



Weekly Washington Report
Friday, April 11, 2008

Next Week in Congress

The Senate will begin the week by addressing technical corrections to the 2005 surface transportation bill (SAFETEA-LU), which runs through next year. The remainder of the Senate week may see the chamber address a measure to prohibit discrimination in the workplace on the basis of an employee's genetic information and possibly a measure addressing veteran's benefits. The House, taking advantage of Tuesday's tax filing deadline for millions of Americans, will take up a tax bill (H.R. 5719) passed by the House Ways and Means Committee on Wednesday that aims to simplify tax filing for individuals and businesses. The House may also debate a student loan bill passed by the House Education Committee this week.

Financial Services

The Senate passed a wide-ranging housing bill on Thursday (84-12) hoping to provide financial assistance to homeowners and homebuilders struggling to weather the downturn in the housing market. However, supporters of the measure (H.R. 3221) argue it does not go far enough to give relief to homeowners, and hope to include sections of the House Ways and Means Committee-passed housing bill (H.R. 5720) when the two emerge from conference. Before a \$6 billion renewable energy tax amendment was added during floor debate, the Joint Committee on Taxation estimated the bill's five-year cost at nearly \$21 billion.

H.R. 3221, the Foreclosure Prevention Act of 2008, includes an increase in the maximum price limit of mortgages insured by the Federal Housing Administration; \$4 billion in grants to renew foreclosed properties; and increased education and counseling for distressed homeowners. Tax provisions in H.R. 3221 include a \$500 or \$1,000 tax deduction for property taxes for individuals and married couples respectively; a \$7,000 tax credit for those purchasing homes in foreclosure; and a change in the net operating loss carryback provision that will extend back four years from losses in 2008 and 2009 (estimated by JCT to cost \$25.5 billion/3 years).

On Wednesday, the House Ways and Means Committee passed H.R. 5720 (35-5), the Housing Assistance Tax Act of 2008, the House response to H.R. 3221. In addition to similar provisions contained in the Senate bill, including changes to the FHA, the House bill includes a \$7,500 credit for first-time homebuyers, phased out for high-income individuals, and paid back over the next 15 years. In addition, it provides short-term increases in the federal low-income housing tax credit and the number of state-issued mortgage revenue bonds, as well an additional standard deduction on local property taxes of up to \$350 for individuals in 2008. JCT estimates H.R. 5720 will cost just less than \$10 billion over three years, but would see positive revenue over the five and ten year window.

Also this week the Bush Administration announced changes to the Federal Housing Administration that will help homeowners saddled with subprime mortgages that have been late on loan payments in consecutive months. The FHA will have increased ability to insure more mortgages through its FHA Secure program, changes HUD believes will help an additional 500,000 families find prime-rate mortgages (insured by the FHA) by the end of 2008.

Energy & Environment

On Tuesday the Energy Information Administration released its "Short-Term Energy and Summer Fuels Outlook," concluding that rising gas prices will hit a ceiling at a national average of \$3.60 a gallon sometime this spring. The report noted that the high cost of crude oil will continue to drive up gas prices, stating, "The global oil market remains fundamentally tight entering the second quarter, despite a slowdown in U.S. oil consumption and growing risks to global economic growth. The combination of rising world oil consumption and low surplus production capacity is putting upward pressure on oil prices." The EIA estimates that rising oil prices and worsening economic conditions will decrease national petroleum consumption this year.

Before the Senate approved the final version of S. 3221 on Wednesday, the Senate approved the addition of a \$6 billion renewable energy tax package by a vote of 88-8. The amendment includes provisions from The Clean Energy Tax Stimulus Act (S. 2821), described by supporters as encouraging, "the development of renewable energy; expands energy efficiency in buildings, homes and appliances; and helps stimulate the economy." The amendment will extend the Renewable Energy Production Tax Credit for alternative energy technologies such as wind, biomass, geothermal, and hydropower through 2009, as well as an eight year extension for Investment Tax Credits for solar and fuel cell technologies.

Higher Education

Last Thursday, Senator Ted Kennedy (D-MA) introduced a bill (S. 2815, the Strengthening Student Aid for All Act of 2008) focused on reducing student dependence on higher-interest private loans by increasing access to low-interest federal loans and increasing loan limits for those the most in need. The measure also creates more options under existing federal loan programs and takes steps to establish greater dependability and access for federal loans, such as providing additional sources of capital for lenders to make new loans and expanding the "Lender-of-Last-Resort" program. Senator Kennedy stated, "Over six million students relied on federal loans last year. It's essential to make sure this support is there for them when they need it."

