage bill or a potential second economic stimulus package, represents about 2.7% of our national Gross Domestic Product (GDP), with the FY09 deficit predicted to be about 3.3% of GDP. While pointing to recent passage of an economic stimulus bill and tax rebates, war funding, and the economic downturn as contributors to the revised deficit estimate, the report also details the unsustainable pace of entitlement spending, noting that, “longer-term projections of the budget under current law show rising Federal budget deficits that are not sustainable... As the share of the population that is working declines relative to the share of the population that is retired, these increased entitlement costs will have to be borne by a relatively smaller working population. Without meaningful changes to Social Security, Medicare, and Medicaid, these three programs are likely to exert unsustainable pressure on Federal spending over the next several decades and leave policymakers with bad choices: higher taxes, benefit cuts, or increased debt.”

Earlier today the House overwhelmingly passed the first of its 12 required appropriations bills, the Fiscal Year 2009 Military Construction-VA measure. And on Wednesday, the House Appropriations Defense Subcommittee passed the FY09 defense bill by voice vote (anticipated to see floor time in September). The Mil-Con and Defense bills are candidates to be two of the only FY09 spending bills that may pass before the end of the fiscal year (Sept. 30). Talk began to emerge this week that passage of a Continuing Resolution (CR) could be held up over discussion of the Outer Continental Shelf drilling moratorium, which has been renewed by Congress for decades and presumably would be included in any CR.

The Senate Appropriations Committee Chair has rolled out the details for a second economic stimulus plan that theoretically will either be marked-up by the SAC or brought directly to the Senate floor in September. The \$24.1 billion package does not include rebate checks for taxpayers like the previous stimulus bill, but does contain a number of domestic spending items. These include: \$3.6 billion for highway, road, and bridge repairs and improvements; \$100 million for Amtrak, \$52 million for the Federal Housing Administration; \$10.1 billion for natural disaster relief in the Midwest and continued recovery for Hurricane Katrina along the Gulf Coast; and \$1.25 billion for the Low Income Home Energy Assistance Program. House leaders have indicated they will be introducing an additional stimulus bill to be addressed in September.

FINANCIAL SERVICES

Last Saturday, the Senate approved (72-13) final passage of the long-debated housing/mortgage bill that includes additional oversight and support for Fannie Mae and Freddie Mac as well as an expansion of the Federal Housing Authority, a number of tax provisions to encourage homeownership, and nearly \$4 billion for local governments for the upkeep of foreclosed and rundown properties. President Bush signed the housing bill, a portion of which he has publically opposed, in a private ceremony. Chairman of the Senate Banking, Housing and Urban Affairs Committee, Senator Chris Dodd (D-CT), a principle architect and advocate of the bill, stated, "This is the most sweeping housing legislation since the Great Depression, representing a turning point in our country's commitment to economic growth and affordable housing, and providing relief to homeowners and communities across the country."

With the housing/Fannie-Freddie bill now signed into law, the Senate Banking Committee turned its attention to the state of the insurance industry in a hearing focused on, "Examining the Current Regulatory and Oversight Structure." A substantial portion of the discussion revolved around whether to simply update the current state-based system or possibly create an Optional Federal Charter. Proponents of the state system argue the status quo allows insurance agencies to cater to region-specific client needs, while regulators in Washington would be

less likely to remain in touch with the needs of local individuals and businesses. A representative for the Independent Insurance Agents & Brokers of America stated that insurance policies are, “inextricably bound to the separate legal systems of each state,” which state courts have 100 years of experience interpreting. Supporters of a federal charter (like the one proposed in the National Insurance Act) believe the state system forces insurers to comply with 50 different systems at great expense, which is passed on to consumers in less efficient coverage and higher premiums. A witness for the American Insurance Association added that states are unable to give insurance agencies the support they need to compete globally.

