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APRIL 18-22: THIS WEEK

Both the House and Senate are in recess until May 2, 2011.

Banking/Financial Services

In a letter released Thursday, April 7, the heads of the **House and Senate Agriculture Committees**, the **Senate Banking Committee** and the **House Financial Services Committee** said companies known as commercial end-users should be exempt from more-stringent capital and margin requirements under last year's financial regulatory overhaul law. The companies' use of the financial instruments did not contribute to the 2008 economic meltdown, the chairmen said. The committees share oversight of the commodities markets, with a notional value of \$600 trillion. Tougher requirements could raise the costs for companies, and those costs could ripple through the economy, the lawmakers agreed.

The ranking Democrat on the House Financial Services Committee rejected claims Wednesday, April 6, that he was working on technical fixes to last year's financial regulatory overhaul, a day after the panel's chairman said talks were taking place. **Rep. Barney Frank (D-Mass.)** said he and **Rep. Spencer Bachus (R-Ala.)** had one conversation

several weeks ago regarding a provision on debit cards, but nothing regarding rating agencies, or anything else. Frank did say he would support legislation to postpone the Federal Reserve's deadline for issuing a rule that limits the fees banks can charge retailers for processing debit card payments, also known as interchange fees.

A pair of Republican senators unveiled a bill Thursday, March 31, to rapidly dismantle housing financiers Fannie Mae and Freddie Mac, mirroring a similar effort in the House. Republicans are pressing ahead with the legislation, which would dismantle the mortgage giants within five years, despite strong reservations from the housing industry, Senate Democrats and the White House. **Sens. John McCain (R-Ariz.)** and **Orrin G. Hatch (R-Utah)** said they would sponsor companion legislation to a bill that would end the government's conservatorship of the companies in two years. That measure is sponsored by **Rep. Jeb Hensarling (R-Texas)**.

Education

The **House Education and the Workforce** panel will be ready to write legislation changing parts of the federal education law as early as next month, its chairman said Thursday, April 7. "This is our first of many opportunities to consider specific reforms to help fix what is broken in current law," said **Chairman John Kline (R-Minn.)** during his panel's first hearing to discuss specific changes in the elementary and secondary education law known as

No Child Left Behind. "We have a growing consensus in this committee that NCLB is failing in many ways and needs to be corrected and we need to move forward on legislation." **Senate Health, Education, Labor and Pensions Chairman Tom Harkin (D-Iowa)** has set a goal of having a bill on the floor in that chamber by late spring. Bipartisan negotiations are continuing.

Energy/Environment/Climate Change

A House committee on Wednesday, April 13, approved three bills aimed at boosting oil production off U.S. shores, exactly one week before the anniversary of the Deepwater Horizon oil spill in the Gulf of Mexico. The Natural Resources panel endorsed measures that would expedite the drilling-

permit process **HR 1229, the Putting the Gulf of Mexico Back to Work Act** and require the Interior secretary to conduct oil and natural gas lease sales in the Gulf of Mexico and off Virginia's coast, **HR 1230, the Restarting American Offshore Leasing Now Act**. The committee also backed legislation,

Energy/Environment/Climate Change (cont'd.)

HR 1231, Reversing President Obama's Offshore Moratorium Act that would open up for drilling more acreage within the Outer Continental Shelf, and set a national oil and gas production goal.

Hydroelectric projects, once the black sheep of renewable energy because of their potential to harm fish, are gaining respect in Washington as the White House and Congress look for ways to promote clean sources of energy. The Obama administration announced plans this week to provide \$26.6 million in research and development funding for innovative hydropower technologies and for building facilities at new sites. Late last month, the top Republican on the **Senate Energy and Natural Resources Committee, Sen. Lisa Murkowski (R-Ark.)**, introduced three bills aimed at promoting development of new hydropower projects and improving existing facilities.

The Senate's rejection Wednesday, April 6, of legislation to bar the **Environmental Protection Agency (EPA)** from regulating greenhouse gas emissions dealt a serious — and possibly fatal — blow to one of the top priorities of the Republican anti-regulatory agenda. The Republican-controlled House is poised to pass a stand-alone bill Thursday, April 7, rescinding the EPA authority to regulate emissions under the **Clean Air Act**, but the Senate vote suggests the effort may be futile.

With U.S. production of natural gas booming, a bipartisan group of lawmakers is making a new push for a tax break that would promote gas-fueled buses and heavy trucks. The proposed tax credit of up to \$64,000 would offset 80 percent of a natural-gas-fueled vehicle's higher initial cost, **Rep. John Sullivan (R-Okla.)** said. He estimated that the proposed tax credit would cost about \$2 billion in lost tax revenue over five years.

Senate ethanol supporters succeeded — at least for now — in blocking action on an amendment by **Rep. Tom Coburn (R-Okla.)** to end a \$5 billion a year tax credit that the biofuels industry considers crucial to its success. Coburn backed off Wednesday evening, announcing he had reached an agreement with **Senate Majority Leader Harry Reid (D-Nev.)** to delay offering his proposal. The amendment would end the 45 cents-per-gallon tax credit that refiners get for blending ethanol with gasoline.

Health Care

A fourth Democrat signed onto a bill Friday, April 15, that would repeal an independent panel created in the health care law to curb Medicare spending, bucking President Obama's call to strengthen the panel to achieve even greater savings. **Rep. Allyson Y. Schwartz (D-Pa.)** said the **Independent Payment Advisory Board (IPAB)** cedes Congress' authority to make changes to the Medicare program to unelected appointees.

