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Next Week in Congress

Senate Democrats are expected to roll-out multiple job creation bills next week, starting with a shorter-term measure rumored to be in the \$80 billion range that could include a \$5,000 tax credit for net job creation and possibly eliminating capital gains taxes for small businesses. The bill will likely be quite different than the measure (H.R. 2847) passed by the House in December. Without a clear way forward on its comprehensive healthcare reform, next week the House looks to begin moving smaller piece-meal parts of the overall health bill, and could also clear a debt limit increase bill approved by the Senate earlier this week (see below). The House may also address a bill to make improvements to the National Science Foundation. President Obama's Fiscal Year 2011 federal budget blueprint is expected on Monday.

Budget/Appropriations

In advance of President Obama's Fiscal Year 2011 outline being released, Congressional Budget Office (CBO) Director Doug Elmendorf [testified](#) on Capitol Hill this week that "aggressive action on the part of the Federal Reserve and the fiscal stimulus package enacted in early 2009 helped moderate the severity of the recession and shorten its duration." However, one of the drawbacks to such recovery efforts are their effect on the budget deficit, saying "if current laws and policies remain unchanged, the federal budget would show a deficit of about \$1.3 trillion for fiscal year 2010," about 9.2% of gross domestic product. Elmendorf continued that projected deficits average "about \$600 billion per year over the 2011-2020 period."

CBO's prediction of an additional \$6 trillion in annual deficits over the next 10 years was met with an Administration announcement it would seek to freeze discretionary spending for the next three years with exceptions for defense, homeland security, foreign affairs, and veterans programs. However, despite Administration support, earlier this week the Senate rejected an effort by the Chairman and Ranking Member of the Senate Budget Committee to create a congressional commission to study long-term budget deficits and a primary driver of deficits – entitlement accounts. The New England Congressional delegation was largely split in [their votes](#), with opponents concerned likely solutions to entitlement challenges include increases in revenue or changes to benefit structures.

In his State of the Union address on Wednesday evening, President Obama, who eventually backed the Senate measure, stated he will issue an executive order creating a Presidential Commission to study the issue. However, Congress would not be required to act on any recommendations reached by the commission. The leaders of the Budget Committee attempted to add the creation of the commission to a bill raising the federal debt limit \$1.9 trillion to \$14.3 trillion. The Senate successfully passed the debt limit increase yesterday [along party lines](#). Once the amended Senate bill passes the House, the \$1.9 trillion increase should be sufficient to meet federal deficit obligations through November's election.

Healthcare

During his State of the Union address Thursday night, President Obama acknowledged the difficulty Congress had in trying to pass comprehensive healthcare reform legislation, and urged them to put partisanship aside and not to give up on reform. He named several priority goals for the legislation, including lower premiums, coverage for the uninsured, an effective Medicare program, lowering the federal budget deficit, and ending abuses by insurance companies. President Obama also acknowledged that as the political struggle over healthcare continues, the public is becoming frustrated and several polls have shown that support is waning.

Several interest groups that favor the healthcare overhaul held a news conference on Wednesday and pressed congressional Democratic leadership to pass the version of the bill that cleared the Senate sooner rather than later. At the same time, they suggested the House move a “corrections” bill, which would require only 51 votes rather than a filibuster-proof 60 in order to pass the Senate, to amend the Senate version to satisfy House Democrats and the Administration. This strategy is one of several that have been in discussion, but many House Democrats are reluctant to pass the Senate bill in its current form. Speaker Nancy Pelosi gave her support to the two-track method to resolve the House bill ([H.R. 3962](#)) with the Senate bill but said that any reconciliation would have to be agreed upon by both chambers before the House took up the Senate bill. She also named the excise tax on high-cost insurance plans and the federal funding for Nebraska Medicaid won by Senator Ben Nelson (D-NE) as two key sticking points that would prevent the Senate bill from picking up enough votes to pass the House. Senate Majority Leader Harry Reid (D-NV) and others have proposed using budget reconciliation rules to pass new legislation with a simple majority, but several key moderates including Senator Joseph Lieberman (ID-CT) expressed reservations about voting for new legislation. Senate Majority Whip Richard Durbin (D-IL) added that using budget reconciliation may delay the legislation until April.