Late yesterday, the House Financial Services Committee passed the Credit Card Holders’ Bill of Rights (H.R. 5244, 39-27), a measure to prevent credit card companies from basing individual interest rates (and subsequent rate increases) on adverse information about the customer unrelated to the specific account being serviced by the credit card company. It also requires increased consumer notification of rate increases with opportunity to cancel penalty-free and requires all billing statements to include specific payoff balance information. “A credit card agreement is supposed to be a contract, but in recent years cardholders have lost the ability to say no to unfair interest rate hikes and fees,” argued the bill’s sponsor, Rep. Carolyn Maloney (D-NY). “There is no doubt that credit card companies provide a valuable service and deserve to earn a fair profit, but consumers deserve the right to be able to understand their accounts and be empowered to control them.” In an earlier letter to Congress, groups including the American Bankers Association and the National Association of Federal Credit Unions expressed their strong opposition to the bill, “We are deeply concerned that this legislation, by directly and indirectly imposing limits on fundamental risk management activities, interest calculations, and other responsible business practices, will increase the overall cost of credit to consumers and businesses, reduce access to credit for those with imperfect or limited credit histories, and limit lower-cost consumer options.”

HEALTH CARE

On Wednesday, the House passed legislation to provide additional protection for college students (covered under their parents’ health insurance plans) who are forced to take a medical leave from school due to major illness or injury. The bill, known as Michelle’s Law (H.R. 2851), was introduced by Rep. Paul Hodes (D-NH) and named after New Hampshire student Michelle Morse who died after remaining in school with colon cancer in order to retain her parents’ health coverage. The measure prohibits health insurers from terminating coverage of dependents that are advised by their physician, in a written statement, to take up to a year of medical leave from school. The Senate companion bill was introduced by Sens. John Sununu (R-NH) and Judd Gregg (R-NH) last year and awaits consideration by the Senate Committee on Health, Education, Labor and Pensions.

ENERGY/ENVIRONMENT

A bill to significantly increase funding for the Low-Income Home Energy Assistance Program got caught up in a mainly partisan squabble over larger energy policy legislation. A Senate vote on Saturday to move to the LIHEAP bill was defeated when senators could not reach an agreement on terms for debate/amendments on a larger energy bill to reign in energy speculators in the commodities market.

A significant bloc of members in the Senate and the House are insisting on the ability to offer and vote on an amendment to the speculation legislation that would allow for increased oil and gas exploration in currently protected areas in the Outer Continental Shelf (OCS). This insistence led to the defeat of a speculation bill (H.R. 6604) in the House on Wednesday. Although the bill received 276 votes, it fell short of the two-thirds support needed to succeed under suspension of the rules. The bill was brought up under suspension to protect it from any OCS-related amendments. The White House issued a veto threat against the bill prior to the vote. A bipartisan group of House members released an energy plan late in the week that includes lifting the prohibition on additional OCS activity and using the anticipated revenue from those leases for renewable energy and carbon-capturing technologies. This bipartisan plan could receive additional attention in September.

TECHNOLOGY

Twice this week the Senate failed to invoke cloture on tax bills that included the revitalization of the expired research and development tax credit, marking the 4th time in the last few weeks the Senate has been unable to move forward on bills containing the R&D credit. The Senate voted on Tuesday on a House-passed bill and Wednesday on a recently-introduced bill (S. 3335) by the Chairman of the Senate Finance Committee that includes personal and business tax initiatives (including a one-year patch of the alternative minimum tax), tax provisions to encourage the production of renewable energy, payments to the Highway Trust Fund, and mental health parity provisions. The R&D credit expired in December, and a seamless extension seems fairly uncontroversial. However, the inclusion of revenue-raising offsets to section of the bill continues to generate opposition. In a familiar refrain, the White House vowed to veto the bill, saying, "The Administration does not believe that efforts to avoid tax increases on Americans need to be coupled with provisions to increase revenue." The New England Council sent a letter to all 12 members of the New England Senate delegation earlier this week urging a seamless extension of the R&D credit before Congress adjourns.

