

THE
NEW ENGLAND
COUNCIL

Weekly Washington Report
Friday, March 7, 2008

Next Week in Congress

The annual budget debate continues next week, with both the Senate and House bringing their respective Fiscal Year 2009 budgets to the floor. The Senate will begin its traditional 50 hours of debate early in the week, and will most likely hold a final vote at the conclusion of a lengthy day of amendment consideration on Thursday. After dispensing with the budget, the House may turn its attention to the creation of a House ethics panel or an electronic surveillance measure. At the end of next week Congress will adjourn for its Easter recess from March 17-March 28.

Federal Budget

The House and Senate Budget Committees each passed versions of a Fiscal Year 2009 budget this week, adding \$22 billion and \$18 billion respectively to the President's request for discretionary spending. Predictably, supporters lauded the budgets for funding America's priorities in a responsible manner while opponents criticized the budgets for overspending and increasing taxes by not accounting for the expiration of many or all of the 2001 and 2003 tax cuts which expire in coming years. The Senate budget does not include reconciliation instructions, a filibuster-proof mechanism that could be used to shield policy items from procedural obstacles, such as a renewable energy tax package that has struggled to move forward in the Senate. The House version includes reconciliation, including a patch to blunt the reach of the alternative minimum tax. Both the House and Senate budgets predict a return to budget surpluses in 2012 and 2013.

The Administration quickly responded to these proposals. In a letter to the leaders of the Budget and Appropriations Committee, Office of Management Budget Director Jim Nussle reminded Congress that, "I want to reiterate that appropriations bills that exceed the President's reasonable and responsible spending levels will be met with a veto because every dime Congress spends beyond these limits will push the budget deficit higher... Finally, the President made it clear in his State of the Union address that he will veto any attempt to increase taxes. Given the economic challenges our country faces, we need to keep taxes on families and job creators low, not increase the burden on those that fuel economic growth."

Earlier this week the Congressional Budget Office released its analysis of the Administration's FY09 budget proposal, making some modifications to the President's deficit/surplus numbers. CBO estimates that the President's budget (as written) would run

smaller deficits than predicted in 2008 and 2009, would nearly balance in 2012, but run a deficit of \$21 billion (a fairly insignificant percentage of our overall economy) in 2013, instead of returning a \$29 billion surplus as the Administration predicts.

The Government Accountability Office released a report this week on the rise of supplemental appropriations measures, often designated as “emergency” appropriations and therefore not subject to budgetary caps but continue to exacerbate annual deficits and the federal debt. GAO found that, “From fiscal year 1997 through fiscal year 2006, supplemental appropriations provided about \$612 billion (\$557 billion net of rescissions) in new gross budget authority, a five-fold increase over the previous 10-year period.” However, GAO did note that while the increase is primarily, “a result of an increase in Department of Defense (DOD) funding and the use of supplementals to provide that funding for activities such as the Global War on Terrorism,” it noted in its recommendations that it is important for Congress to, “increase transparency and provide additional controls over the use of supplementals.”

Financial Services

Earlier in the week Federal Reserve Chairman Ben Bernanke urged both the federal government and private lenders to continue efforts to alleviate the mortgage crisis, remarking that, “efforts by both government and private-sector entities to reduce unnecessary foreclosures are helping, but more can, and should, be done.” Chairman Bernanke continued that, “delinquencies and foreclosures likely will continue to rise for a while longer.” On Thursday the Mortgage Bankers Association released data indicating home foreclosures reached historic levels in the last quarter of 2007.

As the national economy continues to slow, talk of a second “stimulus” bill is picking up on Capitol Hill. Although no formal proposals have been introduced, talk surrounds a \$35 billion package that includes funding for public works, assistance for homeowners struggling with unsustainable mortgages, as well as increased federal funding for food stamps and the Low Income Home Energy Assistance Program. In February President Bush signed a \$152 billion economic stimulus bill that includes rebate checks for millions of Americans, business tax incentives, and increase in loan limits for Fannie Mae, Freddie Mac, and the Federal Housing Administration.

Health

The Senate Health, Education, Labor, and Pensions Committee held an executive meeting on Wednesday to mark up pending health legislation. One bill of particular interest is S. 1042, the Consistency, Accuracy, Responsibility, and Excellence in Medical Imaging and Radiation Therapy Act, which would establish standards to ensure the safety and accuracy of medical imaging studies and radiation therapy treatments. The bill would also implement alternative standards for rural areas or health professional shortage areas as appropriate to assure access to quality medical imaging.

