



**PUBLIC POLICY COUNCIL News Briefing April 17, 2009
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LOCAL

Budgets:

In his State of the City address on April 15 Green Bay Mayor Jim Schmitt called on the City Council to pass a resolution capping the property tax increase for 2010 at a maximum of 2%.

Downtown Green Bay:

- **The City of Green Bay has lost its appeal in the Younkers lawsuit, which could mean it owes Wisconsin Mall Properties as much as \$6.4 million, according to lawyers' estimates. The state Court of Appeals' decision released March 24 upheld most of the rulings by Reserve Judge Gordon Myse, who last May set a judgment amount of \$5.3 million plus accrued interest and attorney fees. The company sued after the city used its powers of condemnation in 2003 to condemn the old Younkers building and the lease that Saks Inc. had with Wisconsin Mall Properties for the building. Green Bay struck a deal with Saks to condemn the property and the lease to make room for downtown redevelopment. The deal let Saks out of its lease, and Saks in return gave the city \$2.75 million and the former Boston Store nearby. Wisconsin Mall Properties sued Saks, not Green Bay, but part of the city's deal with Saks was to reimburse it for all damages Saks could incur over breaking its lease. The city offered Wisconsin Mall Properties \$4 million to settle the case last March, and declined a counteroffer of about \$5.5 million two months later. City Attorney Allison Swanson said she believes the appeals court ruling means Wisconsin Mall Properties was overpaid about \$2 million as compensation for the condemnation of its lease agreement with Saks. On April 8 the city announced that it will appeal the decision to the Wisconsin Supreme Court. On April 2 Wisconsin Mall Properties petitioned to have the money placed in escrow by the city released to them.**
- **Developer John Vetter was able to tell the Redevelopment Authority on March 31 that bank financing has been approved for construction of The Children's Museum of Green Bay (<http://www.gbchildrensmuseum.org/exhibits/>), phase one of The WaterMark (www.watermarkgb.com), Hagemester Park Restaurant, and a two-level parking garage at the complex. The WaterMark will include retail, offices and loft apartments. The Council on April 8 (9-3 with Zima, Vanderleest and Nicholson voting no) approved an amended agreement with Vetter that calls for the city to loan Vetter \$3.5 million, with Calumet County Bank loaning \$4.5 million and the Wisconsin Housing and Economic Development Authority providing New Market Tax Credits for about \$2.5 million. Vetter will contribute \$1.16 million in cash and work already done on the site.**

Economic Development:

Revised floodplain maps have been sent to all area municipalities from FEMA and need to be approved by August 18 in order for municipalities to remain part of the National Flood Insurance Program. Most problems with the preliminary maps released last year have been resolved. One remaining issue may be the increased heights of wave run-up areas along the bay, and Brown County has asked the WDNR to weigh in on wave run-up requirements.

Economy:

- **February unemployment in the City of Green Bay was 11.9%, Brown County 7.8% and the metropolitan statistical area (Brown, Kewaunee, Oconto) was 8.4%. Statewide, February unemployment hit 8.8%, just below the nation's 8.9% jobless rate. Twelve of the 31 municipalities for which the state collects statistics had double-digit jobless rates, led by Beloit, with 16.9% of its labor force out of a job.**
- **Sales taxes for the Lambeau field Stadium District were down 11% for the November – January quarter. Lower collections should not prevent payoff of the stadium construction debt in 2011, although payoff might occur later in the year.**

Education:

- **On March 31 the Green Bay School Board unanimously approved a package of spending cuts and revenue increases totaling more than \$6 million needed to address a budget shortfall for next year. 20 budget teams with 275 faculty and staff members worked on budget recommendations. The package includes the elimination of 24 teaching positions for a savings of \$1.4 million as well as other paraprofessionals and guidance counselors. A number of fees were increased or reinstated and a number of programs were transferred to the community service fund, which has its own tax levy.**

- **The Green Bay School District will receive nearly \$4.3 million in federal stimulus money targeted for specific programs and services that cannot be applied to the district's overall budget shortfall. The money is included in more than \$1 billion in Title I funding for Wisconsin from the Department of Education. Those grants are aimed at helping students with special needs and those from low-income families. The money can be used to expand professional development for teachers, enhance early childhood education or establish new math and reading programs. Other local districts received smaller amounts.**

Transportation:

