



City of Phoenix

To: Mayor and Council
Executive Team

Date: October 23, 2009

From: Karen Peters
Government Relations Director

Subject: FEDERAL UPDATE: SEPTEMBER 21 – OCTOBER 23, 2009

This memorandum provides an update of recent 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.

SEPTEMBER 21 – OCTOBER 23, 2009

Stimulus II?*

This week there was more speculation that the Obama Administration will continue the stimulus program. But, instead of being introduced as one legislative measure, lawmakers may look to extend current programs and possibly create new ones. Current programs under consideration, estimates of what the provisions might cost and where they stand currently in the legislative process include:

Unemployment Benefit Extension – The House has already approved an extension and the Senate has amended it but not yet voted on it. Both parties say they want to extend benefits but disagree over how to pay for it and how to handle amendments to the bill. In the Senate proposal, unemployment benefits would be extended by up to 14 weeks in every state and then another six weeks on top of that in states where the unemployment rate tops 8.5%. The estimated cost is \$2.4 billion.

COBRA Premium Subsidy Extension – The White House supports extending the federal subsidy now offered to unemployed workers who opt to continue their health insurance coverage from their former employers. Under the original provision passed under the economic recovery act, the federal government agreed to pick up 65% of the cost of the COBRA premium for up to nine months for workers laid off between Sept. 1, 2008, and Dec. 31, 2009. That 65% comes close to replicating the share of the premium typically paid for by employers when a worker signs up for coverage. To date, a COBRA extension has not been attached to any proposed legislation. The original provision was estimated by the Congressional Budget Office (CBO) to cost roughly \$25 billion. It is too early to tell what an extension will cost.

Emergency Payment to Seniors – To compensate for the fact that there will be no cost-of-living adjustment made to Social Security benefits in 2010 due to a lack of inflation, President Obama has proposed sending a \$250 economic relief payment to seniors, veterans and the disabled next year. It would be identical to the \$250

emergency payment sent out earlier this year under the economic recovery law. To date, a proposed emergency payment to seniors has not been attached to any legislation. The measure would cost \$13 billion, according to White House estimates.

Homebuyer Tax Credit Expansion – An estimated 1.4 million tax filers to date have taken advantage of a temporary first-time homebuyer tax credit aimed primarily at people making less than \$75,000 (\$150,000 for joint filers). An estimated 15% of them bought their home specifically because of the tax break. The latest iteration of that credit is worth \$8,000, and it's scheduled to expire on Nov. 30. Many lawmakers want to extend that deadline, expand eligibility beyond first-time homebuyers and include those who make more than is allowed under the current rules. Sen. Johnny Isakson (R-GA) and Sen. Chris Dodd (D-CT) co-sponsored an amendment to the unemployment extension bill that would extend the credit until the end of June 2010 and be available to single filers making up to \$150,000 and joint filers making up to \$300,000. It's still not clear where the White House stands. The Isakson-Dodd bill is estimated to cost \$16.7 billion.

Jobs Credit Creation – Although no formal proposal has been made, there has been some talk of creating an employer tax credit for hiring new workers. The idea is to spur job creation and to do so in the face of forecasts for a 10% unemployment rate in 2010. It is estimated that a job creation tax credit that refunds to employers 15% of new wage costs in 2010 and 10% in 2011 could create 5.1 million jobs at a cost of \$27 billion, or \$5,400 per new job created.

*Source: CNNMoney.com, 10/21/09

American Recovery and Reinvestment Act (ARRA) Updates:

Energy Efficiency and Conservation Block Grant (EECBG) Program – On Monday, October 19, the Department of Energy released the final Funding Opportunity Announcement (FOA) for the competitive EECBG grant program under which the City plans to apply for Green Rail Corridor project funding. The final FOA incorporated many suggestions that the City had recommended in a meeting with DOE Assistant Secretary Zoi and its written response to the DOE's Request for Information on the program.

Local Energy Assurance Planning (LEAP) Grants – DOE extended the deadline to submit LEAP grants from October 8 to October 22, 2009. The Public Works Department submitted its final application this week.

New Market Tax Credits – The City of Phoenix applied for \$125 million in ARRA New Market Tax Credits through the Community Development Financial Institution (CDFI) Fund. The CDFI fund expects to award an additional \$1.5 billion in ARRA-funded tax credits to 2009 New Markets Tax Credits awardees, well as an additional 3.5 billion in regularly-appropriated New Market Tax Credit, in late October 2009.

