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WASHINGTON REPORT
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FATE OF FY 2009 BUDGET UNCERTAIN

Budget/Appropriations

Stalemates over the FY 2009 budget resolution and a FY 2008 supplemental appropriations bill have resulted in a very slow start for the FY 2009 appropriations process. However, even if Congress can manage to begin to move any of the 12 annual appropriations bills, chances that they will be finalized prior to the November election are remote.

Although the statutory deadline (April 15) for approval of a FY 2009 budget resolution has long since passed, congressional Democratic leaders are still holding out hope that House and Senate negotiators can complete a package for floor consideration during the week of May 12. The major stumbling block in those talks is whether spending for big ticket items such as remediation for the Alternative Minimum Tax should be offset.

Appropriations Committees are free to consider their annual spending bills in the absence of a budget resolution, but funding decisions are much easier to make when the spending caps are set and priorities are identified in the resolution.

Meanwhile, serious action on FY 2009 spending bills is likely to be stalled by a battle between Democrats and the White House over the

components of a FY 2008 supplemental appropriations bill.

The President has requested \$108 billion to be spent strictly on overseas military activities, but congressional Democrats are eager to add items to further stimulate the economy. The original goal of having a supplemental to the President by Memorial Day is likely to slip unless an agreement is reached soon.

Most observers continue to believe that unless the President agrees to drop his veto threats of spending bills that exceed his spending limits, Congress will approve a Continuing Resolution that funds programs at or near their FY 2008 levels until after a new President is sworn in. FY 2009 officially begins on October 1.

Housing/Foreclosure

The House Financial Services Committee cleared legislation (HR 5830) that would authorize the Federal Housing Administration (FHA) to refinance \$300 billion in mortgages facing foreclosure. Ten Republicans joined all panel Democrats in support of the bill.

Under the bill, sponsored by Committee Chairman Barney Frank (D-

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MA), FHA would take over and refinance mortgages facing foreclosure if the lender agreed to absorb the difference between the outstanding loan amount and the actual value of the home. FHA refinancing would only be available for pre 2008 mortgages on owner-occupied primary residences.

Frank said that he expects to combine HR 5830 with a number of other housing bills approved by his Committee as well as with a package of tax provisions (HR 5720) approved by the Ways and Means Committee.

The other housing bills include:

- A bill (HR 5818) that would authorize \$7.5 billion in grants and \$7.5 billion in loans for acquisition and rehabilitation of foreclosed homes for resale or conversion for affordable rental housing;
- Legislation (HR 1427) to modernize FHA and increase regulation of Fannie Mae and Freddie Mac; and
- A measure (HR 2895) to create an Affordable Housing Trust Fund.

Frank said he hoped to clear his comprehensive housing bill for the President's signature before July 4. Although the House will likely pass any package Frank and the House leadership choose to bring to the floor, several obstacles remain.

While the Senate has passed a

foreclosure prevention bill (HR 3221), it has yet to consider measures to modernize FHA, increase oversight of Fannie Mae and Freddie Mac or to create an Affordable Housing Trust Fund. However, all of those measures face potential opposition in the Senate, so Senate Banking Committee Chairman Chris Dodd (D-CT) is reportedly trying to craft consensus legislation.

In addition, although it has stopped short of a veto threat, the Administration has voiced concerns that Frank's foreclosure prevention would overwhelm FHA and put taxpayers in the risky position of guaranteeing thousands of shaky loans.

The Administration also remains opposed to an Affordable Housing Trust Fund and has concerns with aspects of the FHA modernization bill. However, most observers agree that given the depth of the foreclosure crisis, the Administration remains open to negotiations with Frank and the congressional leadership and that a comprehensive foreclosure prevention and housing bill could become law this summer.

TRANSPORTATION

The Senate was unable to complete action this week on the Federal Aviation Administration (FAA) Reauthorization Act of 2007 (HR 2881). Consideration of the bill stalled mid-week over a controversial provision that would have changed the rules governing airline pension plans. While that had reportedly been rectified, other obstacles stand in the way of final passage of the bill.

Most significantly, Senate Republicans are mounting an effort to strip certain non-aviation related tax provisions out of the bill, including provisions that would direct \$5 billion to the Highway Trust Fund, which is facing a deficit of \$3.2 billion in FY 2009. This and other sticking points have pushed consideration of HR 2881 into next week.

A procedural vote to limit debate on the bill has been scheduled for Tuesday, May 6. If that vote fails, a final agreement on the bill does not appear likely.

Should the procedural vote pass, Senators are likely to offer many more amendments, including attempts to address rising oil and gas prices, investigation into alternative fuels for jet aircraft, runway safety provisions, and an airline passenger "bill of rights."

In a related event, the House of Representatives adopted the Senate-passed version of the SAFETEA-LU Technical Corrections bill (HR 1195). This bill would clarify and correct some portions of the enormous surface transportation authorization bill approved in 2005.