- **The Green Bay Transit director recommended that formation of a regional transit authority be studied as an alternative to loss of federal funding. RTA enabling legislation for some communities is included in Gov. Doyle's proposed 2009-11 state budget, now before the legislature. Because formulas governing local transportation assistance would dictate a loss of \$550,000 in federal transportation assistance once the Green Bay metro population exceeds 200,000 (following the 2010 census), alternatives must be found for the authority's \$8.2 million annual budget. Other possibilities would be charging surrounding communities more for the service, cutting service or raising fares. An RTA with representation from all participating communities could impose a dedicated sales or property tax within the RTA boundaries.**
- **The Wisconsin DOT, Brown County Plan Commission and the US DOT will hold a public information meeting on the possible location of a Fox River bridge and highway approaches to serve the southern portion of the metro area on Thursday, April 23, 6 PM at Altmayer Elementary School, 3001 Ryan Rd., De Pere.**

STATE

Economy:

- **Assembly Speaker Mike Sheridan (D-Janesville) announced on March 27 the formation of a new bipartisan legislative taskforce charged with finding innovative solutions to the growing mortgage foreclosure emergency. The Speaker's Taskforce On Preventing Home Foreclosures (S.T.O.P. Home Foreclosures) will consist of bipartisan members of the State Assembly as well as representatives from the banking and lending industry, and from community advocacy groups. S.T.O.P Home Foreclosures will hold listening sessions and informational hearings across Wisconsin over the next four months and deliver a final report of conclusions and legislative suggestions to the Speaker and the Assembly in August. S.T.O.P. Home Foreclosures will soon unveil a new website highlighting its actions, and announce its first round of field hearings.**
- **The state Department of Revenue issued projections on April 9 that unemployment will grow from 7.7% statewide in February to 8.3% by end of year with a peak in early 2010 at 9.1% and a 2010 average of 8.9%. By 2012 state unemployment is expected to remain as high as 7.3%. Education and health services are the only sectors projected to add jobs this year.**

Education:

SB-63 Education Tax Credit: a 25% tax credit for tuition paid by the employer on behalf of an employee or 30% if the course of study is to alleviate a labor shortage as determined by local workforce development boards. Has both some Republican and Democratic support.

Elections:

The Government Accountability Board voted 6-0 on March 30 to send an amended rule to the state Legislature to increase the regulation of political-issue ads run by third-party groups in Wisconsin. Currently, only advertisements that use the words "vote for" or "elect" are subject to regulation by the GAB. Under the amended rule, advertisements that use the words "vote for," "elect," "support," "cast your ballot for" [candidate name] for [office name], "vote against," "defeat" and "reject" will be subject to regulation, according to a GAB statement. The rule will go to the Legislature for review. If there are not any objections, the rule will go into effect the first day of the month after it is published in the Wisconsin Administrative Register, according to a GAB statement.

Energy:

- **The Public Service Commission of Wisconsin issued its biennial Strategic Energy Assessment on April 6 reporting that the state should not need any new baseload electric power generation constructed through 2014, if all currently authorized projects are constructed. According to the report, rates paid by Wisconsin residential customers rank higher than nearby Midwestern states and above the national average in 2007. A recent report from the federal Energy Information Administration also found that residential rates in 2008 were above the national average and higher than seven nearby Midwestern states. However, rates paid by business customers in Wisconsin were lower than the national average in 2007 and again in 2008, according to the reports. On April 1, a group that includes two state utilities concluded that power prices could rise by 19% to 63% from 2012 to 2030 under a federal cap-and-trade emissions reduction plan.**

- **The Minnesota Senate voted overwhelmingly on April 2 to repeal Minnesota's ban on the construction of new nuclear power plants. Supporters argued Minnesota should be open to new nuclear power plants because nuclear power is cheap and emission-free. Before the ban would be lifted, the Minnesota House would have to agree, and Governor Pawlenty would have to sign the measure into law. The Chamber supports repealing Wisconsin's virtual ban on the construction of new nuclear power plants.**

Environment:

- **AB-3 Phosphorus, previously passed by the Assembly, was passed by the Senate on March 24 and was signed by the governor on April 14 as 2007 Wisconsin Act 9.**
- **The WDNR held a hearing on March 23 on proposed new rules to control the introduction of invasive species via ship ballast water. Under the state's proposed rule, beginning in 2012 existing ships would have to purify ballast water before release to a standard 100 times more stringent than a proposed United Nations standard. Ships launched after 2012 would have to meet standards 1,000 times more stringent. If such technology is not available by 2012 ship owners operating in Wisconsin waters would have to comply with the UN standard. Wisconsin's rule would be more stringent than those of any other Great Lakes state except New York. Minnesota has decided to follow the weaker UN standard. WDNR officials have said they would prefer that Congress pass a bill to cover all the Great Lakes states. Overseas ships account for less than 7% of the traffic on the Great Lakes, but have been blamed for the introduction of 57 foreign species since the St. Lawrence Seaway opened the Lakes to global traffic 50 years ago. Some, such as quagga and zebra mussels have cause enormous economic and ecological damage in fish populations and blocked intake pipes for water-dependent industries. Shipping industry advocates see Wisconsin's proposal as anti-business because other states' standards will be so much less. Green Bay Port Director Dean Haen said on April 6 he is opposing the proposed WDNR rule. In February EPA administrator Lisa Jackson said she would reconsider the Bush administration's decision not to enact federal standards because the federal government was ordered last year by the courts to start treating ballast water like any other pollutant under the Clean Water Act. US Coast Guard officials say they are poised to release their own ballast regulations.**

Labor and Workplace:

- **SB-20 / AB-31 Wisconsin Fair Employment Act Damages; AB-31 had a hearing on April 8 and was reported out of Senate committee on April 14. This bill calls for compensatory and punitive damages awards for Wisconsin workplace discrimination claims. The bill creates a two tiered system for awarding discrimination damages, by creating a process for circuit court review after an administrative law judge has determined that discrimination occurred. If the circuit court judge determines that compensatory or punitive damages should be ordered, then the judge is also required to impose a ten percent surcharge, in addition to the award, that will be used to fund the operations of the Wisconsin Department of Workforce Development. Substitute amendments were offered in both houses on April 7 not permitting an action for damages to be brought against the state, any agency of the state, any local governmental unit or against any employer employing fewer than 15; sending half the surcharge to the county court system and half to the DWD; and setting graduated fines based on size of company.**
- **SB-108 / AB-152 Mandatory Overtime was introduced in both houses on March 17 and had a hearing in the Assembly on April 1, with a Senate committee hearing scheduled for April 22. The bill would prohibit all mandatory overtime or the use of on-call time in lieu of overtime for health care workers in health care facilities, with certain exceptions. The prohibition would not apply if (1) the employee consents or volunteers to work overtime or to being on on-call time, (2) the employee's presence through the completion of an ongoing medical or surgical procedure in which the employee is actively engaged is essential to the health and safety of a patient, (3) there is an "unforeseeable emergency," or (4) there is an unanticipated or unavoidable disaster that substantially affects or increases the need for healthcare workers. Because AB 152 would still allow healthcare workers to voluntarily work overtime or to work multiple jobs, what AB 152 actually appears to be intent on is settling, by state fiat, an issue regarding which employers and their employees typically negotiate or bargain.**

State Budget & Spending:

- **AB-2 American Jobs Act, previously passed by the Assembly had a Senate hearing on April 2. It requires all contractual services purchased by state executive branch agencies to be performed within the United States.**
- **AB-75 Biennial State Budget hearings were held before the Joint Finance Committee (JFC) for a two week period in late March and early April, including a hearing in Appleton on April 1. Forty-five policy items were removed from the budget proposal by the co-chairmen of the JFC on April 7 because they don't relate to state**

taxes or spending. Joint Finance Committee began voting on the bill April 16. Most of the 45 items removed by Rep. Mark Pocan (D-Madison) and Sen. Mark Miller (D-Monona) were low-profile issues, with several exceptions. One was a provision that would have allowed authorities to use photographs and videos to ticket drivers for failing to stop for red lights; another was repeal of a law requiring the state to analyze whether private contractors are cheaper than state employees before using them. But most other controversial measures remain, such as a statewide workplace smoking ban, a domestic partner benefits program, mandating increased car insurance, the gross receipts tax on oil companies, requiring developers who receive public financing to pay prevailing wages, scraping the state's contributory negligence law (joint and several liability) and returning to the state of affairs before tort reform, and the repeal of the QEO (qualified economic offer for teachers' salaries). So-called policy provisions in the budget often draw controversy from opponents who say the budget shouldn't be used pass changes in state law that aren't related to state taxes and spending. The property tax bill on a median-valued Wisconsin home this December would rise by \$91, or 3.2%, under Democratic Gov. Jim Doyle's proposed state budget, legislators were told on April 8 by the Legislative Fiscal Bureau. State officials said that 2010 spending decisions by local officials will determine the actual change in tax bills on homes. But those local governments are caught in the same crunch as the state: fewer revenues and more demands for services as the recession continues. In a memo to legislators, Fiscal Bureau Director Bob Lang also estimated that the tax bill on the median-valued home would rise to \$2,947 this December and increase another \$134, or 4.5%, in December 2010. Last December, the average tax bill on that home rose by \$20, or about 0.7%.