Also on Wednesday, the House passed the Paul Wellstone Mental Health and Addiction Equity Act by a vote of 268-148. The bill was introduced by Representative Patrick Kennedy (D-RI). A motion to recommit failed, preventing the substitution of the language from the Senate companion bill by a vote of 196-221. In September 2007, the Senate passed the Mental Health Parity Act (S. 558), which was introduced by Rep. Kennedy's Father, Senator Edward Kennedy (D-MA), and has many requirements for insurers, but fewer than the House version. Provisions found in the House bill that are not included in the Senate version are: 1.) requiring insurers to offer mental health benefits equal to medical benefits; 2.) preventing insurers from establishing larger co-payments or lower reimbursement ceilings for mental health conditions; and 3.) requiring insurers to cover a wide range of mental health conditions. The bills are being sent to conference where the differences between the Senate and House versions will be negotiated.

Negotiations between insurers and the Senate Finance Committee have been underway this week regarding Medicare Advantage advertising. Senator Max Baucus, chair of the Senate Finance Committee, disclosed that several providers of Medicare Advantage plans have proposed changing their marketing techniques and have made suggestions regarding provisions that might be included in the Medicare reform legislation, which is expected to be introduced this spring. The proposals are similar to the provisions in a bill introduced on Monday by Senator Olympia Snowe (R-ME), the Medicare Beneficiary Protection Act (S. 2687), which would crack down on more aggressive advertising practices, including cold-calling and door-to-door sales. S. 2687 would also increase the Medicare prescription drug plan enrollment period to give seniors more time to review coverage options.

Higher Education

Senator Edward Kennedy (D-MA) and Representative George Miller (D-CA) announced this week that official negotiations regarding the Higher Education Act reauthorization by a conference committee will not get underway until after the March recess. This delay will require Congress to pass another extension of the Higher Education Act as it expires on March 31, 2008, before Congress will be back in session. In discussions that have been taking place behind the scenes, House and Senate Members have identified the primary difference between the bills to be the House's provision to penalize states that lower their financial commitment to Higher Education Institutions. Both bills include a measure that would create a higher education price index for comparison of tuition over time and a watch list for colleges and universities that raise their tuitions significantly. Also, both bills require lenders and schools to increase the amount of information shared with students regarding school costs and loan rates.

The Council and Capitol Hill are monitoring closely the effects of the subprime lending crisis on student loans. Due to a tightening in the credit market, student lenders are having more trouble securing capital, which in turn has increased the cost of lending. At the moment, the federally subsidized program is protecting students from inflated interest rates with its cap with other lenders filling in the gaps. But as Senator Edward Kennedy (D-MA) pointed out today on the Senate floor, "...students who need to go beyond the

federal loan program will have a tougher time finding lenders...” and he suggested that rates will likely go up in the fall if the lending market continues down the path on which is currently set.

Technology

On Wednesday, several senators introduced bills regarding immigration enforcement after the House considered similar legislation (H.R. 4088) earlier this week. This action could once again bring about the debate regarding comprehensive immigration reform, including discussion of H-1B visa and H-2B visa caps. The Council will continue to monitor the status of these bills.

The Senate passed legislation on Thursday that would reform consumer product safety laws. The bill passed by a vote of 79-13 and would: 1.) increase the staff and budget of the Consumer Product Safety Commission; 2.) create a public database of consumer complaints about products; and 3.) allow state prosecutors to take legal action if the federal government has not done enough to protect consumers. Next, the bill will be considered along with legislation passed by the House in December 2007 that has the support of the Administration.

Trade

Rhetoric surrounding several international trade agreements has heated up in Washington and on the Presidential campaign trail. After agreeing to a short-term extension of the Andean Trade Preference Act last week, Congress may turn its attention in the coming months to a negotiated trade agreement with Columbia when the Bush Administration chooses to send it to Congress (the pact was agreed to under rules would mandate an up-or-down vote on the trade package in 90 days of the President sending it to Capitol Hill). Reports also indicate that the Senate Finance Committee may work to update the Trade Adjustment Assistance program (S. 1848) later this spring. The TAA program is being funded in 2008 despite not having an updated authorization.

The North American Free Trade Agreement, enacted in 1994, was criticized by the two remaining Democratic Presidential candidates this week, both pledging to revisit certain labor and environmental aspects of the treaty. The Administration countered these criticisms by noting that, “business investment in the United States has risen by 117 percent since 1993,” and that, “U.S. employment rose from 110.8 million people in 1993 to 137.6 million in 2007, an increase of 24 percent.”

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