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### APRIL 26 - 30: THIS WEEK

The House reconvened on Monday, April 26, and is expected to consider a temporary extension of bill of programs under the Small Business Act and the Small Business Investment Act as well as legislation concerning the political status of Puerto Rico this week.

The Senate also reconvened on Monday and will continue to consider the financial regulatory

reform overhaul this week. **Senate Majority Leader Harry Reid (D-Nev.)** filed a motion for Monday's failed cloture vote to be reconsidered on Tuesday, April 27, and a new cloture motion could be voted on Wednesday, April 28.

### Budget/Appropriations

**House Majority Leader Steny Hoyer (D-Md.)** announced during the week of April 19, that the House will consider a FY 2010 Supplemental Appropriations bill for war funding and disaster relief to Haiti sometime before the Memorial Day recess. The administration has requested an additional \$33 billion to support defense spending in Iraq and Afghanistan and \$2.8 billion for aid in Haiti.

On Thursday, April 22, the **Senate Budget Committee** approved the FY 2011 budget

resolution which included an amendment by **Ranking Member Judd Gregg (R-N.H.)** to create a point of order requiring 60 Senators to vote in favor of spending more than 20 percent of savings found under reconciliation on new programs. The resolution will not reach the floor until after the Senate finishes its business with financial regulatory legislation. Democratic leadership in the House hope to pass a budget resolution before the Memorial Day recess.

### Banking/Financial Services

Negotiations continue on the financial regulatory overhaul bill, as Republicans blocked further action by voting against cloture late on Monday, April 26. Majority Leader Reid filed a cloture motion Thursday, April 22, despite warnings of filibuster. Republicans cite concerns over vague legislative language that they say might lead to more taxpayer funded bailouts of failed banks. On Wednesday, April 21, **Sens. Sherrod Brown (D-Ohio), Bob Casey (D-Penn.), Ted Kaufman (D-Del.)** and **Sheldon Whitehouse (D-R.I.)** introduced a measure to combat "too big to fail" by banning banks from holding more than 10 percent of the nation's deposits, as well as liabilities other than deposits totaling more

than 2 percent of the nation's gross domestic product. They hope to present this bill as an amendment once the Dodd bill reaches the Senate floor.

On Wednesday, April 21, the **Senate Agriculture Committee** voted 13-8 to approve **Chairwoman Blanche Lincoln's (D-Ark.)** bill to overhaul the over-the-counter derivatives market. **Ranking Member Saxby Chambliss (R-Ga.)** stated his optimism at reaching a bipartisan agreement, but Republicans remain staunchly opposed to the bill's proposal to force banks to divest their derivatives trading desks. Only one Republican, **Sen. Charles Grassley (R-Iowa)** voted in favor of the current bill.

### Defense

At a hearing of the **Armed Services Subcommittee on Strategic Forces** on Wednesday, April 21, House members and Defense Department officials expressed concerns over the long-term viability of space technology suppliers, which they say could weaken military and intelligence programs. As demand for specialized components declines, suppliers are not able to remain competitive and

the number of qualified personnel has also dropped. **Rep. Michael Turner (R-Ohio)** also cited the rising cost of rockets if the Obama administration terminates NASA's Constellation program. The Defense Department has recently proposed that Congress help create an agency to review exports of sensitive technologies which will help U.S. suppliers compete overseas.

## Energy/Environment/Climate Change

The Senate climate change bill was set to be unveiled on Monday, April 26. However, negotiations collapsed over the weekend when **Sen. Lindsey Graham (R-S.C.)** pulled out of the talks over his displeasure at reports that Majority Leader Reid planned to bring immigration reform legislation to the floor before the climate change bill. Sen. Graham, who is working with **Sen. Chuck Schumer (D-N.Y.)** to develop an immigration overhaul bill, said last week that a deal is far from complete and energy should be next on the Senate's agenda. **Sens. John Kerry (D-Mass.)** and **Joe Lieberman (R-Conn.)** voiced regret that the climate change bill had to be delayed but Kerry called the postponement temporary.

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## Health Care

On Monday, April 26, Dr. Donald Berwick was nominated by President Obama to be Administrator of the Centers for Medicare and Medicaid Services ("CMS"). Despite his credentials as the current President and CEO of the Institute for Healthcare Improvement along with a professorship at Harvard Medical School and Harvard School of Public Health, his confirmation process may be slowed due to partisan battles over the health care overhaul.

The week of April 19, **Health and Human Services Secretary Kathleen Sebelius** testified before the **House Appropriations Subcommittee on Labor, Health and Human Services, and Education**, regarding the Administration's proposed FY 2011 budget for HHS. As outlined by the budget, approximately \$911 billion will be allocated and it advises \$81 billion in discretionary budget authority. The Obama administration does not aim to seek further funds in next year's HHS budget to execute the new health care reform law.

A new bill giving the Department of Veteran's Affairs the ability to expand its assistance to family members of veterans was voted by the House 419-0. **S. 1963, Caregivers and Veterans Omnibus Health Services Act of 2009**. The bill grants new benefits and financial support for primary live-in caregivers of seriously wounded veterans who served in the Iraq and Afghanistan wars.

Last Thursday, April 21, the Congressional Budget Office ("CBO") released a forecast that about 4 million people could face fines for not buying health insurance once the bill goes into full effect in 2016. Fines of \$695 or 2.5 percent of income (whichever is greater) would be administered on those who do not attain health insurance. It is also outlined in the report that the majority of those fined would come from households making more than 400 percent of the federal poverty level, and the fines could raise \$4 billion a year in revenue.

