

MEMORANDUM

To: Leon County Board of Commissioners
From: Patton Boggs LLP
Date: January 4, 2010
Subject: December Monthly Update

This memo provides an overview of the Congressional and Executive Branch activities during the month of December. This update provides information concerning the status of health care reform legislation, an historic “Jobs for Main Street Act of 2010,” FY 2010 appropriations bills, six-year transportation authorization and climate change legislation, including President Obama’s speech to the U.N. in Copenhagen, Denmark. Finally, as per request by County staff, we are providing an update on the potential repeal of Section 511 of the Tax Increase Prevention and Reconciliation Act (TIPRA).

Senate Passes Historic Health Care Bill

In the early morning on December 24th the Senate approved HR 3590, the “Patient Protection and Affordable Care Act,” by a vote of 60-39 to reform the nation's healthcare system. This legislation is intended to expand access to healthcare coverage and to rein in insurance companies.

The Senate’s health care reform bill differs from the House version in two significant ways. The Senate version contains no “public option,” a government-run health insurance similar to Medicare. In addition, the Senate version differs in how abortion coverage is addressed – with the House legislation including far greater restrictions. A summary of the major provisions in the Senate-passed health care reform legislation was provided by Majority Leader Reid’s (D-NV) office which is provided, in original text, below.

SUMMARY OF THE PATIENT PROTECTION AND AFFORDABLE CARE ACT

Immediate Benefits

- Providing affordable coverage to the uninsured with pre-existing conditions
- Improving care to seniors
- Lowering prescription drug costs
- Reducing costs for small businesses through tax credits on premiums
- Extending coverage for young adults

- Providing preventative care free of charge
- Prohibiting discrimination on the basis of salary, gender or existing illness
- Eliminating lifetime limits on the amount of coverage a person may receive
- Making health insurance plans more transparent and competitive

Overview

The bill continues to honor the principles that were laid out at the beginning of this process. Our bill saves lives, saves money and saves Medicare and here's how our legislation accomplishes that:

Lowering Costs, Reducing the Deficit and Extending Coverage to Millions of Americans

The Congressional Budget Office (CBO) confirms that *The Patient Protection and Affordable Care Act* is a fiscally responsible bill that will reduce the deficit, extend coverage to millions of Americans and meet the President's cost test. Among other things, it will:

- Cut the budget deficit by \$132 billion (over 10 years) – going further than any other bill
- Cut the budget deficit by as much as \$1.3 trillion in the second decade
- Ensure that more than 94% of Americans have affordable coverage options – including a 31 million person reduction in the uninsured

Cracking Down on Insurer Abuses and Creating Competition

Our bill changes the way health insurance companies do business. This legislation will ensure that the American people, rather than big insurance companies have the upper hand when it comes to their health care coverage by:

- Prohibiting insurance companies from denying coverage for pre-existing conditions
- Stopping insurers from dropping health insurance coverage when someone gets sick
- Leveling the playing field for consumers by providing a health insurance marketplace for consumers, to ensure competition, lower costs and provide individuals the freedom to choose the right health insurance plan for them
- Banning pre-existing condition exclusions for children
- Strengthening medical loss ratios
- Eliminating discrimination based on gender
- Requiring insurance companies to cover preventive care
- Improving health coverage for America's seniors
- Creating multi-state insurance options overseen by the Office of Personnel Management (OPM) to give consumers affordable choices
- Ensuring free choice vouchers for eligible workers
- Strengthening patient protections like choice of doctors and access to emergency care

Helping Small Business

The legislation will help reduce costs for small businesses by making health care more affordable for their employees. Qualifying small businesses will also be rewarded for providing health care coverage to their employees under the legislation by making them eligible for tax credits of up to 50 percent of their premiums.

