



Western Skies Strategies

"When the country needs the capital to do the right thing"

202-870-3867

www.westernskiestrategies.com

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FY 2009 SPENDING BILLS AWAIT ACTION

Friends,

You are already well-acquainted with Western Skies Strategies' government relations and lobbying expertise in Washington and Montana, but WSS doesn't stop there.

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APPROPRIATIONS

Congress passes only one spending bill before August recess. Congress completed just one single spending bill (Military Construction/Veterans Affairs) before breaking for a month-long congressional recess—leaving a massive load of must-pass legislation to finish in September.

While the congressional to-do list is long, time is running short. Congress is scheduled to be in session for only three short weeks before breaking again to gear up for the November elections. That leaves members little time to complete the remaining spending bills.

To date, the House Appropriations Committee has passed only five of 12 spending bills while the Senate has approved nine. The possibility of completing the rest of the funding bills prior to the end of the fiscal year (October 1) has become bleak.

But Democrats are working to get at least two of the remaining bills (Military Construction/Veterans Affairs and Defense) enacted sepa-

Inside this issue:

Appropriations	1
Housing	2
Homeless Assistance	2
Disaster Assistance	3
Public Safety	4
Finance	4
Budget	5
Transportation	7
Miscellaneous Trade Bill	7
From the President's Desk	9

Washington Report

Jess Peterson

President

jess@westernskiestrategies.com

Melissa Lewis

Appropriations Director

melissa@westernskiestrategies.com

Stacia E. Couch

D.C. Operations Manager

stacia@westernskiestrategies.com

2414 I St NW

Washington DC 20037

Phone: (202) 870-3867

Fax: (202) 330-5184

rately before the start of fiscal year 2010. The remaining spending bills would be folded into a massive Congressional Resolution that would fund most of the government at 2008 levels until next January or February when a new president is settled into the White House.

Depending on the outcome of the presidential election, earmarks in the current appropriations bills could be included in an omnibus passed in the spring of 2009 (Obama) or earmarks could disappear indefinitely (McCain). This would pass control of discretionary funding to federal agencies and grants would probably be awarded to applicants on a competitive basis.

While deliberations on spending bills seem deadlocked, advocates should remain diligent in contacting their congressional delegation to harness support for their agendas. It is likely that the current spending bills will very serve as a baseline for future federal funding decisions, whether an omnibus is passed or monies are passed to federal agencies.

Contact Western Skies Strategies for more information about the appropriations process and the forecast of federal funding.

HOUSING

President Bush signs foreclosure prevention bill. President Bush signed the comprehensive housing bill (HR 3221). The President eschewed the formal signing ceremony often staged for landmark legislation in favor of a low key event in the Oval Office attended by Treasury Secretary Henry Paulson and White House staff.

The wide ranging, 645-page bill is largely designed to address the international financial meltdown provoked by the housing market crisis and to stem the growing tide of foreclosures. It creates a new regulator for Fannie Mae and Freddie Mac, authorizes the Federal Housing Administration to refinance up to \$300 billion in mortgages facing foreclosure, creates an Affordable Housing Fund and includes \$15 billion in tax provisions designed to shore up the housing market and increase the supply of low-income housing.

Of particular interest to local governments, the bill appropriates \$3.9 billion for grants to state and local governments for the purchase and rehabilitation of foreclosed and vacant homes. The Department of Housing and Urban Development (HUD) must develop a formula to distribute the funds within 60 days and must then distribute them within another 30 days, meaning that grantees will start receiving funds as early as November. Grantees will then have 18 months to spend the funds, which will not require a match.

The bill is written in a way that would allow HUD to allocate all of the funds to the states, creating an additional layer of bureaucracy and delaying the allocation of the funds to where they are most needed. Local government interest groups, including the US Conference of Mayors and the National Community Development Association have already met with HUD officials to urge that they allocate at least 70 percent of the funds directly to cities and urban counties. Local officials and their membership organizations in Washington will likely have to continue to press HUD on this issue in the weeks ahead.

HOMELESS ASSISTANCE

House panel approves reauthorization of homeless assistance programs. The House Financial Services Committee approved legislation (HR 840) that would reauthorize homeless assistance programs.

The unanimous vote came after a lengthy and sometimes contentious debate over the bill's definition of "homeless." As introduced, the bill would have expanded the definition to include individuals:

- Sharing the housing of other persons due to loss of housing, economic hardship, or a similar reason;
- Living in a motel, hotel, or camping ground due to the lack of alternative adequate accommodations;
- Living in an emergency or transitional shelter;
- Having a primary nighttime residence that is a public or private place not designed for or ordinarily used as a regular sleeping accommodation for human beings;
- Living in a car, park, public space, abandoned building, substandard housing, bus or train station, or similar setting; or
- Living in an institution that provides a temporary residence for individuals intended to be institutionalized.

