TAXES: EXTENDERS BILL SCALED BACK

The unemployment compensation and tax extenders bill (H.R. 4213) was scaled back this week by congressional leaders in order to garner votes. Rather than its over $190 billion price tag, the bill is now expected to cost about $145 billion. To get that savings, unemployment benefits are only being extended through November instead of December 2010, and the 20 percent Medicare physicians' rate reduction will be postponed only through 2012, rather than 2014 as in the original bill.

The bill continues to contain an important provision that will provide California about $300 million in additional Medicare reimbursements. The problem stems from using data that is over 20 years old to determine the boundaries of payment localities. This has resulted in the erroneous classification of certain California payment localities as "rural" when their cost data are equal or greater than "urban" localities. As a result, Medicare has been under-paying doctors in some areas of the state while over-paying other doctors. The legislation fixes the reimbursement problem, without changing the formula, by changing the designation of the geographic locality from one that is county-based to one that is MSA-based ("Metropolitan Statistical Area"). The California "fix" is intended to serve as a pilot program that could be extended to other states in the future to correct similar locality inequities in those states.

Provisions also remain in the bill to extend the R&D tax credit, and other credits that have either already expired or are set to expire.

More information on the provisions in the revised version of H.R. 4213 can be found at: http://waysandmeans.house.gov.

HOUSING: ADMINISTRATION'S PUBLIC HOUSING PROPOSAL DEBATED AT FULL COMMITTEE HEARING

On May 25, 2010, the House Financial Services Committee (Chairman Frank, MA) held a hearing titled "The Administration's Proposal to Preserve and Transform Public and Assisted Housing: The Transforming Rental Assistance Initiative." Witnesses included: Shaun Donovan, Secretary of Housing and
Secretary Donovan highlighted the challenges facing HUD's rental assistance programs. "It does not take a housing expert to see that HUD's rental assistance programs desperately need simplification," he stated. "HUD currently administers thirteen different rental assistance programs, each with its own rules, managed by three operating divisions with separate field staff. Too often, additional programs designed to meet the needs of vulnerable populations have been added without enough thought to the disjointed system that would result. This unwieldy structure fails to serve the Department, our government and private sector partners, and – most importantly – the people who live in HUD-supported housing."

To address the issues he highlighted in his testimony, HUD is launching a multi-year effort called the Transforming Rental Assistance (TRA) initiative that forms the basis of the legislation being considered by the committee. The TRA proposal – PETRA – includes several significant elements:

- Through a new section 8(n), the bill will allow HUD to enter into rental assistance contracts with PHAs similar to current project-based section 8 contracts. Most public housing properties would convert to these project-based contracts (PBCs). Properties that qualify as small or partially assisted will have the option to convert to a PBC or to a project-based voucher (PBV) subsidy.

- Converted public housing properties will be subject to a use agreement for a minimum of 30 years. The use agreement locks in the critical requirements to provide a specified number of units to income-eligible tenants paying rents at the levels required by the U.S. Housing Act. Prior to applying to HUD to convert to a section 8 funding stream, a PHA would be required to consult with residents of the property, the PHA's Resident Advisory Board, and the public.

- HUD will establish priorities and criteria to select properties for conversion through notices in the Federal Register. This procedure allows HUD to adapt priorities for conversion based on the amount of funding made available in appropriations acts and any requirements imposed by the appropriations bill.

- Rents will be market-based. Asking rents will be capped at the comparable market rent for similar unassisted properties in the area, up to 110% of the applicable area rental unless HUD approves a market rent above this cap.

Witnesses raised a series of concerns, including concerns that the legislation is not appropriately focused on the core principles and operational framework of public housing preservation; concerns that the legislation is not limited only to public housing; and concerns that the proposal does not adequately protect current and future public housing residents.


TRANSPORTATION: STIMULUS SPENDING ON TRANSPORTATION PROGRAMS

On May 26, 2010, the House Transportation and Infrastructure Committee (Chairman Oberstar, MN) held a hearing titled "Recovery Act: Progress Report for Infrastructure Investments."
The Recovery Act, enacted on February 17, 2009, provides approximately $16 billion of non-transportation investment for programs within the jurisdiction of the Committee on Transportation and Infrastructure, including: $5.26 billion for environmental infrastructure; $4.6 billion for the U.S. Army Corps of Engineers (Corps); $5.575 billion for Federal buildings; $150 million for the Economic Development Administration (EDA); $210 million for emergency management; and $240 million for the U.S. Coast Guard.

To date, the Federal Emergency Management Agency (FEMA) has awarded 119 fire station projects totaling $189 million in 41 States, representing 90 percent of the available funds. EDA awarded 68 grants in 37 States totaling $147 million. The Corps has obligated $3.5 billion for 791 Recovery Act projects in 49 States, Puerto Rico, and the District of Columbia, representing 77 percent of the total amount of Recovery Act funds allocated to the Corps. The General Services Administration (GSA) has awarded contracts and begun work on 406 projects worth $4.1 billion, representing 74 percent of GSA's total apportionment. And, all States met the deadline that Clean Water State Revolving Fund (SRF) Recovery Act funds be under contract or under construction by February 17, 2010.

