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The Senate votes on nominations and the swearing-in of Sen.-designate Dean Heller (R-Nev.), as John Ensign's successor.

The House considers two bills related to offshore oil drilling permits and leases before taking up the intelligence authorization bill, which would boost the number of CIA counterterrorism analysts, later in the week. The defense authorization bill is marked up by the full House Armed Services Committee.

Banking & Financial Services

Lawmakers who want to delay limits on debit card fees charged to retailers are searching for a new legislative vehicle, after a bill that they had hoped would carry their provision stalled in the Senate on Wednesday, May 4. Sens. **Jon Tester (D-Mont.)** and **Bob Corker (R-Tenn.)** had sought to suspend the new limits on the fees with an amendment to a small-business bill the Senate was considering. But the Senate rejected a cloture motion to cut off debate on the bill, and **Majority Leader Harry Reid (D-Nev.)** signaled that the chamber would move on to something else.

The House Financial Services Subcommittee on Financial Institutions and Consumer Credit approved three bills Wednesday, May 4, that would change the ground rules for a new financial regulatory agency less than a year after it was created. The legislation would establish a commission to run the **Consumer Financial Protection Bureau (CFPB)**, make it easier to overturn rules the agency issues and subject its chairman to Senate confirmation. **HR 1121, the Responsible Consumer Financial Protection Regulations Act of 2011**, would replace the director of the bureau with a five-person commission. **HR 1315, the Consumer Financial Protection Safety and Soundness Improvement Act of 2011**, would make it easier to overturn rules issued by the bureau. And **HR 1667, Bureau of Consumer Financial Protection Transfer Clarification Act**, would require the CFPB to have a director confirmed by the Senate before the agency takes on its new powers. All three bills are scheduled to be heard in the full **Financial Services Committee** on Thursday, May 12.

Rep. Barney Frank (D-Mass.), ranking member on the **Financial Services Committee**, has sponsored a bill to remove the members of the regional Federal Reserve banks from the **Federal Open Market Committee (FOMC)**, which wields tremendous financial power and helps set interest rates.



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Featured Strategies Team Member



Walter B. Smith Jr.
Senior Policy Advisor

Walter B. Smith Jr. has more than a dozen years of legislative and consulting experience in the nation's capital and a strong network of connections in the agriculture, energy, health care and other industries. As a senior policy advisor with Locke Lord Strategies, Smith represents a wide range of clients, from small institutions of higher education to major corporations and a national standards committee on athletic equipment.

Smith's Washington, D.C., experience in fighting for appropriations changes and representing clients before Congress, the administration and state and local governments make him well-prepared to handle important issues as they arise. Smith is well-versed in tracking the regulatory and legislative climate and how it will affect business operations in a variety of arenas.

A native Texan and a Texas A&M graduate, Smith has a master's degree in Agricultural Development and an undergraduate degree in Agricultural Science.

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Defense

Rep. Buck McKeon (R-Calif.), chairman of the House Armed Services Committee, unveiled on Monday, May 9, **HR 1540, the National Defense Authorization Act for Fiscal Year 2012**. Several provisions in the bill are intended to make sure that the Obama administration does not carry out some \$400 billion in cuts over the next 12 years without a careful look at the impact on missions. The bill also would seek to overhaul management of the Pentagon's financial audits. In addition, it would require competition for components through the life of a weapon program. The bill would prohibit the Department of Defense from transferring terrorism detainees from the Guantánamo Bay Naval Base to U.S. soil.

Republicans concerned about federal spending are joining forces with liberal Democrats to build support in the House for conclusion of U.S. military operations in Afghanistan. **Reps. Jim McGovern (D-Mass.) and Walter B. Jones (R-N.C.)** have joined forces on a proposed bill, **HR 1735**, that would require Obama to submit a withdrawal plan to Congress. It would set a withdrawal date and require quarterly reports on the withdrawal's impact on the annual deficit and the cost of servicing the debt.

