



COALITION ON HUMAN NEEDS

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Democrats Certain of Senate Passage of Health Reform

The final Senate vote on the health reform bill, the Patient Protection and Affordable Care Act of 2009, H.R. 3590, is scheduled for Christmas Eve at 8 a.m. The bill is expected to pass along party lines. The Senate began debating the bill after the Thanksgiving recess and since then Democratic leaders have been working hard to craft a package that would win over the 60 votes needed to overcome a filibuster. Senate Majority Leader Harry Reid (D-NV) had hoped that a compromise which a group of 10 moderate and liberal Democratic Senators had hammered out a few weeks back that offered an alternative to the public plan option and extended Medicare to individuals 55 and above would secure the 60 votes. However it did not and more concessions needed to be made. The real breakthrough came over the weekend. Democratic Leaders released a final package of changes on Saturday intended to win over moderates in their party. After Senator Bill Nelson (D-NE), (the last major hold-out in the Democratic caucus), announced he

would support the bill Democratic leaders felt confident they had the 60 votes needed to proceed. Two critical procedural votes were held in the early hours of December 21 and 22. The first vote, which passed 60-40, added the manager's amendment with the latest set of negotiated changes to the underlying bill. On Tuesday Senators voted 60-39 to replace the place-holder bill, H.R. 3590, with the full language of the Patient Protection and Affordable Care Act of 2009. The last hurdle for passage of health reform in the Senate is the early Christmas Eve vote.

The changes to H.R. 3590 included in the manager's amendment boosted the cost of the bill to \$871 billion over 10 years from the original \$848 billion. Instead of offering a public insurance option the bill would now create a new system of national private insurance plans to be supervised by the federal Office of Personnel Management (OPM). The Medicare expansion that was negotiated earlier was dropped. To appease Senator Nelson, who sought greater abortion restrictions, the manager's amendment requires that one of the national plans OPM manages not cover most abortions. Nelson also managed to win full federal financing for the Medicaid expansions in Nebraska in perpetuity. Two other states, Vermont and Massachusetts, will also receive additional Medicaid payments. All other states will be required after 2016 to cover 10 percent of the Medicaid expansion in their states. Other changes included in the manager's amendment are higher penalties for higher income people who do not purchase insurance and requirements that insurers covering employees in large and small businesses spend at least 85 and 80 percent, respectively, of their revenue from premiums on medical claims beginning in 2011.

Democratic leaders hope to have a bill on the President's desk before the State of the Union address in late January.

Congress Fails to Extend the Estate Tax

On January 1, there will be no estate tax in 2010 unless Congress acts to reinstate it retroactively early in the New Year. Allowing the tax to disappear will deepen the deficit by about \$25 billion in 2010 alone. The massive tax cuts enacted in 2001 under former President Bush included gradual reductions in the estate tax, culminating in total repeal in 2010. Because the multi-year cost of repeal was eye-popping, Congress left the total repeal of the estate tax in place for only one year, to be followed by a reinstatement of the tax at its old levels starting in 2011. The proponents of repeal were confident that Congress would not allow the estate tax to return to the pre-2001 level of exempting estates worth less than \$1 million, with a rate of 55 percent (not counting deductions).

As the deficit deepened, support increased in Congress for retaining a reduced estate tax and avoiding outright repeal. Several weeks ago the House passed H.R. 4154, making the 2009 estate tax levels permanent (exempting estates of under \$3.5 million, with a 45 percent rate). When it was told that the Senate did not have the votes to pass any extension, the House did not include the estate tax on the Defense Appropriations bill, the last and must-pass appropriations bill which served as the vehicle for attaching other critical program extensions. (See Appropriations below.)

Ironically, although opponents of the estate tax frequently claimed it hurts family farms and small businesses who are almost universally exempt, allowing repeal will actually have negative consequences for the heirs of many family farms and smaller businesses valued over \$1.3 million. These estates would be exempt under 2009 estate tax rules, but under repeal, beneficiaries would be newly subject to the capital gains tax when selling the estate based on its increased value from the time it was originally purchased (perhaps decades ago). (See Center on Budget and Policy Priorities paper, "Contrary to

Claims, Allowing Estate Tax to Expire Would Make Family Farms and Small Businesses Worse Off Overall” at: <http://www.cbpp.org/files/12-17-09tax.pdf>)