- Wisconsin sold \$1.54 billion of bonds on March 20, proving skeptics wrong and pulling off the biggest offering of tax-exempt, long-term debt in almost a year. The state used a unique approach in which it took orders from retail investors first before opening the offering to institutional investors. Retail investors responded, buying \$300,000 worth of the offering. The state had planned to sell \$1 billion of bonds and the remainder in shorter-term notes, but overwhelming investor interest allowed it to sell the entire offering in bonds in the deal, which closed April 8. Wisconsin's bond sale raised money that will be used to pay off bonds issued in 2002; it also restores the state's right to receive the almost \$160 million a year that cigarette and tobacco makers are scheduled to pay state government from 2010 to 2037. The state will have to make about \$110 million a year of interest payments on the bonds, so it will come out ahead by about \$50 million a year, which it will put into the state Medicaid fund to benefit the health of state residents hurt by tobacco products. The bond deal also will give the state an upfront payment of \$309 million to help current cash flow. About half of that comes from the 2009 payment from tobacco companies, and the other half comes from a no-longer-needed reserve fund associated with the 2002 bond issue.

FEDERAL

Consumers:

The House passed landmark legislation (298-112) on April 2 that will allow the Food and Drug Administration to regulate, although not ban, the use of tobacco. The FDA would have jurisdiction over the production, marketing, and sale of tobacco products, including ability to regulate the amount of nicotine in tobacco products and impose restrictions on the marketing and promotion of these products. To pay for the program, new fees would be imposed on tobacco product manufacturers and importers.

Economy:

- The Wisconsin Office of Recovery and Reinvestment has launched a website at <http://www.recovery.wi.gov/programs.asp?locid=164> that allows businesses to search for information about sources of funding and other assistance provided through the American Recovery and Reinvestment Act, the national economic stimulus program. For each program you will see a brief description of the program, key state and federal agency contact information, the types of entities that are eligible to receive funding for projects, and an identification of the level of government (federal, state, or local) responsible for selecting projects or disbursing funds. Because most of the funds are being made available through existing federal, state, and local programs, you may be required to submit an application or proposal to the appropriate agency for consideration of your project. For more information about federal stimulus implementation efforts, including funding announcements related to the recovery bill, visit the federal government's recovery website at <http://www.recovery.gov>.
- Local attorneys Davis & Kuelthau SC are also recommending that businesses interested in federal contracts pre-register to apply for grants at <http://www.grants.gov/>. The registration process generally can take between

three days and two weeks, so pre-registration is essential. A DUNS Number is necessary to complete the process. You can obtain one, or update your existing number, at <http://fedgov.dnb.com/webform>. Your organization must also register as a federal contractor, or update your account, with Central Contractor Registration (CCR) at <http://www.ccr.gov>. Vendors can also register for federal business opportunities at <https://www.fbo.gov/index?cck=1&au=&ck=>. A DUNS number, CCR registration, and Commercial and Government Entity (CAGE) Code is required for this registration. As a registered vendor, you can then set up an account profile, search opportunities, and express interest in specific federal business opportunities. For assistance on these matters you're invited to contact Davis & Kuelthau directly:

<http://www.dkattorneys.com/locations/detail/?id=72>

- The Treasury Department on March 19 announced a \$5 billion program to aid struggling auto parts suppliers, the Supplier Support Program, which will draw from the Troubled Asset Relief Program (TARP). It will offer financing to help suppliers bridge the gap between delivering parts to auto makers and receiving payment. This program raises the likelihood that the Treasury will extend more assistance to the auto makers themselves and avoid pushing them into bankruptcy.
- The administration announced that it will give Chrysler LLC up to \$6 billion and 30 days to complete an alliance with Italian automaker Fiat SpA. If the companies fail to reach an agreement Chrysler would not receive additional aid. General Motors was given a 60 day period to work with the United Auto Workers union, bondholders and other stakeholders to get further concessions in order to receive further interim financing. Departure of GM's CEO Rick Wagoner was a condition of the aid, and he resigned on March 29. If restructuring was successful, the government would offer to back warranties for both auto makers to retain customer confidence. If unsuccessful, the government proposed to send GM through a rapid mandatory restructuring under bankruptcy.