Energy/Environment/Climate Change

In an attempt to build political momentum to end tax breaks for the oil and gas industry, Democrats plan to force oil and gas company executives to discuss the favorable tax treatment of highly profitable businesses at a Thursday, May 12, hearing. **Senate Finance Chairman Max Baucus (D-Mont.)** scheduled the hearing after a week in which Senate leaders hinted at, but ultimately failed to produce, legislation that would target oil and gas tax preferences, which are estimated to cost the Treasury between \$3.5 billion and \$4.5 billion annually. In an attempt to earn broad support, Baucus would primarily target only the largest oil and gas companies. His plan would prevent big companies from claiming a 6 percent domestic manufacturing deduction and tighten rules that allow some oil companies to offset the cost of foreign royalty payments with a tax credit.

If Congress does not extend some form of federal support for the ethanol industry, it would be a "job-killing" action in rural America, **Agriculture Secretary Tom Vilsack** said Thursday, May 5. Secretary Vilsack acknowledged that Congress is under pressure to cut the federal budget, but said federal support of the ethanol industry translates into jobs in rural America and domestic fuel that helps moderate U.S. gasoline prices. **Energy Secretary Steven Chu**, who was on the call, said lawmakers should view ethanol incentives as one way for the United States to reduce the billions of dollars consumers send to foreign countries for oil.

The **Senate Commerce, Science and Transportation Committee** on Thursday, May 5, approved by voice vote **S 275, the Pipeline Transportation Safety Improvement Act of 2011**. The bill would increase civil penalties for violations of pipeline regulations and would set penalties for violations resulting in a person's death or hospitalization, as well as for those causing environmental damage. It also would create civil penalties for individuals who obstruct investigations or inspections.



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Trade

The House could endorse pending trade agreements with South Korea, Colombia and Panama by the end of the summer, though it will require work on both sides of the aisle, **Speaker John A. Boehner (R-Ohio)** said Thursday, May 5. The Obama administration endorsed the deals — a high priority for the business community — after winning new promises to help promote U.S. beef in South Korea and enforce stronger union protections in Colombia. As a condition for moving ahead with the deals, Democrats are likely to insist on a simultaneous extension of “**trade adjustment assistance**” (TAA) programs that provide benefits to workers who lose their jobs, or see reduced hours or wages, due to imports.

Transportation & Infrastructure

HR 1380, the New Alternative Transportation to Give Americans Solutions Act of 2011, a bill to promote vehicles powered by natural gas, is gaining momentum in the House and may be an early test of Congress’ appetite for legislating new energy subsidies in the deficit-driven political climate. Lawmakers in both parties are lining up to support the bill, which includes a list of tax incentives for natural gas vehicles and associated infrastructure.

On Thursday, May 5, the **Senate Commerce, Science and Transportation Committee** approved **S 453, the Motor Coach Enhanced Safety Act of 2011** by voice vote.

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The House passed on Thursday, May 5, the first in a series of three measures aimed at boosting offshore oil production. **HR 1230, Restarting American Offshore Leasing Now Act**, sponsored by **Natural Resources Chairman Doc Hastings (R-Wash.)** would require the **Interior Department** to conduct offshore oil and gas lease sales in the Gulf of Mexico and off Virginia’s coast. The bill passed by a vote of 266-139, with 33 Democrats joining most of the Republican caucus in support.

Sens. Charles E. Grassley (R-Iowa) and **Kent Conrad (D-ND)** introduced legislation Wednesday, May 4, that would scale back a major industry tax break while continuing other incentives through 2016. They contend their legislation would reduce dependence on foreign oil. They have six cosponsors.

Health Care

The first committee hearing of the year on Thursday, May 5, on fixing the Medicare physician payment system yielded no shortage of ideas — except how to pay for it. The **House Energy and Commerce Committee** largely sidestepped the question of how to pay for a fix, something that tripped up negotiations on even short-term patches last year. Congress acted five times to stop the cuts in reimbursement rates in 2010, ultimately enacting a one-year patch in December. But when that runs out on January 1, 2012, Medicare officials say, payments will drop by 29.4 percent.

