

# THE NEW ENGLAND COUNCIL

## **Weekly Washington Report**

Friday, March 14, 2008

### **Next Week in Congress**

Congress begins its two-week Easter recess on Monday. The House and Senate will reconvene in the week of March 31. The *Washington Report* will return Friday, April 4.

### **Federal Budget**

The House and Senate passed respective versions of a Fiscal Year 2009 budget this week, and a unified budget won't be produced by a conference committee for several weeks. However, this week's activity sets up what is sure to be a contentious appropriations process that is either fraught with disagreements between the White House and Congressional leaders on overall spending levels – or is punted until a new Administration is in place. Both House and Senate versions of the budget exceed President Bush's request for FY09 discretionary spending by over \$20 billion.

Although the budgets are non-binding, debate in both chambers focused on the extension of certain 2001 and 2003 tax cuts, many of which have expired or are set to expire by 2010, as well as the future of the alternative minimum tax. The House passed its measure 212-207, while the Senate cast 44 roll call votes before finally approving its budget 51-44.

### **Financial Services**

This week, two influential Congressional leaders, House Financial Services Committee Chairman Barney Frank (D-MA) and Senate Banking Committee Chairman Chris Dodd (D-CT), unveiled a proposal to significantly increase the role played by the federal government (through the Federal Housing Administration) in helping to alleviate the housing market downturn. Without introducing specific legislation, Frank and Dodd unveiled the details of a plan, the "HOPE for Homeowners Act of 2008," that would provide the FHA up to \$300 billion to back the refinancing of troubled homeowners into FHA-backed mortgages as long as the original lender voluntarily agrees to reduce the loan's outstanding principal to bring it more in line with the home's market value. According to a summary provided by the House Financial Services Committee (which cautioned that details could change before the bill's formal introduction), this program could help with potentially between 1-2 million existing loans. Frank noted a Congressional Budget Office score has not been completed on the overall cost, although he estimated it could be close to \$5 billion over 5 years.

## **Education**

On Wednesday, the House passed legislation (S. 2733) that will extend the programs under the Higher Education Act of 1965 by a vote of 411-4. The Senate passed the same bill by voice vote on March 7<sup>th</sup>, soon after Senator Edward Kennedy (D-MA) introduced it. The extension is through April 30<sup>th</sup>, 2008. Negotiations regarding the two versions of HEA reauthorization legislation will continue between the House and the Senate after the chambers return from their March recess.

## **Health**

The Medicare Payment Advisory Commission released its annual March report on Medicare payment policies at the beginning of the month. On Tuesday, MedPAC's chairman, Glenn M. Hackbarth, J.D., testified regarding the report's recommendations. The chairman pointed out in his opening statement that, "In our March report, we consider Medicare fee-for-service (FFS) payment policy in 2009 for acute care hospitals, physicians, outpatient dialysis, skilled nursing, home health, inpatient rehabilitation facilities, and long-term care hospitals. We also make recommendations to reform payments for the Medicare Advantage (MA) plans beneficiaries can join in lieu of traditional FFS Medicare." Regarding Medicare's long-term sustainability he continues, "Our March report focuses on policy recommendations that would limit provider updates to create incentives for greater efficiency, reward quality, and modify payment rates to private plans and providers to ensure that we neither overpay nor underpay for key services... Many changes will be needed to achieve long-term sustainability, but changes in Medicare are complex to develop and implement, and the effects are uncertain and unfold gradually. Time, therefore, is of the essence." A copy of the entire report can be found at: [http://medpac.gov/documents/Mar08\\_EntireReport.pdf](http://medpac.gov/documents/Mar08_EntireReport.pdf).

Also on Tuesday, the Senate Health, Education, Labor and Pensions held a hearing to explore how inadequate funding of NIH is disproportionately affecting young life science researchers and how it stifles innovation, a critical issue for the New England region. Witnesses included: Dr. Drew Gilpin Faust, President, Harvard University; Dr. Jill A. Rafael-Fortney, Associate Professor, The Ohio State University; Dr. Edward D. Miller, Dean of the Medical Faculty, The Johns Hopkins University School of Medicine; Ms. Dana Lewis, Student and Diabetes Advocate, American Diabetes Association; and Dr. Samuel M. Rankin III, Associate Executive Director, American Mathematical Society.

## **Technology**

Throughout the week the House and the Senate conducted several hearings of interest to the technology industry regarding a wide range of issues including: scientific research; nanotechnology initiative research; National Institute of Standards and Technology; the National Oceanic and Atmospheric Administration; and the National Science Foundation.

By far, the hearing that received the most attention this week occurred on Wednesday. The House Science and Technology Committee invited Bill Gates, President and CEO of Microsoft to testify at a hearing on competitiveness in the global marketplace as it relates to technology. Mr. Gates urged Congress to support

increases in math and science education funding and research funding. He also focused on the importance of increasing visas for skilled workers (H-1B visas). The Council has long supported all three of these issues, and the hearing brought much needed attention to them, which are critical to the success of New England's innovation economy.

## **Trade**

On Wednesday, the Bush Administration signaled its intention to submit a Columbia free trade agreement to Congress in the coming weeks in hopes of forcing a vote on the trade pact by the end of the year. The agreement, reached in 2006, was negotiated and agreed to under "fast-track" rules which privileges the agreement to an up-or-down vote within 90 legislative days. According to the Office of the U.S. Trade Representative, with Congressional approval of the agreement, over 80% of U.S. goods being exported to Columbia would immediately become duty-free. Colombia is able to export many of its goods to the U.S. duty-free due to the Andean Trade Preference Act, which is operating on a short-term extension. The USTR reports that U.S. goods exported to Columbia totaled \$6.7 billion in 2006, an increase of 23% from the previous year.

Reports indicate that at present the Administration does not have enough support in Congress to approve the measure. Late in the week prominent House and Senate Democrats stated that an expansion of the Trade Adjustment Assistance program should precede any trade agreements. An expansion of TAA, a program to provide assistance and retraining to workers put out of work by "free trade" circumstances, has been passed by the House, but has yet to be taken up by the Senate Finance Committee.

## **Energy & Environment**

During its budget debate on Thursday, the Senate approved an amendment to increase funding for the Low Income Home Energy Assistance Program by \$1 billion in FY09, bringing the total to \$3.5 billion. The President's FY09 budget request cuts funding for the program to \$2 billion (including \$300 million in emergency funding) from the \$2.6 billion (\$600 million in emergency funding) Congress allocated in FY08. The amendment, offset by an across-the-board spending cut (officially a Function 920 offset), received unanimous support from all members of the New England Congressional delegation. The same amendment also increased funding for the National Institutes of Health by \$2.1 billion for a total of \$32.1 billion, a nearly 8.5% increase over last year.

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