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MARCH 22 - 26: THIS WEEK

The Senate reconvened on Monday, March 22, to vote on amendments to the **FAA Reauthorization** bill. Also, the Senate Banking Committee begins mark up proceedings on the **Restoring American Financial Stability Act of 2010**. Later in the week, the Senate will likely consider **HR 4872, the Health Care & Education Affordability Reconciliation Act of 2010**.

The House reconvened on Monday, March 22, to consider a number of bills under suspension of the rules and later this week will take up **HR 4848, the Tax Cut Job Creation Act of 2010** and **HR 4849, the Small Business and Infrastructure Jobs Tax Act of 2010**.

Banking/Financial Services

Last week, **Senate Banking Committee Chairman Chris Dodd (D-Conn.)** unveiled his 1,336 page proposal for financial regulatory reform, following a breakdown in bipartisan negotiations. The bill includes the creation of an independent **Consumer Financial Protection Bureau, Financial Stability Oversight Council**, chaired by the Treasury Secretary, an Office of Credit Ratings at the SEC, and several other provisions aimed at preventing future bailouts and regulating large banks. Chairman Dodd stated that he left the bill clean of exemptions for specific industries, unlike the bill that was passed last year by the House. The Committee

is expected to approve the legislation this week on a party line vote and negotiate changes at a later time but prior to possible floor action

On Friday, March 19, three-month-long talks between **Sens. Jack Reed (D-R.I.) and Judd Gregg (R-N.H.)** on strengthening the rules for over-the-counter derivatives ended without an agreement. The talks attempted to close regulation gaps while allowing companies to continue to safely use derivatives to hedge their risk. The inability to reach a consensus is another roadblock to Chairman Dodd's bill receiving bipartisan support.

Education

Last week, **Education Secretary Arne Duncan** testified before the **Senate Health, Education, Labor, and Pensions Committee** as well as the **House Education and Labor Committee** regarding the newly released blueprint for reauthorization of the **Elementary and Secondary Education Act**. The blueprint for overhauling the law, also known as **No Child Left Behind**, was received with some concern on both sides of the aisle. **Sen. Lamar Alexander (R-Tenn.)**, a former Education Secretary, suggested that the administration should focus on fixing the problems already in the law rather than dealing with the delays of a complete rewrite. Some lawmakers expressed concern about new burdens a reauthorization might put on schools, rather than relieving problems with the current law.

HR 3221, the Student Aid and Fiscal Responsibility Act, an overhaul of student loans amounting to 45 percent less education spending that the version passed last year by the House. The package provides less money for financial aid and community colleges plus no new funding for early education. The student loan overhaul will be financed by \$61 billion in savings estimated by the Congressional Budget Office from making the federal government the originator of all student loans with private companies playing a limited role in servicing loans. The bill directs \$10 billion of those funds to deficit reduction and \$9 billion to offset costs of the health care overhaul, which leaves only \$42 billion for new education spending, compared to the \$77 billion that was in the House version of the bill.

The health care reconciliation package that was released on Thursday, March 18, included

Energy/Environment/Climate Change

Last week, **Sens. John Kerry (D-Mass.), Lindsey Graham (R-S.C.) and Joseph Lieberman (I-Conn.)** circulated an outline of their climate change bill to about a dozen industry heads. The eight-page outline provided new details on their plan including an economy-wide cap on carbon emissions that would begin in 2012, with a target of reducing carbon pollution 17 percent by 2020 and 80 percent by 2050. The plan applies different sets of regulations to different polluting sectors.

In a letter to congressional leaders released on Thursday, March 18, the **Alliance of Automobile Manufacturers** expressed their opposition to efforts to rescind the EPA's authority to regulate greenhouse gas emissions. They argue that rescinding this authority would harm deals made between car manufacturers and the Obama administration to set a national fuel economy standard.

Health Care

Late on Sunday, March 21, the House passed a historic health care overhaul package, previously passed by the Senate in December, which would expand health insurance coverage to an estimated 32 million more Americans. Earlier in the day, President Obama promised **Rep. Bart Stupak (D-Mich.)** and other hold out pro-life Democrats that he would issue an executive order once the law is enacted which provides assurance that nothing in the legislation would permit use of federal funds to cover abortions. This move paved the way for the bill, **HR 3590, the Patient Protection and Affordable Care Act**, to pass the House by a vote of 219-212. A total of 34 Democrats joined all 178 Republicans in opposing the legislation. The House also passed a separate budget reconciliation measure which makes significant changes to the bill reflecting deals reached between congressional Democrats and the White House. The reconciliation measure passed by a vote of 220-211 with 33 Democrats joining Republicans in opposition.

The Senate is expected to take up the bill as early as Tuesday, March 23, under special budget reconciliation rules which will prevent filibusters. However, a large number of Republican amendments are expected to be introduced.

Immigration

On Thursday, March 18, **Sens. Chuck Schumer (D-N.Y.)** and Sen. Graham released the first details of their comprehensive immigration reform bill. The blueprint includes four "policy pillars": (1) a temporary-worker program to fill a limited number of low-skill positions; (2) biometric identification cards to prevent illegal immigrants from getting jobs; (3) strengthening border security and interior enforcement; and (4) implementing a tough but fair path to legalization for immigrants already here. Thousands of protestors packed the National Mall on Sunday, March 21, to encourage lawmakers to pass an immigration reform package this year.