The week of April 19, CMS also issued a report declaring that the reform bill would cost \$828 billion over the next 10 years while saving \$577 billion. It concluded that the number of uninsured would decrease from 57 million to 23 million. At the same time, the report cautioned that the increase in demand for health care services would be challenging to meet with the current health resources. Eventually, this shortage could lead to price increases, cost shifting or other changes in providers' willingness to treat patients with low-reimbursement health coverage.

## Insurance

On April 19, the American Council of Life Insurers ("ACLI") sent a letter to Senators regarding concerns with the "Volcker Rule" provisions in the Senate financial regulatory reform legislation. The letter signed by the CEOs of 21 insurance companies, states that the Volcker Rule provisions as written would, among other things, cause severe damage to the fundamental business model of life insurance holding company systems that contain ancillary depository institutions. Having an ancillary depository institution in the corporate family enables companies to offer comprehensive financial protection services that are seamless from the customer's perspective and much less expensive than what would otherwise be available according to the ACLI.

In an April 21 statement, the Insurance Information Institute ("III") warns that subjecting insurers to bank style regulation would constitute a significant policy error. According to Dr. Robert Hartwig, an economist and president of the III, bank style regulation could needlessly raise insurance costs for hundreds of millions of insurance consumers and would unfairly require insurers to subsidize the reckless lending practices and speculative activities of failed banks.

On Thursday, April 22, **Rep. Maxine Waters (D-Calif.)** introduced **HR 5114, the Flood Insurance Reform Priorities Act of 2010**. The bill extends the National Flood Insurance Program ("NFIP") to September 2015, increases coverage limits, provides for a five-year delay in the effective date of the mandatory purchase requirement for new flood hazard areas and makes other changes to reform the NFIP. The **House Financial Services Committee** has scheduled a markup hearing on HR 5114 as well as **HR 2555, the Homeowners Defense Act of 2009**, and **HR 1264, the Multiple Peril Insurance Act of 2009** for April 27. HR 1264 sponsored by **Rep. Gene Taylor (D-Miss.)** amends the NFIP to add coverage for windstorms. HR 2555 sponsored by **Rep. Ron Klein (D-Fla.)** establishes the National Catastrophe Risk Consortium, directs the Secretary of the Treasury to make contracts for reinsurance coverage available for purchase by eligible state programs and establishes a Federal Natural Catastrophe Reinsurance Fund in the Treasury.

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## Immigration

Both Majority Leader Reid and **House Speaker Nancy Pelosi (D-Calif.)** settled on making immigration reform a priority in an agenda discussion the week of April 19. Currently, **Sen. Chuck Schumer (D-N.Y.)** is drafting a bipartisan bill with Sen. Graham and has stated that he will not move forward with his bill until he can find two GOP cosponsors. Currently, the plan is for the Senate to pass the bill so that the House has an easier approach to the situation.

Sen. Graham criticized Democrats moving ahead with a bill that he claims to be short-sighted and inadequate. A wide array of advocates of immigration reform have stated that they are prepared to desert the Schumer-Graham bipartisan approach in support of a new Democratic bill.

## Tax

Many Members of Congress who are looking for ways to offset costs in the tax bill are pursuing measures that would make it more difficult for small business owners to evade paying employment taxes. Yet, the terms of the tax provisions remain ambiguous. Nonetheless, a similar provision that would have affected companies classified as S corporations was included in a 2007 proposal. That provision would obligate employees who are also the owners of service businesses to pay self-employment taxes on their profit. Furthermore, the provision was

estimated to raise \$9.4 billion in revenue. This could make a significant dent in the \$27 billion shortfall in the Senate-passed version of **H.R. 4213, American Workers, State and Business Relief Act of 2010**. The S corporation provision is far from being the solo provision considered by tax writers. There is the possibility of modifying the treatment of the “carried interest” earned by private equity managers and venture capitalists and limit some foreign tax credit transactions.

## Trade

Majority Leader Reid stated that it is unlikely that the House will take up any imminent trade deals this year. Historically, both the House and the Senate have approved at least one free trade agreement in a term of Congress. However, for the first time in over a decade this will not occur. Due

to the opposition from labor unions, domestic groups and other individuals, free-trade agreements with Colombia, Panama and South Korea that were signed by President George W. Bush remain delayed.

## Transportation and Infrastructure

A bill strengthening mine regulators’ enforcement powers is being pushed by **Sen. John Rockefeller (D-W.V.)** in light of the 29 workers killed this month. It is likely that he will push for subpoena power for the Mine Safety and Health Administration (“MSHA”) and also press for changes in the way mine owners and operators can appeal unfavorable findings. The Senator has stated that he wants the bill to arrive at the Senate floor by the end of the year.

As soon as the present extension expires at the end of this week, the House is likely to pass another stop-gap extension for Federal Aviation Administration (“FAA”) programs. The **House**

**Transportation and Infrastructure Committee** is drafting a bill that would expand authorization to July 3. This would give Congress until the Saturday before the July 4 recess to complete work on a multi-year FAA reauthorization (**H.R. 1586**) which is awaiting conference. It would highlight previous authorization initially envisioned in the preceding extension bill, but came into argument with language relating to the highway funding that was part of the House bill. It is vague whether the bill being drafted now will be clear of the highway funding language that tied up debate of the previous bill and mandated Congress to ratify a one-month instead of three-month extension.