



*The Weekly Washington Report is organized by NEC committee category for weekly updates on specific issues relevant to our members, plus a report on general activity in Congress*

## **FRIDAY, FEBRUARY 13, 2009**

### **NEXT WEEK IN CONGRESS**

After clearing the economic stimulus bill, both chambers are scheduled to take a week-long recess. When Congress reconvenes the week of Feb. 23, it enters a stretch of six legislative weeks before breaking for a two-week Easter recess. After the President's Day recess, Congress is scheduled to wrap up spending for Fiscal Year 2009, with two full legislative weeks to finalize current fiscal year funding or enact another continuing resolution before the current CR expires on March 6. House leadership has assembled (but has yet to make public) an omnibus appropriations bills containing funding for the remainder of the year for the nine unresolved spending bills included in the original CR passed last fall. The bill is expected to be in the range of \$410 billion. In addition, the Senate may address a number of cabinet nominations.

### **BUDGET/APPROPRIATIONS**

Earlier this afternoon the House passed the conference report to accompany H.R. 1, the American Recovery and Reinvestment Act, an economic stimulus measure unprecedented in its size and scope, by a vote of 246-183 with one member voting present. No Republicans supported final passage, while seven Democrats opposed the measure. The Senate is set to vote on final passage of the historic bill later this afternoon.

With the support of three Republicans the Senate passed its initial version of H.R. 1 (totaling \$838 billion) earlier this week, setting of surprisingly quick (and somewhat disjointed) conference negotiations. The details of the over 1,000 page conference were released late last evening. This morning the Congressional Budget Office released its score of H.R.1 estimating it will cost approximately \$787 billion (including \$311 billion in government spending controlled by the appropriations committees, with the remainder comprised of tax relief and spending on unemployment benefits and entitlement programs (Social Security and Medicaid in particular)).

H.R. 1 includes a “Making Work Pay” tax incentive that will provide \$400 for individuals making up to \$75,000 and \$800 for couples earning \$150,000 (total cost: \$116 billion), as well as an \$8,000 tax incentive, previously a \$7,500 loan program, for first-time homebuyers (\$6.6 billion), \$1.68 billion to make the sales tax paid on a new automobile tax deductible, and an \$69.8 billion provision to provide a one-year patch to prevent over 20 million Americans from being exposed to the alternative minimum tax in 2009. The AMT provision represents nearly 9% of the overall bill. In addition, the bill raises the statutory debt ceiling to over \$12 trillion to incorporate the cost of the bill to the national debt. The net operating loss carry-back provision in the bill (for 2008 only) was trimmed in the final hours of the conference committee to cover small businesses with gross receipts of less than \$15 million.

Supporters of the bill hail it as a strong and rapid response to the economic downturn that will create or save nearly 4 million jobs and provide needed investment in critical areas of our economy and national infrastructure. This includes \$8.8 billion in block grants to states to help manage budget challenges hitting state governments across the country. Opponents continue to decry the overall size of the package (cited as close to \$1 trillion when factoring in interest payments on the debt created), earmarks dropped into the bill in its late stages, and a Congressional Budget Office study showing a significant portion of the resources will not be spent until after 2010 (approximately \$400 billion of the bill will be spent by the end of next year). President Obama is expected to sign the in short order.

## FINANCIAL SERVICES

Earlier this week Treasury Secretary Timothy Geithner unveiled broad outlines of a Treasury Department strategy, dubbed the “Financial Stability Plan,” to address the severe economic downturn and the implementation of the roughly \$350 billion left in the Troubled Assets Relief Program (the actual number of uncommitted funds is closer to \$313 billion). While the proposal received some criticism for not including enough detail, the Secretary laid out a plan to perform a “stress test” to gauge the standing of every financial institution receiving federal assistance (including increased public disclosure) as well as a possibly-\$1 trillion plan to leverage federal funding to encourage private investors to rid lenders of toxic assets handicapping the flow of credit. In addition, Secretary Geithner rolled out an initiative to expand Treasury/Federal Reserve loan capabilities by up to \$1 trillion.

In response to Congressional frustration and criticism that the TARP program or the Treasury have yet to provide direct assistance to struggling homeowners, the Plan includes a \$50 billion TARP commitment to avoid foreclosures, a figure on the low-end of what many in Congress were expecting. During his remarks, Geithner stated, “Our plan will help restart the flow of credit, clean up and strengthen our banks, and provide critical aid for homeowners and for small

businesses. As we do each of these things, we will impose new, higher standards for transparency and accountability.” Before the Senate Budget Committee on Wednesday, in response to several questions about additional TARP funds being needed beyond the remaining second half of the initial \$700 billion, the Secretary responded the Administration was (at this time) not requesting more money for the program.

In a highly anticipated hearing before the House Financial Services Committee this week top executive from eight banks that received a total of \$165 billion in TARP money endured strong criticism from Committee members concerned over issues ranging from executive pay and bonuses to the lack of accountability shown by companies to the need to increase their lending practices. While having little consequence in the big picture of the financial services industry, the hearing allowed a number of House members to express building frustration (among the general public and in Congress) with TARP-recipients the lack of transparency and accountability of companies receiving federal financing.

