BUDGET: HOUSE PASSES RYAN BUDGET FOR FY13; DEFEATS ALTERNATIVES

After hours of contentious debate followed by summarily voting down several alternatives proffered by both sides of the aisle, the House on March 29, 2012 passed H. Con. Res. 112, the FY 2013 budget proposed by Budget Committee Chairman Paul Ryan (WI), and reported by the House Budget Committee last week. The vote was 228-191. Alternative budgets voted on included those proposed by the Democrats, the Republican Study Committee, and the Congressional Progressive Caucus, as well as one patterned after the recommendations contained in the Simpson-Bowles Commission report.

H. Con. Res. 112 provides discretionary spending for FY13 of $1.028 trillion, $19 billion less than the $1.047 trillion agreed to by the Administration and Congress during last year’s debt limit fight (PL 112-25). It also calls for reducing spending over ten years by $5.3 trillion more, compared to the spending proposed in President Obama’s FY13 budget, and reducing the deficit by $3 trillion more than the President’s plan. In FY13, budget outlays would be $3.5 trillion, about $187 billion less than the President’s FY13 budget proposal. Revenues would be about $2.9 trillion.

Senate Majority Leader Harry Reid (NV) has indicated the Senate will not vote on a budget this year because it will use the previously set $1.047 trillion spending cap in drafting its appropriations bills for FY13.

For more details, go to:
**Transportation: 90-Day Extension of Federal Programs Advances to President's Desk**

On Thursday March 29, 2012, the House passed H.R. 4281 by a bipartisan vote of 266-158. H.R. 4281, the Surface Transportation Extension Act of 2012, provides a 90-day extension of federal transportation programs that were set to expire on March 31. The Senate passed the same measure by unanimous consent later that day, thus sending it to the President's desk for approval.

H.R. 4281 is the ninth short-term extension since the last long-term transportation authorization bill expired in 2009. The congressional action ensures highway funding will continue to be appropriated through and beyond the two-week spring recess both chambers will take in the first half of April.

The extension was necessitated because the House and Senate have not been able to agree on a longer term reauthorization. The competing proposals are S. 1813 in the Senate and H.R. 7 in the House. After the Senate bill was approved by a bipartisan vote earlier this month and the House package failed to win sufficient support on the floor in mid-February, a stalemate ensued. It became clear that neither package would pass both chambers before the end of March deadline.

Proponents of H.R. 14, the House version of the Senate's approved $109 billion 2-year transportation reauthorization bill (S. 1813), had originally pushed for a shorter 60-day extension. House leaders did not bring up either H.R. 14 or the proposed shorter extension. Instead, the House leadership opted for the longer 90-day extension in order to continue working on revamping H.R. 7, its original 5-year extension package, in preparation for consideration after the spring recess.

Sen. Barbara Boxer (CA), sponsor of S. 1813, indicated on Thursday that she plans to lobby during the break for the House to take up and approve the Senate's measure when spring recess concludes.


**Economy: Congress Sends President JOBS Bill**

By a vote of 380 - 41, the House agreed to the Senate amendment to H.R. 3606, clearing the bill for the President’s signature. The bill, known as the Jumpstart Our Business Startups (JOBS) Act, combines several pieces of legislation aimed at improving access to capital for small businesses and startup companies. The House originally passed the bill by a vote of 390-23 on March 8, 2012. The Senate amended the bill before passing it on March 22nd by a vote of 73-26, necessitating the second vote by the House.

The bill will: ease Securities and Exchange Commission rules preventing small, privately held companies from using advertisements to solicit investors; allow companies to sell up to $2 million worth of securities without registering with the SEC; ease SEC filing requirements concerning the annual public offering threshold; raise the threshold for mandatory SEC registration to companies with 1,000 shareholders instead of 500; ease regulatory rules to reduce the costs of small and medium-sized companies going public; and increase the number of shareholders from 500 to 2,000 necessary to trigger an SEC registration requirement for a bank.

The Senate added restrictions to the “crowdfunding” provisions. Crowdfunding is a method of raising capital that involves using the Internet and social media to let small investors join together to provide capital funding for emerging businesses. The measure would allow companies to pool up to $1 million worth
of securities without registering with the SEC. The amended bill also would require anyone acting as a
crowdfunding intermediary to register with securities regulators.

