



PUBLIC POLICY COUNCIL News Briefing Oct. 15, 2010 | contact: Nan Nelson (920) 593-3418

LOCAL

Budgets:

- On October 11 the Green Bay School Board gave preliminary approval to the Green Bay **School District's proposed 2010-11 budget**, which calls for a 0.8% increase in spending from \$242.4 million last year to \$244.2 million. The proposed property tax levy would be up from \$76.4 million to \$79.5 million, or 4.1%. The equalized rate for school taxes would be \$9.70 per thousand of equalized value, up 63 cents or 6.9%-- partly due to a 3.1% decrease in property values within the district. The district estimates the owner of a home valued at \$100,000 would see about a \$30 increase in the school portion of their property taxes. The school board is expected to take a final vote on October 25. The district would eliminate the equivalent of 8.7 administrators and 18.7 teachers and paraprofessionals, freeze most non-salary related expenses and trim \$1.3 million in technology expenses. The district recently settled a contract with teachers calling for a 3.9% increase in pay. About \$3.1 million of federal stimulus dollars remaining from last year is budgeted for use this year. [Press-Gazette]
- Wisconsin public schools budgeted to spend \$10.6 billion in 2009-10, or 4.3% more than in 2008-09. Due to declining enrollments statewide, spending per student was budgeted to increase 4.6%, from \$11,850 in 2008-09 to \$12,400. Since 1999-2000, **per student spending has risen** an average of 4.0% per year. The increase in spending came in spite of state cuts in school aids and allowable revenue increases. The drop in general school aids resulted in above-average school property tax increases. Total school levies rose 6.0% in 2009-10, the sixth increase over 5% in the past seven years. 98 districts did not tax to the maximum allowable under state law, including 47 that levied property taxes at least 5% under their limits. [Wisconsin Taxpayers Alliance]
- Brown **County Executive Tom Hinz's proposed 2011 budget** released October 1 calls for an increase in spending of 3.85% or \$3.2 million on the overall \$275.2 million plan. The proposal requires \$87.4 million in property taxes. Combined with a 2.2% drop in the county's equalized property value, the overall levy increase would be 6.21%. It would add about \$28 per \$100,000 of property value to the cost of property tax. Hinz's plan calls for elimination of one part time public health nurse and elimination of after-hours service in the health department, keeping open three vacant positions in the human services department (social worker, child and support manager and treatment center scheduler) for a savings of \$232,000, delaying the hire of a new legislative assistant for six months for a savings of \$45,000, a 5% cut in seven human services programs for a savings of \$30,758, reducing the summer mowing budget in the highway department by \$40,000, reducing outside legal services by \$27,000, eliminating meals for volunteer meal drivers for the elderly for a savings of \$10,000, and requesting the City of Green Bay (but not De Pere or Ashwaubenon) to pay for a drug task force officer assigned to the city at a cost of \$125,000. The proposed budget also includes a 2% cost of living wage increase for 172 administrative employees and union contracts approved thus far provide for a 2.5% increase in each of the next two years along with higher insurance deductibles. The plan also includes debt service on more than \$18 million in bonding, including the not-yet-approved purchase of the former S&L Motors building for sheriff department relocation. To increase revenue Hinz proposed charging organizations such as the Packers when it has to staff the 911 Center during games or other special events, and raising the medical examiner's fees for cremation permits and death certificates. View the budget at http://www.co.brown.wi.us/departments/page_2e378bf1817c/?department=eb68032a345c&subdepartment=58e10b3bd528 On October 12 Hinz and county board chairman Guy Zima announced that they have come up with enough additional cuts to trim the tax levy increase in the proposed budget to below 2%. Zima said his cuts would reduce the property tax increase impact from \$28 per \$100,000 to \$7; Hinz said the cuts he is willing to make would drop the increase to \$9. Among the changes they agreed on: reduce borrowing for the radio interoperability system and architectural costs for the downtown library renovation, reduce the county's contribution to insurance premiums from 20 to 15% and take \$1 million from the general fund. Zima would also eliminate one dispatcher position at the 911 Center and the proposed \$600,000 for new voting machines; Hinz would rather outsource housekeeping jobs at county offices and food service at the Community Treatment Center eliminating 25 jobs for a savings of \$400,000. The proposed budget will go before the County Board for approval on November 8. [Press-Gazette]
- The Green Bay Metro Sewerage District has informed municipal users that it will increase the **sewage processing rate** by about 44%. There has not been an increase since 1993. [The Press]

Downtown:

The Redevelopment Authority asked developers of the **Bullfrogs stadium** to come back in December with a detailed plan for the facility, including available and needed financing, after the team's owner said that he was unable to secure private financing and that a riverfront stadium could not be built without public assistance. [Press-Gazette]



Economy:

- **Unemployment** in the Green Bay metro area was 7.2% in August, down slightly from the month before. According to the state Department of Workforce Development, the Green Bay MSA — which includes Brown, Kewaunee and Oconto counties — reported 100 fewer jobs in August than July, but fewer people were being counted in the labor force, bringing the unemployment rate down from 7.3%. For Brown County, the rate was 7%, down from 7.1 % in July and 7.8% in August 2009. The unemployment rate for August was 9.6% nationwide and 7.7% statewide. [Press-Gazette]
- **Household income** in the City of Green Bay fell 6.2% from 2008 to 2009 (from \$43,391 to \$40,993), approaching a level not seen since 2005, according to the US Census Bureau. The rate of fall was faster than both the state (down 3.7%) and national (down 2.9%) average, according to the Bureau's American Community Survey. The percentage of families whose income was below the poverty line jumped 6 percentage points. [Press-Gazette]

Environment:

The U.S. Department of Justice and Wisconsin filed a federal lawsuit October 14 in an effort to require nine paper mills and two municipal sewer system operators to continue funding the **Fox River cleanup**. The action indicates officials from the U.S. Environmental Protection Agency and the Wisconsin Department of Natural Resources are unhappy that an agreement on the financial responsibility for the PCB cleanup has not been reached. Two companies, NCR Corp. and Arjo Wiggins Appleton, formed a limited liability company and have financed the first two years of the cleanup project. But there has been no agreement on who will complete or pay for the rest of the project. The lawsuit indicated that total cost of the cleanup project is expected to exceed \$1 billion. The federal and state agencies also filed a proposed settlement with Georgia-Pacific Consumer Products LP of Green Bay. That action includes the company's agreement that it is only liable, with others, for a portion of the cleanup on the river near its mill site. The proposed settlement includes Georgia-Pacific's agreement to pay \$7 million to reimburse a portion of the government's unpaid costs. [Press-Gazette]

