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Welcome to Womble Carlyle's Capitol Connection e-newsletter, a weekly look at politics on Capitol Hill created by our Federal and State Government Affairs group for our Members and select clients they wish to send it to.

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President Obama Administration

On Friday, Feb. 27th, the President announced a plan to remove all major combat forces from Iraq by August 2010. Up to 50,000 of the 139,000 U.S. troops currently in Iraq would remain for non-combat missions such as training Iraqi forces and conducting counterterrorism actions until the end of 2011, when the U.S.-Iraq security pact signed last November requires the removal of all U.S. forces. The plan followed the President's announcement about a week earlier that he would add 17,000 more soldiers to the current U.S. force of 38,000 in Afghanistan. Even though Obama promised to revisit the plan as the situation in Iraq progresses, the withdrawal plan for Iraq nevertheless ran into criticism from both the left and right as either not being soon enough, leaving too many troops in place, being short sighted, or as forfeiting America's objectives in prosecuting the war thus far.

In related news, the President also renewed the U.S. government's economic sanctions on Iran based on Iran's pursuit of nuclear technology and other policies viewed as destabilizing to the security situation in the Middle East. At the same time, the administration reportedly proposed a deal with Russia whereby the U.S. would refrain from deploying an anti-missile shield in Poland and the Czech Republic in exchange for Russia's assistance in blocking Iran's nuclear programs – a report which was broadly criticized by Republicans while Democrats argue that the European missile shield is unnecessary without the threat of nuclear missiles from Iran.

On the domestic front, the President addressed his first joint session of Congress on Tuesday, Feb. 24th during which he announced and subsequently released an outline of his FY 2010 budget proposal. One of the center pieces of the budget is a proposal to enact a new "cap and trade" energy program to combat global warming that would also raise enough revenue from nation's energy sector and consumers to pay for the \$536.7 billion ten-year cost of making permanent the President's signature "Making Work Pay" refundable tax credit worth about \$800 (offsetting the first \$6,450 of wages) that was temporarily enacted as part of HR 1, the so-called Stimulus bill. Taxpayers making more than \$250,000 married or \$200,000 single would have their income tax rates increased from the Bush Administration's top rates of 33 and 35 percent to the Clinton era rates of 36 and 39.6 percent. In addition, their personal exemptions would be limited or phased out while their itemized deductions – including those for mortgage interest and charitable contributions – would be limited to the amount that taxpayers in the 28% income tax bracket could claim. The Capital Gains tax rate would also be increased from the current 15% to 20%.

On net, the Obama Administration believes these upper income Americans would pay \$636.7 billion in new taxes over ten years on top of what they already pay. Most of the new tax collections would be used to pay for a \$630 billion reserve fund set aside by the Administration to cover the cost of overhauling the U.S. health system and expanding health care coverage nationally. The President's proposed budget does not call for rolling back the Bush era tax cuts for middle and lower income Americans.

In more immediate activity, President Obama signed the \$410 billion FY 2009 Omnibus Appropriations bill (H.R. 1105) on Wednesday, March 11th just before the Continuing Resolution expired that had been funding most federal executive branch departments and agencies – other than the DOD, Veterans Affairs and Homeland Security departments. The bill represented an 8.7% increase in spending for FY 2009 over appropriations spending levels in FY 2008. The President distanced himself from the bill by characterizing it as unfinished business from last year in large part because the bill included more than 8,500 earmarks – something the President had campaigned against.

Since the passage and signing of the so-called Stimulus bill – H.R 1, the American Recovery and Reinvestment Act (ARRA) – on Feb. 17th, the Obama Administration has announced ARRA funding for:

- \$28 billion in Transportation Infrastructure Assistance – to state and local governments to repair and build highways, roads, and bridges;
- \$8.4 billion in Public Transportation Assistance – for state and local governments to repair and build America's public transportation infrastructure including funding for intermodal centers, bus and rail improvements, etc.;
- \$5 billion in Weatherization Assistance Grants -- to insulate homes, modernize home heating and A/C systems;
- \$3 billion in State Energy Efficiency Grants -- to provide rebates to consumers for energy saving improvements, renewable energy projects for clean electricity generation and alternative fuels and energy efficient upgrades to state and local government buildings;
- \$1.3 billion for Amtrak -- to expand passenger rail capacity;
- \$4 billion for Local and State Law Enforcement – via Byrne and other program grants to pay for more cops, prosecutors, and probation officers, radios and equipment, help for crime victims and more youth crime prevention programs;
- \$155 million in HHS Health Resources and Services Administration Grants – to support 126 new health centers to deliver primary and preventive health care to 750,000 people who cannot afford care and create 5,500 jobs at the centers.