For more information, go to: http://financialservices.house.gov or http://thomas.loc.gov.

**HOMELAND SECURITY: HOUSE SUBCOMMITTEE MARKS UP PORT SECURITY MEASURE**

The House Committee on Homeland Security's Subcommittee on Border and Maritime Security held a mark up March 27, 2012 on H.R. 4251, the Securing Maritime Activities through Risk-based Targeting for Port Security Act. The measure is intended to improve certain port security programs by providing increased efficiency and risk-based coordination within the Department of Homeland Security (DHS), in order to better protect American ports while reducing waste.

At the markup, an amendment in the nature of a substitute was introduced that included language that would ease cross-border maritime relations with Canada. As written, the substitute would allow ships that had been cleared by Canadian authorities to be considered safe in the United States; as a result, these ships would not have to be cleared again by U.S. authorities. This substitution also introduced the Shiprider Program, under which Canada and the U.S. would participate in a cooperative law enforcement and security initiative. Among other things, Shiprider would allow Canadian personnel to ride with the U.S. Coast Guard.

The bill, as amended, also would change the renewal process for the Transportation Worker Identification (TWIC) program. The Transportation Security Administration (TSA) began to issue these biometric IDs about five years ago in 2007. Some of the 1.5 million issued will expire as soon as October of this year, and renewal for five years can cost a worker about $130. Moreover, DHS has yet to install machinery that can take advantage of the biometric data contained in the IDs. Today, an ID functions instead as a "flash pass." Given these concerns about the expense and efficacy of the cards at this time, the bill will allow workers to use expired IDs if DHS fails to install card reader machines by the middle of 2014.

During the markup, two other amendments were approved. The first gives DHS the authority to recognize port inspection clearances that were originally overseen by international organizations or foreign governments. The second makes certain exclusions for vessel inspections made by foreign certification groups originating in Iran, North Korea, North Sudan, and Syria.

Other highlights of H.R. 4251, as approved, include:

- Standardization of DHS acquisition processes that would require DHS to make certain that new acquisitions are needed before purchase.

- Requirements that DHS set up a plan to identify expendable or overlapping programs in order to reduce waste.

It is expected that the full committee will consider the measure in April.

For more information, see: http://thomas.loc.gov/cgi-bin/thomas.

**HEALTH: SENATE HELP HOLDS HEARING ON REAUTHORIZATION OF FDA USER FEE AGREEMENTS**

On March 29, 2012, the Senate Health, Education, Labor and Pensions Committee held a hearing entitled *FDA User Fee Agreements: Strengthening FDA and the Medical Products Industry for the Benefit of Patients*.

Witnesses were: Jeffrey Shuren, M.D., J.D., Director, Center for Devices and Radiological Health, U.S. Food and Drug Administration; David Wheadon, M.D., Senior Vice President of Scientific and Regulatory Affairs, Pharmaceutical Research and Manufacturers of America; Sara Radcliffe, Executive Vice President, Health, Biotechnology Industry Organization; David R. Gaugh, R.Ph., Vice President for Regulatory Affairs, Generic Pharmaceutical Association; David Nexon, Ph.D., Senior Executive Vice President, Advanced Medical Technology Association; Allan Coukell, BScPharm, Director of Medical Programs, The Pew Charitable Trusts.
Issues discussed at the hearing included:
- the importance of reauthorizing the laws covering user fee agreements for drugs (PDUFA) and medical devices (MDUFA) before their expiration at the end of September 2012, and the authorization of user fee agreements for generic drugs (GDUFA), and biosimilar products (BSUFA);
- the “win-win” nature of the agreements carefully negotiated between FDA and the industries, and the dire consequences of failing to reauthorize the agreements;
- the declining pipeline for new drugs and ways in which to reverse that trend;
- how to address drug shortages in the United States, including collaboration with the FDA to identify and respond before a drug shortage reaches a critical level;
- the importance of developing a robust tracing and tracking system to ensure that counterfeit drugs are not entering the marketplace;

During the hearing Ranking Member Mike Enzi (WY) stated that he and HELP Committee Chairman Tom Harkin (IA) will introduce one bill containing all four user fee agreements – PDUFA, MDUFA, generics, and biosimilars – and a “small number of bipartisan, consensus policy provisions.” Both Harkin and Enzi stressed the importance of the stakeholders working collaboratively to reach agreement on the legislation and avoiding divisive issues.