Energy:

The legislatures of Maine, Minnesota, Michigan and South Carolina, states with nuclear power plants, are considering stopping or reducing payments to the federal government for nuclear waste management until the proposed Yucca Mountain, Nev., repository opens or another solution to the waste problem emerges. Since the February release of President Obama's budget blueprint, which signaled the likely demise of the Yucca Mountain plan, pro-nuclear lawmakers in Congress are nervous about the uncertainty such a move would bring. Sen. John McCain (R-AZ), for one, threatened to promote a measure to return waste-removal fees paid by electric ratepayers.

Environment:

Clean Energy and Security Act: Reps. Henry Waxman (D-CA) and Edward Markey (D-MA) introduced a 684 page climate change bill with sweeping policy proposals, including a cap-and-trade program. See: http://energycommerce.house.gov/Press_111/20090331/acesa_discussiondraft.pdf. The bill calls for cutting greenhouse gas emissions 20% below 2005 levels by 2020 and mandates tougher efficiency standards for building appliances. The bill also requires that the U.S. derive 25% of its electricity from renewable sources by 2025. However, the bill fails to specify how the costs of the emitting carbon will be allocated. For example, the bill calls for a cap-and-trade system that would place a limit on how much greenhouse gas emissions businesses and companies are allowed to emit, and then forces companies to seek permits to emit beyond that amount. However, the bill fails to specify how many of those permits would be given away for free, versus being sold. The bill also contains numerous pages addressing coal-fired power plants, which the Midwest relies on for abundant and affordable energy. The legislation provides funding for utilities working to develop commercial-scale power plants that are able to capture and store emissions. The bill also calls for studies on the viability of underground storage of carbon dioxide, known as carbon capture and sequestration (CCS). In a little-reported vote, the U.S. Senate in April passed a measure requiring that any legislation seeking to impose a cap-and-trade program must receive 60 votes in order for it to pass the Senate. Both Wisconsin Senators (Russ Feingold and Herb Kohl) voted for the measure, which passed 67-31. The vote is notable because it will make passing any cap-and-trade legislation this year extremely difficult. While Democrats hold a majority in the Senate, they do not currently have the 60 votes necessary to reach the 60-vote threshold. Moreover, a number of centrist Democrats from the Midwest have joined Republicans in voicing their concerns that enacting climate change legislation would be costly and could harm the region's economy.

Finance:

- Treasury Secretary Tim Geithner explained his proposed Public-Private Investment Program on March 23: "This program will set up funds to provide a market for the legacy loans and securities that currently burden the financial system. The Public-Private Investment Program will purchase real-estate related loans from

banks and securities from the broader markets. Banks will have the ability to sell pools of loans to dedicated funds, and investors will compete to have the ability to participate in those funds and take advantage of the financing provided by the government. The funds established under this program will have three essential design features. First, they will use government resources in the form of capital from the Treasury, and financing from the FDIC and Federal Reserve, to mobilize capital from private investors. Second, the Public-Private Investment Program will ensure that private-sector participants share the risks alongside the taxpayer, and that the taxpayer shares in the profits from these investments. These funds will be open to investors of all types, such as pension funds, so that a broad range of Americans can participate. Third, private-sector purchasers will establish the value of the loans and securities purchased under the program, which will protect the government from overpaying for these assets. The new Public-Private Investment Program will initially provide financing for \$500 billion with the potential to expand up to \$1 trillion over time, which is a substantial share of real-estate related assets originated before the recession that are now clogging our financial system. Over time, by providing a market for these assets that does not now exist, this program will help improve asset values, increase lending capacity by banks, and reduce uncertainty about the scale of losses on bank balance sheets. The ability to sell assets to this fund will make it easier for banks to raise private capital, which will accelerate their ability to replace the capital investments provided by the Treasury.”