President Obama also issued an Executive Order reversing the Bush Administration's policy on Embryonic Stem Cell research that had limited federal funding for such research to a small number of cell lines that existed at the time the Executive Order was issued. Obama removes that restriction which will allow research on hundreds of cell lines already in existence or future, newly created lines.

As for nominations, Rep. Hilda Solis was confirmed as Labor Secretary by the Senate while the President nominated Kansas Democratic Gov. Kathleen Sebelius as Secretary of HHS and former Washington State Democratic Gov. Gary Locke to be Commerce Secretary – after Tom Daschle withdrew his nomination for the HHS spot and Bill Richardson and then Republican Sen. Judd Gregg withdrew from consideration for the Commerce spot for various reasons. Obama also announced Dr. Margaret Hamburg as his choice to lead the FDA, Julius Genachowski to Chair the FCC, and Seattle Police Chief Gil Kerlikowske as the new National "Drug Czar" – director of the Office of National Drug Control Policy. CNN's Chief Medical correspondent Sanjay Gupta withdrew his name from consideration as U.S. Surgeon General.

Musical Chairs Continued

The saga surrounding newly installed Illinois Senator Roland Burris' controversial appointment to the U.S. Senate continues as does the court case involving Sen. Coleman and challenger Al Franken in Minnesota. Cook County Commissioner Mike Quigley won the March 3rd Democratic primary to run in the Chicago area's heavily Democratic 5th District special election on April 7th to replace Rep. Rahm Emanuel, President Obama's new Chief of Staff. The special election to replace newly appointed and installed Senator Kirsten Gillibrand in New York's 20th District will be held March 31st while the election to replace new Labor Secretary Hilda Solis in California's 32nd District is May 19th.

111th Congress - Schedule

Previous Weeks – The Senate passed legislation (61-37) to expand the House from 435 to 437 seats and granting one seat to the District of Columbia and the other seat to the State of Utah. A controversial amendment reversing most of the DC government’s gun laws was attached to the bill (S. 160) in the Senate which in turn has held up House consideration of the bill out of concern that the same amendment would also pass in the House. The House and Senate finally passed the \$410 billion FY 2009 Omnibus Appropriations bill (H.R. 1105) containing 9 of the 12 appropriations bill needed to fund executive branch departments that Congress had failed to pass during the 110th Congress -- which the President then signed March 11th . In the end, 16 Republicans voted for the earmark laden bill and 20 Democrats opposed it in the House while 8 Republicans voted and 3 Democrats voted against it in the Senate after all amendments in the Senate were rejected. The bill also ended a Bush Administration pilot program allowing approved Mexican trucking companies to send vehicles more than 25 miles past the U.S. border and in retaliation for that provision Mexico will impose duties on agricultural and industrial products from over 40 states.

The House on March 5th considered and passed (234-191) the “Helping Families Save their Homes Act” (HR 1106) to aid homeowners facing foreclosure -- which contains the so-called “bankruptcy cramdown” provision that allows bankruptcy judges to modify home mortgages to reduce both principal and interest on home loans. Due to the controversy over the so-called “cram-down” provision, the House leadership had previously been forced to pull the bill from the floor and made changes – primarily requiring homeowners to first try other government options and programs for easing mortgage payments before resorting to bankruptcy proceedings. On March 12th the House passed (317-101) the Federal Water Pollution Control Act, authorizing \$13.8 billion over five years in grants and loans for wastewater treatment. The bill also authorized the Clean Water State Revolving Fund for the first time in 15 years. The House attempted to pass the huge Omnibus Public Land Management bill (S. 22) comprising 150 public land, natural resources, and water bills on the Suspension Calendar --which requires a two-thirds majority vote to pass -- but the bill fell two votes short by a vote of 282 to 144. Leadership chose to try to pass the bill on Suspension out of concern that yet another gun amendment would be attached to the bill under regular order.

This Week – During the week of March 16th, the Senate will seek to pass the Omnibus Public Lands Management Act the House failed to pass on Suspension. If the Senate passes the bill, the House will consider the bill again under the regular process requiring a simple majority vote, but in a procedural format that prevents Republicans from offering their gun-related amendments. In addition, the House is also slated to consider a bill to expand national service programs (including Americorps), legislation to temporarily extend Small Business programs, as well as a bill to reauthorize the FAA until the end of this fiscal year, Sept. 30th. The Senate will also consider the volunteer service legislation and possibly the nomination of Ron Kirk to be U.S. Trade Representative.