For more information, and the testimony of the witnesses, go to:

**HOUSING: SENATE SUBCOMMITTEE HOLDS HEARING ON CHOICE NEIGHBORHOODS INITIATIVE**

On Tuesday, March 27, 2012, the Committee on Banking, Housing, and Urban Affairs Subcommittee on Housing, Transportation, and Community Development held a hearing titled *The Choice Neighborhoods Initiative: A New Community Development Model*.

Witnesses were heard on two panels. The first panel included the Honorable Sandra Henriquez, Assistant Secretary for Public and Indian Housing, U.S. Department of Housing and Urban Development. Panel two included testimony from Ms. Maria Maio, Executive Director, Jersey City Housing Authority; Dr. Susan Popkin, Director of the Program on Neighborhoods and Youth Development, Urban Institute; Dr. Anthony B. Sanders, Distinguished Professor of Real Estate Finance, George Mason University; Mr. Paul Weech, Executive Vice President for Policy and Member Engagement, Housing Partnership Network; and Mr. Egbert Perry, Chairman and Chief Executive Officer, The Integral Group.

Ms. Henriquez testified on the merits of the Choice Neighborhoods Initiative, including that the Initiative "builds on HOPE VI by recognizing that the problem of high concentrations of distressed housing in a single neighborhood of concentrated poverty is not limited to public housing." In fact, Choice Neighborhoods expands "beyond public housing to include other, almost indistinguishable HUD-assisted housing." It "transforms destabilizing, distressed housing into mixed-income and professionally managed housing" while providing local leaders flexibility and attracting and leveraging "private investment, philanthropic funding, and other public investments."

Other issues discussed included:
- Economic effects created within the surrounding communities after HOPE IV program initiatives.
- Shortcomings of HOPE IV.
- Research that shows that HOPE IV did not generally help families improve their economic outlook (even if they were able to live in a better neighborhood) and does not benefit the most vulnerable families at the same rate as the less vulnerable.
- S. 624, the proposed Choice Neighborhoods Bill, which calls for $350 million in 2012 for competitive grants to revitalize distressed neighborhoods, and the changes the bill makes to HOPE IV that might improve its success.
- How Choice Neighborhoods would support not only housing, but also transportation, energy, education, workforce, environmental, health, business and development needs of neighborhoods and communities.

- The importance of public-private partnerships to allowing Choice Neighborhoods initiatives to build on HOPE IV to their greatest potential.

- The importance of nonprofits to affordable housing, as evidenced by the example of the Housing Partnership Network, a member-driven collaborative of 99 entrepreneurial nonprofits that build, manage, and finance affordable housing.

- The suggestions that S. 624: 1) includes institutionalization of the Choice Neighborhoods initiative, 2) further embraces the equivalency of publicly-owned and privately-owned distressed housing, 3) continues to encourage multi-disciplinary approaches, and 4) assures adequate funding for both Choice Neighborhoods and other core affordable housing programs.

For more information:

**Homeland Security: House Subcommittee Examines Threats to Communication Networks and Public-Sector Responses**

On March 28, 2012, the House Energy and Commerce Subcommittee on Communications and Technology held a hearing titled *Cybersecurity: Threats to Communications Networks and Public-Sector Responses*. This hearing was part of a cybersecurity series and follows a related hearing held earlier this month on March 7.

Witnesses included: Ms. Fiona Alexander, Associate Administrator, Office of International Affairs, National Telecommunications and Information Administration (NTIA), U.S. Department of Commerce; Admiral James A. Barnett (ret.), Chief, Public Safety and Homeland Security Bureau, Federal Communications Commission (FCC); Mr. Bob Hutchinson, Senior Manager for Information Security Sciences, Sandia National Laboratories; Mr. Greg Shannon, Chief Scientist, CERT Program, Software Engineering Institute, Carnegie Mellon University; and Ms. Roberta Stempfley, Acting Assistant Secretary for Cyber Security and Communications, Department of Homeland Security (DHS).

