



City of Phoenix

To: Mayor and Council
Executive Team

Date: January 15, 2009

From: Karen Peters
Government Relations Director

Subject: FEDERAL UPDATE: JANUARY 9 – JANUARY 15, 2009

This memorandum provides an update of the past week's federal activities – Congressional action, lobbying and national meetings. Please let me or Tom Remes know if you have any questions or need further information on specific legislation or issues.

JANUARY 9 – JANUARY 15, 2009

Economic Stimulus

Information on the federal economic stimulus package continues to trickle out. Today, Rep. Dave Obey (D-WI), Chairman of the House Appropriations Committee, released the House Democrats' version of the bill. The House package will be \$850 billion (b), comprised of \$550b in spending and \$275b in tax cuts. The House is likely to move the bill the day after Inauguration with a Ways and Means piece and an Appropriation piece. The House may attempt to do the remaining FY 09 appropriations bills first.

The House package contains targeted efforts in the following areas (some examples relevant to cities are listed under each area):

- **Clean, Efficient, American Energy**
 - Local Government Energy Efficiency Block Grants: \$6.9b
 - Home Weatherization: \$6.2b
 - Alternative Buses and Trucks: \$400m
- **Transforming our Economy with Science and Technology**
 - University Research Facilities: \$1.5b
- **Modernizing Roads, Bridges, Transit and Waterways**
 - Highway Infrastructure: \$30b
 - Transit New Construction, Upgrades and Repair, Capital: \$9b
 - Airport Improvement Grants: \$3b
 - TSA Explosive Detection Systems: \$500m
 - Construction on Public Lands and Parks: \$3.1b
 - Corp of Engineers: \$4.5b
- **Education for the 21st Century**
 - School Construction: \$20b
 - Head Start: \$2.1b
- **Tax Cuts to Make Work Pay and Create Jobs**

- **Lowering Healthcare Costs**
- **Helping Workers Hurt by the Economy**
 - Public Housing Capital Fund: \$5b
 - HOME Investment Partnerships: \$1.5
 - Neighborhood Stabilization: \$4.2b
 - Community Services Block Grant: \$1b
 - Community Development Block Grants: \$1b
 - Low-Income Home Energy Assistance: \$1b
- **Saving Public Sector Jobs and Protect Vital Services**
 - State Education and Other Budget Priorities: \$120b
 - Temporary Assistance for Needy Families: \$2.5b
 - State and Local Law Enforcement: \$4b
 - Periodic Census and Programs, Communications: \$1b

Supporters of the package are stating that the House bill includes unprecedented accountability, transparency, and oversight that will help guarantee taxpayer dollars are spent wisely and Americans can see results for their investment.

On the Senate side, the Finance Committee, which provided a rough outline of its \$320 billion tax title last week, is expected to mark up its portion of the bill on January 22. To date, the tax provisions include: additional funding for low income, elderly and disabled individuals through the Supplemental Security Income Program, \$80 to \$100b for federal Medicaid reimbursement to states, \$35 billion extension and modernization of unemployment insurance benefits, and \$150 billion for tax credits for individuals (\$500) and families (\$1000) through reduced paycheck withholding.

Government Relations staff and the federal lobbying team are analyzing the House bill language and are monitoring the situation.

Chairman Barney Frank Introduces TARP Reform Bill

The federal lobbying team participated in a meeting at the National League of Cities (NLC) to discuss a number of issues including a bill, HR 384, that House Financial Services Committee Chairman Barney Frank (D-MA) introduced to change the conditions of the remaining \$350 billion in the Troubled Assets Relief Program (TARP). In addition to further accountability requirements on financial firms receiving assistance, the bill also provides home foreclosure assistance, home purchasing incentives, municipal bond assistance and other changes. Section 402, "Municipal Securities," authorizes the Treasury Secretary to provide support, which is defined as "direct purchase of municipal securities and providing credit enhancement with municipal securities whose purchase is financed by the Board or any Federal Reserve Bank," to state and local governments and other issuers of municipal securities.

