

PB Washington Update - Interim Report - December 16, 2010

Tax Bill – Yesterday, the Senate passed its version of the \$858B Obama/Republican tax deal by a very large margin of 81 to 19. No amendments were made in order. The bill now goes to the House for consideration where they are currently debating the procedures for floor action. Despite strong initial opposition from senior Democrats in the House, including the Speaker, word is that the bill is likely to pass in the House, perhaps even later this evening. Last night the Rules Committee made only one amendment in order - to increase the tax rate to 45% on estates (up from the 35% in the bill) and lower the threshold to \$3.5M (down from the \$5M threshold in the bill). The Senate version of the bill includes the extension of the commuter tax benefit, but not an extension of the highly popular Build America Bond program.

If the House passes the Senate bill without amendment, it will go to the President to sign. If the House changes the bill, such as agreeing to the estate tax amendment, the bill will have to go back to the Senate for consideration.

FY'11 Appropriations - The FY'11 CR/Omnibus appropriations bill faces a much tougher road. The Senate Appropriations Committee approved its version of the bill on Tuesday, but Majority Leader Harry Reid opted to take up the new START arms control treaty on the floor before debating the FY'11 Omnibus. Senator Jim DeMint (R-NC), who opposes the Omnibus, is threatening to insist the bill be read aloud in its entirety which could take several days, pushing consideration of the Omnibus beyond the Saturday, December 18 expiration of the current short-term CR and potentially causing a pre-Christmas government shut-down. Even if the Senate is able to pass the Omnibus, it must then go over the House for approval. Most transportation programs fare better under the Senate's Omnibus, but given its size – 1,900 pages and the controversial number of earmarks it includes, it may collapse under its own weight. Therefore, Senate Minority Leader McConnell (R-KY) today introduced yet another short-term CR extending current funding through February 18, 2011.

The House has already taken a different approach to funding the government and passed a Continuing Resolution at the generally lower FY'10 funding levels. So it looks like Congress will be in session Christmas week and there are even some threat of coming back the week between Christmas and New Years! Both the Senate Omnibus and the House CR include an extension of SAFETEA-LU and the FAA authorizations through September 30, 2011.

House Transportation & Infrastructure Committee – It appears that similar to a number of other House committees such as Ways & Means and Energy & Commerce, the House T&I Committee will shrink in size in the new Congress. The T&I Committee is currently the largest committee in the House with 75 members. That would be reduced to 59 members in the 112th Congress – 33 Republicans and 26 Democrats. Even though their numbers shrink, it appears all the remaining Democrats will be able to stay on the committee, if they choose, because of the large number of retirements and losses. Republicans will gain seats since they are now in the majority and will be able to add as many as 16 or 17 new members to the committee.

FTA Grant Announcements – FTA is expected to make an announcement as early as next week of a Notice of Funding Availability (NOFA) for unallocated FY'10 New Start/Small Start discretionary grants and an announcement awarding discretionary grants for Alternative Analysis (AA) projects. A NOFA was issued on May 28 for up to \$25.7M from unallocated/unearmarked FY'09 and FY'10 appropriations for the AA program.

Correction – The December 13 PB Interim Report incorrectly stated that the proposed 2011 2% Social Security Payroll Tax holiday phased out for those making over \$75,000. There is no phase out of the holiday.