The Senate Committee on Small Business and Entrepreneurship unanimously passed a bill (S. 3362) to reauthorize and expand two programs focused on encouraging and commercializing small business participation in government-sponsored research programs. The Small Business Innovation Research and Small Business Technology Transfer programs would be extended for 14 years under the bill, which is described by the Chairman of the Senate Small Business Committee, Senator John Kerry (D-MA), as important to help, “keep our military strong, advance medical breakthroughs, and develop energy sources that are renewable and clean.” The bill also contains a compromise to assist small businesses concerned that companies that are majority-owned by venture capital firms would have an unfair advantage. S. 3362 includes a provision that would alleviate those concerns by capping funding awarded by the majority of SBIR agencies to venture capital-backed firms at 8% (although the cap is 18% for the NIH).

Late in the week the Senate approved a measure, sponsored by the Chairman of the Senate Judiciary Committee Patrick Leahy (D-VT), that will expand the federal government’s ability to prosecute forms of cybercrime including identity theft. The initiative (similar to the stand-alone bill S. 2168) was tucked into a broader measure regarding Secret Service protection (H.R. 5938). Chairman Leahy lauded passage of the bill which he believes will provide, “critical tools to combat cyber crime...Enacting this privacy bill will provide much-needed new tools to safeguard the privacy of all Americans.” Among other provisions the bill expands the ability of cybercrime victims to seek restitution and broadens the definition of what activities constitute a cybercrime.

HIGHER EDUCATION

After passing eight temporary extensions of the Higher Education Act, the House and Senate approved H.R. 4137 by an overwhelming majority on Thursday. As the first massive overhaul of current higher education law in a decade, it amends and reauthorizes most programs under the Higher Education Act of 1965.

H.R. 4137 includes several provisions to make college more accessible. Key reforms in the bill would create a user-friendly website to provide information on expected college costs (e.g. tuition and fees) and require colleges and universities to report increases. The measure also requires fuller disclosure of the terms and conditions of loans provided by the federal government and private lenders; restricts lobbying activities of colleges and universities receiving federal aid and institutes a gift ban; streamlines the financial aid process by replacing the current seven page Free Application for Federal Student Aid with a two page FASFA-EZ online form; requires colleges to release textbook prices before the semester begins; makes Pell grants available to students year-round; and limits certain grants to states that do not maintain reasonable funding levels (included in an amendment offered by Rep. John Tierney (D-MA)).

In addition, the bill will provide colleges and universities with grants for the development of emergency response systems and “green” energy efficient campuses; increase support services for students with disabilities and create partnerships with business and higher education institutions to build a stronger workforce and increase global competitiveness. The Congressional Budget Office estimates H.R. 4137 will increase spending by \$27 million over a five-year period and decrease spending by \$73 million over ten years. Although the Administration has not expressed public support of the bill, the president is expected to sign it into law.

In a statement released by the Chairman of the Senate Committee on Health, Education, Labor and Pensions, Senator Edward Kennedy (D-MA) stated, “Today’s action sends a clear message that improving college opportunities for the nation’s students and families is again a top priority for Congress. Last year, we passed the largest increase in college aid since the G.I. Bill. Earlier this summer, we made sure that students can get federal loans despite turbulence in the credit markets. And now, we’re enacting sweeping higher education reform that tackles skyrocketing costs, simplifies college aid, reins in abuses by lenders, helps the troops and gives intellectually disabled students a chance.”

