



Weekly Washington Report
Friday, May 2, 2008

Next Week in Congress

The House will continue to lay the groundwork for a much-anticipated comprehensive housing bill by taking up two narrower housing bills: the Neighborhood Stabilization Act (H.R. 5818), a bill to provide \$15 billion in federal funding to state and local governments for the upkeep or rehabilitation of foreclosures in their communities; followed by a Federal Housing Administration expansion bill passed by the House Financial Services Committee this week (see below). The House may also tackle a final version of the Farm Bill (if negotiations are finished) as well as an extension of the Higher Education Act which expired this week after Congress was unable to pass an extension. The first Senate vote of the week (Tuesday afternoon) will be to attempt to work on a Federal Aviation Administration reauthorization bill.

Budget/Appropriations

The House and Senate may take divergent paths to complete a war-related Fiscal Year 2008 supplemental appropriations bill. While it appears the House may bypass the traditional appropriations process and bring the bill directly to the floor, Senate strategy is less certain. The Senate Appropriations Committee Chairman indicated he intends to hold a mark-up of a supplemental measure next week that will likely include a number of domestic, non-war-related spending items. However, yesterday the Senate Majority Leader said a final decision has not been made and that they will likely wait and take their cue from whatever emerges from the House. While no final decisions have been stated publicly, the House appears poised to tack-on an expansion of veterans' education benefits to the funding bill for the Iraq and Afghanistan wars, but limit the number of domestic projects contained in the bill (which may also include incentives for renewable energy production, expanded unemployment benefits, and a delay in proposed Medicaid changes). The President has vowed to veto any measure that exceeds his request for a \$108 billion bill – a measure protected from traditional budgetary roadblocks that would constrain its overall price tag. A scaled-back defense supplemental would create a situation where a second FY08 domestic stimulus package could arise in the coming months that contains items that do not move in a war spending bill. Earlier hopes to get the supplemental done by the Memorial Day recess seem to have slipped into June.

Negotiations continue on several matters holding up passage of a Fiscal Year 2009 federal budget. An agreement appears to have been reached to anticipate appropriate revenue raising offsets to go along with a one-year "patch" to the alternative minimum tax, an assumption that will be difficult to pass in the Senate. Another sticking point includes agreement on an overall FY09 appropriations ceiling,

which can be "deemed" to appropriations committees through separate legislation in the event a budget agreement fails to materialize.

Financial Services

On Tuesday, an influential group of Republican senators sent a letter to the Chairman of the Finance Committee to keep his previously-introduced tax-extenders legislation (S. 2886, the Alternative Minimum Tax and Extenders Tax Relief Act) free of any budgetary offsets. The bill extends a number of expiring and expired tax provisions, including a two-year extension of the research and development tax credit that expired at the end of the 2007. Some 41 senators signed the letter, a large enough group to thwart any unwanted attempts to end debate on a tax extender bill in the Senate. The question of whether or not to "pay for" a bill to blunt the reach of the AMT and extend the R&D tax credit will be hotly contested (especially in the House). The Council recognizes the importance of the R&D tax credit to New England businesses, hospitals, institutes of higher education, and other researchers and will continue to support efforts to extend the credit.

The House Financial Services Committee put the finishing touches on a significant expansion of the lending authority of the Federal Housing Administration, voting 46-21 to approve the "FHA Housing and Homeowner Retention Act" (H.R. 5830) on Thursday. The bill, which began its mark-up last week, will provide the FHA up to \$300 billion to back the refinancing of troubled homeowners into FHA-insured 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. The program would sunset after two years (with the possibility of shorter-term extensions) and limits participation to owners refinancing their primary residence. The homeowner must also agree to divide any profits realized from future home appreciation with the government. HFSC Chairman Barney Frank (D-MA) anticipates rolling H.R. 5830 into a larger housing bill in the coming weeks that includes tax credits and reforms for Government-Sponsored Enterprises Fannie Mae and Freddie Mac. Chairman Frank commented that he hopes his bill will, "restore some stability to the housing market, put liquidity back in the market, and not interfere with the market, but help restore it."