Of the $64.1 billion provided for transportation and infrastructure programs under the Recovery Act, Federal, State, and local agencies administering programs within the Committee's jurisdiction have announced 19,351 transportation and other infrastructure projects totaling $62.9 billion, as of May 14, 2010. This amount represents 98 percent of the total available funds. Within this total, Federal agencies, States, and their local partners have obligated $50.2 billion for 18,981 projects, representing 78 percent of the available funds.


For more information, visit: http://transportation.house.gov/.

EDUCATION: GAO REPORT ON LOW INCOME AND MINORITY SERVING INSTITUTIONS DISCUSSED AT HEARING


According to "The State of America's Black Colleges" Historically Black Colleges and Universities (HBCUs) graduate 40 percent of all African-American students receiving a four-year STEM degree and 50 percent of African-American teachers. According to Excelencia in Education, a non-profit organization which promotes success for Latinos in higher education, Hispanic-Serving Institutions (HSIs) enroll approximately half of all Latino undergraduates in the United States. In 1995, HSIs received an appropriation of just $12 million; they were one of a number of institutions receiving funding under Title III. In FY 2010, the developing Hispanic-Serving Institutions program received an appropriation of $117 million, and the promoting post-baccalaureate opportunities, the graduate program for HSIs, received appropriations of $22 million. On March 30th, President Obama signed the Health Care and Education Reconciliation Act of 2010, providing $2.55 billion for Title III and Title V institutions.. This is the largest investment ever in HBCUs and Minority-Serving Institutions (MSIs).

The GAO report makes the following recommendations:

Based on its findings, GAO recommended that the Secretary of Education take five actions:

1. Develop a comprehensive, risk-based approach to target grant monitoring and technical assistance based on the needs of grantees. In doing so, Education should take steps to ensure that all available tools, including its electronic monitoring system, risk-based criteria, site visits, and grantee annual performance reports, are fully integrated to better target its limited resources.
2. Follow up on each of the improper uses of grant funds that were identified in the report.
3. Provide program staff with the necessary training to fully carry out monitoring and technical assistance responsibilities.
4. Disseminate information to grantees about common implementation challenges and successful projects to leverage the investment that has been made across the programs.
5. Develop appropriate mechanisms to collect and use feedback from grantees.

The Department of Education agreed with GAO's recommendations.

For more information, visit: http://edlabor.house.gov/.

TAXES: TREASURY ANNOUNCES $1 BILLION FOR SMALL BIOMEDICAL FIRMS

The U.S. Department of Treasury announced on May 21, 2010 the guidelines for applying for the new Therapeutic Discovery Project Program created by the recently enacted health care reform act. Under the Affordable Care Act, the program will provide tax credits and grants to small firms that show significant potential to produce new and cost-saving therapies, support good jobs and increase U.S. competitiveness, according to Treasury.

The therapeutic discovery tax credit is targeted to projects that show significant potential to produce new therapies, address unmet medical needs, reduce the long-term growth of health care costs and advance the goal of curing cancer within the next 30 years. The credit's allocation will also take into consideration which projects show the greatest potential to create and sustain high-quality, high-paying jobs in the United States and to advance competitiveness in the fields of life, biological, and medical sciences. Today, the biotechnology industry employs 1.3 million workers, and the industry continues to be a key growth engine for our economy, Treasury said.

The credit covers up to 50 percent of the cost of qualifying biomedical research, up to a maximum credit of $5 million per firm and $1 billion overall and is only available to firms with fewer than 250 employees. To provide an immediate boost to U.S. biomedical research and the small businesses that conduct it, the credit is effective for investments made in 2009 and 2010. Firms can opt to receive a grant instead of a tax credit, so start-ups that are not yet profitable can benefit as well.

Companies may submit applications for certification beginning June 21, 2010, and applications must be postmarked no later than July 21, 2010. As part of the review process for research projects, the Department of Health and Human Services (HHS) will evaluate each project for its potential to produce new therapies or reduce health care costs. Only projects that show a reasonable potential to meet these goals will be certified as eligible for the credit, according to Treasury. The IRS will issue certifications by the end of October based on the determinations made by HHS.


RESOURCES: FEDERAL JUDGE LIFTS RESTRICTIONS ON DELTA PUMPING FREEING UP TO 200,000 ADDITIONAL ACRE-FEET OF WATER

On Tuesday, May 25, 2010, U.S. District Court Judge Oliver Wanger in California temporarily lifted California Bay Delta pumping restrictions aimed at protecting salmon and other species. Wanger ordered the pumping limits lifted until June 15, granting a request by agricultural and urban water users who said the additional pumping would not harm fish.

According to the Association of California Water Agencies, the move could allow as much as 200,000 acre-feet of additional water to be pumped in the next three weeks. Prior to the ruling, two sets of pumping restrictions to protect salmon were in place. One was set to end May 31, while the other was set to end on June 15, when juvenile salmon are assumed to have migrated past the influence of the pumps. Separate measures to protect Delta smelt remain in place. Wanger is expected to rule any day on a similar suit over smelt restrictions.