TRADE

Earlier this year, opponents of a pending free trade agreement with Columbia were successful in sidelining the bill by removing a provision that mandated an up-or-down vote on the agreement in a timely manner. In part, opponents wanted to prioritize a reauthorization of the Trade Adjustment Assistance (TAA) program in order to expand assistance and educational opportunities for workers and businesses negatively affected by free trade activities before approving the Columbia deal. Now supporters of the Columbia agreement want to see an expansion of the TAA initiative be linked to a vote on the trade pact, causing the Senate Finance Committee to indefinitely postpone a scheduled Wednesday mark-up of a TAA bill (S. 1848) until at least after the summer recess (the House passed a TAA bill, H.R. 3920, last year). Underscoring the difficulty of moving forward, in announcing the indefinite delay of the TAA mark-up, the Chairman of the Senate Finance Committee stated, “The resistance of some Senators to consideration of TAA absent a guarantee of action on the Colombia Free Trade Agreement is preventing the process from moving forward. I believe that the Colombia FTA should be considered, and should pass, but on its own merits and in its own time. I do not believe that the Colombia FTA can pass Congress unless our duty on TAA is done.” On Tuesday the House did vote to extend one of our nation’s largest trade programs, the Generalized System of Preferences (GSP), through the end of 2009. The GSP is over 30 years old and covers duty-free entry of specified goods from more than 130 countries and territories.

The latest round of World Trade Organization talks in Geneva (initiated in Doha, Qatar in 2001) have reached an impasse over agriculture tariff levels for developing nations like China and India, who insist on the ability to initiate greater trade protections for its domestic farmers. Known as a Special Safeguard Mechanism, developing nations wanted the ability to trigger the provision to discourage lower-cost imports while opponents (like the United States) insist any trade agreement must include consistent access to foreign markets. In comments after the talks broke down, U.S. Trade Representative Susan Schwab reiterated U.S. commitment to the WTO and summed up the failure to reach an agreement by saying, "We faced some very difficult and complex issues of vital importance to the Membership that did not readily lend themselves to traditional 'split-the-difference' solutions or 'lowest common denominator' solutions." National Association of Manufacturers President John Engler was sharper in his overall criticism, commenting, "Time and again at the Geneva meetings, China and India reiterated how they could not lower their barriers, but insisted we must lower ours...The 'Special Safeguard Mechanism' demanded by China and India for their agricultural sectors was the final straw. That mechanism would have violated one of the most basic tenets of the world trading system: nations do not violate their tariff bindings by raising tariffs above the legally-bound levels. Once an exception is made, no matter how small, the entire world trading system could begin to unravel. The Doha Round was supposed to move world trade forward, not backwards."

TRANSPORTATION

Monday's Mid-Session Review released by OMB underscored the troubled state of the Highway Trust Fund. According to the report, "Highway Trust Fund finances have deteriorated since February, with spending exceeding income in 2007 and 2008 and the Highway Account going insolvent by approximately \$4 billion in 2009." The Highway Trust Fund is currently funded through gasoline taxes and vehicles sales. In a statement released earlier this week, the Department of Transportation called for a more sustainable means of revenue than gas taxes citing that Americans drove 9.6 million less miles in May 2008 than May 2007. This substantial decrease in driving has contributed to the deterioration of the fund.

Last week the House passed H.R. 6532 which would transfer \$8 billion from the general fund to the Highway Trust Fund to cover the current deficit. On Wednesday, the Senate failed to garner the votes required to invoke cloture on the motion to proceed to debate on a tax bill (previously mentioned as the vehicle for the R&D tax credit) which included the \$8 billion transfer from the Treasury to restore the Highway Trust Fund.

A July 23 Statement of Administrative Policy voiced the Administration's strong disapproval for H.R. 6532 and similar transfers. "It is a longstanding principle that highway construction and maintenance should be funded by those who use

the highway system. Instead, this bill is both a gimmick and a dangerous precedent that shifts costs from users to taxpayers at large.” The statement criticized any measures which increases the deficit and instead recommended borrowing money from the Highway Trust Fund’s transit account to cover the deficit.