Government Efficiency and Cooperation:

The federal government has awarded the contract to build a **causeway to Renard Isle** to a Milwaukee company for more than three times what two Green Bay-area companies bid, a difference of more than \$1.7 million. The U.S. Army Corps of Engineers negotiated a \$2,423,336 contract with Nuvo Construction Co. to build the 850-foot causeway that will be used to haul material to eventually cover contaminated Fox River sediment deposited on the island as late as the early 1990s. Construction of the causeway is scheduled to begin in the coming weeks. PTS Contractors, of the town of Eaton, and Advance Construction, of the village of Howard, were the only two bidders on the project. PTS bid \$684,046, and Advance put in a bid of \$763,602. The Corps notified those companies that their bids were rejected because they are not located in Hub Zones, a requirement established by the Corps when the bids were sought. Hub Zones are areas established by the Small Business Administration to generate economic development. Brown County, however, does not have any Hub Zones. With no qualified bidders and only two weeks remaining in the fiscal year, Corps officials sought advice from the Small Business Administration in Wisconsin and decided to use a federal program that assigns contracts to businesses owned by minorities or women. Nuvo was the only company that responded. Local bidders said they knew about the Hub Zone requirement but figured they would be considered if no Hub Zone companies submitted bids. Mayor Jim Schmitt and US Rep. Steve Kagen wrote federal officials on October 8 calling for a halt to the process and intervention with the Army Corps to correct the situation. [Press-Gazette]

Transportation:

- Leaders in Ledgeview and Bellevue agree **Brown County GV** should be widened from two lanes to four, and they're asking the county for approval. Officials have discussed the project for months. The County Planning, Development and Transportation Committee has voted twice — once in July and once in August — to support widening GV into a four-lane highway with 150-foot right-of-way from Brown County G to Hwy 172, and to build a roundabout where G meets GV. But the Brown County Board on Sept. 15 sent the issue back to committee to sort out details. The two communities agreed on: a 35-mph speed limit from Lamers Bus Lines to Hoffman Road, and a 45-mph limit elsewhere; inclusion of bicycle lanes and a path along the road's west side; and overall project design as presented by the county. The municipalities have differed on how their residents would pay for their share of the project. Ledgeview would add much of the cost to the town levy; Bellevue would assess adjacent property owners. If the project is approved by the county board at its October meeting, a roundabout would be built in 2011 and highway work would happen in 2012. [Press-Gazette]
- US Rep. Steve Kagen (D-WI) in a September 30 letter to US Rep. James Oberstar (D-MN) chairman of the House Transportation Committee, requested that Green Bay and Appleton's **bus systems** be allowed to keep federal funding even if their regional populations surpass 200,000. He requested that the measure be included in the House Surface Transportation Extension Act, which is pending in Congress. (See item under Federal – Transportation) [Press-Gazette]

STATE

Starting in January 2011, Wisconsin legislative proposals (bills, amendments, and resolutions) will display a graphic code called a **“matrix code”** that contains a URL, or hyperlink. With an Internet-connected cell phone, you can scan the matrix code to



display an associated Web page. If the proposal has been introduced, the matrix code will link to the bill status Web page. For more information see <http://www.legis.wi.gov/lrb/matrix/> [National Conference of State Legislatures]

Business and Economic Development:

- The **foreclosure** crisis reasserted itself in September, setting a one-month record for filings in Wisconsin. A preliminary count shows there were 2,942 foreclosure filings, up about 5% from 2,803 in September 2009. September filings were 16.6% higher than in August of this year, and topped the previous one-month record of 2,871 set in March. Despite the increase in September, through the first nine months of 2010, there were 2.5% fewer foreclosure filings statewide than in the same period in 2009. [Journal Sentinel Online]
- A consortium of private and public-sector leaders on October 5 finalized an economic **plan to jolt Wisconsin's economy** and guide state government out of financial crisis. The report, "**The Wisconsin Prosperity Strategy**," offers what its authors describe as bold initiatives to reinvigorate the economy and educational and political systems. The underlying problem identified in the report is that Wisconsin has lagged behind other states in business development, personal income growth and cultivation of bright, young talent. As a result, Wisconsin's share of national gross domestic product has declined from 2.1% in 1963 to 1.7% in 2008. If the state were operating at an average level for job growth, personal income, wages and GDP, "most of the deficit at the state level would be erased," the report states, noting a projected \$2.8 billion deficit in the next biennial budget. To foster economic growth in the "entrepreneurial ecosystem" in Wisconsin, the strategy presents initiatives for the next governor and Legislature to consider. They include:
 - Create a \$1 billion Wisconsin Prosperity Fund for matching investments in innovative technologies and high-growth startup companies.
 - Make and brand Wisconsin as the best state for starting a company. Promote an entrepreneurial culture.
 - By 2015, invest \$50 million a year in expansion, seed and venture funding and raise that to \$100 million by 2020.
 - Increase the long-term capital-gains tax exemption.
 - Encourage more research on UW campuses and help faculty engage in startup companies.
 - Increase the percentage of four-year degree holders by encouraging collaboration between the UW System and technical colleges. Work to attract more out-of-state and international students to Wisconsin colleges and universities.
 - Shift the taxing burden from property and income taxes to consumption taxes and user fees. Shift the spending priorities from poverty relief to initiatives that create jobs.
 - Replace the Department of Commerce with a job creation board, which would focus on economic development.
 - Create a lobbying office in Washington to push Congress for Wisconsin-friendly funding formulas.
 - Invest in nuclear, wind and solar energy, and develop more electrical transmission systems.
 - Complete the passenger rail link between Madison and Milwaukee.
 - Segregate fuel tax revenues for road and transit construction.