Green Retrofit Program for Multifamily Housing – The City of Phoenix won a competitive grant of \$1.7 million from the Department of Housing and Urban Development HUD to retrofit public housing at Sunnyslope Manor under the "Green Retrofit Program for Multifamily Housing."

FY 10 Appropriations

On Tuesday, the Senate passed the FY2010 Homeland Security conference report by a vote of 79 to 19, making it the fourth appropriations bill sent to the President for approval.

The House approved the conference agreement last week by a vote of 307 to 114 after defeating an amendment that would have prohibited Guantanamo Bay detainees from being brought to the US for prosecution or incarceration.

Of the four annual appropriations bills that have been sent to the President for approval—Agriculture, Energy and Water, Homeland Security, and Legislative Branch, only two have been signed by the President. Homeland Security and Energy and Water still await the President's signature.

The Senate still has five spending measures that it must approve – Commerce Justice Science (CJS), Financial Services, Labor HHS, Military Construction/Veterans Affairs, and State/Foreign Operations. Senate leaders said they would like to pass the CJS and Military Construction/Veterans Affairs bills in the coming weeks.

The Senate briefly began debate on the FY 10 CJS appropriations bill, but failed to pass cloture due to an amendment introduced by Senator Vitter (R-LA) that would have required the Census Bureau to include a question regarding citizenship status on the 2010 Decennial Census questionnaire. The CJS bill was removed from the calendar pending resolution of the issue. A number of local government groups, including the US Conference of Mayors, requested that Mayors reach out to their Senators to oppose the Vitter amendment.

Three bills have been passed by both the House and Senate and are awaiting conference – Defense, Interior, and Transportation/HUD. Democrats are considering attaching other legislation, such as a debt limit boost and a D.C. voting rights bill, to the Defense bill.

Continuing Resolution (CR)

House Majority Leader Steny Hoyer (D-MD) said he expects the House to consider a stand-alone stopgap funding measure next week to keep the government operating as lawmakers continue to work on appropriations bills. The CR the government is currently operating under was included in the Legislative Branch spending law expires on Oct. 31. There had been discussion about including a new CR in the upcoming conference agreement for the FY10 Interior-Environment appropriations bill but Hoyer said Friday that he expects the CR to be considered as a separate bill. Bringing the CR to the floor as an individual piece of legislation would allow Republicans to offer a motion to recommit with instructions, procedurally giving them one chance to amend the bill. It would also be open to amendment in the Senate if it were considered on its own instead of as part of a conference report. Hoyer did not say how long the next CR would last, but Republicans are speculating it will be through mid-December. Despite the additional time the CR would provide to finish the FY10 bills, Senate Appropriations Chairman Daniel Inouye (D-HI) acknowledged that an omnibus measure combining some appropriations bills into a single bill is very likely. The Defense appropriations bill could be a vehicle for this legislation.

Defense Authorization

The Senate passed the \$680.2 billion FY2010 Defense authorization bill on Thursday by a vote of 68 to 29. The House approved the authorization conference report two weeks ago by a vote of 281 to 146. The bill includes funding for F-35 Joint Strike Fighter aircraft alternate engine development that the White House opposes. The Obama administration initially threatened to veto the bill if funds for a second engine were authorized, but now President Obama is expected to sign the legislation. The bill also includes a provision that expands the federal hate-crimes law to cover offenses based on sexual orientation.

Health Care Reform

Senate leaders, Senate Finance Chairman Max Baucus (D-MT), Senate HELP Committee Chairman Tom Harkin (D-IA), Senator Chris Dodd (D-CT), and the White House began to work to merge the Finance and HELP Committee bills last week. Whether or not to include a government-run, public health insurance option remains a major point of contention. One possible solution is using a “modified public option” that would include a government-run public plan, but would allow states to opt out if they choose. Senate leaders are trying to determine what combination of policies will get the critical 60 votes on a procedural motion to take up the bill.

In a letter to House Speaker Pelosi and Majority Leader Hoyer, 36 House Democrats threaten to oppose healthcare reform legislation if CBO projections don't show lower costs over the long term. CBO has not released an updated score for the House version of the bill—including a public option that pays hospitals Medicare rates and gives physicians Medicare plus five percent would cost about \$871 billion over 10 years. While that plan would be deficit-neutral over a 10-year period, the 20-year projections are unclear.