Insurance

Both the life and property casualty industry voiced concerns that the financial services regulatory reform legislation unveiled last week by Chairman Dodd would constitute dual regulation of insurers. The insurance industry seeks to exempt insurers from the "pre-funding" assessment provisions. On Friday, March 19, a group of 10 large property and casualty insurers sent a letter to Chairman Dodd and **Sen. Richard Shelby (R-Ala.)** stating their opposition to the provisions of the legislation "that would shift the cost of failures of financial institutions outside of our sector to our customers." The legislation, similar to legislation proposed in December 2009, also creates a federal office of insurance information and includes surplus lines and reinsurance provisions.

On Thursday, March 18, the **House Subcommittee on Capital Markets, Insurance, and Government Sponsored Enterprises** held a hearing on insurance holding company supervision. A Federal Reserve Board official testified that insurance companies and other financial institutions whose failure could pose systemic risks should be regulated under the same framework used for banks and financial holding companies.

On Wednesday, March 17, the House passed **HR 4851, the Continuing Extension Act of 2010**, which contains an extension of the **National Flood Insurance Program ("NFIP")** through April 30, 2010. An NFIP extension until December 31, is contained in another bill, HR 4213, which passed the Senate on March 10. The current extension of the NFIP expires on March 28. Both HR 4851 and HR 4213 provide for an NFIP extension effective February 28.

Labor, Pensions & Retirements

On Wednesday, March 17, the Senate passed a \$17.6 billion jobs bill, **HR 2847, the Hiring Incentives to Restore Employment Act**, which was signed by the President on Thursday, March 18. The bill includes a payroll tax break for businesses that hire unemployed workers and a \$1000 tax credit if they keep those workers employed for at least one year. It also includes extensions for the surface transportation programs funded by the **Highway Trust Fund, the Build America Bonds** program and generous expensing rules for small businesses.

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Tax

Last week, the **House Ways and Means Committee** approved legislation that would alter the formula for delivering “Recovery Zone Bonds” created in last year’s stimulus bill. Nevada and Texas would be the biggest beneficiaries of the \$2.4 billion provision. The provision is part of a larger \$16.8 billion tax bill approved on Wednesday, March 17, by a vote of 25-15. The formula change would use a

more population-based approach to send the money to areas that have not been hit as hard by the recession. The original formula distributed the money based on the area’s share of the national decline in employment from December 2007 to December 2008. However, some areas that experienced population growth also saw the total number of employed people rise, even if the unemployment rate increased.

Trade

On Wednesday, March 17, the House passed **S 1147, the Prevent All Cigarette Trafficking Act of 2009**, by a vote of 387-25, sending it to the President’s desk for signature. The bill prohibits the U.S. Postal Service from transporting tobacco products, excluding cigars, to consumers within the continental U.S. It also requires tobacco sellers to use shipping methods that verify the recipients are of legal age. The bill is in response to a boom in smuggling of tobacco products that has occurred since taxes increased and the internet became widely used to buy and sell tobacco products. To enforce the bill, it requires shippers and sellers to register with the Justice Department.

On Thursday, March 18, the Senate Judiciary Committee approved **S 148, the Discount Pricing Consumer Protection Act**, a bill that prohibits minimum-price-setting agreements between manufacturers and those selling and distributing their products. The bill is aimed at fostering competition, keeping retail prices low for the benefit of consumers and, ultimately, for the benefit of the overall economy. The bill came in response to a 2007 Supreme Court decision that found that price fixing was not always in violation of antitrust laws.

Transportation and Infrastructure

On Wednesday, March 17, the House voted to temporarily extend **Federal Aviation Administration (“FAA”)** and to modify the distribution of certain highway funds about to be delivered to states. The bill, HR 4853, would change how certain funds for highway, mass transit, and road safety bills would be distributed under the jobs bill that was passed by the Senate earlier in the day. The bill would distribute funding based on the state’s share of the fiscal year 2009 highway funding. The bill also extends certain FAA authorities for three months, including the ability to collect ticket and cargo taxes to fund aviation programs.

On Friday, March 19, the Senate cleared the way for final action on the FAA reauthorization bill to occur Monday, March 22. The Senate reached a deal that may still allow a vote on proposals to expand flights at Ronald Reagan National Airport. The agreement reached

allows for a debate between **Sen. Mark Warner (D-Va.)** and **Minority Whip Jon Kyl (R-Ariz.)** on the contentious issues of expanding flights out of the airport, which was the last major obstacle for passage. If a compromise cannot be reached after debate, the Senate will vote on an amendment by **Sen. John Ensign (R-Nev.)** that would allow carriers with existing slots at the airport to transfer up to 15 round-trip flights out of the existing 1,250 mile perimeter, but would open no new slots. However, the amendment requires 60 votes for passage. The current perimeter and limits on flights were put in place to protect smaller regional airports and to require most international flights to fly out of Dulles. The House-passed version of the bill (**HR 915**) already contains language expanding long-distance flights. The House version also contains a labor provision that would make Fedex more like UPS, under the law, making it easier for their employees to organize.