Federal Reserve Chairman Ben Bernanke testified before the Committee a day earlier, detailing to members precisely how the Federal Reserve is able to (and has) responded to the faltering economy and credit crisis, as well as efforts to increase its own transparency in the face of public backlash at the lack of oversight of taxpayer money. The Chairman stated that, “recent developments have understandably led to a substantial increase in the public’s interest in the Fed’s balance sheet and programs. For this reason, we at the Fed have begun a thorough review of our disclosure policies and the effectiveness of our communication... I firmly believe that central banks should be as transparent as possible, both for reasons of democratic accountability and because many of our policies are likely to be more effective if they are well understood by the markets and the public.”

On Thursday Senator Judd Gregg (R-NH) withdrew his name as President Obama’s nominee to head the Commerce Department, citing, “irresolvable conflicts for me...We are functioning from a different set of views on many critical items of policy.”

## HEALTH CARE

Among several health related provision included in H.R. 1 is a significant federal subsidy (65 percent) on premium payments of unemployed workers authorized by the Consolidated Omnibus Budget Reconciliation Act for 9 months (\$24.7 billion); a 6.2 percent increase in the Federal Medical Assistance Percentage distributed to states (\$87.7 billion); and a 27 month extension on four critical Medicaid regulation delays—case management, school-based services, provider taxes, and a regulation on transportation services (\$105 million). Additionally, the conference agreement expands the Office of the National Coordinator of Health Information Technology, and sets standards for nationwide Health Information

Technology adoption with the goal of moving a majority of the nation's physicians and hospitals to HIT adoption within 10 years (\$19 billion). H.R.1 temporarily increases Disproportionate Share Hospital (DSH) Payments by 2.5 percent above FY09 funding levels (\$460 million), and provides a 6 month extension of Transitional Medical Assistance (\$1.3 billion).

A top New England Council priority, funding for the National Institutes of Health, received a substantial boost in the stimulus package, receiving \$8.5 billion for biomedical and disease research, as well as an additional \$1.5 billion for renovations at university research facilities.

## ENERGY/ENVIRONMENT

Both conventional and alternative energy programs receive significant boosts, totaling well over \$40 billion, in the economic stimulus bill. The conference agreement dedicates \$11 billion for "smart-grid" programs in order to modernize and increase the reliability of the electricity infrastructure. H.R. 1 also includes \$2.5 billion for renewable energy and energy efficiency research programs and \$6 billion in loan guarantees for the development of wind and solar energy projects and ways to deliver power to consumers. The Joint Committee on Taxation estimates the total amount of tax incentives contained in the stimulus bill for energy programs is over \$6 billion over the next five years and nearly \$20 billion through 2019.

Secretary of the Interior Ken Salazar announced an extension of the planning and public review period for a plan to explore the possibility of energy exploration in the Outer Continental Shelf. The five-year plan to develop possible OCS oil and gas resources calls for the opening of up to 300 million acres offshore to oil and gas leasing between 2010 and 2012. The plan was proposed by the Department of the Interior in the last days of the Bush administration and included a timetable for public review that was set to end on March 23. Sec. Salazar believes more time is needed before opening the area to oil and gas leasing. "To establish an orderly process that allows us to make wise decisions based on sound information, we need to set aside the Bush Administration's midnight timetable for its OCS drilling plan and create our own," he said. During the extended review period, Sec. Salazar plans to hold four regional conferences to hear testimony on the energy possibilities for the coasts, Alaska, and the Gulf of Mexico. These could include offshore wind, wave, and tidal resources in addition to the oil and natural gas included in under the Bush plan. He also issued a call to the U.S. Geological Survey and other departments to gather all their relevant information on offshore resources within 45 days in order to determine where seismic testing should be conducted.

## EDUCATION

Conferees for H.R. 1 included \$500 Pell grant increase, effective in the next school year (2010-2011) and added \$200 million for the College Work-Study program. The final package also included a \$2,500 education tax credit to increase college access for families making less than \$160,000.

One of the largest sections of the bill, and one that received a great deal of attention from competing interests in the House and Senate, is a \$53.6 billion State Fiscal Stabilization Fund, that can be used preventing cutbacks and layoffs, school modernization, public safety, and school construction. The measure also pluses up federal programs such as Head Start, Title I, and special education.

### TRANSPORTATION

The economic stimulus legislation contains significant funding for transportation infrastructure, but also a requirement that the money be used to put people back to work quickly -- mandating that 50% of highway and bridge funding be obligated within the next four months. Specific areas of focus include: transportation bridge and highway construction projects (\$27 billion); energy-efficient transportation projects; and water and safety and environment restoration projects to begin. The bill also provides \$8.4 billion for public transit; \$9.3 billion for rail, including Amtrak and intercity rail; and \$1.5 billion in transportation investment grants to state and local governments.

### TECHNOLOGY

Although a tax provision to encourage an increase in broadband internet capabilities was jettisoned prior to the final agreement, the conference agreement for H.R. 1 does include \$7.2 billion to extend broadband service into underserved areas. In addition, conferees included \$3 billion for the National Science Foundation and \$2 billion for science programs at the Department of Energy.

### TRADE

The Trade Adjustment Assistance program, which is more likely than ever to get reformed and reauthorized in the 111th Congress, is expanded in the stimulus bill to cover tens of thousands of new workers over the next few years.

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