Senate Banking Committee Chairman Chris Dodd (D-CT), introduced a measure this week crack down on abusive practices by credit card companies and increase consumer education on the use of credit. Sen. Dodd said the "Credit Card Accountability, Responsibility and Disclosure Act" is, "aimed at stopping credit card practices that drag consumers into staggering amounts of debt, and too often harm, rather than help, the ability of American families to move up the economic ladder." The measure (among other provisions) will increase oversight of the credit card industry to ensure greater compliance with regulations; alter the way credit card companies can increase rates (especially factoring in reasons unrelated to the use of that particular credit card) and how those rate increases are applied to the outstanding debt; gives consumers more time to submit payment from the time their bill is received; and prohibits the assessment of many fees currently being assessed on consumers. The American Bankers Association opposes Senator Dodd's bill, commenting this week that, "The credit card industry shares Congress' commitment to promote consumer protection and responsible business practices...However, broad legislative solutions come with consequences, often to the detriment of consumers.

We have serious concerns that this legislation could hurt much-needed consumer access to credit.”

Executives for many of the nation’s largest credit card companies have been somewhat frequent visitors to Capitol Hill as witnesses before Congressional committees to explain their billing and financial practices. Legislation in the House, The Credit Cardholders’ Bill of Rights (H.R 5244), has received significant attention in the House and has garnered 108 cosponsors. Late this week the Federal Reserve and a pair of federal agencies proposed rule changes to, “prohibit savings associations from engaging in unfair or deceptive acts or practices regarding credit cards.” In a summary from the Treasury Department’s Office of Thrift Supervision, the changes are divided into seven sections for abusive credit card practices, including making changes to give consumers greater turnaround time to pay their balance, as well as imposing greater restrictions on the ability of companies to raise interest rates and what portion of the debt may be subject to those higher rates. The National Credit Union Administration joined the Federal Reserve and OTS in the proposal, which will soon be open for a public comment period.

Energy & Environment

Finger-pointing continued this week in Washington over which party is to blame for the continued rise in gas prices. An initiative to bring some relief to the gas pump that has gained wide bipartisan support is a temporary halt in the purchase of crude oil stored in the nation’s Strategic Petroleum Reserve. The SPR is a government-owned stockpile maintained as a safeguard against disruptions in the supply of oil to the U.S. market. In addition to a stand-alone measure (S. 2598, the Strategic Petroleum Reserve Fill Suspension and Consumer Protection Act), it appears there is enough support in the Senate to offer a moratorium on SPR purchases as an amendment to a number of bills that may come before the Senate. Under differing proposals SPR purchases would resume either when the price of crude oil drops below a price floor or after a designated period of time. On Tuesday 16, Republican senators (including three members of the New England delegation) sent a letter to President Bush urging him to, “immediately halt deposits of domestic crude oil,” into the SPR. The letter continued that, “Temporarily halting deposits to the reserve can provide some relief because the increased supply of oil available for refinement will send the right signal to all markets that the U.S. Government will take measures necessary to address exorbitant crude oil prices that negatively affect the global economy.”

A temporary suspension of the federal gas tax (18.4 cents/gallon) has been floated on the presidential campaign trail, and by several members in Congress, but the idea was opposed by the Speaker of the House and House Majority Leader on separate occasions this week. During a Tuesday press conference, President Bush vowed to review the possibility of a gas tax holiday, and again called on Congress to increase domestic energy production by allowing exploration in portions of the Arctic National Wildlife Refuge. Several members expressed concern that any suspension of the gas tax could have significant ramifications on the federal highway trust fund, which will receive scrutiny next year during the surface transportation bill reauthorization. A number of conservation, energy efficiency, and domestic production measures are sure to be introduced and receive attention as gas prices exceed an average of \$3.60 a gallon nationally (according to the latest Energy Information Administration report) and the price of a barrel of crude oil, a significant determinant of the cost of gas,

remains above \$110 (almost topping \$120 this week). Energy packages may also include investigative initiatives directing various government agencies to identify and eliminate price gouging and other undesirable economic activities, as well as a windfall profits tax on oil companies.