Consideration of the bill stalled in the Senate over competing amendments ordering the investigation of an earmark for a road project in Florida in SAFETEA-LU that was changed during the enrollment process, which is the period after all congressional action and just prior to the bill being sent to the desk of the President for his signature.

In the end, an amendment was approved to require the Department of Justice to carry out the investigation. Rep. Don Young (R-AK), the lawmaker believed to be responsible for the last-minute change (and Chairman of the House Transportation and Infrastructure Committee when SAFETEA-LU became law), insists he did nothing wrong and welcomes any scrutiny of the matter.

Other significant provisions of HR 1195 include a blanket authorization for preliminary engineering, final design, and construction of New Starts/Small Starts transportation projects that have been recommended for funding in FY 2008 and 2009, and a reduction of the minimum penalties states are required to impose on repeat drunk drivers in order to avoid a loss of federal highway funding.

The bill will now be sent to the desk of President Bush for his signature. Bush had expressed concerns about the bill earlier in the consideration process, but to date has not threatened a veto. Both the House and the Senate approved the bill with enough votes to override a veto.

EDUCATION

The House Education and Labor Committee this week approved legislation (HR 3021) that would authorize funds for the modernization, renovation, and repair of school facilities. The measure would authorize \$6.4 billion in FY 2009 and "such sums as may be necessary" for FY 2010 through 2013.

Funds from the program would be distributed to local education

agencies based on the same percentage of funds public schools receive under Title I of the Elementary and Secondary Education Act, with every Title I school district receiving at least \$5,000.

In addition, the bill requires that funded projects meet at least one of the three widely recognized green building standards (Leadership in Energy and Environmental Design (LEED); Energy Star; or Collaborative for High Performance Schools) or equivalent state or local standards. That requirement could be waived in certain circumstances, but ultimately 90 percent of the funds allocated must be used for "green" projects. Workers on all the funded projects must receive prevailing wages under the Davis-Bacon law.

The bill also authorizes \$500 million over five years for public schools that were damaged in the Gulf Coast by Hurricanes Katrina and Rita in 2005.

Bill sponsors are confident that the measure will be considered on the House floor this year, but are less confident that it would be approved or funded in FY 2009 due to Presidential opposition and budget constraints. House Education and Labor Committee Chairman George Miller (D-CA) called the legislation "a forward-looking bill."

ENVIRONMENT

The Environmental Protection Agency (EPA) issued a notice of proposed rulemaking (NPRM) outlining possible new National Ambient Air Quality Standards (NAAQS) for lead. EPA last up-

dated the lead standard under the Clean Air Act in 1978. EPA is suggesting a standard of 0.10 micrograms per cubic meter, 0.3 micrograms per cubic meter or 0.50 micrograms per cubic meter, down from the current standard of 1.5 micrograms per cubic meter, measured in

terms of suspended particles in the air. EPA is under court order to decide issue make a final determination on new lead standards by September (*Missouri Coalition for the Environment v. EPA*).

In its December 2007 advanced notice of proposed rulemaking, EPA had proposed eliminating the lead standard, citing the fact that lead emissions have fallen 98 percent since 1980, an approach favored by battery manufacturers and other users of lead.

The Clean Air Scientific Advisory Committee, which is responsible for conducting the research that lays the groundwork for setting new clean air standards, rejected this approach. In a strongly worded letter to EPA Administrator Stephen Johnson, the Committee called EPA's original proposal "entirely unsuitable and inadequate for use in rulemaking" adding that it "represents a remarkable weakening of the scientific foundation of the NAAQS review process." Based on its research, the Committee recommended a new standard of 0.20 micrograms per cubic meter.

In its NPRM, EPA estimates that 12 of the 90 counties currently monitored for lead would fail to meet 0.30 standard and that 24 counties would fail to meet the 0.10 standard. The NPRM also

proposes expanding its network of lead monitors to include large lead emissions sources and urban populations greater than 1 million people.

Comments on the rule are due on July 1 and can be found at: <http://www.epa.gov/air/lead/actions.html>. In addition, EPA has scheduled two public meetings on the NPRM for June 12, one in Baltimore and the other in Saint Louis.

Once the new standards are issued, EPA plans to begin working with the states immediately on attainment designations and to implement its new monitoring network in 2009.

FARM BILL

Western Skies Strategies (WSS) continues to play an active roll in shaping the Farm Bill.

In the early summer of 2007, WSS and an assembly of agriculture groups joined together to create Farm Policy Facts for the existing Farm Bill.

The group was committed to ensuring that American farmers and ranchers would continue to feed the country and world through the assistance of a strong Farm Bill. Farm Policy Facts took this task very seriously as it worked to fight off efforts by Members of the House and Senate whose primary goal was to strip the Farm Bill and create a bill that would have seriously jeopardized the competitiveness and productive ability of American agriculture.