- **Opposition from the banking industry and moderate senators of both parties has stalled a proposal to allow judges to modify mortgage terms in bankruptcy court. The measure, referred to as a “cramdown” had been supported by President Obama and the Democratic leadership. Senators have not been able to attract enough moderates to secure the 60 votes needed to achieve cloture and bring the measure to a vote. The cramdown issue pits those who seek to aid homeowners who owe more than their house is worth against those who feel such aid penalizes those who have kept up their mortgage payments. Court-ordered workouts, like lowering interest rates or the amount of principal owed, are strongly opposed by financial institutions who say this will increase risk for lenders, raise mortgage rates and clog the courts. Concessions, such as limiting cramdowns to subprime mortgages, may allow the bill to proceed once Congress is back from its Easter recess on April 20.**
- **Treasury Secretary Geithner asked Congress on March 26 for broad new powers to regulate non-bank financial companies whose collapse could jeopardize the economy—power he likened to the authority over banks held by the Federal Deposit Insurance Corp., including the power to seize control of the institutions, take over their bad loans and other illiquid assets and sell others to competitors. The plan would extend federal regulation for the first time to all trading in financial derivatives and to companies including large hedge funds and major insurers such as American International Group. The administration also will seek to impose uniform standards on all large financial firms, including banks, an unprecedented step that would place significant limits on the scope and risk of their activities. In coming months, the administration plans to detail its strategy in three other areas: protecting consumers, eliminating flaws in existing regulations and enhancing international coordination. The government also plans to push companies to pay employees based on their long-term performance. Geithner called for legislation that would define which financial firms are sufficiently large and important to be subjected to this increased regulation. Those firms would be required to hold relatively more capital in their reserves against losses than smaller firms, to demonstrate that they have access to adequate funding to support their operations, and to maintain constantly updated assessments of their exposure to financial risk. The administration's signature proposal is to vest a single federal agency with the power to police risk across the entire financial system. The agency would regulate the largest financial firms, including hedge funds and insurers not currently subject to federal regulation. It also would monitor financial markets for emergent dangers. The designated agency would not replace existing regulators but would be granted the power to compel firms to comply with its directives. Geithner's did not identify which agency should hold those powers, but sources said that the Federal Reserve, widely viewed as the most obvious choice, is the administration's favored candidate. The administration also wants to expand oversight of a broad category of unregulated investment firms including hedge funds, private-equity funds and venture capital funds, by requiring larger companies to register with the Securities and Exchange Commission. Firms also would have to provide financial information to help determine whether they are large enough to warrant additional regulation. The administration also wants to expand oversight of a broad category of unregulated investment firms including hedge funds, private-equity funds and venture capital funds, by requiring larger companies to register with the Securities and Exchange Commission. Firms also would have to provide financial information to help determine whether they are large enough to warrant additional regulation. The administration's broad determination to regulate the totality of the financial markets also includes a plan to**

regulate trade in derivatives, complex financial instruments that take their value from the performance of some other asset. Derivatives have become a basic tool of the financial markets, but trading in many variants is not regulated. Credit-default swaps, a major category of unregulated derivatives, played a major role in the collapse of AIG. Geithner called for supervision of dealers in derivatives, mandatory use of central clearinghouses to process trades and uniform trading rules to ensure an orderly marketplace.

Health Care:

America's Health Insurance Plans, a major trade group, said March 24 that the industry was willing to end the practice of charging higher premiums to sick people if Congress adopted a comprehensive plan that provided coverage to all Americans. The industry's flexible position on the issue came as a surprise to lawmakers, and could make it easier to reach an agreement in Congress because it narrows the issues on which insurers are ready to fight the Democrats who control Congress and the White House. On April 15 Nancy-Ann De Parle, director of the White House health reform office said that a compromise is within reach on health care reform that won't drive insurers out of business. She said one compromise might be a public plan that pays hospitals and doctors rates similar to what private insurers pay, rather than the lower Medicare/Medicaid rate, which would have allowed the government to undercut the cost of private insurance premiums. Insurers said they were still staunchly opposed to creation of a new government-run health insurance plan that would compete directly with private insurers. In effect, insurers said they were willing to discard an element of their longstanding business model, under which insurance policies are priced, in part, on the basis of a person's medical condition or history. In the past, insurers have warned that if they could not consider a person's health in setting premiums, the rates charged to young, healthy people would soar, making coverage unaffordable. Insurers said that they could accept more aggressive regulation of not just their premiums but also their benefits, underwriting practices and other activities. Such strict regulation, they said, would make a new public program unnecessary.