The Committee approved an amendment offered by Representatives Maxine Waters (D-CA) and Gwen Moore (D-WI) that narrows the bill's definition of

"homeless" as regards people in shared housing and in motels, hotel and campgrounds to include only those who lack the resources to stay in place for fewer than 14 days. The Waters/Moore Amendment expands the definition from the original bill, however, to include individuals fleeing domestic violence.

Representative Geoff Davis (R-KY) and Judy Biggert (R-IL) offered an amendment that would add all children that the Department of Education or the Department of Justice considers homeless to the bill's definition of "homeless," but withdrew it after Committee Chairman Barney Frank (D-MA) and Ranking Member Spencer Bachus (R-AL) agreed to send a letter to the General Accountability Office (GAO) requesting that they give priority to a study and report on the definition of "homeless." Although homeless advocates and many Committee members support the broadest definition of homeless, they concede that funding constraints limit the reach of federal homeless programs.

Overall, the bill, introduced by the late Representative Julia Carson (D-IN), would authorize \$2.5 billion for homeless assistance programs in FY 2008 and such sums as may be necessary for FY 2009 through FY 2012. It would generally maintain the Continuum of Care format for federal homeless assistance programs. It would also require each Continuum of Care geographic area to establish a Community Homeless Assistance Planning Board to co-

ordinate homeless assistance activities and requests for federal assistance. Additionally, the bill would require that each Board have a majority of members who are homeless, have experienced homelessness or homeless advocates. It would also give greater emphasis under the Continuum of Care Program to permanent and transition housing and homeless prevention activities.

The bill now heads to the full House. The Senate Banking Committee has approved a similar bill (S 1518) that is awaiting consideration by the full Senate. Given the tight congressional schedule, final passage of a homeless reauthorization bill may have to wait until the 111th Congress.

DISASTER ASSISTANCE

House panel approved omnibus disaster assistance measure. The House Transportation and Infrastructure Committee approved disaster assistance legislation (HR 6658) that combines provisions of a number of related bills into one package that sponsors hope will smooth its passage in the Senate.

The centerpiece of the legislation is the reauthorization of the FEMA Pre-Disaster Mitigation Grant program. The program, which provides competitive grants to states and local governments for local preparedness programs, would be reauthorized at \$250 million annually through FY 2011. The program received \$115 million in FY 2008.

Other provisions of the omnibus package approved by the committee include:

- Directing FEMA to modernize its Emergency Alert System, which allows the president to speak to the American people within 10 minutes of an emergency.
- Allowing temporary FEMA employees hired in the aftermath of a disaster to be eligible for health insurance.
- Allowing FEMA to sell materials and equipment to states and local governments for smaller disasters not deemed an emergency.
- Authorizing the Disaster Relief Fund that was created by appropriators, up to \$300 million annually. It would provide funding for post-disaster housing, transportation and medical assistance.
- Reinstating temporary mortgage and rental payments for people who, as a result of a major disaster, are at risk of losing their homes.
- Allowing FEMA to rescue and shelter pets and animals during disasters and emergencies.
- Requiring FEMA to assess the number of trailers needed during a disaster and devise a

plan to dispose of those no longer needed.

- Authorizing the Citizen Corps preparedness program that helps coordinate volunteers to respond to disasters.

Bill sponsors hope that the House will consider the package on the floor in September. It would then be sent to the Senate, where supporters hope that it would be viewed as more desirable than taking up all of the bills included in it individually.

PUBLIC SAFETY

Senate committee approves legislation relating to juvenile justice, meth production. The Senate Judiciary Committee approved legislation that would reauthorize programs under the 1974 Juvenile Justice and Delinquency Prevention Act (S 3155), as well as a measure (S 1276) designed to curb production of methamphetamines.

The Juvenile Justice and Delinquency Prevention Act authorized two “incentive grant” programs. The first provides grants to states for projects addressing youth currently in prison, such as separating youth from adults in the prison system and limiting the detention of youth for low-level offenses. The other provides grants to states and local governments for delinquency prevention programs. Changes to the delin-

quency prevention incentive grant program includes language to ensure that the funds are directed to programs that have documented results in reducing crime.

The legislation would reauthorize both programs through FY 2013. There is no timetable for floor consideration for the bill and there is no House counterpart. Chances of the bill being approved this year were dimmed when Senator Tom Coburn (R-OK) announced that he would place a “hold” on the bill, as he believes that there are not adequate mechanisms in place for assessing grant performance.