In a move to further the reconciliation process, House Democratic leadership drafted a number of proposed changes to the Senate healthcare bill that would increase its cost by \$300 billion. House Democrats defended the changes, saying the \$300 billion estimation was too high and did not take into account the possibility of replacing some taxes eliminated by the changes – notably the \$150 billion excise tax on high-cost insurance plans – with new ones. Other changes desired by House Democrats that would add to the bill’s price tag include \$38 billion to bridge the Medicare prescription drug coverage gap and \$23 billion for additional Medicaid funding. The response from Senate Democrats was not favorable; many objected to pushing the legislation’s cost above \$1 trillion and considered the list of changes unreasonable and less than a good faith attempt at reconciling the two bills.

Members from both parties of the House Energy and Commerce Committee called for President Obama to release documents and details of any deals made with representatives from the healthcare industry in a meeting in May of last year. The President emerged from the meeting with a promise from healthcare companies, including hospitals, doctors, insurers, drug companies and unions, to reduce industry spending growth by 1.5 percent per year over the next ten years. Industry groups then submitted a proposal for reforms that they said would save up to \$2 trillion over ten years, and hospitals and drug companies committed to putting tens of billions of dollars toward the cost of comprehensive healthcare reform. Eight months later, members of Congress are demanding to know what concessions the White House may have made in return, besides pledging support for aspects of the legislation that would add 30 million to the ranks of the insured. However, Committee Chairman Henry Waxman (D-CA) did not support a resolution by Congressman Michael Burgess (R-TX) requiring the Administration to turn over documents and materials related to healthcare reform, saying the resolution was too broad and that an inquiry would be inappropriate due to the Administration’s cooperation in releasing some documents.

Energy/Environment

Earlier today the Secretary of Energy announced the expected creation of a Blue Ribbon Panel to study solutions to the problem of safe, long-term storage of spent nuclear fuel promised by the federal government in the early 1980’s. The panel is headed by former Congressman Lee Hamilton and former Congressman and White House advisor Brent Scowcroft and is a result of Majority Leader Reid and the Administration’s actions to end development of the Yucca Mountain federal unified federal storage facility. Late last year the New England Council called on the Department of Energy to ensure any panel includes an expert on the challenges faced by decommissioned plants currently storing nuclear waste in lieu of a unified federal facility.

Many political observers were looking to President Obama’s address on Wednesday as a signal of his intent to push an energy bill in Congress this year, with or without a greenhouse gas emissions reduction program. The President spent considerable time discussing the importance of a vibrant and growing clean energy industry, saying “no area is more ripe for such innovation than energy,” but that to stimulate job growth “we need more production, more efficiency, more incentives...providing incentives for energy-efficiency and clean energy are the right thing to do for our future – because the nation that leads the clean energy economy will be the nation that leads the global economy. And America must be that nation.” However, the President did not mention “cap-and-trade” during his address, and his support for including such a program will be critical if a nationwide cap-and-trade program is to be passed in the coming years.

In the short-term the Senate continues to look at ways to negotiate a compromise on a larger energy bill, with or without a cap-and-trade component. Currently, a trio of senators, including Sens. John Kerry (D-MA) and Joe Lieberman (ID-CT) are exploring options in both the renewable and conventional energy sectors that

Sen. Lieberman (I-D CT), are exploring options in both the renewable and conventional energy sectors that could receive support from both sides of the aisles. These ideas include creating a renewable energy standard, as well as support for the nuclear energy industry, an increase in off-shore oil and gas exploration, and a commitment to carbon sequestration technologies. Early drafts of jobs legislation on Capitol Hill also include possibly as much as \$10 billion for energy efficiency programs.