The hearing examined threats to America's communications networks and focused on what the public sector is doing to address those threats, how it is working with the private sector, and what role the federal government should play in securing communications networks.

Issues discussed included:

- Statistics about internet use: Approximately $8 trillion flows over networks annually, 150 million Americans shop or bank online yearly, and more than 1 million entrepreneurs rely on these networks for their businesses' success. Additionally, networks drive or act as catalysts for breakthroughs in health care, education, energy, manufacturing, public safety, as well as serve as forums for free speech.

- The importance of protecting the Internet's domain name system (DNS) from fraud, ensuring users reach their intended destinations and are not unknowingly redirected to malicious websites.

- The Domain Name System Security Extensions (DNSSEC), a suite of specifications for securing information provided by the DNS, and how the National Telecommunications and Information Administration (NTIA) has implemented it at the "authoritative root" of DNS. Also the importance of support from governments and stakeholders for further DNSSEC deployment and development of DNSSEC-related software, tools, and other products and services.

- Private industry's role in protecting networks.
- The FCC's role in cybersecurity, including identifying best practices, acting collaboratively with industry, federal partners, public safety, and others to enhance network reliability and security, and coordinating and leading the Communications Security, Reliability and Interoperability Council (CSRIC).
- Suggestions for improvement to the national approach to cyber security, including: 1) divert some focus from combating data theft to malicious data modification, 2) renew focus on supply chain attacks that maliciously compromise devices and equipment shipped to the U.S., 3) focus on creating information sharing that enables a community of stakeholders to execute a strategy, and 4) continued focus on education initiatives to produce qualified cyber security experts.
- The work and successes of the CERT Program, part of the Carnegie Mellon University Software Engineering Institute (SEI), a federally funded research and development center (FFRDC).
- Information about the National Communications System (NCS).


**ECONOMY: HOUSE SMALL BUSINESS COMMITTEE EXAMINES BENEFITS OF LARGE AND SMALL BUSINESS PARTNERSHIPS**


Witnesses included: Matthew Slaughter, Associate Dean, MBA Program, and Professor of Management, Tuck School of Business, Dartmouth College, Hanover, NH; Robert E. Bruck, Vice President, Technology Manufacturing Group, and General Manager for Technology Manufacturing Engineering, Intel Corp., Santa Clara, CA; Paul Blackborow, CEO, Energetiq Technology Inc., Woburn, MA; and, William C. McDowell, Assistant Professor, Department of Management, College of Business, East Carolina University, Greenville, NC.

The hearing focused on business agreements and alliances between large and small companies in regards to jobs. According to Chairman Sam Graves (MO), while alliances are still formed to supply parts for a larger product, or to provide a good or service, "increasingly large companies create alliances with small firms to access their innovative ideas." This allows "the larger companies to expand their current market or product offerings, enter into new markets, or simply gain a competitive advantage in a challenging economy. Small companies also benefit from these alliances by tapping into the larger distribution networks, financing opportunities, and mentoring programs that large businesses can supply."

Mr. Bruck testified on Intel Corp.'s partnerships, stating that the corporation has about 100,000 employees, half of whom are located in the U.S. Intel has "more than 10,000 suppliers worldwide, with more than 6,700 (or greater than two thirds) of them classified as small businesses. About 5,000 of our total suppliers are U.S. based, and more than 2,200 of those are small businesses." Furthermore, "Intel spent more than $3 billion in 2011 on goods and services purchased from U.S. small businesses in industry sectors that vary from the supply of chemical gases to the supply of construction services."

He went on to detail how Intel's "constant drive for innovation creates small business collaborations" through the scope of its research, development and manufacturing (RDM) model, which utilizes both internal and external research. Intel also acts as one of the "largest venture capital organizations in the world." It invests in small companies that fill gaps in its "technology roadmaps," stimulate demand for Intel products, and operate in "adjacent market segments." According to Mr. Bruck, Intel has "invested $10 billion in more than 1,200 high tech companies" since 1991.

