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FEBRUARY 1 - 5: THIS WEEK

The House reconvened on Tuesday for legislative business. This week they plan to consider legislation increasing the federal borrowing limit. The Senate, which reconvenes on Monday, will focus on nominations. They plan to consider M. Patricia Smith's

nomination to be solicitor at the Department of Labor and Martha M. Johnson, to be Administrator of the General Services Administration.

Budget /Appropriations

This week, President Obama proposed a \$3.8 trillion FY 2011 budget that aims to create jobs and reduce the deficit over the next decade. The budget includes a three year spending freeze on some non-security related programs, limiting spending to the \$446.3 billion provided in the FY 2010 budget. The budget targets more than 100 programs for cuts or elimination. Many policies intended to help create more jobs have already been announced, including \$33 billion in tax incentives for small business to

hire more workers as well as funding for infrastructure and alternative energy programs.

The administration is requesting \$159.3 billion for operations in Iraq and Afghanistan for FY 2011. The budget also includes \$734 million for new explosive detecting equipment at airports and to increase the number of air marshals on international flights.

Banking/Financial Services

On Thursday, the Senate confirmed Ben Bernanke to a second term as Chairman of the Federal Reserve by a vote of 70-30. The 30 no votes, which came from Democratic and Republican Senators, set a record for opposition votes against a Fed chairman.

on February 2 and February 4, regarding new bank rules proposed by the Obama administration. Sen. Dodd hopes to move financial services regulatory reform legislation to formal committee consideration by the end of February or the first week in March.

The **Senate Banking Committee Chairman Christopher Dodd (D-Conn.)** has scheduled hearings

Education

In his State of the Union address, President Obama outlined an education overhaul agenda, including reauthorization of the Elementary and Secondary Education Act. **House Education and Labor Committee Chairman George Miller (D-Calif.)** has said he is committed to getting a reauthorization of the law, also known as No Child Left Behind, completed this year. Some members have raised concerns about scheduling however.

The **Student Aid and Fiscal Responsibility Act of 2009**, HR 3221, which would reform student loans, passed the House last fall, but remains pending in the Senate as several Democrats are concerned about the effect of the overhaul on home-state lenders and state financing agencies.

Energy/Environment/Climate Change

President Obama reiterated his call for comprehensive clean energy and climate change legislation during the State of the Union address. The administration is emphasizing the need for more clean energy jobs and elimination of dependence on foreign oil. Leaders of the climate change bill negotiations in the Senate insist that they are continuing to work together to draft a proposal. **Foreign Relations Chairman John Kerry (D-Mass.)**, who is working with **Sen. Lindsey Graham (R-S.C.)**, and **Sen. Joseph Lieberman (I-Conn.)**, acknowledged last week that the Senate will likely take a different approach than the House on this legislation.

Also, Obama's 2011 budget will include a placeholder for revenue from a comprehensive cap-and-trade climate law, but not a specific dollar figure. In the fiscal 2010 budget, the White House projected raising \$646 billion over a decade through the sale of emissions allowances. However, **Sen. Byron Dorgan (D-N.D.)** said any proposal to spend cap-and-trade revenue is unlikely to pass the Senate.

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Taxes

Senate Democrats are planning to unveil a jobs strategy this week in order to consider eliminating small-business capital gains taxes and other ideas President Obama advocated in his State of the Union address. **Senate Majority Leader Harry Reid (D-Nev.)** said Democrats will announce a plan that includes multiple jobs bills. One idea is to move items generally supported by both parties – small business tax incentives, extending unemployment assistance, health benefits for laid off workers – to avoid opposition from Republicans and fiscally conservative Democrats over using TARP funds to pay for more long-term and extensive tax credits.

House and Senate negotiators are debating whether the Medicare payroll tax should apply to income that is

passed through to shareholders in a business structure formed under subchapter S of the tax code. Their decision could mean the loss or gain of as much as \$40 billion in revenues to pay for subsidies to help low-income individuals and families by health insurance. Senate negotiators want to keep active S corporation income exempt from the payroll tax, fearing that it could be seen as another tax on small business. House negotiators disagree, citing revenue loss, relatively few actual small-business employers that would be affected, and the potential to game the system by register for S corporation status simply to avoid the tax.

Health Care

On Wednesday, **House Speaker Nancy Pelosi (D-Calif.)** said the House should pass the Senate's health care bill and then use budget reconciliation to make changes. However, House and Senate leaders have not yet agreed on what changes should be made, and some Democrats oppose using reconciliation. It is

possible that the House may start moving smaller health care bills forward while also working a bipartisan angle to achieve more comprehensive reform. House leaders are also working on a bill that would repeal the health insurance industry's anti-trust exemption, and this bill may come up for a vote next week.

Immigration

Senate Democratic leaders announced they are planning to press ahead with immigration overhaul. **Sen. Charles Schumer (D-N.Y.)**, chairman of the **Senate Judiciary Subcommittee on Immigration,**

Refugees, and Border Security said on Thursday that he is making progress on a draft bill which he hopes to be a bipartisan effort.

Insurance

House Majority Leader Steny H. Hoyer (D-Md.), in recent remarks regarding the 2010 legislative agenda, indicated that the effort to repeal the antitrust exemption from health and medical liability insurers may be pursued as an independent bill outside the health care reform legislation. Two independent bills, the **Health Insurance Industry Antitrust Enforcement Act, S 1681** and the companion bill, HR 3596, were introduced in 2009 by the chairmen of the Senate and House judiciary committees. All of the co-sponsors of the bills are Democrats.

The American Academy of Actuaries sent a letter (January 21, 2010) to congressional leaders urging policymakers to discontinue efforts to advance the repeal provision. The American Academy of Actuaries said the legislative efforts to strip away the antitrust

exemption for medical professional liability insurers "could preclude data collection and aggregation across companies, limiting competition, and potentially increasing premiums."

Rep. Hoyer has indicated the House will have to work with the Senate on financial reform legislation. The **Wall Street Reform and Consumer Protection Act, HR 4173**, which includes the creation of a federal insurance office and provisions streamlining regulation of surplus lines insurers, passed the House in December. Some of the pieces of HR 4173 were opposed by Republicans. Rep. Hoyer said that any future version of financial reforms may have to appease both parties.