ECONOMY: HOUSE CLEARS SMALL BUSINESS BILL; GOES TO PRESIDENT

By a vote of 237-187, the House on September 23, 2010 passed H.R. 5297, which passed the Senate on September 16th. The bill now goes to the President, who is expected to sign it.

H.R. 5297 establishes a $30 billion loan fund to give community banks money to lend to small businesses. It also provides $12 billion in tax breaks for small businesses. Small businesses would be able to expense half the cost of all new equipment purchased in 2010. This bonus-depreciation provision was in effect for tax years 2008 and 2009, but had expired for tax year 2010. Capital gains from some small business stock would also be excluded from taxation under the bill. The bill also increases the limits on small business loans: 7(a) loans from $2 million to $5 million; 504 loans from $1.5 million to $5.5 million, and microloans from $35,000 to $50,000.

The bill originally passed the House on June 17, 2010.

For more information on the bill, go to: http://www.majoritywhip.house.gov.

ECONOMY: SENATE BUDGET COMMITTEE ASSESSES ECONOMY

On September 22, 2010, the Senate Budget Committee held a hearing on “Assessing the Federal Policy Response to the Economic Crisis.” Witnesses were: Dr. Alan S. Blinder, Gordon S. Rentschler Memorial Professor of Economics and Public Affairs, Founder and Co-Director, Center for Economic Policy Studies, Princeton University; Dr. Mark Zandi, Chief Economist, Moody’s Analytics; and Dr. John Taylor, Mary and Robert Raymond Professor of Economics, Stanford University and George P. Shultz Senior Fellow in Economics, The Hoover Institution.

Dr. Blinder discussed a recent study he and Mr. Zandi released that estimated “that in the absence of the extraordinary policy measures taken in 2008 and 2009, there would be about 8½ million fewer jobs today, and we would be experiencing deflation.” He stressed, however, that is not to say that either he or Mr. Zandi believed that the policies followed in the TARP and ARRA, for instance, were the best that could have been devised. Recognizing that the deficit has put the country on an unsustainable long-run path that will require, for its correction, both more revenue and less spending down the road, Blinder argues, that the deficit does not pose a short-run problem. In his view, currently, the jobs deficit is more urgent than the
budget deficit. He concluded by proffering two policies: “one is a substantial broadening of what Congress did earlier this year with the HIRE (“Hiring Incentives to Restore Employment”) Act: a temporary tax credit for new jobs. The other is temporary public employment centered on relatively low-wage workers. Simple calculations suggest that each of these options can create new jobs at a price tag of $30,000-$40,000 each.”

Dr. Zandi also defended their study, citing empirical evidence to support his position. He acknowledged that the recovery is “fragile,” and therefore strongly urged that policymakers not to pull back now. Also, because of that fragility, he testified that taxes should not rise in 2011. Instead, he testified that “a prudent middle course between the president’s plan and the Republican counterproposal would be to forestall any tax hikes in 2011 but slowly phase in higher rates on upper income households beginning in 2012.”

Dr. Taylor also presented empirical evidence that he argued bolsters the opposite conclusion – that the stimulus packages did not encourage growth and had very little impact on the recovery. He argued that the recovery is due to investment, not federal, state or local purchases made through stimulus spending. He said that “in fact, of the $862 billion package, the amount of government purchases at the federal level was $7.9 billion in 2009 and $10.5 in the first half of 2010 according to the Bureau of Economic Analysis. Focusing on infrastructure spending (gross investment) at the federal level the amount was even smaller: $9 billion in 2009 and $1.5 billion in the first two quarters of 2010. Thus, of the total $862 billion only 3 tenths of a percent has been on federal infrastructure projects.”

Not only has the stimulus not worked, he testified, but now with the legacy of debt it has created it could be causing harm and holding back recovery. Dr. Taylor discussed other policies that would have worked better, and for the future testified against allowing taxes to increase.

During questioning, Dr. Blinder said that the government should commit now to making spending cuts over the long-term, which he realized is hard to do in the real world.

For the testimony of the witnesses, go to: http://budget.senate.gov.

EDUCATION: SENATE COMMITTEE HOLDS HEARING ON PERKINS EDUCATION LOANS

On September 22, 2010 the House Budget Committee held a hearing on the role of the Perkins Loan in providing higher education. Witnesses included: Mr. Bob Perrin, President, Williams & Fudge, Inc. and the Coalition of Higher Education Assistance Organization; and Ms. Sarah Bauder, Assistant Vice President, Enrollment Services and Financial Aid, University of Maryland.