Another week-long extension was needed to continue existing farm programs beyond this week. Although Congressional negotiators believe they have a framework for the five-year reauthorization bill, the White House continues to object to what it sees as weak mechanisms to stop wealthy farmers (with different rules for farmers deriving their income from their farm practices and for farmers receiving income from other activities) from collecting government subsidies. The Farm bill also carries the reauthorization of several U.S. Department of Agriculture wildlife and habitat conservation programs (including the Conservation Reserve Program) which are taking on greater importance as the price of many farm commodities continues to rise and farmers see increased revenue from farmable acreage.

As the price of corn continues to increase (as well as products that include corn), sporadic calls are cropping up to reexamine the growth in demand thrust on the agriculture industry by Congress when it passed an energy bill with sweeping Renewable Fuels Standards just a few months ago. The mandate requires significant increases in the use of biofuels, reaching the production of 36 billion gallons a year by 2022, 15 billion gallons derived from corn. The House Majority Leader earlier this week expressed support for decreasing subsidies extended to producers of ethanol.

Higher Education

On Thursday the House cleared the Ensuring Continued Access to Student Loans Act (H.R. 5715, 388-21), sending the legislation to President Bush, who is expected to quickly sign the bill. According to officials in the Department of Education, in order for H.R. 5715 to be effective, it must be enacted by July's peak lending season. The final bill was an amended version passed by the Senate by voice vote on Wednesday.

The bill aims to ensure college students have access to student loans at a time when private lending companies are pulling out of the college loan business. The measure will help reduce student's reliance on high-cost private loans by increasing the number of federally backed student loans and increasing federal loan limits. The bill allows the Department of Education to buy up loans that lenders are unable to sell as securitized debt which supporters argue will attract lenders back to the market, expands access for parents to federal PLUS loans by allowing payment to be deferred until after the student has graduated, and ensures that those affected by the mortgage crisis can still qualify. The bill also works to improve the Federal Family Education Loan program and strengthens the "lender of last resort" initiative.

While the Senate was able to clear another extension of the Higher Education Act (giving negotiators through May 31 to agree on a deal), the House was unable to do the same, allowing the HEA to lapse until a short-term extension can be agreed upon. The law is needed to govern federal funding for colleges and universities. The Senate passed an HEA reauthorization bill (S. 1642) unanimously in July, while the House approved its version (H.R. 4137) in early February by greater than a 6-1 margin.

Transportation

Even after the removal of a contentious provision surrounding several airlines' defined-benefit pension plans, progress still stalled on a Federal Aviation Administration (FAA) reauthorization bill that was before the Senate this week. The measure, H.R. 2881, reauthorizes the ability of the FAA (currently operating under a short-term extension) to raise funding for its operations for four years, including its transition to a more modern air traffic control system, as well as increase communications between airlines and passengers in the event of delays and requiring procedures to accommodate delayed or stranded passengers. In response to recent incidents of several major carriers grounding jets for immediate safety inspections, and the flying a handful of planes without required safety checks, the bill strengthens FAA safety procedures. On Thursday the Senate Majority Leader sent the bill back to the Senate Finance Committee in hopes of working through a main point of contention – a non-FAA-related modification of the Highway Trust Fund and its subsequent budgetary offset – with hopes bringing debate on the overall bill to a close on Tuesday. The White House has announced a veto threat against the bill for ignoring its preferred method of funding FAA upgrades.

Health Care

Senate opponents of a bill that will delay seven new Medicaid regulations (The Protecting the Medicaid Safety Net Act, H.R. 5613) successfully prevented supporters from quick action this week. The measure, passed in the House last week by a veto-proof margin of 349-62, would delay new regulations from the Bush Administration and given the objections to the bill in the Senate, may be attached to a war supplemental in the coming weeks. The White House, in recognition of opposition for the Medicaid regulations changes, has offered to delay two of the seven opposed changes -- one reducing Medicaid payments to public hospitals and another ending the reimbursement of resident and intern salaries by Medicaid at teaching hospitals.

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