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The House considers several bills related to veterans' programs, moving on to a defense authorization measure later in the week, with involvement in Afghanistan expected to play a large role in the debate.

The Senate takes up a bill that would give a four-year extension to provisions of the 2001 anti-terrorism law known as the Patriot Act that are set to expire when the Senate departs at the end of the week for a weeklong Memorial Day recess. The House also might take up a version of the legislation this week.

House Ways and Means holds a hearing on corporate tax rules.

After last week's votes on oil company taxes and offshore drilling, Senate Energy considers a raft of non-controversial measures.

Appropriations season cranks up with a full House committee markup of the Homeland Security and the Military Construction-VA spending bills. The Agriculture panel has a markup slated on its bill.

Banking & Financial Services

Sen. Jon Tester, (D-Mont.), author of **S 575, the Debit Interchange Fee Study Act of 2011,** which would delay for two years new limits on the fees that banks charge retailers for processing debit card payments, said Wednesday, May 18, he would support a new proposal to delay the fees for 15 months and study the issue. Tester and his supporters are making the move in the hope of winning more support in the Senate. A spokesman for **Majority Leader Harry Reid (D-Nev.)** said the Senate would vote on Tester's proposal this Congress, though Reid would personally oppose it.

An early draft of the **Consumer Financial Protection Bureau's** first regulation is aimed at the mortgage market, which was largely blamed for the financial crisis that led Congress to create the bureau. The new agency released prototypes of a new form that combines longstanding disclosure requirements from a 1968 lending law and a 1974 real-estate law in an effort to reduce paperwork for both businesses and consumers.

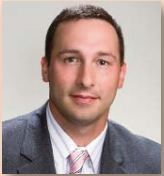
House Republicans on Friday, May 13, unveiled their latest round of bills to constrain **Fannie Mae** and **Freddie Mac,** though many may be non-starters in the Democrat-led Senate. The package includes measures to limit federal contributions to the struggling mortgage companies, curb some of their activities and bar the creation of new versions of the government-sponsored enterprises (GSEs). The **House Committee on Financial Services Subcommittee on Capital Markets and Government Sponsored Enterprises** plans to hold a hearing on the draft bills later this month and a markup in June.

On Friday, May 13, the **House Financial Services Committee** voted 33-24 to approve **HR 1121, the Responsible Consumer Financial Protection Regulations Act of 2011,** which would replace the director of the **Consumer Financial Protection Bureau (CFPB)** with a five-person commission. The panel also voted



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Featured Strategies Team Member



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Shane Doucet is a seasoned Washington, D.C., strategist who joined Locke Lord Strategies as a Partner nearly five years ago. His significant experience in the nation's capitol includes work on matters involving health care reform, labor and employment, energy, environmental, high-tech and financial services. Before joining Locke Lord Strategies, Doucet worked for Congressman Chris John (D-Louisiana), a member of the Health Subcommittee on the Energy and Commerce Committee, and Doucet worked on issues related to education, energy, health, judicial, foreign affairs, immigration and labor.

He has represented pharmaceutical and health services companies and has lobbied on behalf of the National Federation of Independent Business (NFIB) on issues such as health care reform, legal reform, energy, tax and environmental regulations. Doucet is a frequent contributor to the D.C. Update and represents Locke Lord Strategies as a moderator on panels comprised of top union, business and trade association representatives on the impact of health reform. He has been a featured speaker for more than 250 CFOs on health and wellness provisions of the Patient Protection and Affordable Care Act (PPACA).

Doucet serves as a Communications Officer for the District of Columbia Air National Guard in the 113th Fighter Wing. He graduated with distinction from the U.S. Naval War College with a Master's Degree in National Security and Strategic Studies and is a 1995 undergraduate of Tulane University.

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32-22 to adopt an amendment by **Rep. Ed Royce (R-Calif.)** that would give the **Federal Reserve** a seat on the commission created to lead the CFPB.