The strategy calls for goals to measure success such as balancing the state's budget by 2025 and creating 500 high-growth startups by 2020, 20 percent from university research. The report recommends applying "lean" manufacturing practices to state government and greater coordination of services between local governments to increase efficiency. [Wisconsin State Journal]

Education:

- UW-Madison Chancellor Biddy Martin headlined a forum September 22 on campus examining the many challenges associated with **funding public higher education**. Martin shed some more light on The Badger Partnership, which is the chancellor's vision for a new UW-Madison business model. In outlining her plan, Martin argues UW-Madison can no longer be run as though it's just another state agency. The chancellor is hoping to convince state leaders to give the university more flexibility by loosening some of the oversight strings currently controlled by the state and UW System's Board of Regents. Martin says she would like the university to gain the freedom to manage its own construction projects, oversee more of its own purchasing, and step outside state pay plans in certain instances to reward outstanding faculty and staff. She also wants the university to have the flexibility to set its own tuition rates, and to use some of that money to fund more need-based aid. The Board of Regents currently sets tuition for schools across the UW System, and that money can't be used for student aid. [The Cap Times]
- To boost the number of college graduates, UW-Green Bay, Platteville, Stevens Point, and all UW two-year colleges are among 41 institutions looking to **retroactively award associate degrees**. Called Project Win-Win, the program is intended to identify students who left college but are eligible for, or are within a few credits of, an associate degree. [Wisconsin taxpayers Alliance]

Elections:

A federal judge in Milwaukee has delayed taking up a lawsuit over regulations requiring new **disclosures for those who pay for political issue ads in Wisconsin**. U.S. District Judge Charles Clevert ruled on September 17 that he wanted to wait for the Wisconsin Supreme Court to rule in a similar case brought by tea party groups and other conservatives. A third similar case also



was filed in federal court in Madison by two partisan advocacy groups. All of the lawsuits against the Wisconsin Government Accountability Board (GAB) challenge its new rules as a violation of free speech rights. The state Supreme Court last month issued a temporary injunction barring them from taking effect until the high court hears arguments on the rule itself. The U.S. Supreme Court ruled earlier this year that corporations could spend freely on independent ads to elect or defeat candidates. The rule by the GAB had required groups that air ads or make communications heaping praise on or criticizing political candidates to disclose where they get their money and how they spend it - even if those groups don't specifically urge their audience to vote for or against the candidate. The rule did not put any limits on what regulated groups can say, how much money they can raise or spend or who can donate to them. But the rule erased the current distinction between state-regulated ads that explicitly call for the election or defeat of a candidate and ads that in the past escaped regulation because they don't contain "magic words" such as "vote for" or "vote against." As a result those issue ads or other types of messages would have been subject to disclosure rules if they run in the 30 days before a primary election or the 60 days before a November general or spring election. [AP]

Energy:

- The Senate Committee on Commerce, Utilities, Energy, and Rail held a hearing on October 13 on the recently promulgated Public Service Commission (PSCW) rule relating to the **siting of wind energy systems**, Clearinghouse Rule 10-057, and the Committee on Energy and Utilities in the Assembly will hold a similar hearing on November 9. The rule could be modified or overturned by the Legislature. [Legislative Notification Service]
- Wisconsin has more electricity supplies than it needs, thanks to a buildup of generation and the effects of the recession, but getting power to customers is "an ongoing challenge," a new report says. The recession has dramatically cut projections for **future energy needs**, according to a draft version of the Strategic Energy Assessment, a review conducted every two years by the Wisconsin Public Service Commission. Peak energy demand is now expected to grow 1 percent a year statewide between 2011 and 2016, a sharp drop from projected annual increases of 2.1% in the 2008 report. In individual comments, commissioner Lauren Azar said the recent phase of adding power generation has been "prudent" but coupled with the recession, Wisconsin has "very significant (and potentially expensive) excess capacity." Azar repeated her call for the Legislature to give the PSC more authority for long-term, comprehensive energy planning, rather than the current utility-by-utility assessment. The draft report, which will be open for public comment until Jan. 7, also said Wisconsin is "well on its way" toward getting 10% of its electricity needs from renewable sources by 2015. [Wisconsin State Journal]

Environment:

In response to concerns raised by the EPA, the Wisconsin DNR is working to rewrite existing air pollution rules targeting volatile **organic compound (VOC) regulations**. The industries primarily impacted by the upcoming rules will be the printing and coating industries, especially processes that involve industrial solvent-based cleaning. In an effort to solicit feedback during the rulemaking process, the DNR will be holding a series of stakeholder meetings in the Milwaukee area on Wednesday, October 20 and Thursday, October 21. For more information contact Joseph.Hoch@wisconsin.gov [WMC Capitol Watch]

Labor and Workplace:

The Wisconsin Supreme Court which heard oral arguments on October 1 concerning whether the Milwaukee Common Council went beyond what voters approved in a referendum requiring businesses offer **sick leave** to workers. The court also will decide whether Milwaukee County Circuit Court Judge Thomas Cooper was correct when he ruled the ordinance is unconstitutional because it contains a provision that lets time spent in court by victims of sexual assault and domestic violence count as sick time. In his decision, Cooper said city voters had the right to vote on a paid sick leave ordinance. He also found the ordinance did not conflict with state or federal labor laws and that the referendum was clearly written. According to Cooper's decision, the problem with the referendum is it did not mention victims going to court, but the ordinance does. Cooper, in the decision, said he had to rule the entire ordinance unconstitutional because of the difference between the referendum and the ordinance. Another key issue is whether the ordinance went into effect in November 2008, when voters approved the referendum, or when the Supreme Court reaches a decision. This is important because direct legislation cannot be altered by city government for at least two years after it goes into effect. The earlier date essentially would allow the Milwaukee Common Council to alter the ordinance and override the will of the voters before the ordinance actually goes into effect. The ordinance requires workers get at least one hour of paid sick leave for every 30 hours worked in Milwaukee. Companies with fewer than 10 workers must offer at least five sick days, and larger companies must let employees accrue at least nine days. [Daily Reporter]

Taxation & Fees:

The state's budget analysts seem confident of the economy's recovery. According to the National Conference of State Legislatures, Wisconsin is one of 40 states predicting FY 2010 to be the low point of the recession by **forecasting higher total tax collections** in FY 2011. Wisconsin's forecast is for 5.4% growth in total taxes collected, a rate of growth only 16 other states expect to exceed. The state expects FY 2012 to be even better; in fact, the forecast for that year is a return to the peak collection levels last seen in FY 2008. Of course, if these forecasts turn out to be overly optimistic, the result will be an even larger state budget hole--perhaps foretelling such an occurrence, most state agencies have been directed to plan for FY 2011 and FY 2012 expenditures to remain at FY 2010 levels. [Milwaukee Talkie]



Transportation:

- 53 Wisconsin counties, in a November advisory referendum, will ask voters whether the Wisconsin Constitution should be amended to prohibit any further transfers or lapses from the **segregated transportation fund**. Over the last eight years, in order to “balance” the books, Wisconsin has diverted over \$1.8 billion from seventeen different segregated funds, using these transferred dollars for purposes other than those for which the funds were created. The state’s Transportation Fund has been particularly hard hit, with nearly \$1.3 billion having been raided to support other government spending. Racine County included the question on its September 14th primary ballot. By an almost three-to-one margin, Racine County voters approved the advisory referendum and sent a clear message to Madison: keep transportation dollars in transportation. The Green Bay Area Chamber has joined the “Finding Forward” coalition to support the effort. Read more at: <http://www.findingforwardwisconsin.org/> [WMC Capitol Watch]
- The Wisconsin Department of Transportation (WisDOT) is developing a **statewide rail plan** that will provide a vision for freight rail, intercity passenger rail and commuter rail over the next 20 years. The plan identifies rail network issues and recommendations. It provides the framework within which the state and stakeholders may maintain, improve and plan for the state's rail network. WisDOT released a draft of the Wisconsin Rail Plan 2030 on October 1, 2010. A 45-day public comment period ends November 15, 2010. Please send any comments regarding the draft plan to railplan2030@dot.wi.gov. A downloadable PDF containing a summary of the planning process and the draft plan is available at: <http://www.dot.wisconsin.gov/projects/state/docs/railplan-newsletter.pdf>. The plan does include high speed rail access to Green Bay by 2030. [WDOT]