Also left to be addressed are the scores of expiring tax credits (so-called ‘extenders’) that usually are passed for one year. The House included \$31 billion for these credits in its extenders bill (H.R. 4213, also passed several weeks ago), paid for by raising other revenue sources. The Senate is disinclined to support the way the House bill pays for extending the tax credits. Many of these credits do have bi-partisan support so it is likely that Congress will act early next year to pass these popular tax credits retroactively. Perhaps the extenders and the estate tax could move together. However, many in the Senate who support the tax credits would like to shrink the estate tax below 2009 levels. (For more details on the estate tax and extenders see the December 11 *Human Needs Report*: <http://www.chn.org/humanneeds/091211b.html>)

Omnibus Appropriations Bill Funds Major Programs; Defense Bill Carries Important Extensions

All 12 of the individual appropriations bills which annually fund federal discretionary programs passed the House before the August recess but were tied up in procedural knots in the Senate where three of the bills passed in committee but never reached the Senate floor. Five of the bills were enacted into law by the time fiscal year (FY) 2010 began on October 1. The remaining seven were being funded under a temporary continuing resolution at FY 2009 levels pending further action by the House and Senate. Congress bundled 6 of the bills into one omnibus spending bill, H.R. 3288, which passed the House 221-202 on December 10 and the Senate 57-35 on December 13. The \$447 billion bill funds discretionary programs in Labor-HHS-Education, Transportation-HUD, Military Construction-VA, Commerce-Justice-Science, Financial Services, and State-Foreign Operations.

Democratic leaders held the last remaining bill, the Defense Appropriations bill (H.R. 3326) as a vehicle to attach other critical legislation. On December 16, the House voted 395-34 to add expiring non-Defense provisions to the bill, which provides \$636 billion for the Department of Defense including \$128 billion for war operations. First the Senate needed to garner 60 votes to cut off debate to end a Republican filibuster, increasingly becoming the norm in a deeply partisan Senate. The vote to end the filibuster passed 60-34. Ultimately the Senate passed H.R. 3326 by a vote of 88-10.

The bill includes funding to extend through February 2010 emergency unemployment benefits and subsidies for unemployed workers to continue receiving health insurance from their previous employer, known as COBRA, that were part of American Recovery and Reinvestment Act (ARRA) enacted in February 2009. Democratic leaders hope to include a longer extension of these benefits in a jobs bill early next year. (See Jobs Bill below.) H.R 3226 provides \$400 million to administer the Supplemental Nutrition Assistance Program (SNAP) whose enrollment has escalated to 36 million.

Also included in the bill is funding to prevent cuts to physicians in the Medicare program (known as the “doc fix”), and it extends provisions in the Patriot Act, the National Flood Insurance Program, surface transportation programs, and selected loan programs in the Small Business Administration.

**House Passes a Jobs Bill;
But Final Enactment Awaits the New Year**

With 10 percent unemployment, there were hopes Congress could take quick action to invest in job creation before the end of 2009. Contentiousness in the Senate over health care and pretty much everything else made it impossible for the Senate to take up jobs legislation so quickly, but the House enacted the Jobs for Main Street Act of 2010 (H.R. 2847) on December 15. The House bill includes important elements needed to spur job growth, although many economists believe its scale (\$154 billion) is insufficient to address the nation's critical job shortage.

The bill passed with a narrow 217-212 majority, with all Republicans and 38 Democrats in opposition (roll call vote: <http://clerk.house.gov/evs/2009/roll991.xml>). The closeness of the vote underscores the conflicted economic concerns in Congress: recognition of the need to do more to spur job growth and fears that such action will worsen the deficit. But with economists at the Center for Economic and Policy Research projecting \$1 trillion in lost wages and salaries over the next five years, it is clear that leaving unemployment unchecked will in itself make the deficit worse. (See <http://www.cepr.net/index.php/publications/reports/wage-deficit/>.)

Jobs for Main Street includes just under \$50 billion in infrastructure projects related mainly to transportation but also including Energy Innovation Loans (\$2 billion) and School Renovation Grants (\$4.1 billion). These projects are paid for by using surplus TARP funds (Troubled Assets Relief Program, enacted to bail out the financial industry).

The legislation also provides some relief for states struggling under recession-induced budget gaps, with \$23 billion to protect or expand education jobs over FYs 2010-2011 and \$23.5 billion to continue increased federal payments for Medicaid ("FMAP") through June 2011. While a welcome step, states are now grappling with the largest cumulative budget shortfalls on record (\$190 billion projected for FY 2010, or 28 percent of states' general fund budgets). Without more aid, states are bound to accelerate damaging rounds of layoffs and service cuts – exactly what the recovery does not need. (See [Center on Budget and Policy Priorities](http://www.cbpp.org/cms/index.cfm?fa=view&id=711), <http://www.cbpp.org/cms/index.cfm?fa=view&id=711>.)