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NEXT WEEK IN CONGRESS

Unless the legislative calendar changes, next week will be the last week before Congress adjourns for its August recess, and very likely is the first of four legislative weeks left through at least November's election. The Senate is likely to be in session tomorrow to vote on final passage of a significant housing and mortgage bill. After clearing the housing measure tomorrow, energy concerns and the price of gas will receive significant attention in the Senate next week. A bill to increase funding for the Low-Income Home Energy Assistance Program will be the platform for a broader energy debate, while activity on a bill to extend a number of expired or expiring tax provisions, including the Research and Development tax credit, remains a possibility. Next week, the House will take up its first appropriations bill of the year (relating to military construction and veterans' affairs) and a bill to drive out speculation in the commodities market.

APPROPRIATIONS

Similar amendments to each chamber's Fiscal Year 2009 appropriations bills funding the Department of the Interior have now (for the time being) sidetracked the annual appropriations process in both the House and the Senate. An expected Tuesday mark-up of the Senate's Interior-Environment bill, as well as a second economic stimulus bill, was postponed over the possibility the Interior bill may have been amended to overturn the Congressional ban on oil and gas exploration on currently-protected areas of the Outer Continental Shelf.

It appears likely the full House will take up its military construction appropriations bill next week, and the House Appropriations Subcommittee on Defense has scheduled a mark-up for Wednesday. Neither chamber has passed a single appropriations bill thus far. And with four legislative weeks left until the end of the fiscal year, it appears a large continuing resolution will be needed to continue funding government operations.

FINANCIAL SERVICES

The House overwhelmingly approved a measure to provide relief to the battered housing and mortgage market this week, and the Senate appears poised to do the same late tonight or tomorrow. Earlier this week, the President, after stating his opposition to the overall package for several weeks, came out in support of the bill. This statement from the Administration became even more important after the House voted 272-152 on Wednesday to approve the bill – a strong show of support, but not enough to overturn a now-unlikely veto. The bill includes an Administration-authored proposal to bring stability to Government-Sponsored Enterprises (GSEs) Fannie Mae and Freddie Mac by boosting the line of credit the Treasury extends to Fannie and Freddie (currently at \$2.25 billion each) through the end of 2009, allowing the government the ability to purchase Fannie and Freddie stock if the GSEs need capital, and folding the Federal Reserve (in a consultative role) into the creation of the GSE regulator moving through Congress. Senate debate has been prolonged by opponents hoping for a chance to amend the package.

The bill (H.R. 3221) creates a long-discussed oversight agency to monitor and regulate the activities of Government-Sponsored Enterprises. It raises the Federal Housing Administration conforming loan limit (to \$625,000 or 115% of the median home price in a given region) and provides for a \$300 billion expansion of the FHA to refinance borrowers' mortgages as long as the original lender voluntarily agrees to reduce the loan's outstanding principal to bring it more in line with the home's market value. This provision is estimated to help close to 400,000 homeowners. H.R. 3221 includes a slew of tax provisions, including a tax credit for first-time homebuyers that would be repaid (interest-free) over a term of 15 years. Finally, it includes almost \$4 billion for grants to local governments for the upkeep of foreclosed properties and raises the federal debt limit \$800 billion, which could be an important step if the Treasury is put in a position to extend substantial resources to mortgage companies.

The Congressional Budget Office this week released its cost estimate of the Treasury's Fannie/Freddie proposal. Although CBO wrote that, "there is a significant chance – probably better than 50 percent – that the proposed new Treasury authority would not be used," it is possible, "the expected federal budgetary cost (that is, taking into account the probability of various possible outcomes) from enacting this proposal would be \$25 billion," over the next two years. CBO noted that the proposal will have no cost if the Treasury Secretary does not use the expanded authority to provide Fannie and Freddie with additional resources. The analysis was careful to note that, "even if enacting this legislation would not result in outlays over the near term, it might effectively strengthen the linkages between the GSEs and the federal government and thereby increase the government's underlying exposure to the risks associated with the GSE's activities."