Mr. Bruck suggested that policymakers take the following steps to support and grow small and large company partnerships. The government should continue its support of: pre-competitive government R&D funding; Science, Technology, Engineering, and Math education (STEM); "smart" immigration policies; reduction of bureaucratic barriers; creation of a competitive tax system; and, increasing market access at home and globally.
ECONOMY: HOUSE SUBCOMMITTEE EXAMINES EFFECT OF FEDERAL POLICIES ON U.S. COMPETITIVENESS, INNOVATION, AND JOB GROWTH

On Wednesday, March 27, 2012, the House Science, Space and Technology Subcommittee on Technology and Innovation entitled Fostering the U.S. Competitive Edge: Examining the Effect of Federal Policies on Competition, Innovation, and Job Growth. According to Subcommittee Chairman Ben Quayle (AZ), the hearing was "the fourth in a series focused on advancing U.S. innovation in a constrained budget environment, following hearings on cloud computing, startup companies, and principles of effective standards development."

Witnesses included: Dr. Ron Cohen, President and CEO, Acorda Therapeutics; Mr. Mick Truitt, Vice President, Ludlum Measurements, Inc.; Mr. Thomas M. Brandt, Jr., Senior Vice President and Chief Financial Officer, TeleCommunication Systems, Inc.; and Mr. Richard A. Bendis, Interim CEO, BioHealth Innovation Inc., President and CEO, Innovation America.

Issues discussed included:
- The effect of the U.S. having the highest marginal corporate income tax rate in the industrialized world, and the argument that this hampers businesses' ability to grow and create jobs.
- The effect of policy uncertainty on business decision making, as evidenced by the cyclical expiration and reauthorization of the research and development tax credit.
- The need for a focus on "human capital" in U.S. high-skilled immigration policy, and the potential economic benefits of issuing more visas and green cards to scientists and engineers, especially those that are educated at U.S. institutions. Coupled with this reform should be educational reform aimed at increasing U.S.-born science, technology, engineering, and math graduates.
- The importance of the Export-Import Bank of the United States (Ex-Im) to helping U.S. companies of all sizes complete international deals, enabling them to compete globally.
- The importance of a concerted policy focus on supporting and incentivizing the next frontier of biomedical discoveries, treatments, and cures, without which the U.S. may lose its position as the world leader in biotech innovation.
- The decrease in biotech funding in the U.S. in recent years. In 2011, investment was down 12 percent from 2007, with the total number of venture financing deals down 8 percent from 2010. Additionally, the number of venture-funded early-stage companies fell by 19 percent.

For more information, go to:

ECONOMY: SENATE JUDICIARY ASSESSES IMPORTANCE OF TOURISM

The Senate Judiciary Committee Subcommittee on Immigration, Refugees and Border Security held a hearing on March 27, 2012 entitled “The Economic Imperative for Promoting International Travel to the United States.” The focus of the hearing was the “Jobs Originated through Launching Travel (JOLT) Act,” which would change U.S. visa policies to increase tourism. Under the proposed act, the validity period of certain visas would be increased, allowing a greater number of visits to the U.S. by those who have been screened and approved. The Act also permits the State Department to charge a fee for processing visas on an expedited basis, much like U.S. citizens can pay to have passports approved more quickly. In addition to expediting visa processing, the Act also encourages visitors to come during certain times of year and during a certain time of life. The Act authorizes the State Department to lower visa application fees for selected countries during off-peak seasons, in order to create an incentive for travel all-year round. Also, retiring Canadians are encouraged to spend their time and money here by purchasing a home in the U.S.
Witnesses included: Thomas J. Donohue, President and Chief Executive Officer, United States Chamber of Commerce; Roger J. Dow, President and Chief Executive Officer, United States Travel Association; Rebecca Gambler, Director, Homeland Security and Justice, Government Accountability Office.