Yesterday the Senate approved a bill by voice-vote ([S. 2799](#)) to punish international companies involved in certain business practices with Iran's petroleum industry. While Iran has enormous petroleum resources, it lacks sufficient refining capabilities to manufacture gasoline. The measure would empower the White House to sanction such firms (or waive sanctions) that passed a threshold of commercial energy activity in Iran. However, State Department officials have testified on Capitol Hill that the Administration hopes to retain as much flexibility diplomatically and economically when dealing with Iran, and in the past has shown reticence to support a measure like S. 2799. The Senate bill is broader than its House counterpart, and is expected to return from a joint House/Senate conference committee with more extensive crack-downs on human rights violations.

Financial Services

Treasury Secretary Tim Geithner testified before the House Oversight and Government Reform Committee this week over specific Administration efforts to stem the near collapse of the financial services industry. Members expressed bipartisan discontent over decisions made regarding how insurance giant American International Group would settle debts with partners and to what extent the identity of those partners should be made public. Secretary Geithner defended the federal response, saying there was no time for a prolonged and drawn-out debate and that immediate action was critical, "We faced the following options: let AIG default on these contracts; continue to lend AIG money so it could meet its obligations; or restructure these contracts so that we could stop the hemorrhaging, and potentially recover value for the taxpayers in the future." A large number of both Republicans and Democrats leveled blistering criticisms at the Treasury Secretary for not imposing more significant "hair-cuts" on obligations (being met by federal assistance) owed to AIG partners.

Secretary Geithner wasn't the only architect of U.S. financial policy whose actions came under scrutiny on Capitol Hill this week. Yesterday the Senate confirmed Ben Bernanke for another term as the Chairman of the Federal Reserve, 70-30, three days before his term was set to expire. The 30 opposing votes were a record

high for a Federal Reserve chairman confirmation. A number of Senators warned that if Bernanke's nomination was rejected, financial markets would have suffered, and that the economic downturn was far shallower because of Bernanke's actions. However, strong bipartisan criticism was leveled at the Chairman during Senate floor debate (even among those that voted to confirm), blaming the Federal Reserve for failing to anticipate the full impact of the subprime mortgage collapse and the resulting economic downturn, and for focusing on the health of financial institutions without providing adequate relief to American families.

Among the New England Senate delegation, there were opposing views on the chairman's confirmation. Senators Judd Gregg (R-NH) and Chris Dodd (D-CT) issued a joint statement last week on their confidence that Federal Reserve Chairman Ben Bernanke would be confirmed by the Senate for a second term. "Chairman Bernanke has done an excellent job responding to one of the most significant financial crises our country has ever encountered. We support his nomination because he is the right leader to guide the Federal Reserve in this recovering economy," they said in the statement. On the other hand Senator Bernard Sanders (I-VT) was one of the most vocal opponents of Chairman Bernanke's confirmation. In a letter to fellow senators he wrote, "No one can deny that Mr. Bernanke, as chairman of the Fed, was asleep at the wheel while Wall Street became the biggest gambling casino in the history of the world and hurtled into insolvency—at enormous cost to our country."

Technology

President Obama's choice for the White House cyber-security coordinator made his first public comments this week on the state of federal cyber-security efforts and the challenges ahead. At a State of the Net event sponsored by the Congressional Internet Caucus, Howard Schmidt assured attendees that cyber-defense efforts are being taken seriously by this Administration, and although the coordinator position reports to the National Security Agency and the National Economic Council, that he will have appropriate access to White House decision-makers. Schmidt also commented he has been meeting with key Congressional leaders to discuss cyber-security bills moving through various House and Senate committees, although he did not comment on a preference or opposition to any specific bills. Both the Senate Homeland Security Committee and Commerce Committee have begun distinct efforts to create a blueprint for federal cyber-security actions. However, the bills diverge when enumerating power to the White House and the Department of Homeland Security.