The House Judiciary Committee approved a bill recently (H.R. 5546, 19-16 vote) that, “addresses the anti-competitive element of fees charged to retailers by credit card companies.” The measure confronts what its supporters see as unfairness that every time a customer uses a credit or debit card, the merchant is charged a fee divided three-ways between the merchant and customer’s banks, and the credit card company. That fee is set by the credit card company, a practice H.R. 5546 aims to change by providing focused anti-trust immunity to allow merchants, “a seat at the table in the determination of these fees... This legislation simply enhances competition by allowing merchants to negotiate with the dominant banks for the terms and rates of the fees,” according to the Chairman of the HJC. The bill is opposed by the American Bankers Association, stating the bill is, “anti-competitive and interferes with the smoothly functioning electronic payment system that currently works to the benefit of consumers, businesses and the broader economy... the bill still contains provisions that violate fundamental antitrust principles and will ultimately result in less competition and increased costs and reduced benefits for consumers. The legislation is simply an effort by the merchant community to have government step in to reduce their cost of doing business.”

HEALTH CARE

On Thursday, the House passed S.2731, the Senate version of the “Tom Lantos and Henry Hyde United States Global Leadership Against HIV/AIDS, Tuberculosis, and Malaria Reauthorization Act” (H.R. 5501). The compromise bill reauthorizes the United States Leadership Against HIV/AIDS, Tuberculosis, and Malaria Act of 2003. The bill provides \$48 billion—\$2 billion less than proposed by the House—for a five-year strategic plan to study and monitor HIV/AIDS, tuberculosis, and malaria overseas, to support treatment and prevention efforts, extend the reach of the global HIV/AIDS program to include countries in the Caribbean, Sub-Saharan Africa, and East Asia, and repeals a provision in current law that prohibits immigrants with HIV/AIDS from entering the United States.

The President is expected to sign S.2731 into law next week. According to a Statement of Administration Policy released on July 11, “The Administration is deeply committed to fighting the global HIV/AIDS epidemic... [and] strongly supports this legislation and looks forward to working with the Congress to ensure reauthorization of PEPFAR (The President’s Emergency Plan for AIDS Relief).” PEPFAR was instituted under the 2003 global HIV/AIDS bill and has helped 1.7 million people around the world.

The Congressional Budget Office (CBO) estimates S. 2731 would cost \$35 billion over a five-year period. While having no affect on revenues, the provision in bill allowing immigrants with HIV/AIDS to enter the United States will increase direct spending on certain federal programs including Medicare, Medicaid and Social

Security, according to the CBO's cost estimate.

The ongoing discussion of nationwide adoption of a health information technology initiative (previously stalled due to privacy concerns) gained traction this week when the House Committee on Energy and Commerce passed H.R. 6357 on Tuesday. The Protecting Records, Optimizing Treatment and Easing Communications through Technology Act (PRO(TECH)T Act), promotes a national health IT system by providing \$560 million in federal grants and loans to health care providers to develop electronic record keeping and sharing systems. In a statement released by the Committee earlier this week, the Chairman of the House Energy and Commerce Subcommittee on Health stated, "Investing in HIT today will help make our health care system more efficient tomorrow, thereby lowering costs and saving lives."

On Thursday, the House Ways and Means Subcommittee on Health held a hearing titled, "Promoting the Adoption and Use of Health Technology." In his testimony before the Committee, CBO Director Peter Orszag said that health IT could lead to more efficient and safer care. According to *The New England Medical Journal*, only 17 percent of physicians in the United States currently have any type of electronic record system in their office. In his opening statement, Health Subcommittee Chairman Pete Stark (D-CA) referred to the adoption of health IT as, "a win-win situation," stating that, "the lack of progress to date shows the need for strong federal leadership and real investment in order to realize those benefits."

Supporters of nationwide adoption of health IT hope health care providers, health plans, and the government will transition to a comprehensive and reliable electronic record sharing system in the near future. However, it is unlikely that H.R. 6357 or any other health IT bill will pass before the House adjourns this year. Both the House Energy and Commerce Committee and the House Ways and Means Committee share jurisdiction of health IT issue. At this point, the Ways and Means Committee has not released a health IT bill of its own and many of its committee members have expressed concern with the privacy provisions in H.R. 6357.