Government Relations will be confirming with City departments the impact of the proposed changes; the House will probably mark up the bill early next week.

IRS Proposed Regulation: 3 Percent Government Withholding

The *Tax Increase Prevention and Reconciliation Act of 2005*, Public Law 109-222 (TIPRA) was enacted on May 17, 2006. TIPRA includes language that requires the federal government, every state, every political subdivision of a state, and every "instrumentality of the foregoing (including multi-state agencies)" making any payment

to any person providing property or services to deduct and withhold from the payment a tax in an amount equal to 3 percent of such payment. The rule applies to payments made after December 31, 2010.

Comments about TIPRA must be submitted electronically by March 5, 2009. NLC and the other local government groups are drafting comments for submission. The City has opposed the withholding requirement since it was enacted in 2006.

One Step Closer to Becoming Secretary of Homeland Security

For 2 hours and 20 minutes Governor Napolitano was questioned by members of the Senate Homeland Security and Government Reform Committee. The Governor fielded friendly questions during the hearing. The only concern expressed by Senators was a lack of experience in matters of terrorism and counter-terrorism. Even with those concerns, it was a smooth hearing. Her confirmation is now set to go before the full Senate on Inauguration Day. Four former Napolitano aides were at today's hearing: Noah Kroloff; Dennis Burke, Brian de Vallance, the governor's DC director; and Amy Shlossman.

The Department of Homeland Security (DHS) is comprised of 22 federal agencies. As one of the largest federal agencies, it takes a great deal of coordination to keep the Department on track. Some of the larger agencies under DHS include:

- Transportation Security Administration
- U.S. Customs and Border Protection
- U.S. Citizenship and Immigration Services
- U.S. Immigration Customs Enforcement
- U.S. Secret Service
- Federal Emergency Management Agency
- U.S. Coast Guard

Who is Moving to D.C.?

This week, the Arizona Republic and the Yellow Sheet reported that 20 members of the Governor's staff will be joining her at DHS. Rumors are that the following staffers will be heading east with the boss (current titles indicated):

- Jan Leshar, Chief of Staff
- Noah Kroloff, Deputy Chief of Staff for Policy
- January Contreras, Acting Director of Department of Health Services
- Marco Lopez, Director of Commerce
- Susie Barr, Director of Legislative Affairs and Criminal Affairs (She will be Chief of Staff of ICE.)
- Lauren Kielsmeier, Education Policy Advisor
- Mariko Silver, Policy Advisor for Economic Development, Tourism & Higher Education
- Lori Faeth, Policy Advisor for Natural Resources, Agriculture and Environment

The 111th Senate Continues to Play Musical Chairs

After a week of legal reviews and nudges from the President-elect himself, Senate Majority Leader Harry Reid (D-NV) and Majority Whip Richard Durbin (D-IL) moved to seat Roland Burris on the Senate floor. Burris, who has been vigilant in his quest to assume the Senate seat, stated in a press conference in Chicago that he never doubted

that he would take his seat and acknowledged that the intentions of Reid and Durbin have been to do what was right for the people of Illinois.

Further complicating the Senate composition, Sen. George Voinovich (R-OH) joined an ever-growing list of senators who will not be seeking reelection in 2010. Citing a desire to spend more time with his family, Voinovich joined Sens. Sam Brownback (R-KS), Mel Martinez (R-FL), and Chris Bond (R-MO) who each have announced retirement in 2010. Since losing majority status in the 2008 election, the GOP has found it increasingly difficult to retain strong leadership in the minority. Many are hopeful that the vacancies will entice fresh candidates.

Finally, in Minnesota, Al Franken and incumbent Norm Coleman (R-MN), who are involved in a bitter legal dispute over a Senate seat, acknowledged that Gov. Tim Pawlenty may appoint an interim Senator until their legal battle is decided. Although no one has been named, most agree that until the legal dispute is decided that neither one should assume the seat and role of Senator.