Federal Communications Commission Commissioner Meredith A. Baker also [spoke](#) at the conference, providing an update on the FCC's National Broadband Plan. Commissioner Baker spoke specifically to two of the FCC's expected recommendations, "Universal Service and Intercarrier Compensation reform," along with changes to spectrum policy. Acknowledging that changes to traditional funding mechanisms may raise significant opposition, Baker commented that "Hard choices will have to be made and not all vested interests can be satisfied. But I believe we must repurpose the more-than-\$7 billion Universal Service Fund for the broadband era." Second, recognizing that access to wireless Internet services are becoming far more critical than several years ago, Baker noted "the United States needs a comprehensive approach to spectrum policy that expands upon proven flexible, market-oriented policies that facilitate spectrum access, wireless innovation, and competition. Our policy should achieve two overarching objectives: make the best use of the spectrum that is available today and get as much additional spectrum into the market as possible to meet the current and future demands of wireless consumers." The FCC's final recommendations to Congress are due in mid-March.

Immigration reform continues to linger in the background of discussion of major policy initiatives tackled by Congress this year. President Obama gave it only a glancing mention during his State of the Union address on Wednesday, saying "we should continue the work of fixing our broken immigration system – to secure our borders and enforce our laws, and ensure that everyone who plays by the rules can contribute to our economy and enrich our nation." Proponents of immigration reform will be hard-pressed to categorize immigration reform as a job creation or economic recovery measure at a time when unemployment rates remain high, threatening its chances for significant attention in the coming months.

Transportation

Transportation

At a town hall meeting in Tampa, FL on Thursday, the [Administration announced](#) the award of \$8 billion in grants to expand and improve rail service. The grants are part of the \$787 billion economic stimulus and will be divided among 13 routes in 31 states around the country. The largest grant went to California, which will receive \$2.25 billion for the development of four sections of a high-speed rail line that could eventually span 790 miles. The electric trains would run on a double track with no crossing points to hinder speed, allowing trains to reach maximum speed above 200 miles per hour. Out of almost \$2.6 billion for rail projects in the Midwest, \$1.1 billion will go to increase the speed of passenger trains between Chicago and St. Louis to 110 miles per hour. Long-needed projects in the Northeast Corridor (NEC) between New York and Washington, DC, including the expansion of a tunnel in Baltimore to allow trains to travel at higher speeds and the addition of a station at BWI, will receive \$112 million. The route between Boston, MA and Portland, ME will be extended to Brunswick with a grant for \$35 million. Awards for high speed intercity passenger rail for the entire [Northeast region](#) totaled over \$1 billion. 24 states originally submitted applications for 45 rail service corridors, and large projects in Washington, North Carolina, and Florida will also receive funding. State and local officials in the New England states were undeterred by their relatively small share of the grants – less than \$200 million, or about 2 percent of the national total – and determined to move ahead with rail projects by seeking funding from other sources. On top of the [\\$8 billion in rail grants](#), Congress has also approved \$2.5 billion that has yet to be awarded. After requesting an additional \$1 billion a year for five years in last year's budget, it is also likely that President Obama will ask for further rail funding when he announces his new budget proposal next week.

The House Transportation and Infrastructure Committee announced the rankings of states based on how many highway projects funded by the stimulus bill were under way. [Maine](#) was ranked No. 1, with 100 percent of highway stimulus projects started and in progress. The American Recovery and Reinvestment Act originally required funding to be awarded to only “shovel-ready” projects, and some members of Congress are frustrated at the often slow process of allocating and spending federal dollars. One of the reasons Maine was able to deploy its stimulus funds so quickly was doing extensive prep work so projects would be ready to go as soon as the grants were approved. Other states were more cautious about waiting for approval before investing time and money into projects where further funding was uncertain.

