



Strategies Key Contacts

Shane Doucet
202-220-6929
sdoucet@lockelord.com

Denise Hanna
202-220-6992
dhanna@lockelord.com

Brian Heindl
202-220-6994
bheindl@lockelord.com

Harriet Miers
202-220-6925
hmiers@lockelord.com

Jim Moriarty
202-220-6915
jmoriarty@lockelord.com

Phil Rivers
202-220-6927
privers@lockelord.com

Mark Siegel
202-220-6926
msiegel@lockelord.com

www.lockelord.com

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MAY 17 - 21: THIS WEEK

The Senate reconvened on May 17, and should wrap up work on **S 3217, the Restoring American Financial Stability Act of 2010** by the end of the week.

The House reconvened on Tuesday, May 18, and will consider **HR 4213, American Workers,**

State and Business Relief Act of 2010 later in the week. The Senate is tentatively set to consider this bill as well after House action.

Also, Mexican President Felipe Calderón will address a Joint Session of Congress on Thursday, May 20.

Budget/Appropriations

On Thursday, May 13, the **Senate Appropriations Committee** approved the \$58.8 billion supplemental appropriations bill, which included \$68 million in funds for programs related to the oil spill in the Gulf of Mexico. This amount was only about half of the original \$118 million requested from the White House, and

Chairman Daniel Inouye (D-Hawaii) indicated that more money could be approved later upon further investigation by Congress. The bill also included \$33.4 billion to pay for the addition of 30,000 troops to Afghanistan, as well as other funding for operations and procurement in the Department of Defense.

Banking/Financial Services

The week of May 10, the Senate continued debate on the financial regulatory overhaul bill. Amendments that have been considered and approved include **Commerce Chairman John D. Rockefeller IV (D-W.Va.)** and **Sen. Kay Bailey Hutchison's (R-Texas)** provision to preserve fraud policing powers of the Federal Trade Commission, **Sen. Mark Udall's (D-Colo.)** amendment that would require banks to provide consumers with the credit score used to deny them loans, and **Sen. John Cornyn's (R-Texas)**

amendment that would require the White House to certify that International Monetary Fund loans can be repaid by the borrower countries. Some amendments defeated by the Senate include **Sen. John Thune's (R-S.D.)** proposal to sunset the Consumer Financial Protection Bureau after four years and **Sen. Mike Crapo's (D-Idaho)** amendment that would place restrictions on Fannie Mae and Freddie Mac. **Senate Majority Leader Harry Reid (D-Nev.)** filed for cloture on Monday, May 17.

Education

On May 13, **Education Secretary Arne Duncan** sent a letter to **House Speaker Nancy Pelosi (D-Calif.)** and Majority Leader Reid voicing his support for a proposal to include \$23 billion for states to pay teacher salaries in the war supplemental appropriations bill. The program was proposed by **Senate Health, Education,**

Labor, and Pensions Committee Chairman Tom Harkin (D-Iowa) and is supported by teachers' unions and the National Association of State Boards of Education. Supporters argue that the funds are needed to save 300,000 jobs that are being threatened by state budget shortfalls.

Energy/Environment/Climate Change

On Wednesday, May 12, **Sens. John Kerry (D-Mass.)** and **Joseph Lieberman (I-Conn.)** released their long awaited climate change legislation. The bill quickly drew support from various industries and companies including Duke Energy, Dow Corning, Honeywell, the Nuclear Energy Institute and the Edison Electric Institute. Some business groups that opposed the House bill last year, including the U.S. Chamber of Commerce and the American Petroleum Institute (“API”), issued statements of neutrality. Unlike **H.R. 2454, the American Clean Energy and Security Act of 2009** passed by the House last year, the Kerry-Lieberman bill would tailor emissions reduction regulations by industry sector and include incentives for nuclear power, coal and natural gas. The bill also expands offshore drilling and would allow states to share the revenues; drilling provisions have already drawn filibuster threats from **Sen. Bill Nelson (D-Fla.)** who opposes drilling. Sens. Kerry and Lieberman must now work to ensure they have at least 60 votes of support before Majority Leader Reid will bring the proposal to the Senate floor.

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Defense

The week of May 10, two **House Armed Services subcommittees** recommended that the full committee authorize \$485 million to continue development of an alternative F-35 engine. The full committee is scheduled to mark-up the bill on May 19. Some members are complaining that they will have to vote on the bill without information they have requested from the Pentagon on the potential future costs of the second engine. **Defense Secretary Robert Gates** has stated that the second engine would cost \$2.9 billion over the next six years, and that he would advise President Obama to veto any bill that continues funding it. Lawmakers want additional information on the \$2.9 billion figure as a breakdown of costs by year and type of work.

On Thursday, May 13, the **Senate Appropriations Committee** marked-up **H.R. 4899, the Disaster/War Supplemental Appropriations** bill. Included in the bill was \$35.5 million for research and development into a more accurate air-dropped bomb. This is in response to concerns over civilian casualties in Afghanistan and the effect they have on undermining U.S. objectives in the country.