FEDERAL

Post-Election “Lame Duck” session

On September 29 the House and Senate convened just long enough to vote on a **"continuing resolution,"** a stopgap measure to keep the government in operating funds for the next two months and avoid a pre-election federal shutdown. (Only two of a dozen annual appropriations bills have passed the House this year and none has passed the Senate.) Then they adjourned and headed home without what was supposed to be their closing argument of the campaign, an extension of Bush-era tax cuts for families making less than \$250,000. Democrats are considering cramming as **many as 20 pieces of legislation** into the lame-duck session they plan to hold after the Nov. 2 election. All pending bills die at the end of a Congress and must be reintroduced at the start of a new two-year term. This means lawmakers will have to repeat the laborious process of holding committee hearings, markups and rounds of private negotiations before legislation is brought to the floor again in 2011 or 2012. The array of bills competing for floor time shows the sense of urgency among Democratic lawmakers to act before the start of the 112th Congress, when Republicans are expected to control more seats in the Senate and House. The highest-profile item for November and December is the tax cuts of 2001 and 2003, passed under President George W. Bush, which expire at year's end. Democrats have promised they will not allow tax rates to rise for families making less than \$250,000 a year. Democratic leaders have also prioritized the defense authorization bill, which includes a repeal of the “Don't ask, don't tell” policy that bans gays from serving openly in the military. Sen. Dick Durbin (IL), the chamber's second-ranking Democrat, has promised to push for a vote on the DREAM Act, which would give the children of illegal immigrants a chance to earn legal residence. Democratic leaders also view an extension of unemployment insurance benefits and a freeze in scheduled cuts to doctors' Medicare reimbursements as must-pass legislation. Finance Committee Chairman Max Baucus (D-MT) wants the Senate to consider a package of tax-relief extensions he has been working on all year. Sen. Jeff Bingaman (D-NM) chairman of the Energy and Natural Resources Committee, is intent on passing a renewable electricity standard. Sen. Joe Lieberman (I-Conn.), chairman of the Homeland Security Committee, says his cybersecurity bill should also come up for a vote, while Sen. John Kerry (D-MA), chairman of the Foreign Relations Committee, has called for ratification of the New START arms-control treaty with Russia. Sen. Jay Rockefeller (D-WV) says he intends to hold Majority Leader Harry Reid (D-NV) to a promise to schedule a vote on legislation that would bar the Environmental Protection Agency from taking action to curb carbon gas emissions for two years. Rockefeller, chairman of the Commerce Committee, has also pushed for the Senate to complete mine-safety legislation. Sen. Charles Schumer (D-NY) the vice chairman of the Senate Democratic Conference, told reporters Friday that leaders would also bring up a bill to address Chinese currency manipulation. Sen. Tom Harkin (D-IA), chairman of the Health, Education, Labor and Pensions Committee, hopes Congress will pass food-safety legislation. House leaders have some of their own priorities. Speaker Nancy Pelosi (D-CA) told reporters last week that she hopes to take up child nutrition legislation, a favorite item of liberals that may set less generous levels of assistance if passed by a GOP-controlled House. (The bill passed the Senate by unanimous consent in August.) Rep. George Miller (D-CA), chairman of the Education and Labor Committee and one of Pelosi's lieutenants, wants Congress to act on the Elementary and Secondary Education Act reauthorization. [TheHill.com, AP]



Economy:

The US lost **more jobs** than forecast in September, reflecting a decline in government payrolls that shows the damage being done by rising fiscal deficits. Employers cut staffing by 95,000 workers after a revised 57,000 decrease in August, Labor Department figures in Washington showed on October 8. The median estimate of economists surveyed by Bloomberg News called for a 5,000 drop. The unemployment rate unexpectedly held at 9.6%. [Washington Post]

Elections:

- S. 3628 DISCLOSE Act: U.S. Senate Republicans for a second time blocked legislation that would require corporations and unions to **disclose their spending on political advertising**. The Senate on September 23 failed to advance the measure on a 59-39 vote, with 60 needed. Republicans also prevented the Senate from taking up a similar proposal in July. The legislation was offered in response to a Supreme Court decision in January that overturned a decades-old ban on companies using their general funds to run campaign ads supporting or opposing candidates for federal offices. The bill thwarted today would require companies to disclose donations to third-party groups that air campaign ads, such as trade associations like the U.S. Chamber of Commerce. Union-funded organizations that run ads for or against candidates would have to disclose their donors. Before the Supreme Court ruling, corporations and unions had to use regulated political action committees to finance ads that urged voters to support or defeat a particular candidate. Companies and unions are still banned from using their treasuries to contribute directly to candidates. [Bloomberg News]
- House Republicans on September 23 rolled out their "**Pledge to America**," a sweeping conservative agenda that calls for reining in federal spending, permanently extending all of the Bush tax cuts, and repealing President Obama's signature health care law. Republicans are hoping the agenda, released just five weeks before crucial midterm elections, will help power them back into the majority in the House. The plan is divided into five policy areas: the economy, government spending, health care, government reform and national security. Republicans are calling for, among other things, a reduction in federal spending to fiscal 2008 levels except for national security, cite constitutional authority when introducing legislation, and require all bills to be posted online three days before votes. But the plan didn't delve into specifics on critical issues, such as how it will "put government on a path to a balanced budget. It also steers clear of social issues. Democrats immediately dismissed the pledge. "If it sounds familiar, it's because it's the same litany that got us into this mess -- tax cuts for the rich that costs millions of dollars," White House chief spokesman Robert Gibbs said. View the Pledge here: <http://www.foxnews.com/projects/pdf/pledgetoamerica.pdf> [FoxNews.com]

Environment:

- Republicans on the Senate Committee on Environment and Public Works recently issued a report finding that the **EPA is pursuing policies** that will exacerbate the nation's economic problems. "The irony of EPA's agenda is that, along with higher costs, it will fail to provide the American people with meaningful environmental benefits," says Sen. James Inhofe (R-OK), ranking member of the Senate Committee on Environment and Public Works. "In some cases, it will actually impose environmental harm, as EPA's ever-increasing mandates shift production to China, where technology and standards don't measure up to our own." The burden of EPA's regulations will fall disproportionately on small businesses, the report says, citing a recent study released by the Small Business Administration's Office of Advocacy. Specifically, the report found that "as of 2008, small businesses face an annual regulatory cost of \$10,585 per employee, which is 36% higher than the regulatory cost facing large firms (defined as firms with 500 or more employees). The report reviewed the following proposals:
 - New standards for commercial and industrial boilers: up to 798,250 jobs at risk.
 - New standards for Portland Cement plants: up to 18 cement plants at risk of shutting down, threatening nearly 1,800 direct jobs and 9,000 indirect jobs.
 - The endangerment finding/tailoring rules for greenhouse gas emissions: higher energy costs; jobs moving overseas; severe economic impacts on the poor, the elderly, minorities, and those on fixed incomes; and 6.1 million sources subject to EPA control and regulation.
 - The revised National Ambient Air Quality Standard for ozone: severe restrictions on job creation and business expansion in hundreds of counties nationwide. [US Chamber Weekly]
- The Obama administration lifted the **moratorium on deep water oil drilling** in the Gulf of Mexico on October 12. A federal report said the moratorium likely caused a temporary loss of 8,000 to 12,000 jobs in the Gulf region. The director of the agency that oversees offshore drilling said it would take "a least a couple of weeks" before permits are approved and drilling can resume. [AP]

Finance:

- Under a settlement with federal regulators announced on October 4, Visa and MasterCard have agreed to **let merchants offer customers discounts and incentives** for using (or not using) a particular card. American Express says it will continue to fight the lawsuit. Since the fees merchants pay to the banks issuing a particular card vary depending on the type of card, merchants may wish to give customers incentives for not using high cost cards. Customers will likely be steered toward debit cards or cash, or basic (non-rewards) cards. Incentives could include discounts on purchases or perks like delivery or



wrapping, according to the National Retail Federation. Visa and MasterCard can still require merchants that use their payment networks to accept all cards within their brands. The American Bankers Association said the settlement could impact banks' ability to offer rewards card programs. Under the new financial regulations signed into law in July merchants will be allowed to require a \$10 minimum purchase for credit card use. The Federal Reserve is expected to issue rules next spring regarding the fees merchants have to pay on debit cards. At that point, merchants will be able to give discounts for payment with cash, check or debit card. [AP]

- President Obama stepped into a growing political furor over the nation's troubled **foreclosure system** on October 7 by vetoing a little-known bill that critics say would have made it easier to evict homeowners who missed their payments. The decision to block the measure, which Congress passed without debate, came as members of the president's own party have urged the administration and federal regulators to more actively address the crisis over flawed foreclosures. Meanwhile, attorneys general from about 40 states vowed to band together to investigate reports of fraudulent documents and of banks seizing property without having clear ownership of the mortgages. At least 10 states - with Iowa and Delaware being the latest - are seeking to expand a voluntary freeze on foreclosures by some of the nation's largest mortgage lenders to include more companies and more regions. And calls have increased for a nationwide moratorium - a move that could deal a blow to the earnings of big banks and grind to a halt the sale of millions of properties in foreclosure. The vetoed bill, which is two pages, would have required local courts to accept notarizations, including those made electronically, from across state lines. Its sponsors said it was intended to promote interstate commerce. Lawmakers saw no problems when the House approved it in April by a voice vote, which leaves no record of votes. The Senate passed the bill unanimously last week. But as the lack of a proper paper trail in mortgage documents came to light, the idea of relying on electronic notaries triggered protests from real estate lawyers and consumer advocates. Relying more on electronic notaries, they warned, could allow more fraud into the system. [Washington Post]
- Wisconsin Attorney General J.B. Van Hollen and the Wisconsin Department of Financial Institutions' Division of Banking are among 49 attorneys general and dozens of state bank and mortgage regulators nationwide that will investigate bank foreclosures at all major loan servicers and the so-called "robo-signing" of foreclosure documents. So far, Bank of America, J.P. Morgan Chase and Ally Financial, the former GMAC, have **halted foreclosures** in the wake of media reports about "robo-signers" signing thousands of foreclosure affidavits without having personal knowledge of the facts involved and without verifying the underlying loan information. [Business Journal of Milwaukee]

Health Care:

- On September 23 a series of **health reform provisions** impacting employer-based health took effect. Among the provisions of the Patient Protection and Affordable Care Act (P.L. 111-148) which became effective for plan years beginning on or after Sept. 23, 2010, are the following: covering dependents up to age 26; a prohibition on lifetime and annual benefit limits; a prohibition on rescissions; requirement to provide preventive care; requirement that insurers maintain minimum loss ratios; standards for summaries of benefits; prevention of discrimination by employers in favor of the highly compensated; reporting requirements; claims appeal processes, and others. Provisions already in effect include the small employer health insurance credit; state grants for health ombudsman programs; automatic enrollment at larger employers; temporary high risk insurance pool; tanning tax; review of premium increases, and others. For a good summary see: <http://healthcare-legislation.blogspot.com/2010/09/major-health-reform-provisions-take.html>. Health Plans including WellPoint and CoventryOne in California, Colorado, Ohio and Missouri have announced they're dropping child-only coverage just ahead of new rules created by the healthcare reform law, according to the liberal grassroots group Health Care for America Now (HCAN). The new healthcare law forbids insurers from turning down children with pre-existing conditions starting September 23, one of several reforms Democrats are eager to highlight as they try to build support for the law ahead of the mid-term elections. But news of insurers dropping their plans as a result of the new law has thrown a damper on that strategy. The announcement could lead to higher costs for some parents who are buying separate coverage for themselves and their children at lower cost than the family coverage that's available to them. Health plans and state insurance commissioners in July raised concerns that the new rules could lead some insurers to stop children-only coverage because families could wait until their children get sick to buy coverage. Days later, the Obama administration issued regulations clarifying that insurers would still be able to establish enrollment periods in accordance with state law. [Wolters Kluwer, The Hill.com]
- As Obama administration officials put into place the first major wave of changes under the health care legislation, they have tried to defuse **stiffening resistance** — from companies like McDonald's and some insurers — by granting dozens of waivers to maintain even minimal coverage far below the new law's standards. The waivers have been issued in the last several weeks as part of a broader strategic effort to stave off threats by some health insurers to abandon markets, drop out of the business altogether or refuse to sell certain policies. To date, the administration has given about 30 insurers, employers and union plans, responsible for covering about one million people, one-year waivers on the new rules that phase out annual limits on coverage for limited-benefit plans, also known as "mini-meds." Applicants said their premiums would increase