Jobs for Main Street provides \$500 million in funding for summer jobs for 250,000 youth, and extends \$750 million for competitive grants for worker training and placement in high growth sectors such as renewable energy and health care through the Workforce Investment Act (WIA). Also included are \$132 million for National and Community Service, including funds for another 25,000 AmeriCorps volunteers.

The Public Housing Capital Fund is increased by \$1 billion, for additional renovations and energy retrofitting, with emphasis on rehabbing vacant rental units. The Housing Trust Fund would receive \$1.065 billion to build affordable housing.

The bill also recognizes that benefits directed to low-income people both prevent severe hardship and allow for increased spending that economists say provides the biggest boost to the economy. The Unemployment Insurance expansions and COBRA health insurance subsidy enacted through the American Recovery and Reinvestment Act (ARRA) are extended six months. The COBRA health insurance subsidy provided is increased from 9 to 15 months.

In a step long sought by advocates for low-income children and families, the bill makes the refundable Child Tax Credit available to families starting with their first dollar of earnings (under ARRA, the Child

Tax Credit was expanded to families with earnings as low as \$3,000). H.R. 2847 provides that such increases in refunds do not count in determining eligibility or benefits for federal or federal/state programs such as SNAP (food stamps) or TANF.

Getting the Senate to take up jobs legislation quickly in January will be difficult, but both bodies will need to return to the topic at least in order to continue the ARRA expansions in Unemployment Insurance, which were only extended for two months as an add-on to the Department of Defense appropriations bill (see above). Jobs for Main Street is seen by advocates as a good start, but will need more direct job creation if it is to address the unacceptably high levels of unemployment affecting youth, communities of color, families with children, and critically hard-hit communities in urban and rural areas.

For more information about jobs proposals aimed at assisting low-income people, see the Coalition on Human Needs [jobs page](http://www.chn.org/issues/labor/jobcreation.html), at <http://www.chn.org/issues/labor/jobcreation.html>.

Climate Change Legislation in the Senate Waits Until Next Year

After the House passed climate change legislation this summer and the Senate Environment and Public Works Committee passed its climate bill in early November, action stalled in the Senate. In the weeks leading up to the December United Nations Climate Change Conference in Copenhagen a tri-partisan group of Senators, John Kerry (D-MA), Joe Lieberman (I-CT) and Lindsey Graham (R-SC), worked together on compromise legislation. They shared with President Obama a framework paper containing broad principles and guidelines on global warming prior to his leaving for Copenhagen.

Without a final bill from Congress, President Obama and American negotiators were limited in their ability at Copenhagen to commit the United States to specifics, including a target for reducing greenhouse gas emissions. Disagreements between rich and poor nations and the lack of trust between China and the United States, the first and second biggest emitters of greenhouse gases, were evident during the conference. President Obama was ultimately instrumental in facilitating the Copenhagen Accord calling for a *nonbinding* agreement on emission targets and an international system of verification, and a commitment from richer nations to provide billions of dollars to poorer nations to deal with the effects of climate change. Leaders also agreed to meet next year in Mexico.

Climate change advocates hope that impetus from the conference, the Environmental Protection Agencies' commitment to enforce the Clean Air Act in the absence of climate legislation, and a growing realization by members of Congress that clean environmental technology is a path to strengthening their state's economy will motive the Senate to act next year.

Debt Limit Must Be Raised Before the New Year

Congress has the authority to set the ceiling on the amount of debt the federal government can accrue. The current \$12.104 trillion debt ceiling will be reached before January 1. On December 16 the House passed by a vote of 218-214 H.R.4314, To Permit Continued Financing of Government Operations, increasing the debt ceiling by \$290 billion, enough for the government to borrow for another month.

The Senate has come to an agreement to take up the House's \$290 billion increase on Christmas Eve, just after taking the final vote on health legislation. Under the agreement, 60 votes will be required, but no

amendments will be allowed. The Senate will take up a longer extension of the debt ceiling on January 20, just after they return from the holiday recess. At that time, up to 10 amendments will be in order. Among the amendments now planned are the Conrad (D-ND)-Gregg (R-NH) proposal for a commission to recommend ways of reducing the long-term debt and deficits, including limits on entitlement spending; a Reid (D-NV) amendment to require new expenditures to be paid for; other Republican amendments aimed at reducing spending; and a Thune (R-SD) amendment to prohibit Congress from spending surplus TARP funds (funds committed but unspent from the financial industry bailout legislation). The House jobs bill (see above) uses some of the surplus TARP funds for job creation investments. The debate on increasing the debt is often used by the minority party to point out what it views as excessive spending by the majority party. This time, members of both parties are intent on demonstrating their concern about the debt.