



**Weekly Washington Report
January 22, 2010**

Next Week in Congress

The House has a short work-week next week, tackling a pair of smaller land and water bills before President Obama heads to Capitol Hill on Wednesday evening to deliver his State of the Union Address. The House will be out of session on Thursday and Friday as House Republicans convene for their annual issues retreat. The Senate will continue debate on its debt limit ceiling increase (see below) and the subsequent debate over the establishment of a commission to address long-term entitlement reform and the national debt. The Senate may also vote on re-nomination of Federal Reserve Chairman Ben Bernanke.

Budget/Appropriations

As expected, Senate debate over an increase in the federal debt ceiling appears to hinge on the creation of a long-term deficits commission pushed by a significant number of Senate members over the last several years. However, the agreement reached by the Administration and Congressional leaders earlier this week included the creation of a Presidential Commission by Executive Order with non-binding assurances that any commission recommendations would be addressed by Congress in their entirety. The ability to force lawmakers to grant any bipartisan recommendations an up-or-down vote without amendment was the foundation of an earlier bipartisan proposal by the Chairman and Ranking Member of the Senate Budget Committee. Senator Judd Gregg (R-NH), the Budget Committee's Ranking Member, summed up his opposition to the Presidential Commission agreement by saying "without the statutory structure to guarantee an up or down vote, nothing can be accomplished. It wouldn't be able to limit amendments or require Congress to vote on any recommendations the commission might produce. The White House would have full control of the commission, and its recommendations would most likely go nowhere." The agreement also includes a statutory pay-as-you-go budget rule (similar to one already approved by the House) previously opposed by the Chairman of the Budget Committee, Senator Kent Conrad (D-ND), for its broad exemptions for a handful of significant initiatives totaling billions of dollars. The Senate will continue debate next week on a larger bill to increase the debt by \$1.9 trillion to

\$14.3 trillion which will likely carry the federal government through November's elections.

Healthcare

After the election of Republican Scott Brown to Massachusetts' Senate seat formerly held by Senator Edward Kennedy, Democrats were forced to reevaluate strategies for passing healthcare reform while holding only 59 seats in the Senate, leaving them vulnerable to Republican filibustering. Many Republicans saw in state Senator Brown's election a public judgment on the healthcare bills passed by the House and Senate, and argued that both versions should be dropped. Senator Chris Dodd (D-CT) disagreed: "to abandon the effort because of a loss in Massachusetts last night would be the worst possible option," he said. While many House Democrats disagree with certain provisions of the version of the bill passed by the Senate ([H.R. 3590](#)), several have suggested that passing it in its current form may be their best option to pass any health reform legislation. On Thursday, House Speaker Nancy Pelosi told reporters that she doesn't believe the House will pass the Senate bill, even if it means the legislation will ultimately fail. Even after a long struggle to sell the bill to House Democrats, "in its present form without any change, I don't think it is possible to pass the Senate bill in the House," she said.

If the House does decide to take up the Senate bill as it is, Democratic leadership will likely also have to see to it that a "corrections" bill addressing any remaining House concerns passes Congress, probably on a budget reconciliation path requiring only 51 votes to pass the Senate rather than 60 to avoid a filibuster. This second bill could mitigate the impact of the Senate bill's excise tax on high-cost insurance plans, something President Obama promised the labor unions when they voiced concerns over the cost to middle-income workers. Many members, both Republican and Democrat, strongly object to a provision that fully funds Medicaid for the state of Nebraska with federal money. The deal, made to win a "yea" vote from Senator Ben Nelson (D-NE), would cost each state \$35 billion dollars between 2017 and 2019, according to the Congressional Budget Office. Other possible options to move healthcare reform legislation include a scaled-back version of the health reform bill, or a series of separate bills that contain the more popular provisions of the legislation.

In an interview with ABC news on Wednesday, President Obama advised legislators to "move quickly to coalesce around those elements of the package that people agree on." House Majority Leader Steny Hoyer (D-MD) included among possible popular provisions insurance market reform, efforts to help small businesses and control costs, closing Medicare's prescription drug coverage gap, and basing Medicare reimbursement on quality of care rather than quantity. Some moderate Republicans as well as Democrats favor starting over with a new bill. Senator Susan Collins (R-ME) said Wednesday that she hopes the White House will "work with a bipartisan group of senators to achieve a consensus bill that would have wide support" rather than force one of the current bills through the House. Meanwhile, several groups, including the progressive advocacy

group Health Care for America Now, have urged Democrats in Congress not to abandon comprehensive healthcare reform. In an email to 5 million of its members, the more strident MoveOn.org wrote that the election of Scott Brown in Massachusetts was not a backlash against the proposed health reform legislation but because members weren't going far enough in their reforms. "Voters don't feel like Washington is delivering on the change they voted for in 2008," the organization wrote, and "caving on healthcare reform will only make that worse."