The ruling came a week after Wanger found insufficient scientific justification for the pumping limits imposed by federal agencies to protect salmon. The judge also found that federal agencies failed to
consider alternative actions to protect the species that would have less harmful to humans and the human environment.

**REPORT: CALIFORNIA TO GAIN 60,000 JOBS FROM SOLAR PROGRAMS, ACCORDING TO SEIA**

The Solar Energy Industries Association (SEIA) recently released an independent study projecting the positive economic impact of the Department of Treasury Grant Program (TGP) and the Manufacturing Investment Tax Credit (MITC).

The study found that extending the TGP and MITC by two years would add 200,000 new domestic jobs to the solar workforce and supporting industries in the United States. California is expected to gain the most from the policies – an estimated 60,000 jobs. Additionally, it would result in 10 gigawatts (MW) of new solar installations by 2016 – enough to power 2 million homes.

SEIA is encouraging Congress to extend the programs for another two years. The study was conducted by independent consulting firm EuPD Research. For more information, visit: http://www.altenergymag.com/news_detail.php?pr_id=15439.

**REPORT: C.A.R. REPORTS MEDIAN HOME PRICES INCREASED AND HOME SALES DECREASED IN APRIL**

According to the California Association of Realtors, home sales decreased 8.1 percent in April in California compared with the same period a year ago, while the median price of an existing home rose 21 percent.

"It's likely that the state tax credit that went into effect May 1 created an incentive for many buyers to postpone closing escrow so they could take advantage of both the state and federal tax credits that were available," said C.A.R. President Steve Goddard. "We should see the pace of closed sales edge up in May and June as these tax-incentivized transactions close."

Significant findings from CAR’s report include:
- Sales dipped below the 500,000-unit level for the first time in 19 months in stiff competition.
- Closed escrow sales of existing, single-family detached homes in California totaled 483,830 in April at a seasonally adjusted annualized rate, according to information collected by C.A.R. from more than 90 local REALTOR associations statewide.
- Statewide home resale activity decreased 8.1 percent from the revised 526,720 sales pace recorded in April 2009.
- Sales in April 2010 decreased 6.4 percent compared with the previous month.
- The median price of an existing, single-family detached home in California during April 2010 was $306,230, a 21 percent increase from the revised $253,110 median for April 2009, C.A.R. reported. The April 2010 median price increased 1.5 percent compared with March's $301,790 median price.
- C.A.R.'s Unsold Inventory Index for existing, single-family detached homes in April 2010 was 5.1 months, compared with five months (revised) for the same period a year ago. The index indicates the number of months needed to deplete the supply of homes on the market at the current sales rate.
- Thirty-year fixed-mortgage interest rates averaged 5.10 percent during April 2010, compared with 4.81 percent in April 2009, according to Freddie Mac. Adjustable-mortgage interest rates averaged 4.16 percent in April 2010, compared with 4.82 percent in April 2009.
- The median number of days it took to sell a single-family home was 39.4 days in April 2010, compared with 48.1 days (revised) for the same period a year ago. Statewide, the 10 cities with the highest median home prices in California during April 2010 were: Manhattan Beach, $1,572,500; Saratoga, $1,440,000; Los Altos, $1,428,750; Mill Valley, $1,200,000; Laguna Beach, $1,162,500; Cupertino, $1,120,000; Newport Beach, $1,037,500; Los Gatos, $1,034,000; Calabasas, $925,000; and Santa Monica, $870,000.

More information can be found at: www.car.org.
**BRIEFING: ON ENGLISH LANGUAGE LEARNERS IN ESEA**

Reps. Howard Berman (North Hollywood) and Judy Chu (El Monte) are hosting a briefing on English Language Learners (ELLs) in the Elementary and Secondary Education Act. It will be help on Friday, May 28th, from 10 a.m. to 11:30 a.m. in Room 2200 Rayburn House Office Building.

Nationwide, over 5 million students are ELLs - more than 10% of the nation's public school students. ELLs are found in all regions of the country, and represent over 100 language groups. Over two-thirds of elementary school ELLs and over half of secondary school ELLs are U.S. citizens.

The briefing will focus on the unique needs of ELLs and the need to address those needs in the upcoming reauthorization of ESEA. A panel of experts will address challenges facing this diverse student population, states' best practices, and policy recommendations for ESEA reauthorization.

Guest speakers will be: Dr. Charlene Rivera (Moderator) - Director, George Washington University Center for Equity and Excellence in Education; Co-Convener, National Working Group on ELL Policy; Delia Pompa - Vice President for Education, National Council of La Raza (NCLR); Veronica Rivera - Legislative Staff Attorney, Mexican American Legal Defense & Education Fund (MALDEF); Doua Thor - Executive Director, Southeast Asia Resource Action Center (SEARAC); and Kerry R. Venegas - High School Policy Project Director, National Indian Education Association (NIEA).

For further information, contact Jonathan Elkin in Congressman Berman's office at jonathan.elkin@mail.house.gov or (202) 225-4695.