The **House Energy and Commerce Committee** advanced a series of bills Tuesday, April 5, aimed at blocking funding for key provisions of the 2010 health care overhaul, the latest GOP effort to dismantle the law. Three of the measures, approved along party lines, would repeal mandatory funding under the law for state insurance exchanges, school-based health center construction and the Prevention and Public Health Fund. The other two bills would convert direct appropriations for state teen sex education programs and certain graduate medical education programs to authorizations for appropriations.

Insurance

At the meeting of the **National Association of Insurance Commissioners (NAIC)** on Sunday, March 27, the Professional Health Insurance Advisors Task Force opted to refer the insurance agent/broker commissions medical loss ratio exemption issue back to the Health and Managed Care Committee. The Task Force has asked the Committee to collect, analyze and report on relevant data regarding the level of commissions and/or other payments to producers in the individual, small and large group markets, including, but not limited to evaluating 2010 gross commission or fee payments as a portion of the denominator in the MLR.

On Friday, April 1, the **House Insurance, Housing and Community Opportunity Subcommittee** held a second hearing to discuss **HR 1309, the Flood Insurance Reform Act of 2011**, that would extend the National Flood Insurance Program (NFIP), achieve reforms to improve the financial integrity and stability of the program, and to increase the role of private markets in the management of flood insurance risks. The administrator of the Federal Emergency Management Agency provided testimony. The bill, sponsored by **Rep. Judy Biggert (R-Ill.)**, Chairwoman of the House Insurance, Housing and Community Opportunity Subcommittee, has been referred to the full House Financial Services Committee.

The **House Subcommittee on Oversight & Investigations** held a hearing on Thursday, April 14, regarding oversight of the **Financial Stability Oversight Council (FSOC)**. John Huff, Director of the Missouri Insurance Department and a non-voting member of the FSOC, testified on behalf of the NAIC that the Treasury Department has taken a very narrow and incorrect view of the authorizing language in the Dodd-Frank Act by claiming that he represents the state of Missouri and not the insurance regulatory system. Director Huff voiced his concern that decisions that will impact insurance companies, insurance consumers, and the financial stability of the U.S. will be made without adequate advice and counsel from those individuals who know insurance companies best and how such companies are already regulated.

It has been reported that Rep. Biggert, has stated that optional federal charter legislation will not come to a vote in the current Congress. Biggert indicated that in terms of the insurance sector, her subcommittee is focused on monitoring the establishment of the Federal Insurance Office and the activities of the Financial Stability Oversight Council

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Health Care (cont'd.)

The Obama administration is selling a plan to coordinate Medicare services, and the program's success now rests on whether skeptical seniors will choose to participate. Officials with the **Centers for Medicare and Medicaid Services** on Thursday, March 31, announced proposed rules for accountable care organizations, known as ACOs, that the health care law created. The organizations are intended to get groups of doctors, hospitals and health systems to better coordinate care for Medicare patients. The organizations will create incentives to reward providers if they lower health care costs and meet

quality-of-care standards. The organizations are voluntary for both patients and providers.

The **House Ways and Means Committee** advanced legislation Thursday, March 31, that would bar women from using tax benefits for health care to cover the cost of abortions. The panel approved the bill along party lines, 22-14. **Chairman Dave Camp (R-Miss.)** introduced the bill to clarify the tax implications of a broader measure that would permanently prohibit federal funding of abortions, except in cases of rape or incest.

Tax

House Budget Chairman Paul D. Ryan's (R-Wis.) budget blueprint could set the stage for this year's tax debate. Ryan, who is also a member of the tax-writing **Ways and Means Committee**, is calling for "fundamental tax reform." He has in mind lower tax rates for businesses and individuals and a broader tax base with fewer deductions, credits and exemptions for individuals and corporations. Ryan's outline — typical of budget resolutions — will be short on specific tax proposals. Its revenue projections are likely to assume that the tax cuts enacted in 2001 and 2003, now extended through 2012, will be extended again.

Senior House Republicans are divided over granting a tax break for U.S. companies' overseas profits, fostering a related internal debate about the political prospects for a broader tax overhaul. **Majority Leader Eric Cantor (R-Va.)**, is pushing a temporary tax cut for foreign earnings as a key component of his economic agenda. But the tax holiday for so-called repatriated profits has not been embraced as a stand-alone proposal by the top House Republican tax writer. **Ways and Means Chairman Dave Camp (R-Mich.)** wants to consider a tax break for foreign profits only as part of comprehensive tax legislation.

Trade

Rep. Sander M. Levin (D-Mich.), top Democrat on the Ways and Means Committee urged the Obama administration Tuesday, March 29, to send Congress a trade agreement with South Korea despite Republican threats to delay action on the deal. The trade agreement is a top priority for the White House, and the business community is eager to get it approved. House and Senate Republicans, however, also want the White House to advance trade deals with Colombia and Panama and have warned

Obama not to send lawmakers the Korea deal without the other two in tow. There has been some progress on the Colombia trade agreement. On Thursday, April 7, **U.S. Trade Representative Ron Kirk** and **Deputy National Security Adviser Michael Froman** announced that, as a precondition for implementation of the accord, the Colombian government has agreed to take a series of labor and judicial policy steps in the coming months to address concerns about violence against union members.

Transportation and Infrastructure

The **Senate Finance Chairman Max Baucus (D-Mont.)** suggested that a three-year surface transportation authorization bill may be preferable to a six-year bill if Congress cannot find any new revenue. The comments by Baucus supported suspicions that Senate Democrats might be

preparing a three-year surface transportation bill rather than one that lasts the usual six. Such a move would put the Senate at odds with authorizers in the Republican-controlled House even before either chamber has produced a bill.