Energy/Environment

After the global climate summit in Denmark in December failed to achieve a binding, multi-national agreement, attention turns back to Congress on energy issues and the possibility of action on a cap-and-trade bill. Although the energy bill passed by the Senate Environment and Public Works Committee late last year is not scheduled to be brought to the Senate floor in the near future, the issue of a national cap on greenhouse gas emissions remains a hot topic on Capitol Hill. However, yesterday Sen. Lisa Murkowski (R-AK), the Ranking Member on the Senate Energy and Natural Resources Committee, offered a stand-alone resolution of disapproval in response to the possibility the Environmental Protection Agency will circumvent Congress and use findings under the Clean Air Act to issue sweeping cap-and-trade emissions regulations. The resolution, co-sponsored by 35 Republicans and 3 Democrats, could attract enough support by tapping into concern among lawmakers that the EPA could enact an emissions reduction plan without Congressional input – leaving lawmakers to bear the brunt of the ramifications. The resolution is also immune to traditional Senate filibusters, meaning it would be free of having to overcome the 60 vote threshold, and is given privileged expedited attention.

Beyond the policy implications of the legislation, there appears to be little likelihood the bill approved by the EPW Committee (S. 1733) will see Senate action anytime soon given it is now in the legislative queue behind healthcare, financial services reform, a job creation/stimulus measure, and possibly immigration reform. However, a narrower energy bill, like the one approved by the ENR Committee in 2009, may attract enough support. Such a measure could include federal resources for renewable and energy efficiency programs, an increased renewable energy standard, an expansion of offshore energy drilling, and a larger federal commitment to nuclear power.

Earlier this month the Administration announced it is awarding \$2.3 billion in Advanced Energy Manufacturing Tax Credits for 183 projects in 43 states (including 4 New England states) to develop renewable energy and energy efficiency manufacturing projects. The program, a joint Treasury/Energy Department initiative, is funded through last February's economic stimulus bill, and is designed to foster a "robust domestic manufacturing capacity to supply clean and renewable energy projects," including the development of Smart Grid technology and improving building efficiency projects. The Energy Depart-

ment believes the \$2.3 billion federal investment will leverage private capital and equal over \$8 billion in funding for alternative energy manufacturing.

Financial Services

Bipartisan negotiations continue in hopes of striking a compromise on financial services industry reform legislation in the Senate Banking Committee. One of the main issues of contention continues to be the creation of a Consumer Financial Protection Agency (CFPA) included in the measure passed the House in December ([H.R. 4173](#)). The CFPA is designed to regulate financial products readily used by consumers, such as credit cards and mortgages. While negotiations have centered on folding the CFPA into a pre-existing agency, the Administration seems firm in its position that a strong entity must be created to protect consumers in the financial services arena.

The Administration announced another financial services-related initiative this week it would like to see included in any comprehensive reform package, unveiling a [proposal](#) to limit the size and scope of financial institutions in order to put the brakes on “excessive risk taking and to protect taxpayers.” According to the White House, the two-pronged plan states that no bank or lending institution “will own, invest in or sponsor a hedge fund or a private equity fund, or proprietary trading operations unrelated to serving customers for its own profit,” while the second half will “place broader limits on the excessive growth of the market share of liabilities at the largest financial firms, to supplement existing caps on the market share of deposits.” The announcement comes a week after the White House called for institutions of a certain size to pay a “Financial Crisis Responsibility Fee” in order to make up some of the federal expenditures lost under the Troubled Asset Relief Program. The [fee](#) would be levied on approximately 50 financial institutions with at least \$50 billion in assets in order to “recover every single dime the American people are owed,” according to President Obama. In supporting documents the White House noted that “many of the largest financial firms contributed to the financial crisis through the risks they took, and all of the largest firms benefitted enormously from the extraordinary actions taken to stabilize the financial system. It is our responsibility to ensure that the taxpayer dollars that supported these actions are reimbursed by the financial sector so that the deficit is not increased.” The fee is expected to raise \$90 billion over a 10-year period and \$117 billion over 12 years.