On Thursday, May 13, four **House Armed Services subcommittees** finished their work on the FY2011 **Defense Authorization Bill**. The **Air and Land Forces Subcommittee** approved by voice vote their section of the bill that authorizes \$891 million less than President Obama requested for an Army weapons program focused on unmanned vehicles. The **Subcommittee on Terrorism, Unconventional Threats, and Capabilities** voted to authorize increased spending for U.S. Special Forces operations, pushing the proposed FY2011 figure to more than \$10 billion. The full committee will consider the **Defense Authorization Bill** on May 19. During that hearing, lawmakers are expected to address the increased need for trainers in Afghanistan, as proposed by **Adm. James Stavridis, head of the U.S. European Command**. There are currently about 3,600 trainers in Afghanistan, with 4,800 prescribed. Adm. Stavridis says they need around 5,200 total, with more added later.

Health Care

On Friday, May 14, **House Ways and Means Chairman Sander M. Levin (D-Mich.)**, said that he hopes to include language that would fix Medicare physician payments and prevent payment cuts for five years in the **American Workers, State and Business Relief Act of 2010 (H.R. 4213)**. This bill is a broad tax extenders package that lawmakers hope to pass before Memorial Day. It is unclear whether the physician payment fix would gain enough support as it does not have enough offsets to completely pay for itself. According to the **Congressional Budget Office (“CBO”)**, the five-year fix would cost \$88.5 billion. If the fix does not pass, physicians will be hit with a scheduled 21 percent payment cut, beginning on June 1, 2010.

On Wednesday, May 12, the House approved **H.R. 5014**, a bill that clarifies that the **Department of Veteran’s Affairs** program for veteran’s children with spina bifida meets the minimum requirements for coverage under the new healthcare law. The program also covers children whose birth defects are related to their mother’s military service in Vietnam.

On Tuesday, May 11, the CBO released a new report that adds \$115 billion to potential discretionary spending under the new health care law. In its March 2010 forecast, the CBO estimated discretionary spending at \$50 billion. This new estimate increases the overall cost of the bill to over \$1 trillion.

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Tax

House and Senate tax writers continued negotiations on **H.R. 4213, the American Workers, State and Business Relief Act of 2010**, which would extend several expiring tax breaks including the research and development tax credit and the state sales tax deduction as well as an extension of unemployment benefits and the Medicare “doc fix.” The bill could also include increases in the excise tax for oil production and the “carried interest” earned by private equity managers, venture capitalists and real estate investors.

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Insurance

It has been reported that Peter Skinner, a member of the European Parliament, sent a letter urging the Senate to preserve the preemption authority of the federal Office of National Insurance proposed in the financial regulatory reform bill. **Sen. Jeff Merkley (D-Ore.)** introduced an amendment that would limit the federal powers of the new Office of National Insurance to negotiate international insurance agreements that could preempt state regulations.

In a May 14 letter, the National Conference of Insurance Legislators (NCOIL) urged the Senate to oppose efforts to repeal the federal antitrust exemption for health insurers as an amendment to the financial regulatory reform bill. NCOIL asserts that repealing the limited antitrust exemption would ultimately drive smaller insurers — who depend upon sharing of loss history and other information — from the market, resulting in higher insurance costs for consumers. Property

and casualty trade associations also sent a letter to the Senate last week, voicing their opposition to the amendment.

Both NCOIL and the National Association of Insurance Commissioners (with the Conference of State Bank Supervisors and the North American Securities Administrators Association) sent letters last week to **Sens. Patty Murray (D-Wash.)** and **Susan Collins (R-Maine)** voicing their support of the Senators' amendments. The amendments provide for non-voting membership for state banking, insurance and securities regulators on the Financial Stability Oversight Council. NCOIL also recommends that a state lawmaker be added to the Council.

Sen. David Vitter (R-La.) introduced legislation last week extending the National Flood Insurance Program from its current May 31 deadline through December 31, 2010.

Telecommunications

On Wednesday, May 12, the House approved a bill to reauthorize laws governing satellite television providers. **S. 3333, the Satellite Television**

Extension and Localism Act of 2010, was approved by voice vote and ensures continued satellite delivery for certain rural customers.

Trade

Commerce Secretary Gary Locke is seeking \$80 million in increased funding for the **International Trade Administration** for FY2011. The increased funding would allow him to hire 328 more trade experts to work in foreign countries, advocating

for U.S. firms. Some appropriators are wary of the size of the funding increase. Locke argues that the trade diplomacy efforts by U.S. officials around the world are critical to staying competitive with European and Asian companies.

Transportation and Infrastructure

On Thursday, May 13, the Senate passed the **National Transportation Safety Board ("NTSB")** reauthorization bill by voice vote. The bill would authorize \$196 million for FY2011 through FY2012. The bill was approved in November by the **Senate Commerce, Science, and Transportation Committee** as a five-year reauthorization, but the Senate modified the bill through a substitute by **Sen. Byron L. Dorgan (D-N.D.)**, and Chairman Rockefeller. The **House Transportation and Infrastructure Committee** approved its version (HR 4714) on March 3, which would authorize \$484 million for FY2011-FY2014.

On Friday, May 14, President Obama nominated **FBI deputy director John S. Pistole** as the new chief of the **Transportation Security Administration ("TSA")**. The TSA has been without a leader for the past 16 months, as President Obama's first two nominees withdrew from consideration. Sen. Collins praised the choice, stating that Pistole has long been at the front of the nation's fight against terrorism. Sen. Lieberman also applauded the choice, talking of Pistole's long experience in law enforcement and his experience in the administration of a large agency.