Defense

The **Pentagon** would be able to conduct clandestine cyber warfare to support conventional military campaigns and to defend U.S. forces anywhere in the world under legislation approved by the **House Armed Services Committee**. The provision, part of the \$690 billion defense authorization bill approved early Thursday, May 12, has attracted little notice but could have far-reaching implications. Committee leaders made clear in the report accompanying their bill that they felt it was necessary to clarify that the Pentagon has statutory backing for its growing efforts to make information technology a central weapon in the U.S. arsenal.

Education

House Republicans introduced legislation on Friday, May 13, that would eliminate funding for half the federal education programs that currently exist under the law known as **No Child Left Behind**. The bill nubs the Obama administration's efforts to increase investment in education and dramatically departs from the direction Senate Democrats are moving. The most likely hang-up in future negotiations isn't this particular piece of legislation, but rather the piecemeal approach the House GOP is taking. This legislation was the first of what is expected to be as many as five bills seeking to rewrite specific parts of federal education law.

Energy/Environment/Climate Change

Following weeks of partisan disputes over oil company profits and new offshore drilling, the **Senate Energy and Natural Resources Committee** this week will attempt to hit the restart button on the energy debate by taking up a series of less controversial measures. On the agenda are a handful of measures that have already been reviewed during hearings, including bills to promote carbon capture and sequestration technology (**S 699**, **S 757**), draft legislation on protecting electric-power infrastructure from cyber-attacks and a measure (**S 916**) that would require an inventory of offshore oil and gas reserves. The panel will also take up two bills that were not finished during an April markup, including a measure (**S 630**) to boost marine and hydrokinetic energy research and draft legislation intended to promote water conservation and efficiency in electricity production. The panel will also consider draft legislation that would create a new federal agency to finance clean-energy projects, as well as a bill (**S 917**) that would impose new safety requirements on drilling in the outer continental shelf (OCS).

The **Senate Judiciary Committee** on Thursday, May 19, advanced by a 13-3 vote **S 350**, the **Environmental Crimes Enforcement Act of 2011**, which would increase penalties for environmental crime and require compensation for its victims. The committee also approved, by a 12-6 vote, **S 623**, the **Sunshine in Litigation Act of 2011**, which would require judges to consider health and safety risks before granting protective orders or sealing records and settlement agreements.

Senators backing an expansion of offshore drilling are hoping to take advantage of last year's Republican electoral gains to advance legislation that would allow coastal states to share more revenue from oil and gas production in federal waters.

Sen. Mary L. Landrieu (D-La.) made good on her pledge to oppose any drilling legislation that does not include revenue sharing on Wednesday, May 18, when she voted against a Republican bill that would have taken steps to expand drilling. Opponents of revenue sharing, including **Senate Energy and Natural Resources Chairman Jeff Bingaman (D-N.M.)**, noted that coastal states already collect 100 percent of the royalties for oil and gas production in state waters, as well as 27 percent of federal royalties from production within three miles of the state waters.



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Insurance

On Monday, May 9, the **Treasury Department** announced its intention to create a **Federal Advisory Committee on Insurance**. According to the Treasury Department, this is one in a series of steps the Treasury is taking to establish the new **Federal Insurance Office (FIO)** created under the Dodd-Frank Wall Street Reform and Consumer Protection Act. The Committee will provide advice to the FIO and the Treasury Department, including to the FIO Director in the Director's role as a member of the Financial Stability Oversight Council (FSOC). Recognizing the important role of state insurance regulators, half of the Committee's membership has been reserved for state and tribal insurance regulators. The remaining members of the Committee will represent a diverse range of perspectives from the property and casualty insurance industry, the life insurance industry, the agent and broker community, public advocates and academia. It has been reported that the independent member of the FSOC with insurance experience will be named soon. The Dodd-Frank Act provides that a person with insurance experience be a voting member of the FSOC.