significantly, in some cases doubling or more. Several leading insurers, including WellPoint, Aetna and Cigna, have also objected to new rules requiring them to cover even those children who are seriously ill, warning that they will stop selling new policies in some states because the rules do not protect them from having to cover too many sick children. The waivers issued so far include the policies offered by McDonald's to its fast-food workers, typically capped at just a few thousand dollars, sold by a profit-making company owned by Blue Cross and Blue Shield plans. As a result of the administration's efforts, McDonald's says it is "confident that we'll continue to provide health care coverage for our 30,000 hourly restaurant employees." Aetna and Cigna have also received waivers to continue selling limited-benefit policies, according to the list released by the Department of Health and Human Services, as have small employers like Sanderson Plumbing Products and Guy C. Lee Manufacturing. HealthMarkets, which offers policies through MEGA Life and Health and other insurers, says it also plans to apply for a waiver for some of its plans. Some states, like Iowa and Maine, have already said they might seek additional authority from federal officials to exempt some insurers, at least for a time, because of the potential disruption if carriers leave the market over the new standards on medical spending. [NY Times]

- Republicans are developing plans to **try to repeal or roll back** the new health care law. They say they will try to withhold money that federal officials need to administer and enforce the law. They know that even if they managed to pass a wholesale repeal, Mr. Obama would veto it. Republicans also intend to go after specific provisions. Senator Orrin G. Hatch of Utah, a senior Republican on the Finance Committee, has introduced a bill that would eliminate a linchpin of the new law: a requirement for many employers to offer insurance to employees or pay a tax penalty. Many Republicans also want to repeal the law's requirement for most Americans to obtain health insurance. Alternatively, Republicans say, they will try to prevent aggressive enforcement of the requirements by limiting money available to the Internal Revenue Service, which would collect the tax penalties. Republicans say they will also try to scale back the expansion of Medicaid if states continue to object to the costs of adding millions of people to the rolls of the program for low-income people. In addition, Republican lawmakers may try to undo some cuts in Medicare, the program for older Americans. Many want to restore money to Medicare's managed-care program and clip the wings of a new agency empowered to recommend cuts in Medicare. Recommendations from the agency, the Independent Payment Advisory Board, could go into effect automatically unless blocked by subsequent legislative action. Without changing a word of the law, Republicans, especially if they gain control of the House or Senate, can put Democrats on the defensive with Congressional hearings and investigations intended to expose problems. Republicans said they would also try to override or rewrite some of the regulations issued by the Obama administration without a full opportunity for public comment. They could do so by attaching provisions to spending bills for the relevant regulatory agencies, among other methods. Senator Michael B. Enzi, Republican of Wyoming, said he was particularly concerned about rules that could make it difficult for employers to keep their current health plans intact. Many Republicans also want to repeal provisions that restrict the use of health savings accounts and flexible spending arrangements for medical expenses. [NY Times]
- A federal judge in Detroit on October 7 **upheld key provisions** of President Barack Obama's landmark health reform law. In a 20-page decision, U.S. District Judge George Steeh refused to issue an injunction to halt preparations for putting federal health reforms into full effect in 2014, a law known as the Affordable Care Act passed by Congress in March. Steeh also dismissed the major points of the suit — requiring Americans to buy health insurance and penalizing those who don't starting in 2014. Steeh is the first judge nationally to rule on accusations that Congress exceeded its constitutional authority by requiring most people to buy health insurance or face penalties. Nation-wide, several dozen lawsuits have been filed to stop the reforms. Michigan Attorney General Mike Cox and 19 other state attorney generals brought one of the challenges, which is set for oral arguments in Florida Dec. 16. The attorney generals' suit argues that the federal government can't force people to buy a product merely because they are U.S. citizens. But federal attorneys say Congress can regulate interstate commerce and has imposed laws for more than 200 years requiring men to buy muskets and ammunition, for example. [Detroit Free Press]

Regulation:

Department of Homeland Security (DHS) Secretary Janet Napolitano published a notice in the Federal Register on October 1 seeking public comment on its proposed plan for implementing separate classifications and methods of **certification for small businesses under PS-Prep (private sector preparedness)**. This first-of-its-kind program will tailor voluntary private sector preparedness certification standards to specifically meet the needs and capabilities of America's small businesses. "Ensuring America's small businesses have the critical information and training they need to better respond to disasters will strengthen the entire nation's preparedness and resilience," said Secretary Napolitano. The small business preparedness plan is part of the Private Sector Preparedness Accreditation and Certification Program (PS-Prep) - a 9/11 Commission-recommended voluntary partnership between DHS and the private sector to improve businesses' preparedness and resilience for disasters and emergencies. PS-Prep enables private sector entities to receive emergency preparedness certification from a DHS program created in coordination with the private sector. See the Federal Register notice here: <http://edocket.access.gpo.gov/2010/2010-24673.htm> For more



information, visit <http://www.fema.gov/privatesectorpreparedness> Comments may be submitted to <http://www.regulations.gov> or FEMA-POLICY@dhs.gov, in Docket ID FEMA-2008-0017. [FEMA update]

Taxation & Budget:

- The **White House fiscal commission** is considering new barriers that could make it harder for future Congresses to break the budget. Commission members from both parties are worried that even if lawmakers enact their recommendations for cutting trillion-dollar deficits, Congress may weaken or bypass them down the line when forced to make tough decisions on slashing the budget. Members of the bipartisan commission — created by President Obama to produce a plan to cut deficits to sustainable levels — have been tight-lipped about their work. A plan championed by Reps. Paul Ryan (R-WI) and Jeb Hensarling (R-TX) calls for binding discretionary spending caps, a requirement that tax hike proposals receive supermajority support to pass both houses and a two-year budget process instead of the current annual process. Sen. Kent Conrad (D-ND) last week reversed his previous position against a two-year budget cycle, citing recent failures to move budget resolutions in election years. Congress has a track record of failing to adhere to fiscal austerity measures that it passed years before. For instance, lawmakers annually pass a Medicare “doc fix” to prevent reduced doctor payments scheduled under a formula set in a 1997 bipartisan budget deal. Congress has also annually passed a measure to prevent the Alternative Minimum Tax (AMT) from hitting middle- and upper-middle-class taxpayers. The annual “doc fix” costs about \$20 billion; the “AMT patch” costs \$70 billion yearly. The commission hopes to produce a fiscal reform plan by Dec. 1. Senate and House leaders have pledged to hold floor votes on the plan if 14 of the 18 commission members support it. [The Hill.com]
- Two Republicans broke party ranks on September 16 in the Senate (61-38) to give President Obama and Senate Democrats a victory on a long-delayed bill targeted to **help the nation’s small businesses**. The House passed the bill on September 23 (237-187; Rep. Walter Jones was the only Republican to support the bill; 13 Democrats opposed it), and President Obama signed it into law on September 27. The bill includes a \$30 billion fund to increase access to lending for small businesses, \$12 billion in tax cuts, increased loan limits, and a 90% federal guarantee for Small Business Administration loans. Leading business groups, including the powerful US Chamber of Commerce, backed the bill, but most Republicans did not. Highlights:
 - Extension of bonus depreciation. The new law extends the 50% bonus depreciation through December 31, 2010. Prior bonus depreciation expired on December 31, 2009. This bonus depreciation is available on the purchase of most new equipment and other tangible personal property as long as the business is the first to use the item. The enhanced depreciation under the “luxury auto rules” have also been extended through December 31, 2010.
 - Extension of enhanced small business expensing (Section 179). In order to help small businesses quickly recover the cost of certain capital expenditures, small business taxpayers may elect to write off the cost of these purchases in the year of acquisition in lieu of recovering these costs over time through depreciation. The new law for tax years beginning in 2010 and 2011 has increased the direct write-off to \$500,000 as long as the total of new assets purchased does not exceed \$2,000,000. If the \$2,000,000 is exceeded, the \$500,000 will be phased out to zero as the total assets purchases for the year reached \$2,500,000. Prior to this change the direct write-off was \$250,000 with a phase-out beginning at \$800,000.
 - Section 179 expensing and qualified real property. The new law also expands, on a temporary basis (2010 and 2011), the assets allowed for the Section 179 expensing to include qualified real property. This property includes qualified leasehold improvement property, qualified restaurant property and qualified retail improvement property. The limit for this type of property is \$250,000.
 - Expanded carryback of certain credits for small businesses. Unused business credits that were created after 2009 can now be carried back up to five tax years. Those credits that cannot be carried back can also be carried forward for 25 tax years. Prior to this law, unused business credits could only be carried back to offset taxes paid in the previous year with the remaining credit carried forward for a period of 20 years. Small businesses are defined as businesses that are not publicly traded and have average gross receipts of less than \$50 million over the last three years.
 - Qualified small business stock. The new law increases the exclusion for gain from the sale of certain small business stock held for more than five years from 75% to 100% for stock issued after the enactment date and before 2011.
 - S corporation holding period. When an existing corporation elects to be taxed as an S-corporation, there may be a negative tax consequence to the sale of certain assets held at the election date. This is known as the “built in gains tax.” The tax consequence generally lasts 10 years. Over recent years this period has been decreased to seven years. The new law further decreases the holding period of asset sales from seven years to five years beginning with the 2011 tax year.
 - Start up expenses for new businesses. The law allows a new business to deduct up to \$10,000 of qualified trade or business start-up expenses. This amount is reduced by the amount of total start-up expenses over \$60,000. This is applicable for 2010 only and will revert back to the \$5,000 limit with the phase-out beginning at \$50,000 in 2011.
 - Self employed health insurance deduction. Beginning for tax years after December 31, 2009, a self-employed individual is allowed a deduction against their self-employment income for the cost of health insurance for the individual or his/her family. This deduction has been allowed for income tax purposes, but has been expanded to include self-employment tax purposes.



- Section 457(b) plan deferrals for state and local government retirement plans. Beginning in 2011, this type of plan will allow participants to contribute after tax deferred amounts to Roth accounts. This is similar to what is currently allowed for 401(k) retirement plans.
- Retirement plan rollovers to Roth accounts. The new law allows 401(k), 403(b) and 457(b) retirement plan participants to roll over pre-tax account balances into a Roth account within their plan. The rollover is not tax free, but will be included in income in equal amounts for 2011 and 2012, unless the taxpayer elects otherwise.

[Christian Science Monitor, Hawkins Ash Baptie & Co]

- Senate Democrats said September 23 that they would postpone a highly contentious floor fight over what to do about the expiring **Bush-era tax cuts** until after the November elections, a decision that spares some politically vulnerable incumbents from casting a potentially difficult vote to let taxes rise for the rich. House Democrats had long ago signaled that they had no desire to take up the tax issue before the Senate given the high likelihood that Senate Republicans would be able to block any bill that did not extend all of the tax breaks. The skirmish continues on whether to extend the tax cuts for all Americans or only for those deemed to be middle class – that is, earning less than \$200,000 for individuals and \$250,000 for families. The president's plan increases the two top rates from 33% and 35% to 36% and 39.9%. Those in the top income bracket are millionaires and billionaires, who can afford to pay more, Democrats say. Republicans respond that it's small business owners – the engine of job creation – who will be disproportionately hit if Congress allows the tax cuts to expire, as scheduled, on Dec. 31. On September 16, 31 Democrats wrote a letter to House Speaker Nancy Pelosi that they want the Bush tax cuts renewed for all income groups. Forty-seven House Democrats broke with Democratic leaders on September 28 to call for an extension of current capital gains and dividends tax rates for the wealthy. The president has proposed extending capital gains and dividend taxes at the current level of 15% for middle and low income families but would effectively allow them to rise to 20% for the wealthy. Although most of the attention has been paid to rates for wage and salary income, a big piece of income for higher earners comes from capital gains and dividends associated with stocks and bonds. Some Senate Democrats say that locking in low rates for even middle class taxpayers is an unaffordable luxury. Several senators, including Democratic Policy Committee Chairman Byron Dorgan (N.D.), are hesitant about giving up an estimated \$1.5 trillion in revenue over the next decade, when the federal deficit is unsustainable and there are no obvious spending cuts to fix it. They say it would be smarter to pass a short-term extension of the expiring Bush tax cuts for families earning less than \$250,000, then re-evaluate tax policy in a year or two when the economy is stronger. [NY Times, Christian Science Monitor, The Hill.com, Politico]
- Lack of congressional action on 2011 income taxes may force the Treasury Department to make unprecedented moves to prevent U.S. workers from seeing large tax increases in their January paychecks. The issue: **2011 tax-withholding tables**. Treasury officials usually release the tables, which determine the take-home pay of millions of wage-earners, by mid-November because it takes payroll processors weeks to adjust their systems before January 1. But congressional leaders recently postponed voting on taxes until after the election and lawmakers don't reconvene until Nov. 15. The Senate is scheduled to take up several nontax issues when it returns and is expected to leave for Thanksgiving soon after, possibly pushing a vote on taxes into December. Lawmakers' recent track record on dealing with tax matters doesn't inspire confidence that they will act with dispatch. Congress has yet to resolve the estate tax, which expired at the end of last year and is set to snap back to high rates come January. Nor has it tackled the alternative minimum tax for 2010, a levy that is set to hit 32 million taxpayers this year, compared with five million last year. Treasury "will maintain flexibility on the release of the withholding tables for 2011," said a spokeswoman. [Wall St. Journal]
- S. 3816 The Creating American Jobs and Ending Offshoring Act: Senate Democrats tried to pass legislation before the election they say will create jobs and **discourage companies from shipping jobs overseas**, but the Senate failed to advance it on September 28. The 53-45 vote was short of the 60 needed to move the measure forward; four Democrats and independent Joe Lieberman of Connecticut voted with 40 Republicans against allowing formal consideration of the bill. The bill, introduced by Sen. Dick Durbin of Illinois, would waive for two years the 6.2% payroll tax for employees hired by U.S.-based companies to replace workers who performed the same job overseas. To be eligible, businesses would have to certify that the U.S. employee is replacing an employee who had been performing similar duties overseas. That would save companies about \$1 billion in taxes over the next three fiscal years, according to the Joint Committee on Taxation. The bill would deny deduction, loss or tax credit for expenses related to transferring an existing U.S. job abroad. It also would raise taxes on income created by foreign labor that replaced U.S. jobs. The bill would also change current tax laws that allow companies to defer paying U.S. tax on income earned overseas until the profits are brought back to the United States. The debate over outsourcing comes as Congress is under pressure to stimulate jobs, with the nation's unemployment rate holding near 10%. But tax policy analysts say the bill is politically-motivated and doubt that it will have a meaningful impact on hiring. The goal is to encourage multinationals to hire American workers for jobs that would have otherwise been outsourced to countries with lower labor costs. Experts said the amount of money companies could save as a result of the tax holiday may not be enough to offset the benefit hiring workers in cheaper labor markets. Supporters of the bill say deferral gives multinationals an incentive to move production overseas and puts domestic companies at a disadvantage. But critics, like the Chamber of Commerce, say ending