A Perkins Loan is a low-interest (5 percent) federal student loan for both undergraduate and graduate students with exceptional financial need. Unlike other federal student loan programs it is made through a school’s financial aid office. The school is the lender and it, rather than the federal government, is the entity that must be repaid.

Mr. Perrin stated, “According to the Department of Education, 1,700 campuses nationwide made $1,106,100,000 in Perkins Loans to 521,000 students in fiscal year 2009. Campuses in all but one state
participate in the Perkins Loan Program, which provides loans of up to $5,500 per year to undergraduate students with financial need.”

The Perkins Loan Extension Act of 2010 (H.R. 5448) has been introduced by House Budget Committee Chairman John Spratt, to extend the October 2012 Perkins sunset provision by one year to October 2013.

Without congressional action the Perkins Loan Program will begin to shut down in 2012. Proponents of the program argue that allowing the program to end will jeopardize college access for low-income students and eliminate jobs at a time when the country can ill afford it, because of the jobs it provides for administering the loans on college campuses and for the companies contracted to service the loans.

More information can be found at: http://budget.house.gov.

ENERGY: HOUSE COMMITTEE HOLDS HEARING ON LOANS TO SPUR CLEAN ENERGY TECHNOLOGY

On September 23, 2010 the Senate Energy and Natural Resources Committee held a hearing on the Department of Energy’s loan guarantee program and its effectiveness in spurring the near term deployment of clean energy technology. Witnesses included: Mr. Jonathan Silver, Executive Director, Loan Programs Office, U.S. Department of Energy; Mr. Tim Newell, Senior Advisor, U.S. Renewables Group; Mr. Jens Meyerhoff, President, Utility Systems Business Group, First Solar; Mr. Michael Scott, Managing Director, Miller Buckfire & Co., LLC; and Mr. Marv Fertel, President and Chief Executive Officer, Nuclear Energy Institute.

The US Renewables Group (USRG) is a private equity firm based in Los Angeles, California that focuses exclusively on investing in renewable energy. USRG is a leading investor in companies that develop, build, and operate projects that produce clean renewable energy – both electricity and fuels – and the infrastructure that supports that production.

Mr. Newell testified on behalf of USRG stating, “We believe the Department of Energy’s loan guarantee program to be a crucial part of US renewable energy policy, as well as an important component of our country’s overall economic policies – particularly with respect to supporting US competitiveness in global energy markets. The DOE Loan Program has seen its funding cut by nearly 60%, with $3.5 billion of its appropriation rescinded and diverted to other programs. This should not have happened, and Congress should act immediately to restore funding for this critical program.” Mr. Newell also advocated for investment tax credits and production tax credits offered to renewable energy projects.

SolarReserve, a USRG client, is a California-based solar power plant that has applications pending with the Department of Energy loan guarantee program to support the company’s first two commercial projects in California and Nevada. According to USRG, should those loan guarantees be approved and the projects built, thousands of jobs would be provided in rural areas hard hit by the recession.

Since March 2009, the Department of Energy has guaranteed loans for fourteen projects totaling almost $13 billion, with total project costs exceeding $22 billion. Mr. Silver said, “Loan guarantees lower the cost of capital for projects utilizing innovative technologies, making them more competitive with conventional technologies, and thus more attractive to lenders and equity investors.”

The Department of Energy supports legislation to expand the current loan guarantee program to include energy efficiency technologies and systems and permit project applicants and sponsors to submit more than one application for a given technology. Mr. Silver concluded, “Over the last year and a half, the Department’s Loan Programs have started delivering on the promises Congress made in creating and funding them. We are making a serious contribution to our clean energy goals, and we look forward to continuing that trend.”

For more information visit: http://energy.senate.gov/public/.
TECHNOLOGY: HOUSE JUDICIARY SUBC. EXAMINES CLOUD COMPUTING AND PRIVACY ISSUES

On September 23, 2010, the House Judiciary Subcommittee on the Constitution, Civil Rights, and Civil Liberties held a hearing on revision of the Electronic Communications Privacy Act and Cloud Computing. Witnesses were: Richard P. Salgado, Senior Counsel, Law Enforcement and Information Security, Google, Inc.; Michael D. Hintze, Associate General Counsel, Microsoft Corporation; Paul Misener, Vice President for Global Policy, Amazon.com, Washington, DC; and David R. Schellhase, Executive Vice President and General Counsel, Salesforce.com, San Francisco, CA.