The House Education and Labor Committee this week passed the "Ensuring Continued Access to Student Loans Act of 2008." Supporters say the measure, which is similar to S. 2815, is necessary as private student lenders struggle to secure capital, and dozens of student lenders are opting out of the Federal Family Education Loan (FFEL) program. Lenders have been precluded from securitizing loans since the cut in their federal subsidies went into effect October 1, 2007. This, compounded by the downturn in the credit market, has threatened the survival of lenders without large cash reserves.

Trade

The Bush Administration sent the Columbian free trade agreement to Congress this week, in hopes of forcing a vote on the measure before the 110th Congress adjourned this fall. The Columbian deal was negotiated under "fast-track" trade authority, mandating that once the President sends the bill to Congress, it must be acted on in 90 legislative days (60 days for the House, which must act on the agreement first, and 30 days for the Senate). Opponents of the deal have expressed their desire to see a number of provisions accompany any free trade measure this year, including an expansion of the Trade Adjustment Assistance program, agreements that the Columbian government work to reduce violence and intimidation practices against union members in Columbia, and support for further efforts to stimulate the U.S. economy.

However, despite being sent the trade measure on Tuesday, it appears opponents have stopped the 90-day clock and will delay action on the bill – more than likely until after the November election. On Thursday, the House voted 224-195 to approve H. Res. 1092, a bill to suspend sections of the Trade Act of 1974, the genesis of the fast-track rules under which the Columbian deal was negotiated (the agreement, reached in 2006, was agreed to before the fast-track provisions expired in 2007). Colombian businesses are already able to export many of their goods to the U.S. duty-free due to the Andean Trade Preference Act, which is operating on a short-term extension. This agreement would extend similar standing to over 80% of U.S. consumer and industrial products sent to Columbia.

Technology

Late this week the U.S. Citizenship and Immigration Services announced that it has received enough requests for Fiscal Year 2009 H-1B visas to meet the limit of 65,000 available for next year – estimating it received more than 163,000 applications. The window for companies to submit applications began on April 1 and ran for five days. USCIS will conduct a lottery in the coming days to select the recipients of the 65,000 H-1B visas, which allow employers to supplement their current workforce with highly skilled foreign workers in specialty occupations. 20,000 additional visas are set aside for immigrants with advanced degrees. The visa covers an initial 3-year period and can be extended an additional 3 years. On Thursday, a bill was introduced in the Senate (S. 2839) to increase the number of H-1B visas awarded annually to 115,000 (with an additional 30,000 for advanced degree applicants), and to reauthorize 150,000 visas from past years that went unused.

On Monday, the Senate Majority Leader tried to pass an extension of the Foreign Intelligence Surveillance Act by unanimous consent, a request objected to by the Senate Minority Leader. Several attempts to extend FISA, which expired earlier this year, continue to be delayed by disagreements over the legal protection of communications companies that have participated in federal surveillance programs. In objecting the request, the Senate Minority Leader stated, "We need to get serious in protecting companies that helped protect our country...to ensure the continued functioning of this vital intelligence program, we need to protect our intelligence operations." Last week, House leaders announced they have reached an agreement with the White House (which supports the retroactive immunity for telecommunications companies) to begin discussion on a FISA reauthorization measure.

Transportation

Late last week David Tornquist, Amtrak's Assistant Inspector General, testified before a Senate Appropriations Subcommittee on Amtrak's financial and operational future. Aside from reviewing its FY09 budget request and again noting Amtrak's record ridership in 2007, Tornquist pointed to on-time performance improvements as a way to generate more revenue, stating that, "improving [on-time performance] to 85 percent on all routes outside the Northeast Corridor in FY 2006 would have generated a net gain of \$136.6 million for Amtrak." Gains would be realized primarily through increases in ticket revenue (\$111.4 million), as well as reducing expenses for fuel and labor. Fiscal Year 2007 (and through January 2008) marked the first improvement, albeit a modest one, in Amtrak's on-time performance since FY02.

Tornquist also pointed to three goals he hopes Congress will address in any reauthorization bill: increases in efficiency and cost-savings in services; increases in state involvement in implementing those services; and predictable sources of adequate funding from both the federal and state governments. In 2007 the Senate passed a multi-year Amtrak reauthorization measure, but a similar measure has yet to be introduced in the House.

Healthcare

H.R. 5613, a bill to delay scheduled Medicaid cuts for one year, was approved by the House Energy and Commerce Health Subcommittee by voice vote. The amendment addressed concerns that the bill would affect future regulations by clarifying the language to explicitly target the seven new Medicaid regulations currently under dispute. The cost of the one-year delay (approximately \$1.65 billion) would be offset by a one-year loan from the Physician Quality Improvement Fund, and a new stipulation that Medicaid applicants have their assets verified electronically.

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