deferral would subject American companies to "double taxation" on the earnings of their foreign subsidiaries. [CNN Money.com, Bloomberg News]

Trade:

- A bipartisan bill unveiled September 20 would make it easier for the Justice Department to **shut down websites that traffic pirated music, movies and counterfeit goods**. Members of the Senate Judiciary Committee including chairman Patrick Leahy (D-VT) and Herb Kohl (D-WI) introduced the Combating Online Infringement and Counterfeits Act, which would create an expedited process for DoJ to shut down websites providing pirated materials. "This much-needed bill will help law enforcement keep pace in shutting down websites that illegally sell copyrighted goods," Kohl said. "By cracking down on online piracy of television shows and movies, we hope this bill will encourage copyright owners to develop innovative and competitive new choices for consumers to watch video over the Internet." Specifically the bill would authorize Justice to file an *in rem* civil action against domain names used to traffic infringing material. In order to obtain a preliminary court order against the owner of the domain or website, Justice would have to show the site's "substantial and repeated role in online piracy and counterfeiting." The bill would require the government to publish notice of the action promptly after filing in court. There are also safeguards to allow the site or domain owner to petition the court to have the order lifted. A federal court would have final say over whether support services to a website will be cut off. [TheHill.com]
- US companies that **import coated paper** from Indonesia would have to pay a 20.13% tariff on the total value under final anti-dumping duties set by the Commerce Department in response to charges of unfair labor practices. Coated paper imports from China would carry an anti-dumping tariff ranging from 7.6% to 135.8%. In addition, the Commerce Department established duties of 17.9% on Indonesian coated paper products and 17.6% to 178% on China's paper, based on subsidies provided by the governments of those countries to producers. Those tariffs would take effect if the International Trade Commission determines that three U.S. paper companies — Appleton Coated LLC, NewPage Corp. and Sappi Fine Paper North America — have been hurt economically by China's and Indonesia's unfair trade practices. A decision is expected by early November. [Gannett]
- A bill that would give the US government the power to impose **economic sanctions on China and other countries found to be manipulating their currencies** to gain trade advantages was passed by the House on September 29. The bill would allow for the imposition of stiff sanctions known as countervailing duties on Chinese imports by expanding the definition of trade sanctions to include a government's undervaluation of its currency. Supporters say the bill would protect US jobs against unfair trade competition at a time of high unemployment. Trade analysts said the proposal would send a clear message to China it risks US trade sanctions unless it moves faster to allow its currency to rise in value against the dollar. American manufacturers contend that China's currency is undervalued by as much as 40% against the dollar—that makes Chinese products cheaper and more competitive in the US and American products more expensive in China. China announced in June it planned to introduce more flexibility in the value of its currency; but in the three months since that announcement its currency has risen less than 2% against the dollar. [NY Times]
- A three-year-long battle over how far the US and other countries should go in using **trade agreements to protect against piracy** and counterfeiting ended October 4 as the text of a proposed Anti-Counterfeiting Trade Agreement was released by negotiators for 40 countries. The 21-page agreement — pushed by movie studios and the recording industry -- would create procedures for resolving intellectual-property disputes in countries that include the U.S., Japan, Mexico, Australia, Canada and the European Union. Notably missing from the talks is China, which is the leading source of pirated goods. With Wednesday's move, the countries are clearly hoping to use their collective leverage to bring China to the table. The agreement gives customs officials the authority to seize any pirated materials -- from movies, music and books to branded products -- without a formal court order. It also requires countries to provide legal procedures to "permit effective action against any act of infringement of intellectual property rights," in ways that would be a serious deterrent to piracy and counterfeiting. Each country also will have to provide judicial procedures in which content owners could assert their rights and be paid fair and equitable payment for violations. The European Parliament needs to approve the agreement, but the U.S. and other countries — Canada and Mexico among them -- negotiated it as an executive agreement, which means it doesn't need to be ratified. The agreement is separate from legislation introduced last month into the US Senate that would make it far easier for the government to shut down websites offering illegal copies of films, TV shows or software. [The Wrap]

Transportation:

The **federal highway and transit programs** legislation — the Safe, Accountable, Flexible, Efficient Transportation Equity Act, A Legacy for Users (SAFETEA-LU) — expired on September 30, 2009 and has been operating on a series of short-term extensions since. With the passage of the HIRE Act, current law was extended through December 31, 2010. As part of legislation, \$19.6 billion in general funds were transferred to the Highway Trust Fund (HTF) to provide solvency through early to mid 2011. [US Chamber]