Meanwhile, the committee also approved the Methamphetamine Production Prevention Act (S 1276), which would facilitate the creation of an electronic logbook to monitor sales of meth “precursor drugs” – such as pseudoephedrine – and prevent individuals from going from pharmacy to pharmacy to stock up on the items.

The 2006 Combat Meth Act requires pharmacies to record transactions involving precursor drugs. S 1276 would authorize \$3 million in grants to states to develop an electronic system that will allow for easier and faster sharing of information with law enforcement agencies.

There is no schedule for Senate floor consideration of S 1276. A House counterpart (HR 2747) was introduced last year but has not been considered by the House Judiciary Committee.

FINANCE

House panel considers bill to provide equal treatment for municipal bonds. The House Financial Services Committee approved legislation (HR 6308) that would eliminate the ability of bond ratings agencies to use separate standards for municipal bonds.

Bill sponsors maintain that the current ratings system has caused municipal bonds to be rated lower than corporate bonds. Unlike their corporate counterparts, there has never been a default on the nearly 14,800 general obligation bonds issued between 1970 and 2000. The result of the current system is that taxpayers in those communities incur higher costs from the higher interest payments. Currently, municipal bonds make up a \$2.5 trillion market.

Several committee members offered, and then withdrew proposed amendments, as committee leaders promised to work with them on their concerns prior to floor consideration of the bill.

One proposed amendment would have required bond insurers to maintain separate reserves for insuring municipal bonds. In recent years, companies that once

insured just municipal bonds started to insure mortgage-backed securities, and defaults and foreclosures have made that business less lucrative. As a result, some local governments have seen their interest rates increase because their bond insurer's credit ratings have slipped.

Committee Chairman Barney Frank (D-MA) indicated that he was inclined to support that proposal, and hopes that HR 6308 will be considered on the House floor in September.

BUDGET

Byrd unveils \$24 billion stimulus bill. Senate Appropriations Committee Chairman Robert Byrd (D-WV) unveiled a \$26 billion stimulus/supplemental appropriations bill.

With the November elections looming, many rank-and-file members, especially among the Democratic ranks, are eager to take counteract increasingly gloomy economic news and welcomed Byrd's proposal. House Speaker Nancy Pelosi (D-CA) both tempered and added to the excitement stirred up by Byrd's bill, saying that a stimulus bill would need bipartisan support, including the support of the White House, while adding that she envisioned a bill costing up to \$50 billion. House Republican leaders added that while they do not rule out a stimulus, they would prefer tax breaks or rebates similar to the one enacted earlier this year to spending on infrastructure and

social programs. Byrd's supplemental appropriation proposal is heavy on both and also calls for spending on energy research, job training and disaster assistance.

The White House has not commented on a stimulus/supplemental appropriations bill.

The Byrd proposal calls for \$26 billion in additional FY 2008 spending across a broad array of categories, summed up below.

Infrastructure, Energy & Economic Recovery

Energy (\$1.5 billion)

- \$900 million for the Advanced Technology Vehicles Manufacturing Program
- \$300 million for advanced battery technology research
- \$300 million for competitive grants to state and local governments for innovative renewable energy efficiency and renewable energy demonstration projects

Transportation (\$4.762 billion)

- \$3.57 billion from the general fund for highways, distributed to the states by formula
- \$893 million for transit
- \$100 million for capital projects on Amtrak corridors
- \$200 million for the Airport Improvement Program

Nutrition Programs (\$570 million)

- \$450 million for Women, Infants & Children
- \$30 million for the Commodity Supplemental Food Program
- \$50 million for Emergency Food Assistance Program

- \$40 million for Senior Meals

Housing (\$309 million)

- \$52 million for Federal Housing Administration modernization
- \$5 million for FBI mortgage fraud investigation
- \$38 million for the Legal Services Corporation to help homeowners facing foreclosure

- \$215 million for Public Housing Capital

Clean Water (\$400 million)

- \$200 million for the Clean Water State Revolving Loan Fund
- \$200 million for the Rural Utilities Service

Job Training (\$500 million)

- \$250 million for Dislocated Workers
- \$250 million for Youth Job Training

Safe Schools (\$850 million)

- \$850 million for school repair & renovation

Rural Programs (\$2.262 billion)

- \$1.4 billion for rural housing loans
- \$792 million for rural utilities & community facilities
- \$70 million for rural business loans

Border & Homeland Security (\$561 million)

- \$100 million for Customs &

Border Protection

- \$100 million for repair of border stations
- \$361 for construction of Department of Homeland Security headquarters

Support for Small Business (\$101 million)