Earlier this month, the Financial Crisis Inquiry Commission held its first full-slate of [public hearings](#) to better understand the confluence of events (including the rise and fall of the subprime lending market) that lead to the 2008 severe economic downturn. During its Capitol Hill hearings, the Commission, which is expected to create a comprehensive report by mid-December, heard from the heads of the FDIC, SEC, and the Justice Department, as well as a handful of the nation’s largest banks and investment houses. In his opening remarks, Commission Chairman Phil Angelides summarized the underlying importance of the body by saying “people are angry. They have a right to be...I see this commission as a proxy for the American people...This forum may be the only opportuni-

ty to have their questions asked and answered. This forum may be our last, best chance to take stock of what happened –so that we can learn from it, and restore faith in our economic system. If we ignore history, we’re doomed to bail it out again.”

Technology

After its expiration on Dec. 31, the Research & Development tax credit is a target for retroactive extension in the coming weeks. Late last week the Research & Development Credit Coalition, a group of more than 100 trade, professional associations, and private businesses benefiting from the credit, called on President Obama to include a permanent extension of the R&D credit in his Fiscal Year 2011 budget outline (the President called for the permanent extension in his initial budget last year). The Coalition stated that a strengthened and permanent credit “will help maintain the United States as a world leader in R&D – a vital engine for the creation of high quality jobs that will support economic recovery in our nation,” while noting a recent report from the Organisation for Economic Cooperation and Development showing “the United States twenty-third in terms of competitiveness.”

Just prior to Christmas [Howard A. Schmidt](#) was appointed by President Obama as the new White House Cyber-security Coordinator. Schmidt is charged with synchronizing and strengthening cyber-security policy across the federal government, from the military to civilian agencies, and determining to what extent the federal government will have the ability to oversee private networks. The cyber-security coordinator position officially reports to the National Security Council and the National Economic Council. Schmidt has over 40 years of experience in various government, law enforcement, and corporate positions in the industry and was a cyber-security advisor to the Bush Administration. Following a two-month review of federal cyber-security policies last spring, the Administration announced the need for a “cyber czar” but approached several initial candidates who passed on the position.

Earlier this month the Chairman of the Federal Communications Commission (FCC) formally requested a one-month extension on the submission of the FCC’s National Broadband Plan, previously mandated by the economic stimulus bill to be sent to Congress in February. The plan, now expected in mid-March, will be a multi-year blueprint strategizing ways to significantly expand broadband Internet access into underserved areas and reform related funding mechanisms. The Chairman cited the extraordinary importance of the FCC’s work and the size and scope of the report, saying in a letter to the Chairman and Ranking Members of the House and Senate Commerce Committees “the Commission makes this request in the interest of advancing a national broadband plan that reflects the extraordinary importance of the task and that is responsive to the unprecedented record developed during the comment and workshop period.”

Transportation

Last week, the Obama Administration announced that it was changing the guidelines for the funding of transit projects. The new funding initiative, entitled “New Starts and Small Starts,” will provide grants through the Federal Transportation Authority to State and regional entities for new or extended projects in heavy and light rail, bus rapid transit, and other modes of public transit. The new guidelines reflect an increased focus on projects that promote “livability,” rather than the previous Administration’s ultimate priorities of cost effectiveness and reduced commuting time. “We want to base our decisions on how much transit helps the environment, how much it improves development opportunities and how it makes our communities better places to live,” Transportation Secretary Ray LaHood said to reporters last Wednesday. Grant award decisions will still factor in cost and shorter commutes, but they will no longer be made primarily to maximize commute time reduced per dollar spent. Transit advocates point out that past budget priorities disadvantaged slower light rail projects in particular, in favor of continued highway expansions. Speaking in front of the Transportation Research Board, Secretary LaHood said that the new priorities would enable many streetcar projects across the nation and encourage coordination between the Departments of Transportation and Housing, as well as the Environmental Protection Agency. According to LaHood, \$1.5 billion in economic stimulus funds will soon be distributed to support these “innovative” projects across the country, in addition to \$8 billion in grants for high-speed passenger rail. He tied the expansion of high-speed rail to job creation, saying that “more than 30 rail industry manufacturers and suppliers have promised to establish or expand their base of operations in the United States if they’re chosen by the states to build America’s new high-speed rail lines.” A second stimulus bill passed by the House last fall, would earmark “a robust investment” for a variety of transportation projects, LaHood said. The Senate is expected to take up the \$75 billion Jobs for Main Street Act this month.