Meanwhile, both chambers will begin numerous committee hearings focused on the President’s FY 2010 budget and the annual appropriations process.

111th Legislative Issues

The “Helping Families Save Their Homes Act” (H.R. 1106), the foreclosure assistance bill, is still open to being changed during its consideration in the Senate, but as passed in the House it is a compilation of four related measures:

- HR 200: would let bankruptcy judges write down principal and interest rate of loans for mortgages that are higher than the value of the underlying home. Judges could extend the terms of such loans for up to 40 years. Current law prohibits judges from taking such actions.
- HR 787: overhauls federal Hope for Homeowners program -- that helps borrowers in danger of losing their homes refinance into government-backed loans – by eliminating the 3 percent loan loss reserve requirement and setting the maximum mortgage principal reduction by participating lenders at 7% below a property’s appraised value, down from 10% now.
- HR 788: provides a “safe harbor” to participating mortgage servicers who modify mortgages by shielding them from lawsuits by investors in securities backed by the mortgages.
- HR 786: makes permanent an increase in FDIC and NCUA insurance limits, to \$250,000 from \$100,000 per account, and increases FDIC’s borrowing authority to \$100 billion, from \$30 billion, and the NCUA’s borrowing authority to \$6 billion, from \$100 million.

Other Issues on the Agenda for the 111th Congress

New Housing/Home Foreclosure Assistance bill; Card Check legislation; Broad Based Health Care Reform; Highway/Mass Transit bill reauthorization; Tax Reform and Middle Class Tax bill; SEC/Financial Sector Regulatory Restructuring bill; Immigration Reform; Family and Medical Leave Act Expansion; Energy Reform bill; No Child Left Behind Education Act Reform; Early Childhood and After School Education Reform; Endangered Species Act Reform; Elimination of Anti-Trust Exemption for Railroads; Patent Office Reform and Overhaul; Music Royalty Reform (eliminating AM/FM royalty exemptions); Medical Device and Prescription Drug Labeling Non-Preemption Acts (reversing Supreme Court decisions opposed by trial lawyers ruling that federal medical device and drug labeling laws preempt state liability laws).

Useful Links for the Week

- FY 2009 OMNIBUS APPROPRIATIONS ACT -- Text of H.R. 1105 as passed by House and Senate: http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111_cong_bills&docid=f:h1105enr.txt.pdf
- STIMULUS BILL LINK – Text of HR 1 – American Recovery and Reinvestment Act of 2009, as passed by House and Senate: http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111_cong_bills&docid=f:h1enr.txt.pdf
- Obama Administration: <http://www.whitehouse.gov/>
- Executive Orders: http://www.whitehouse.gov/briefing_room/PresidentialActions/
- Official House Schedule for 111th Congress, 2009: <http://www.majorityleader.gov/docUploads/2009-FINAL-CALENDAR120508.pdf>
- Official Senate Schedule for the 111th Congress, 2009: <http://www.cq.com/flatfiles/editorialFiles/temporaryItems/2008/2009Recesscalendar.pdf>

If you would like additional information on any of these items or have any comments on how we can improve this product for you, please contact either John Mashburn at jmashburn@wcsr.com, Mark Harkins at mharkins@wcsr.com, or Lori Salley at lsalley@wcsr.com.

Federal and State Government Affairs Team

Womble Carlyle is an experienced and effective government affairs advocate in Washington, as well as North Carolina and Georgia. Our Government Affairs group includes members from both major political parties who previously held the following positions: four-term North Carolina Governor; eight-term U.S. Representative; Chief Justice of the North Carolina Supreme Court; General Counsel and Deputy General Counsel of the FEC; four-term North Carolina State Senator; Chief of Staff to the Co-Speaker of the N.C. House of Representatives; Chief Counsel to the United States House of Representatives Committee on Small Business; Chief of Staff to a U.S. Congresswoman; and two Chiefs of Staff to United States Senators; and a General Counsel to U.S. Senate and House Leadership offices.

The Group lobbies Members of Congress, State Legislators, as well as Federal and State Executive Branches; offers representation in connection with campaign finance, gift, and lobbying laws; assists clients in securing appropriations; tracks legislative activities and assesses proposed legislation for opportunities and impacts on clients; drafts legislative language; builds coalitions and organizes grassroots campaigns; develops and maintains political action committees (including our own Womble PAC); creates and distributes direct mail; and prepares and presents testimony before state and federal regulatory agencies and legislative bodies. Combining our related skills with our proven reputation for successful outcomes, our state and federal lobbying teams address client concerns responsively and cost-effectively.

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