Issues discussed at the hearing included:
- the importance of travel in the United States, which generates domestic jobs that cannot be outsourced, and in 2010 supported 14.1 million jobs and was among the top 10 employers in 48 U.S. states and the District of Columbia;
- the economic benefits that would accrue by restoring the U.S. share of the global overseas travel market to its 2000 level of 17 percent, compared to its 2010 level of 12.4 percent;
- the impact that delays in visa processing have had on the U.S. trade show industry, where research has found that visa issues prevented 116,000 international visitors from attending U.S. exhibitions;
- the benefits to the travel industry of provisions in the JOLT Act that would require scheduling of the visa interview, the key element of the process, within 15 days, and a year after enactment, requiring an interview to be held within 10 days;
- changes proposed to the Visa Waiver Program, under Sen. Barbara Mikulski’s bill, S. 2046;
- Administration actions to expand the Visa Waiver Program to include more countries, such as Argentina, Brazil, Bulgaria, Chile, Croatia, Israel, Panama, Poland, Romania, Taiwan and Uruguay; and
- recommendations made by the General Accountability Office in prior reports to the Department of Homeland Security to strengthen plans to address certain risks of the current Visa Waiver Program and for visa overstay enforcement efforts.

For more information, go to: http://judiciary.senate.gov.

**HEALTH: CHF RELEASES SURVEY ON CALIFORNIALS' PERCEPTIONS OF HEALTHCARE**

The California Healthcare Foundation released a survey in March 2012 titled *Speaking Their Mind: Californians' Perceptions of Healthcare* as part of the California Healthcare Almanac. The Report looked at California adults and asked questions regarding health insurance coverage, issues of access to care, cost and affordability, and use of health quality data in decision-making.

According to the Report, Californians are concerned about the costs of their healthcare; these concerns often delay them in seeking treatment. However, the Report also shows that only about 25 percent of those surveyed sought price information before receiving such care. Of those who reported cost increases in the last year, nearly 40 percent believe that their benefits are getting worse, despite increasing costs. Additionally, approximately 75 percent believe healthcare costs will rise in the future.

Other key findings of the Report include the following:
- In spite of rising health care costs, most respondents report flat premium rates and stable benefits.
- Almost half of Californians with an insurance deductible do not know its amount.
- Slightly more than a third of Californians delayed getting some type of health care in the past year because of costs. One in four delayed getting a regular physical.
- Californians in fair or poor health are the most likely to delay getting care due to costs.
- About 10 percent of adults do not have a regular place of care.
- Nearly 40 percent of low-income Californians have problems getting an appointment with a specialist as soon as needed.
- Fewer than one third of respondents report a willingness to pay more to see a highly rated doctor.

For more information and for the full Report, go to: http://www.chef.org/publications/2012/03/speaking-their-mind.
PRIVACY: FTC ISSUES FINAL COMMISSION REPORT ON PROTECTING CONSUMER PRIVACY

The Federal Trade Commission, on March 26, 2012, issued a final report calling on businesses to adopt “best practices” in order to protect the privacy of American consumers and give them greater control over the collection and use of their personal data. In the report, "Protecting Consumer Privacy in an Era of Rapid Change: Recommendations For Businesses and Policymakers," the FTC also recommends that Congress consider enacting general privacy legislation, data security and breach notification legislation, and data broker legislation.

The privacy report expands on a preliminary staff report the FTC issued in December 2010. The final report calls on companies handling consumer data to implement several recommendations for protecting privacy, including:

- Privacy by Design: companies should build in consumers' privacy protections at every stage in developing their products. These include reasonable security for consumer data, limited collection and retention of such data, and reasonable procedures to promote data accuracy;
- Simplified Choice for Businesses and Consumers: companies should give consumers the option to decide what information is shared about them, and with whom. This should include a “Do-Not-Track” mechanism that would provide a simple, easy way for consumers to control the tracking of their online activities.
- Greater Transparency: companies should disclose details about their collection and use of consumers' information, and provide consumers access to the data collected about them.

In releasing the report, the FTC said: “While Congress considers privacy legislation, the Commission urges individual companies and self-regulatory bodies to accelerate the adoption of the principles contained in the privacy framework, to the extent they have not already done so.”

For more information, and to obtain the report, go to:
http://www.ftc.gov/opa/2012/03/privacyframework.shtm.