The Associated Press released an analysis of transportation spending from the first stimulus bill, concluding that the funds – over \$20 billion – spent on road and bridge projects failed to lower local community unemployment rates and eased only a little of the economic strain on the construction industry. Transportation Secretary LaHood responded to the report in his blog, arguing that “DOT-administered stimulus spending is the only thing propping up the transportation construction industry.” House Transportation Secretary James Oberstar (D-MN) and Transit Subcommittee Chairman Peter DeFazio (D-OR) also contested the findings of the AP report, noting that \$19.7 billion was being spent on transportation projects as of November 30, 2009, directly creating or preserving more than 250,000 jobs.

In the wake of the attempt to detonate a bomb aboard a plane flying from Amsterdam to Detroit on Christmas Day, President Obama outlined new national guidelines for airline safety. 16 “corrective actions” for the Department of Homeland Security (DHS), the State Department, and intelligence agencies include enhanced and more widespread use of screening technology at airports and a review of the process for selecting names for terrorist watch lists. President Obama also called for intelligence agencies to improve cooperation and intelligence-sharing, and for the DHS to develop new aviation

security enforcement guidelines. The Transportation Security Administration plans to install full-body scanners at many of the nation's airports, although some aviation experts, including former DHS inspector general Clark Ervin, say that the 500 U.S. airport checkpoints with only metal detectors will be vulnerable to terrorists carrying non-metal explosives. The full-body scanners have also raised privacy concerns over the detailed images of the body that they produce. The Senate Homeland Security and Governmental Affairs Committee held the first in a series of hearings on how aviation security might be improved in light of the recent bombing attempt on January 20.

Higher Education

The House Committee on Science and Technology held a hearing Wednesday in anticipation of the reauthorization of the America COMPETES Act, which authorized \$33.6 billion for STEM education and research programs for fiscal years 2008-2010, as well as grant programs for teacher training and early-career researchers in the STEM fields. Committee Chairman Bart Gordon (D-TN) emphasized the importance of federal investment in STEM education and research in order to ensure the nation's competitiveness. "In order to create a sustained, well-educated workforce for an innovative economy, we need to establish sustained funding streams for these programs," he said. On the same day, the National Science Foundation released their [biennial report](#) on science and engineering indicators, focusing on the fields of education and research. The report indicated that while science and engineering higher education in the U.S. is drawing an increasing number of students and mathematics assessments show continuing improvement among fourth and eighth graders, gaps in achievement and access to highly trained K-12 teachers remain.

As part of the Obama Administration's "Educate to Innovate" campaign, it was announced earlier this month that over \$250 million has been set aside in public-private funds to improve the nation's [STEM education](#) programs. Various studies have shown that American students are not keeping up with competitors in these fields, which have been so crucial to U.S. economic leadership in the past century. Citing the need to keep pace with education achievement in other nations, the President noted that "one assessment shows American 15-year-olds now ranked 21st in science and 25th in math when compared to their peers around the world. That's not acceptable." In order to make the U.S. economy more competitive, the "Educate to Innovate" initiative seeks to prepare more than 10,000 new math and science school teachers over five years and provide on-the-job training for an additional 100,000 others in order to decrease this knowledge gap. Major funding for the program has been provided by universities, high-tech businesses, and philanthropic institutions. The \$250 million in funds and in-kind resources are in addition to the more than \$260 million pledged this past November when the campaign was first launched.

On January 13, a new Congressionally-mandated report on the 2002-2003 Head Start program was released, detailing the program's impacts on cognitive and social devel-

opment, health, and behavior of about 5,000 3- and 4-year-olds. The Head Start program was established in 1965 to assist in the social and cognitive development of low-income children and increase their chances of success in school. Mandates from the 2007 reauthorization of the program, as well as Administration goals to close achievement gaps and promote early learning for the nation's at-risk children, prompted the U.S. Department of Health and Human Services (HHS) to announce plans to improve both the Head Start and Early Start programs. "Research clearly shows that Head Start positively impacts the school readiness of low-income children," HHS Secretary Kathleen Sibelius said, announcing HHS plans to strengthen the early learning programs. Planned reforms include raising the program's standards of performance and accountability, improving teacher and staff training, and collaborating with the Department of Education on early childhood education programs.

Early this month, the Department of Education unveiled a new, streamlined version of the Free Application for Federal Student Aid (FAFSA), designed to be more user-friendly to the approximately 20 million college students who file one each year. Education Secretary Arne Duncan told students and families at Howard University that the shorter, simpler version of the FAFSA should help improve access to higher education, particularly for lower-income families. The previous version was so complicated as to be a "barrier" for some students, Duncan said, but the latest version eliminates many redundant or unnecessary questions based on individual cases, resulting in more streamlined questionnaire.

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