On Friday, May 13, the **House Financial Services Committee** unanimously passed **HR 1309, the Flood Insurance Reform Act of 2011**. HR 1309 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. Committee members considered 26 amendments to the bill during a markup hearing on Thursday, May 12.

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Led by **Rep. Jeff Flake (R-Ariz.)**, 73 lawmakers sent a letter to **Speaker John A. Boehner (R-Ohio)** and **Minority Leader Nancy Pelosi (D-Calif)** on Tuesday, May 17, reminding them that the 45-cents-per-gallon tax credit to refiners who blend ethanol into gasoline and a 54-cents-per-gallon import tax on foreign ethanol were extended for one year in the December lame-duck session as part of a broader tax law. The members called on their leaders to allow for "a full and open legislative process" to examine federal support for the ethanol industry, prompting a cry of double standards from a major biofuels trade association that noted the lawmakers made no such demand for reviewing oil tax breaks.

Health Care

The **House Energy and Commerce Committee** endorsed legislation Wednesday, May 11, to overhaul the medical liability system, a component of the Republican effort to replace the 2010 health care law. **HR 5, the Help Efficient, Accessible, Low-cost, Timely Healthcare (HEALTH) Act of 2011**, approved 30-20, would impose federal caps on some damages in medical malpractice lawsuits, limit attorneys' fees and establish a statute of limitations for filing health care lawsuits. It is almost certain to pass the GOP-controlled House, but faces long odds in the Senate, where similar proposals have stalled numerous times over the last decade.

Immigration

Senate Democrats on Wednesday, May 11, once again introduced legislation to provide a path to legalization for hundreds of thousands of young adults brought illegally to the United States as children. The measure, which would provide green cards for students or for those who have served in the military and is commonly referred to as the **DREAM Act**, faces long odds in both chambers. The Senate voted against invoking cloture on the bill in December by a 55-41 margin, and members of the Congressional Hispanic Caucus say it has little chance of passage in the Republican-controlled House. Rather than moving it as a stand-alone bill, **Majority Leader Harry Reid (D-Nev.)** suggested it could be attached to a measure House Republicans are likely to pass to expand the Web-based system designed to ensure that those who get jobs are in the country legally.

President Obama pressed Congress on Tuesday, May 10, to take up legislation overhauling the nation's immigration system, repeating his call for creating a "pathway" to legal status for undocumented aliens, while defending his administration's efforts to secure the border. Immigrants here illegally "have to admit that they broke the law, pay their taxes, pay a fine, and learn English," Obama said. "And they have to undergo background checks and a lengthy process before they can get in line for legalization." But congressional leaders in both parties said they saw few prospects for moving an immigration overhaul through the 112th Congress.

Tax

House Majority Leader Eric Cantor (R-Va.) said that Republicans plan to unveil later this week a package of tax legislation and other measures aimed at spurring job creation in a sluggish economy. Without offering any details, Cantor acknowledged the package would help contrast Republican and Democratic views on tax policy in advance of the 2012 elections. His comments strongly suggested the package will call making permanent the 2001 and 2003 tax cuts.

The Obama Administration is currently considering options for overhauling the corporate tax system, including lowering the corporate tax rate below 30 percent. There are four options under review: 1) Fiscal 2012 House Budget Resolution, which would lower the corporate tax rate and the top individual tax rate to 25 percent while directing the **House Ways and Means Committee** to eliminate unspecified corporate and individual tax breaks; 2) Obama fiscal commission, which would establish single corporate tax rate between 23 percent and 29 percent and eliminate all tax



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Insurance

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One of the substantive amendments agreed to during markup provides that the **Federal Emergency Management Agency (FEMA)** shall submit to Congress a report describing procedures and policies that FEMA can implement to limit the percentage of flood insurance policies directly managed by FEMA to not more than 10 percent of all flood insurance policies issued in accordance with the NFIP. Industry trade groups voiced their support for the legislation. It is expected that the bill will pass the House. Prospects for passage in the Senate are uncertain.