House leaders expect to begin floor debate on a health package on Nov. 5. Speaker Pelosi wants the House to pass the bill by Thanksgiving and for Congress to clear a final agreement for President Obama's signature before Christmas. Senate leaders have not set a timeline for floor debate, but Senate Republican leaders have requested at least two months of debate. Both chambers suggest that the health care debate could drag on until late December.

Finally, House Majority Leader Steny Hoyer today announced a new target adjournment date of Friday 12/18 for the House. He also said he expects the House to be in session during the first and third weeks of November, working Monday through Friday, but hopes to be out during the second week for Veterans Day and the fourth week for Thanksgiving. If the House is considering health care overhaul legislation in early November, Hoyer also told members to anticipate working on Saturday, Nov. 7; Monday, Nov. 9; and Tuesday, Nov. 10. Hoyer also said he intends for the chamber to take up legislation addressing the estate tax, which is being written by the Ways and Means Committee, and a Medicare bill that would aim to end steep cuts to Medicare's physician payment rates before the end of the session.

Federal Aviation Administration (FAA) Reauthorization

FAA Reauthorization is stalled in the Senate. The Finance Committee still needs to move its finance piece in order for the bill to be ready for the floor. Although interest groups continue to try and increase pressure to move the bill, the Administration is clearly focused on health care and movement on the bill is still uncertain.

Other Aviation Legislation

The House this week overwhelmingly passed legislation to improve regulations for hiring and training pilots. The *Airline Safety and Pilot Training Improvement Act of 2009*, sponsored by House Transportation and Infrastructure Committee (T&I) Aviation Subcommittee Chairman Jerry Costello (D-IL), cleared the House by a 409-11 vote. In opposition, the Air Transport Association claims that airlines and the FAA have already addressed many of the issues covered in the bill. The bill will now be considered in the Senate, beginning in the Commerce Committee.

Airport – Airlines Relations

At the Airports Council International-North America Conference this past week, Continental Airlines Chairman and CEO Larry Kellner addressed the importance of air carrier and airport relationships. Throughout the past 12-18 months, airlines went from dealing with high fuel costs to weak demand. This fiscal pressure has caused airlines to prioritize working with airports with low cost per passenger. Kellner stated that while they support passenger facility charges (PFCs) the implementation of additional charges through the pending FAA Reauthorization would be a mistake.

Surface Transportation

The current extension of the Safe Accountable Flexible Efficient Transportation Act (SAFETEA-LU), is included in the continuing resolution that is set to expire on October 31. With Congress focusing on getting health care and appropriations bills passed, it is unclear what will be the next step for highway reauthorization.

House Ways and Means Chairman Charles Rangel (D-NY) said after health care the Committee's next priority will be unemployment. The Chairman also indicated that his Committee will not proceed to a financing plan for SAFETEA-LU unless members are willing to pay for the bill and the House can ensure the votes to pass the legislation. Last week, House T&I Chairman James Oberstar (D-MN) implored the Democratic Caucus to support his transportation bill. He claimed that SAFETEA-LU will help lower the unemployment rate as states have identified 8,000 shovel-ready projects if provided the funding.

Last week, following suit with the U.S. Chamber of Commerce, the National Association of Manufacturers and the American Trucking Association, Senate Majority Whip Dick Durbin (D-IL) said a consensus must be reached between business, labor, and community leaders on a federal motor-fuel tax increase to pass highway reauthorization, and stimulate job creation. Reauthorization of SAFETEA-LU still waits in line behind the healthcare bill for the Finance Committee's consideration. Ranking Minority member of this Committee Senator Chuck Grassley (D-IA) said last week that they will need to rely on more than fuel in the future to cover transportation costs.

The leaders of several Senate committees tried recently to "hotline" consideration of the 18-month SAFETEA-LU extension bill, but at least one Senator, George Voinovich (R-OH), objected to unanimous consent. So now the question is whether Senate Majority Leader Reid will schedule a vote to invoke cloture on the bill. That probably depends on whether he thinks he has a few days of floor time to devote to this next week. If that happens, then we would face a House-Senate conference between the Senate 18-month extension and the House 3-month extension.

The latest conflicting rumors are that some Senators are thinking about a 2-year extension of SAFETEA-LU, with some projects and probably some policy provisions, while others are advocating for just a 6-month extension. Recall that the Administration wants to attach a few policy provisions to its proposed 18-month extension. Even if this is a real plan, it's apparently a complete non-starter in the House unless it's a robust policy bill.