- \$100 million for small business loans
- \$1 million for microloans

Excessive Oil Price Speculation

- \$13 million for the Commodity Futures Trading Commission

Natural Disasters

Midwest Floods

- \$7 billion for disaster assistance

Hurricane Katrina

- \$2.938 billion for levees and disaster assistance

Western Firefighting

- \$910 million for western firefighting efforts

Other

Assistance with High Energy Costs (\$1.5 billion)

- \$1.25 billion for LIHEAP
- \$250 million for Weatherization Assistance

Investments in Science & the Environment (\$1.28 billion)

- \$500 million for the National Institutes of Health
- \$250 million for NASA
- \$250 million for Energy Department cleanup
- \$26 million for the Centers for Disease Control

Other Provisions (\$1.267 billion)

- \$400 million for rural schools
- \$490 million for Byrne Justice Assistance Grants
- \$50 million for the US Marshals Service
- \$55 million for Capitol Police interoperability

- \$172 million to upgrade Agriculture Department computers for Farm Bill implementation
- \$100 million to combat border violence

TRANSPORTATION

DOT issues transportation blueprint. The U.S. Department of Transportation (DOT) unveiled a broad, comprehensive proposal for future transportation funding options. Once again, the agency recommends shifting from the current federal excise tax on gasoline sales to an approach based more on privatization, a proposal that has received little enthusiasm on Capitol Hill.

The report, entitled “*Refocus. Reform. Renew. A New Transportation Approach for America,*” urges Congress to draft the next reauthorization of federal surface transportation programs with provisions that gradually phase-out the federal gas tax in favor of direct user fees such as tolls, congestion pricing, and public-private partnerships. Currently, the 18.4 cent-per-gallon federal gasoline tax provides over 90 percent of federal surface transportation funding.

The report proposes a broad swath of new programs to reduce congestion in major metropolitan

areas, such as a formula-driven Metropolitan Mobility Program and the Metropolitan Innovation Fund, which would be designed to encourage local governments to invest more in transit, traffic technology, and congestion pricing on highways. Other recommendations include a streamlined environmental and planning process for highway and transit programs, and a cost-effectiveness test for all transportation projects, not just those in the New Starts Capital Investment Grants program.

House Transportation and Infrastructure Committee Chairman James Oberstar (D-MN) referred to the proposal as “a collection of the same uninspired and uninspiring policies that this Administration has offered over the past five years: toll it, privatize it, lease it, sell it, or congestion price it.” Oberstar goes on to say that the transportation financing proposals set forth in the report are unsustainable, and lack “intermodal vision” for linking roads, rail, water, air, and public transportation into a cohesive whole.

The full report is online at: <http://www.fightgridlocknow.gov/reform/reformproposal08.pdf>.

MISCELLANIOUS TRADE BILL

Senate GOP trade counsel sees no Miscellaneous Tariff Bill this year. The Senate will not take up a miscellaneous tariff bill (MTB) this year because most of the duty-suspension measures passed in 2006 do not expire until the

end of 2009, Senate Finance Committee minority trade counsel Steven Schaefer told the National Foreign Trade Council on Aug. 1, sources said.

As a result, the Senate leadership appears to see the end of 2009 as the “real deadline” for doing a new MTB, according to one source attending the briefing.

The House Ways and Means Committee compiled House members’ duty suspension requests in April and the U.S. International Trade Commission has evaluated the proposals for tariff suspensions.

The Affordable Footwear Act, which would eliminate tariffs on some 60 percent of duties on imported shoes, including on most lower-cost shoes and all children’s shoes, was included in the House MTB.

The act would eliminate duties for many products, including many with fabric-coated soles, but would retain current duties on some fabric-soled shoes still manufactured in the United States. Some fabric-soled shoes are subject to average tariffs of 37.5 percent compared to tariffs on other shoes ranging from 7.5 percent to 12.5 percent.

The ITC found that the Affordable Footwear Act would cost \$810 million in the first year, and \$1 billion in yearly lost customs revenue by 2013. This would mean it runs afoul of existing practice, laid out in an April 2006

letter by then-Senate Finance Committee Chairman Charles Grassley (R-IA) and then-Ranking Member Max Baucus (D-MT), that measures in an MTB must not exceed \$500,000 and must be non-controversial (Inside U.S. Trade, April 28, 2006).

According to interest groups, there are many alternative vehicles for the bill if it is not part of the MTB, since it is also an economic stimulus measure that puts spending money in the pockets of poorer consumers. The source also downplayed the funding offset issue, arguing that it will be easy to find a funding offset.

A comprehensive MTB that temporarily suspends tariffs on items that do not compete with U.S.-made products has been approved in each two-year Congress in recent years, with the exception of the 108th Congress.