WSS was proud to work with Farm Policy Facts in its outreach

to rural agriculture and livestock groups, along with the rural agriculture-trade media outreach. The project was a success as all extreme proposals were defeated, and a strong and useful Farm Bill rolled forward.

Today, WSS is committed to retaining those wins and creating new opportunities for rural agriculture and livestock groups during the Farm Bill reauthorization process.

WSS is extremely pleased that—for the first time ever—the Farm Bill contains a Livestock Title. This title was a specific target and important goal for WSS. WSS is working with other like-minded groups to ensure the Livestock Title includes the following provisions:

- Language that enables producers to decline to be bound by an arbitration clause in a livestock or poultry contract;
- Language that enables a producer to settle a dispute in the Federal judicial district where he or she lives rather than where the company headquarters is located;
- Language that clarifies and implements country of origin labeling of meat, fruits and vegetables, peanuts, pecans and macadamia nuts;
- Language that improves oversight of USDA's enforcement of the Packers and Stockyards Act by requiring the Department to provide an annual compliance report detailing the number and

length of time spent on investigations of potential violations of the Act; and

- Language that allows state inspected meat to be shipped across state lines.

Currently, final Farm Bill negotiations are underway. The bill (H.R. 2419) will provide nearly \$570 billion over ten years, with \$10 billion in new funding for farm-related tax credits, a disaster-aid program, and food stamps.

A \$400 million cut to direct payments (a subsidy farms get based on their acreage and type of crop they grow) will be used to pay for those enhancements. But the majority of the new funding will be provided by an extension of customs user fees paid by importers, a revenue-raiser favored by the Bush administration.

On May 2, President Bush signed a two-week extension of the existing Farm Bill (S.2954), giving lawmakers until May 16 to pass a new package.

On May 6, farm bill leaders met in closed-door meeting in an attempt to resolve a few remaining roadblocks to completion of the bill.

Meanwhile, the White House has issued new objections to the overall cost of the bill. The Bush Administration is now expressing vehement concerns about the \$10 billion extra for new farm programs—the amount that House and Senate conferees set weeks ago.

The White House now argues that given timing shifts that manipulate the farm budget, the extra spending would in fact amount to \$18 billion, not the \$10 billion as scored by the Congressional Budget Office.

Conferees are “hush-hush” on the details of the latest plan, but WSS heard from Earl Pomeroy (D-ND), a member of both the House Agriculture and Ways and Means Committees, that the bill could be trimmed in order to garner the support needed to avoid a Presidential veto.

WSS is working to mobilize all agriculture groups for a final push of the bill this week. Our goals are to protect the interests rural agriculture and livestock groups and get enough Congressional votes to override a veto.

From the President’s Desk

Western Skies Strategies (WSS) is pleased to kick-off the first issue of our monthly newsletter!

A frequent first question people have about WSS and the exciting coalition opportunities we offer is, “What was your motivation behind founding Western Skies Strategies?” It is with my answer to this question that I would like to officially introduce you to a dream, an opportunity, and a connection between rural America and Washington D.C.

A little over a year ago I decided to evaluate my career options. I resigned from a position I had held for three years in Washington D.C. and returned to the ranch in Eastern Montana to calve out cows. I realized I

was at the proverbial crossroad in my career: in my case, did I want to continue work DC, either on Capitol Hill or in a Federal Agency, or did I want to ranch full time? Under the western skies, I reached my conclusion – I wanted to live in both worlds!

The optimal solution was obviously to utilize my experience and the relationships I’d built in Washington D.C. to increase opportunities for agricultural, business, and academic interests; and with that Western Skies Strategies (WSS) was created.

Now, nearly a year later, I am balancing a very active schedule in Washington D.C. and returning to Montana to work on state-based issues as well as regular ranch work. Both in DC and MT, client successes are increasing daily. The staff and contractors that make up WSS make the difference and are truly the key to our success.

The vision of WSS motivates us in all we do, a vision that is the code of the West—“a reputation is based on your handshake and good word.” We follow that here at WSS as we work in a setting where relationships and follow-through are critical to maintaining a credible and strong reputation.

From Congress and other Federal Agencies to the powerful lobbying associations and media - WSS is consistently making client’s voices heard, and thus, truly making a lasting difference for our clients.

So my question for you—how

can we be your voice and presence in Washington D.C.? Do you need to build your ties in the Nation’s Capital, do you have a special issue that needs the attention of Congress, Administration, media, rural America, and other likeminded associations, or do you simply need valuable insight and information inside the beltway?

Whatever your motivations, Western Skies Strategies is your solution to achieve any of these goals. We look forward to working with you!

Please feel free to call 202-870-3867 to or email info@westernskiesstrategies.com

Ride Tall,



Jess Peterson
President and Founder