Flanked by county government officials worried about the impact of a House Republican proposal to turn Medicaid into a block grant program, a group of Senate Democrats led by **Sen. John D. Rockefeller IV (D-W.Va.)** vowed Wednesday, May 4, to defeat the plan in the Senate. Rockefeller said the proposal to change Medicaid by awarding states a fixed federal contribution for the program would leave low-income children and families vulnerable and would shift costs onto the counties.

The House passed legislation Tuesday, May 3, that would block mandatory funding for a key provision of the 2010 health care overhaul, the second in a series of five Republican measures aimed at “de-funding” the law. The bill (**HR 1213**), sponsored by **Energy and Commerce Chairman Fred Upton (R-Mich.)** would repeal mandatory funding for grants to help states set up health insurance exchanges. The House passed the measure 238-183, with five Democrats joining a unified Republican caucus in backing it.

Insurance

HR 1309 and HR 1573 are scheduled to be heard in the **House Financial Services Committee** on Thursday, May 12. **HR 1309, the Flood Insurance Reform Act of 2011**, would extend the National Flood Insurance Program (NFIP), achieve reforms to improve the financial integrity and stability of the program, and increase the role of private markets in the management of flood insurance risks. **HR 1573** amends the Dodd-Frank Act to facilitate implementation of title VII of the Act (Wall Street Transparency and Accountability Act) to promote regulatory coordination.

On Wednesday, May 4, the **House Subcommittee on Oversight & Investigations Chairman Rep. Randy Neugebauer (R-Texas)** and **Ranking Member Rep. Michael Capuano (D-Mass.)** sent a letter to the **Financial**



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Transportation & Infrastructure

(cont'd.)

The bill would direct the **Transportation Department** to require safety belts on buses within a year of the measure's enactment. It also would require the department to issue other rules either within 18 months or two years requiring buses to be equipped with certain technologies, such as advanced glazing on windows to prevent passengers from being ejected.

Expect the House's surface transportation authorization bill to take a "sharp turn" toward privatization, **Transportation and Infrastructure Chairman John L. Mica (R-Fla.)** said Thursday, May 5. Mica said the bill his committee is drafting will also focus on "devolution to the states." He is focused on drafting the bill with a Memorial Day goal in mind, but acknowledged that it could slip because his staff is working concurrently on finishing up a Federal Aviation Administration reauthorization bill.

Stability Oversight Council (FSOC), asking the FSOC to resubmit the rule on "Authority to Require Supervision and Regulation of Certain Nonbank Financial Companies" for another round of notice and comment, and include in the revised proposal a more detailed description of the decision-making criteria and metrics that are contemplated for the final rule.

The **National Association of Insurance Commissioners Health Reform Solvency Impact Subgroup** has scheduled a Wednesday, May 11, conference call to discuss the medical loss ratio. The **Health Care Reform Actuarial Working Group** has scheduled a Thursday, May 12, conference call to discuss producer commissions in the MLR rebate formula.

Telecommunications

Sen. Rockefeller plans to introduce legislation this week that would mandate a "do not track" option for Internet users seeking more privacy. The bill would compel companies to honor consumers' requests not to be tracked online, subject to Federal Trade Commission enforcement. In those instances, companies would still be allowed to collect any necessary data on users, but eventually would either have to destroy that data or ensure that it could no longer be tied to a particular user.

At a **House Judiciary Subcommittee on Intellectual Property** hearing on Thursday, May 5, Republicans kept up their criticism of the **Federal Communications Commission's** rules on broadband network management practices. Chairman of the subcommittee, **Rep. Robert W. Goodlatte (R-Va.)** argued that antitrust laws should be a sufficient remedy against any broadband carrier that unfairly discriminates in how it handles traffic. **FCC Chairman Julius Genachowski** said that "it's not realistic for America's early-stage entrepreneurs and small businesses" to launch antitrust lawsuits against broadband giants. After the hearing, Rep. Goodlatte told reporters that GOP lawmakers might weigh new legislation to change antitrust law to make such lawsuits easier to pursue.