Labor & Workplace:

- H.R. 1409 / S. 560 EFCA Senator Arlen Specter (R-PA) announced his opposition to EFCA on March 24 and his plan to vote against cloture on the bill. Specter was the lone Republican to vote for cloture in 2007. With his announcement it is clear the proponents of EFCA do not yet have the necessary 60 votes to move the bill in the Senate. Other sources say a compromise bill is being floated, retaining the secret ballot and excluding the arbitration provisions (but still containing provisions for quick elections and severe employer penalties).
- The nation's two major labor federations, the A.F.L.-C.I.O., and the rival Change to Win federation, have agreed for the first time to join forces to support an overhaul of the immigration system, leaders of both organizations said on April 13. The accord endorses legalizing the status of illegal immigrants already in the United States and opposes any large new program for employers to bring in temporary immigrant workers. The U S Chamber of Commerce said that the business community remained committed to a significant guest-worker program, saying "There's only going to be one shot at immigration reform. As part of the trade-off for legalization, we need to expand the temporary worker program." In the new accord, the A.F.L.-C.I.O. and Change to Win called for managing future immigration of workers through a national commission. The commission would determine how many permanent and temporary foreign workers should be admitted each year based on demand in American labor markets. Union officials are confident that the result would reduce worker immigration during times of high unemployment like the present.

Taxation & Budget:

- The Wisconsin delegation split on party lines as the House and Senate on April 2 approved budget plans. The House approved a \$3.6 trillion budget plan that includes a deficit of \$1.2 trillion, and the Senate passed a similar measure. Nearly all Democrats (except for twenty in the House and two in the Senate) approved the plan, and all Republicans voted against. In the budget blueprints unveiled on March 25, Democrats in the House and Senate cut hundreds of billions of dollars from President Obama's spending request over the next five years. They also are scrapping Obama's plan to devote more cash to the financial sector bailout. And they are restoring some of the money-saving budget gimmicks the president said he eliminated last month when he unveiled his \$3.6 trillion request for the fiscal year that begins in October. The result is a leaner package that would drive the annual deficit to \$1.2 trillion next year, compared with \$1.4 trillion under Obama's policies. By 2014, the deficit would plummet to just more than \$500 billion requiring the nation to borrow \$3.8 trillion over the next five years, compared with about \$4.4 trillion under Obama's proposal. To meet those goals, the plans leave out new spending for Obama's proposed expansion of health care coverage, a program likely to cost in excess of \$1 trillion over the next 10 years, and the industrial cap-and-trade program for air emissions, as well as the president's proposal to make permanent an \$800 tax credit for working families. The

unanimous Republican opposition spurred House Democrats to include in the final plan a fast-track procedural maneuver that would protect health care and education legislation from Senate Republican filibusters. The House plan allows for the fast-track process, while the Senate version does not. But top Democratic officials said Thursday that they expected it to be part of the joint House-Senate budget, a prospect that could worsen the partisan warfare. Congressional budget leaders had been forced to make major revisions to Obama's spending plan in the wake of an analysis by the nonpartisan Congressional Budget Office that found his proposal would force the nation to borrow nearly \$9.3 trillion over the next decade, \$2.3 trillion more than his administration had previously estimated using more optimistic economic forecasts.