Schaefer also said Grassley had objected last week to bringing up a House bill in the Senate to extend the Generalized System of Preferences (GSP) for one year, which the House approved last week.

The measure was part of a bill that extended trade preferences to the Dominican Republic and repealed the abundant supply provision in the African Growth and Opportunity Act (AGOA), which would have had the effect of causing AGOA denim apparel to lose its duty-free access to the U.S. (Inside U.S. Trade, Aug. 1).

A spokesperson for Grassley said this week that while the Senator was not prepared to consider the bill last week, he will evaluate the House bill in September and “will address those issues when we return in the next work period.”

“He has not yet taken a position on the substance of any of those positions in the House package,” she said in an email. “Sen. Grassley is interested in reforming the GSP program, but hasn’t yet advocated any specific reform provisions. He remains concerned that unilateral preference programs may impede progress in multilateral trade negotiations, particularly when it comes to advanced developing countries that benefit from such unilateral trade preferences.

The bill, H.R. 6560, also repealed a provision in the farm bill included to generate roughly \$400 million needed to pay for its provisions. That provision required that importers would pay their customs user fees before their entries had come into the U.S.

The Senate leadership tried to pass H.R. 6560 by unanimous consent, but Grassley objected, congressional aides said. The measure did not include an extension of the Andean Trade Promotion and Drug Eradication Act, which expires at the same time as GSP on Dec. 31 this year. In the past, GSP and ATPDEA extensions have moved together in Congress but ATPDEA was last extended alone for eight months in February 2008 and June 2007.

FROM THE PRESIDENT'S DESK

As my grandpa used to say, "There are only two things in life you can count on: death and taxes." I would add one more to the list: political elections! This year, not only are we electing a President but also we are filling over 90 percent of House seats and one-third of our Senate seats. These factors play a strong role in the action (or lack thereof) on the part of Congress and the Administration.

Congress is now out of session for the August summer recess. It will return in September for a few short work weeks. It recesses again in October as Members and officials head to the countryside for campaigns.

Speaking of the countryside, Western Skies Strategies is pleased to continue its work out West. WSS has been traveling the country, building membership for trade associations, reaching out to small businesses and colleges, mapping out plans to reach high goals and to increase business success.

If you are a beltway association or coalition looking to increase your visibility in the countryside, you need to check in to see how WSS's outreach in the country can help you. And if you are a small business or higher education provider looking to build your business or school, WSS would be happy to sit down with you today to map out legislative

and appropriations opportunities.

From an advocacy perspective, Western Skies Strategies has been successful in working with stakeholders and Congress to introduce two major pieces of legislation. The "Foot and Mouth Disease Prevention Act of 2008" was introduced in the Senate by Senators Tim Johnson (D-SD) and Mike Enzi (R-WY). This bill prevents increased access of meat imports from Argentina until Argentina gets a better handle on its foot and mouth disease problem.

The equivalent bill was introduced in the House by Representative Stephanie Herseth Sandlin (D-SD) and Barbara Cubin. On July 17, Senator Tim Johnson and supportive colleagues on the Senate Appropriations Committee were successful in getting the bill attached to the FY2009 Senate Appropriations bill. It is doubtful that this bill will move this year, and we suspect that Congress will extend current funding portions with a Continued Resolution (CR). However, the WSS is pleased with the success in getting this bill introduced and attached to an excellent legislative vehicle.

Western Skies Strategies is also pleased that Senator Jon Tester (D-MT) introduced the "Beef Checkoff Modernization Act of 2008." Again, WSS worked with stakeholders and Senator Tester's staff to draft a fine piece of legislation that enhances the 20-plus-year-old Beef Checkoff Act and Order. This legislation allows a

portion of Checkoff dollars to promote U.S. beef. It also allows for increased competition among Checkoff contractors and creates a periodic referendum. WSS views this bill as a solid piece of legislation that sets the stage for some excellent opportunities when Congress kicks off the 111th Session of Congress.

In closing, I would like to return to the election and its impact on issue advocacy and federal funding projects. WSS continues to increase its visibility and contacts within the Beltway. We closely monitor the House and Senate races and look forward to starting new relationships and maintaining existing relationships in the 111th Session of Congress.

The 2008 Presidential election is history in the making as both Senator Barack Obama and Senator John McCain ramp up spending and fundraising. These unique candidates and the issues they will tackle once they are elected make this race one you must keep up with. Flashes to the 2004 Florida recount prove just how important your vote is. Cast well, cast it with pride, but most of all – VOTE!

Ride Tall,



Jess Peterson
President and Founder
Western Skies Strategies