The ECPA was enacted in 1986 before the widespread availability of the Internet, e-mail, texting, and most other now commonplace communications and storage technologies and services. It set out the circumstances under which law enforcement can compel Internet service and telecommunications providers to disclose customer content and account information. Cloud computing - widely defined as Internet-based computing and storage - was unknown in 1986. Cloud computing allows users to store data and run programs using centralized data centers rather than individual computers, and consequently rely on the security offered by those cloud providers. The purpose of the hearing was to examine whether the ECPA needs to be revised to account for the changes that have taken place over the last quarter century.

Mr. Salgado testified that “a large gap has grown between the technological assumptions made in ECPA and the reality of how the Internet works today, leaving us in some circumstances with complex and baffling rules that are both difficult to explain to users and difficult to apply.” He offered the following example: “The current complexity can be demonstrated by the requirements to compel production of communications content such as email. ECPA provides that the government can compel a service provider to disclose the contents of an email that is older than 180 days with nothing more than a subpoena (and notice to the user, which can be delayed in certain circumstances). If the email is 180 days or newer, the government will need a search warrant. (The U.S. Department of Justice also takes the position that a subpoena is appropriate to compel the service provider to disclose the contents of an email that is older than 180 days with nothing more than a subpoena and notice to the user, which can be delayed in certain circumstances). If the email is 180 days or newer, the government will need a search warrant. (The U.S. Department of Justice also takes the position that a subpoena is appropriate to compel the service provider to disclose the contents of an email even if it is not older than 180 days if the user has already retrieved it. The Ninth Circuit Court of Appeals has rejected this view.) It’s difficult to imagine a justification for a rule that lowers the procedural protection for a message merely because it is six months old or has been viewed by the user.” He called for the revision of the ECPA to clarify “inconsistent, confusing and uncertain standards” that fail to preserve the reasonable privacy expectations of users.

Salesforce.com uses cloud computing to offer applications that allow organizations to input, store, process, and access data to manage their sales and customer services, rather than purchase and integrate hardware and software applications into their own data centers. Mr. Schellhase emphasized two points in his testimony: first, that US public policy should support cloud computing because it is a powerful driver of economic growth and jobs, and second, in order to build public confidence in cloud computing, the rules for government access to data held in the cloud should be the same as for data held on-premise.

For the testimony of all the witnesses, go to: http://judiciary.house.gov.

TRADE: CONGRESSIONAL COMMISSION EXAMINES CHINA IP ENFORCEMENT


Witnesses included: Christian Murck, President, American Chamber of Commerce in the People's Republic of China; Thea Mei Lee, Deputy Chief of Staff, AFL-CIO; Greg Frazier, Executive Vice President for Worldwide Government Policy, Motion Picture Association of America; and Richard P. Suttmeier, Professor of Political Science, Emeritus, University of Oregon.
Mr. Frazier reiterated the significant problem of movie piracy in China; an estimated 90 percent of the DVDs sold in China are pirated. China is also one of the fastest growing theatrical markets in the world with box office receipts for some companies doubling in recent years. But the Chinese only allow 20 foreign movies into their market per year, so until U.S. movies are allowed into the Chinese market, any attempts to compete against the pirated movies will not succeed, Frazier said. He attributed the piracy problem to a lack of commitment on the part of the Chinese government. He noted that during the Olympics it was nearly impossible to find pirated Olympic merchandise because the government was committed to preventing it. But for other instances of intellectual property violations, the government does not have the same, sustained interest to stop it. He urged the Senators to discuss intellectual property enforcement and more open market access when meeting with Chinese officials, saying that their concerns carry a lot of weight.

In her opening remarks, Senator Dianne Feinstein, noting the significant differences between China thirty years ago and now, said she is encouraged that there has been movement on the part of the Chinese to open its markets and to better enforcement intellectual property, but she allowed there is still a lot of further improvement needed.

For further information, go to: http://www.cecc.gov.

**APPROPRIATIONS: REPORT ON FY 11 SENATE AGRICULTURE APPROPRIATIONS AVAILABLE ON INSTITUTE WEBSITE**