On Thursday, May 19, the **Property Casualty Insurers Association of America (PCI)** released a finding of a new study on NFIP rates. Current rates for NFIP policyholders are about a third of the true risk cost in many parts of the country according to the study. The study was released by PCI to assist lawmakers as they discuss the Flood Insurance Reform Act of 2011.

The **National Association of Insurance Commissioners Health Care Reform Actuarial Working Group** has been developing a report concerning producer compensation and the medical loss ratio calculation. It is anticipated that the report will be finalized by the Working Group and sent to the Health Insurance Committee for its consideration by Friday, May 27. The Health Care Insurance and Managed Care Committee has scheduled a conference call on June 7, to review and discuss the report and to hear comments from interested parties.

expenditures for business; 3) **Sen. Ron Wyden's (D-Ore.)** proposal, which would make the corporate tax rate a flat 24 percent, repeal corporate alternative minimum tax, and eliminate tax preferences that favor particular businesses or activities; and 4) **Rep. Rob Woodall (R-Ga.)/Sen. Saxby Chambliss' (R-Ga.)** proposal, which would repeal individual and corporate income taxes, other existing taxes and replace with a 23 percent national retail sales tax.

Telecommunications

At a hearing Thursday, May 19, some Democrats on the **Senate Commerce subcommittee on Consumer Protection, Product Safety and Insurance** staked out differing positions on the need for legislation. Republican lawmakers, meanwhile, signaled that they prefer industry self-regulation to new government regulations. **Sen. John Kerry (D-Mass.)**, along with **Sen. John McCain (R-Ariz.)**, pushed his own broad privacy bill **S 799, the Commercial Privacy Bill of Rights Act of 2011**, that would govern data privacy both online and offline. **Senate Commerce, Science and Transportation Chairman John D. Rockefeller IV (D-W.Va.)** has introduced a narrower bill, **S 913, the Do-Not-Track Online Act of 2011**, that would compel companies to honor consumers' requests not to be tracked online, subject to **Federal Trade Commission** enforcement.

Trade

Administration officials said on Monday, May 16, that the White House will not submit pending trade agreements with Colombia, South Korea and Panama for approval until it has a deal with Congress to renew expanded "trade adjustment assistance" benefits for workers whose jobs are affected by foreign competition. The expanded benefits, which were put in place as part of the 2009 economic stimulus, lapsed earlier this year due in large part to opposition from conservative House Republicans.

Transportation & Infrastructure

In a move that removes one obstacle to a deal with the Senate on reauthorization of the **Federal Aviation Administration (FAA)**, **Rep. Bill Shuster (R-Pa.)** announced Friday, May 20, that he will no longer pursue changes to the way aviation rulemaking is done, after taking a drubbing from advocates who said his proposal would undermine aviation safety. Shuster's amendment, which was adopted, would require the FAA to consider in detail how proposed regulations would affect individual segments of the aviation industry and tailor the rules to address those effects. Technically, since the House passed the bill April 1, the language will have to be removed as part of an eventual conference agreement. The Senate passed its FAA bill on February 17. The Senate has named conferees, but the House has not.

Redundancies and inefficiencies in federal transportation security operations would be targeted under two bills backed Thursday, May 12, by the **House Homeland Security Transportation Security Subcommittee**. **HR 1690, the Modernizing of Documentation and Elimination of Redundant Identification (MODERN) and Security Credentials Act** would direct the Homeland Security Department to create a task force made up of representatives of industry, federal agencies, airport operators, port operators and others to assess possible effects of creating a common list of crimes that would disqualify workers from being issued federal transportation security credentials. The panel also backed, by voice vote, **HR 1801, the Risk-Based Security Screening for Members of the Armed Forces Act**, that would direct the **Transportation Security Administration (TSA)** to implement a plan for expedited airport security screening for members of the armed services and family members who are with them.