ENERGY & ENVIRONMENT

Bickering (and inactivity) continued on both sides of the aisle this week on targeted, piece-meal energy measures that supporters believe would have an impact on short-term energy prices, with both chambers voting down separate measure late in the week. On Thursday the House could not muster enough support for a bill aimed at lowering the price of oil by releasing higher quality crude oil from the Strategic Petroleum Reserve into the market and replacing it in the SPR with oil more difficult to refine. The measure (H.R. 6578) received a strong majority of votes, but because it was brought up under suspension of the rules, it required two-thirds support to advance (which it did not receive).

Opponents of the measure contend the bill was brought up under suspension (preventing any amendments from being offered) to protect the measure from possible amendments to open protected areas of the Outer Continental Shelf from oil and gas exploration. H.R. 6578 would have released about 70 million barrels of oil, around 10% of the SPR's supply. Supporters point to recent history when the SPR was tapped and gas prices fell in response. The measure drew a swift veto threat from the White House.

Earlier this morning the Senate failed to advance a bill (S. 3268) to drive out excessive speculation from the future of oil prices in the commodities market in part by boosting oversight and personnel at the Commodity Futures Trading Commission. The Senate will continue to debate oil and energy prices next week during debate over a bill (authored by Senator Sanders (I-VT) and cosponsored by every member of the program.

The Senate Homeland Security and Governmental Affairs Committee heard testimony this week from noted American businessman and oil executive T. Boone Pickens, who has developed a plan calling for the U.S. to decrease its foreign oil dependence from around 70% to around 32% in the next ten years through the rapid development of wind energy. Pickens proposes replacing the energy currently derived from natural gas with wind power which would allow 20% of the natural gas to be diverted toward fueling vehicles. "You're looking at exporting \$10 trillion out of this country (for oil)," Pickens said. "It will be the greatest transfer of wealth from one country to other parts of the world in the history of mankind." Pickens continued that the government must either build the transmission system for wind energy or create initiative for private investors to do so by enacting, "clear, predictable policies." He suggested Congress implement a ten-year production tax credit and compared the construction of transmissions lines to the emergency interstate highway built under Eisenhower's presidency. "This is an emergency too and it has to be done quickly." Additional hearing witnesses advocated for increased development of offshore wind turbines and for branching into other forms of alternative energy and energy conservation.

TRANSPORTATION

On Wednesday, the House passed legislation to restore an estimated \$3 billion shortfall in the Highway Trust Fund. The bill appropriates \$8 billion from the Treasury to the Highway Trust Fund. The transfer is set to take effect on September 30.

On the same day the Highway Trust Fund bill was approved, the Administration issued a veto threat stating strong opposition to the idea. In a Statement of Administration Policy, the Administration called the bill, "...a dangerous precedent that shifts the cost from users to taxpayers at large," and urged Congress, "to address the shortfall through a combination of more responsible

spending and borrowing from the Highway Trust Fund's Transit Account, which is currently in surplus."

TECHNOLOGY

A revitalization of the expired Research and Development tax credit got a different face this week, with the introduction of a new tax extenders bill by the Chairman of the Senate Finance Committee (S. 3335). The new bill expands on the previous version beyond business, individual, and renewable energy tax provisions into areas of natural disaster relief, mental health parity, and \$8 billion in funding for the Highway Trust Fund. However, the bill continues to include a number of budgetary offsets, which has reduced support for the fairly uncontroversial extensions. S. 3335 includes an additional offset not included in the previous measure (S. 3125) -- a provision to create, "mandatory basis reporting measures to the IRS by brokers for transactions involving publicly traded securities." The new measure includes a \$61 billion, one-year patch to blunt an expansion of the alternative minimum tax. The Senate Finance Committee scores the R&D provision at less than \$10 billion over the next 10 years.

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