Meanwhile, everybody's talking about another 30-day CR next week, which will include another 30-day extension of SAFETEA-LU if the authorizers don't get their act together.

House and Senate conferees on the THUD Appropriations bill aren't negotiating. There's also speculation about the THUD bill being a platform for the "minibus" appropriations bill.

High-Speed Rail Discussions

On October 14, the House T&I Committee held a hearing on the challenges and opportunities that lie ahead in establishing high-speed rail throughout the United States. There was heavy interest in the issue on both sides of the aisle, as more than a dozen members announced their strong support for establishing high-speed rail as soon as possible. Chairman Oberstar took the opportunity to question Joseph Szabo, Administrator of the Federal Railroad Administration (FRA), about whether the Buy American provision within ARRA would be difficult to implement. Administrator Szabo stated that the requirements would "absolutely not be a problem" and would support the goal to ensure domestic manufacturing is reinvigorated.

The FRA released a "Preliminary National Rail Plan" on Thursday, October 15. Administrator Szabo announced that the final funding decisions for high-speed rail will not be made until 2010.

Climate and Energy

On Monday, Vice President Biden unveiled a report that builds on the foundation laid in ARRA to expand green job opportunities and boost energy savings by making homes more energy efficient, called Recovery through Retrofit. The White House Council on Environmental Quality (CEQ) developed a proposal for federal action to lay the groundwork for a self-sustaining home energy efficiency retrofit industry. The CEQ facilitated a broad interagency process to develop recommendations for how to use existing authority and funding to accomplish this goal.

The report states that despite the real energy cost savings and environmental benefits associated with improving home energy efficiency, barriers have prevented a self-sustaining retrofit market from forming – these include a lack of access to information, financing and skilled workers.

The recommendations and actions in the report are designed to help overcome these barriers and to leverage ARRA funds to help ensure that the energy efficiency market will thrive long after ARRA money is fully spent.

Some recommendations in the report include:

- Provide American homeowners with straightforward and reliable home energy retrofit information.
- Reduce high upfront costs, making energy retrofits more accessible.
- Establish national workforce certifications and training standards.

Chemical Security Act Legislation

The House has taken up the issue of chemical security in water and wastewater treatment in connection with authorizing legislation for the Department of Homeland Security.

Congressman Bennie Thompson (D-MS), Chair of the Committee on Homeland Security, and Congressman Henry Waxman (D-CA), Chair of the Energy and Commerce Committee, are working together to ensure that facilities manufacturing chemicals and water and wastewater treatment plants using certain chemicals that could be used in

terrorist attacks reduce the risk of such actions. The Senate has not yet developed similar legislation because of the legislative priorities for the first session of the 111th Congress.

The House has two bills under consideration, H.R. 2868, that gives the Department of Homeland Security authority to create a list of substances of concern and determine which facilities manufacturing those substances are at high risk of a terrorist attack and the actions necessary to reduce the risk. The other bill, H.R. 3258, imposes similar requirements on drinking water facilities.

The House T & I Committee, which has jurisdiction over the Clean Water Act, is preparing similar chemical control legislation for publicly owned treatment plants. It is expected to be introduced before the end of the year. The House bills could get to the House floor before the end of this session.

Housing Counseling Assistance

According to Senate THUD Appropriations staff there is \$100 million in the Senate FY 10 THUD bill for Housing Counseling Assistance. The Senate bill also includes language “stipulating that not less than \$15,000,000 shall be for HUD-certified housing counseling agencies located in the 100 metropolitan statistical areas with the highest rate of home foreclosures to assist homeowners with mortgage mitigation efforts and mortgage scam prevention. The Committee remains concerned about the high incidence of foreclosures in these areas, and that vulnerable homeowners may be the target of rescue scams. Therefore, the Committee has targeted some of the increased funding that the President has requested for fiscal year 2010 to help address the needs in the areas most affected.” According to the January -June 2009 *Realty Trac* data, the Phoenix Metropolitan Statistical Area (MSA) is ranked 9th in home foreclosures

The House THUD bill provides \$65 million for Counseling Assistance but does not include any funding targeted to areas with high rates of foreclosure. The bills are not currently in conference so there is time to weigh in with the delegation.

Travel Reminder

Please let the Office of Government Relations know if you or your staff are traveling to Washington D.C. We want to make sure that we use every opportunity to communicate and coordinate the City’s federal program.