- As part of budget process reforms advocated by the Obama administration, all members of Congress are posting their requested earmarks for projects to be funded in the FY 2010 budget (see above). Rep. Steve Kagen said his office had received 115 requests for projects totaling nearly \$491 million, but not all received his backing. His website shows the following for Brown County: \$6 million for maintenance harbor dredging, \$2.5 million to Green Bay Metro Transit, \$950,000 to renovate the Brown County Library, \$472,000 to NWTC for renewable energy training equipment.
- The chief Republican budget alternative, officially supported by the party leadership, was defeated 293 to 137, with 38 Republicans opposing it. House Republicans offered the alternative budget plan that contained, according to Paul Ryan, the ranking Republican on the House budget committee, half the deficit proposed by the president; a freeze of all discretionary spending for five years except for national defense and veterans' health care; rejecting cap-and-trade, opening exploration on oil and natural gas fields and investing in a clean energy trust fund; placing all those under 55 in a private Medicare insurance plan accompanied by a "premium support payment" adjusted for income; adjusting social security benefits for high income beneficiaries; making permanent the Bush tax cuts; introducing an optional simplified tax code calling for 10% income tax on the first \$100,000 (\$50,000 for singles) and 25% above that, repeal of the inheritance (death) tax, and taxation of capital gains and dividends at 15% and repealing the capital gains tax through 2010; more generous standard and personal exemptions to ensure that families making less than \$39,000 would not pay federal income tax; and cutting the corporate income tax to 25%.
- White House budget director Peter Orszag is launching a comprehensive review of the federal tax system that aims to simplify the tax code, unify myriad individual credits, reexamine the corporate tax structure and identify ways to collect the billions of dollars that chronically go unpaid by individual and corporate tax dodgers. A special panel of economic advisers headed by former Federal Reserve Board chairman Paul A. Volcker will lead that effort, Orszag said, and report back to Obama by December. "The only constraints are no tax increases for families earning below \$250,000 a year and no tax increases in 2009 and 2010," when the economy is likely to be weak or emerging from the recession, Orszag said.

Trade:

- President Obama and other leaders of the world's financial powers rallied around a sweeping economic recovery package that will inject \$1.1 trillion into the global economy in hopes of reversing the worst recession in more than half a century. The landmark agreement reached April 2 by the Group of 20 was more than what experts expected, given differences over government spending and regulation that had divided them. It includes a crackdown on tax havens, hedge funds and executive pay.
- The Mexican government announced higher tariff rates would be applied to 90 product categories imported from the United States, effective March 19, 2009. The higher tariffs, ranging from 10 to 45%, are in apparent retaliation to US decision to cancel a pilot program that allowed some Mexican trucks to transport goods within the United States. The pilot program was established in 2007, but the recent budget bill eliminated it. The United States agreed to allow Mexican trucks to start using US highways by 1995 when it signed the NAFTA pact with Canada and Mexico three years earlier. Until the pilot program was initiated, Mexican trucks were confined to border zones where they had to offload goods to be carried by US trucking companies. President Obama has stated he will work to put in place new legislation allowing the pilot program to move forward, and has directed the Department of Transportation, the State Department, and the US Trade Representative's office to coordinate the effort.

Transportation:

- President Barack Obama's fiscal year 2010 budget would eliminate the "contract authority" that lays out how much the federal government will distribute in highway and transit aid over a six-year period, according to Tom Walker, director of government affairs for the Wisconsin Transportation Builders Association. The change would basically lump money collected from the federal gas tax and truck-related taxes in with other government revenue and leave that money available for use in other areas, he said. Now, money collected

from the gas tax is put in the Highway Trust Fund and must be spent annually, Walker said. 80% of the trust fund is used for road projects, and 20% is used for transit projects, he said. In his budget message, Obama said the change will make the U.S. Department of Transportation's budget more transparent. It also will more accurately reflect how much it costs to maintain the nation's roads and bridges, according to the proposal. Opponents of Obama's budget proposal say it will eliminate a "firewall" enacted in 1998 to prevent federal highway money from being spent elsewhere in the government. Rep. Tom Petri (R-WI) signed on to a letter written by the American Trucking Association opposing the change. Petri helped pass the "firewall" to protect highway money. "If the firewall is destroyed, there will be less money in trust fund, and everybody gets less," said his press secretary, Niel Wright.

- *Gov. Jim Doyle, along with Democratic and Republican governors from around the Midwest, sent a letter to the U.S. transportation secretary Ray LaHood on April 10 advocating for the Midwest Regional Rail Initiative. The initiative, which was created in 1998, would use 3,000 miles of existing rail tracks to connect rural and metropolitan areas throughout the Midwest. The initiative would also create a passenger rail system providing service from Chicago to various locations in the Midwest. Multimodal connections would also be used to connect passengers to communities, buses and highways while focusing on reliability and on-time performance. The governors argued that trains traveling from Chicago to Milwaukee, Madison and the Twin Cities, Chicago to St. Louis and Chicago to Detroit and Pontiac should receive immediate funding from the American Recovery and Reinvestment Act, which set aside \$8 billion to develop high-speed rail around the country. The governors also stressed the importance of approving funding as early as possible to help Chicago with its 2016 Summer Olympics bid.*