On Tuesday, the Department of Transportation announced a [prohibition on text messaging](#) for commercial, interstate truck and bus drivers. Drivers who send text messages from hand-held devices while operating a commercial vehicle over 10,000 pounds may incur civil or criminal penalties of up to \$2,750. Texting while driving is illegal in nineteen states and the District of Columbia, with an additional 10 states also restricting novice drivers from texting. The federal ban went into effect immediately following the announcement, and several industry groups have voiced their support. Secretary of Transportation Ray LaHood has been pushing for restrictions on texting and cell phone use while driving, and this new prohibition comes on the heels of an executive order banning federal employees from sending text messages with government-owned phones or while in government-owned vehicles.

The Federal Aviation Administration [released a report](#) on Tuesday concluding that government and private industry initiatives have succeeded in making the nation's commuter airlines safer. The FAA report largely credits an increase in government oversight of pilot training and the carriers' efforts to keep better tabs on weaker pilots for the improvement in safety. Following the crash of a commuter plane in Buffalo, NY last February, the FAA committed to rectifying policies that may have hindered overall safety, including low wages, inadequate pilot training, lack of discipline in the cockpit, and inadequate limits on flight time.

Higher Education

In his State of the Union address to Congress on Wednesday night, President Obama characterized high-quality, accessible education as the key to a revitalized workforce and a stronger economy. He cited the tax relief and federal funding provided by the stimulus bill as having saved two million jobs, including 300,000 education workers. In looking forward to the reauthorization of the Elementary and Secondary Education Act (ESEA), the President stressed the need for extensive education reform that “raised student achievement, inspires students to excel in math and science; and turns around failing schools.” The \$1 billion in funding he hopes to get from ESEA would be in addition to \$3 billion in new funding that the Administration has planned for the Department of Education's 2011 fiscal budget. The President also urged Congress to support the nation's institutions of higher education, singling out the nation's community colleges as “a career pathway to the children of so many working families.” Citing the importance of an affordable college education, President Obama praised the House for passing [H.R. 3221](#), which would “end the unwarranted taxpayer subsidies” to private lenders and bring student loans directly under the federal government. He noted that the savings from this change would be used in part to increase Pell Grants and fund a \$10,000 tax credit to families paying for

a four-year college education. In addition, the President voiced support for reforms in student loan repayment, only requiring students to spend 10 percent of their income on debt repayment with the debt being forgiven after 20 years or after 10 years if students go on to work in public service. President Obama added that the institutions themselves have a role to play in making college more affordable, and called on colleges and universities to “get serious about cutting their own costs.”

On Monday, President Obama announced several new proposals focused on helping the nation’s middle class, including easing the burden of paying for higher education. Speaking before the Task Force on Middle Class Families, President Obama called for student federal loan payments to be limited to 10 percent of their income above a basic needs threshold. Vice President Biden, who heads the task force, added that the average student now graduates with \$23,000 in debt. The continuing struggle to pass comprehensive healthcare reform may be forestalling student loan reform. Senator Tom Harkin (D-IA), chairman of the Senate Health, Education, Labor and Pensions Committee, said last week that his committee is delaying action on the Student Aid and Fiscal Responsibility Act in case the decision is made to pass individual healthcare provisions under a budget reconciliation rule that would also apply to the student loan bill. Meanwhile, there is growing resistance from private lenders and others who do not want to see banks cut out of federal student financial aid, as well as unified opposition from Republicans and concern from several Democrats. On Wednesday, advocates gathered at a [colloquy on community colleges and economic opportunity](#) sponsored by the Center for American progress. Attendants came out strongly in support of the American Graduation Initiative, part of the larger student loan bill, and urged the Senate to pass the bill sooner rather than later. The measure would provide over \$12 billion for investment in community colleges over the next decade, and sets a goal of 5 million more graduates of two-year degree programs by 2020.

The National Center for Research in Advanced Information and Digital Technologies received \$500,000 in funding through the Department of Education to make research grants for the development of education technology. Lawrence Grossman, who co-chairs the organization, compared its work to “what the National Science Foundation does for science... and what N.I.H. does for health.” The organization will look to finance projects like computer simulations to train firefighters and educational video games for students. They plan to supplement government funding with private funds, and could begin awarding grants by this fall.