Protecting Seniors

The Medicare program for America's seniors is a sacred trust with our seniors and people with disabilities and this bill makes Medicare a stronger, more sustainable program. *The Patient Protection and Affordable Care Act* will strengthen health care for America's seniors by increasing quality and reducing costs by:

- Strengthening the financial health of Medicare
- Reducing the size of the coverage gap in Medicare Part D, known as the "doughnut hole," by \$500 in the first year
- Making prescription drugs more affordable
- Ensuring affordable, quality long-term care
- Improving follow-up care after a hospitalization
- Increasing access to additional health care providers through Medicare

Investing in Doctors and Nurses

The Patient Protection and Affordable Care Act will address shortages in primary care and other areas of practice by making necessary investments in our nation's health care workforce, including the National Health Service Corps and the Scholarship and Loan Repayment Program. It will also create incentives for primary care practitioners and for providers to serve underserved areas.

- Investing in Community Health Centers to expand access to health care in underserved communities
- Expanding funding and training for rural health care providers, physicians and other health care providers

Promoting Prevention and Wellness

The bill will enhance preventive health care to help Americans live healthy lives and help restrain the growth of health care costs over time by:

- Eliminating co-pays and deductibles for recommended preventive care
- Providing individuals with the information they need to make healthy decisions
- Investing in a national prevention and public health strategy

The House and Senate now need to work out the differences between the two versions in conference. The goal of the House and Senate is to get a bill to the President's desk in time for the annual State of the Union, which is traditionally held mid-late January. However, that anticipated date may slip several weeks. There has been no date set yet for conference.

Jobs for Main Street Act (H.R. 2847)

The House of Representatives passed new job creation legislation entitled the “Jobs for Main Street Act” (H.R. 2847). A summary of the bill is provided below, based on what was provided by the Speaker of the House.

H.R. 2847 is intended to create or save American jobs with targeted investments (\$75 billion) for highways and transit, school renovation, hiring teachers, police, and firefighters, small business, job training and affordable housing. These investments are paid for by redirecting Troubled Asset Relief Program (TARP) funds – “from Wall Street to Main Street.”

Highways, Transit and Other Infrastructure (\$48 Billion)

The bill invests \$48 billion to help put people back to work rebuilding roads and bridges, modernizing public buildings, and cleaning air and water, including:

- **Highways and Transit**-- Invests more than \$35 billion in highways and mass transit. Every \$1 billion of federal investments in highways creates an estimated 27,800 jobs without the state match.
- **School Renovation** - Spurs billions in immediate investment in school construction, rehabilitation and repair.
- **Clean Water and Housing** - Provides \$2 billion to help communities build facilities for clean and safe water and \$2 billion to help communities build, preserve, and rehabilitate affordable rental homes for very low-income households and for repairs and rehabilitation of public housing.

Hiring of Teachers, Police, Firefighters and Job Training (\$27 Billion)

Education -Includes \$23 billion to help States save or create an estimated 250,000 education jobs over the next two years with an Education Jobs Fund solely focused on paying salaries.

Police and Firefighters - Puts over 5,000 law enforcement officers on the beat and invests in hiring and retaining firefighters.

Training - Invests about \$2 billion for other hiring and training programs, that will support 25,000 more AmeriCorps volunteers and 250,000 youth summer jobs; expand college work study jobs for 250,000 students; and support job training for 150,000 people in high growth industries, such as health care and clean energy jobs, at community colleges.

Small Business

The package extends several Recovery Act initiatives to help America’s small businesses create jobs by eliminating fees on Small Business Administration (SBA) loans to make them more

affordable for small businesses, and encouraging banks to lend to small businesses by raising to 90 percent (from 85 percent) the portion of a loan that the Small Business Administration will guarantee.

Small business provisions in the Recovery Act have already supported tens of thousands of loans, helping to save or create thousands of jobs - totaling \$9 billion in new small business lending since the Recovery Act's passage.

Emergency Relief to Families Hit by the Recession

For those hardest hit by the recession, the bill includes emergency relief (\$79 billion), extending unemployment benefits and help with health benefits for those out of work. Not only does this help those families in need, but these provisions generate demand for goods and services in the economy as a whole. Included are the following:

- **Unemployment Benefits** -- Extends emergency unemployment benefits through June of 2010. The program expires at the end of the year and without an extension, roughly one million Americans will lose their emergency benefits in January 2010.
- **Help with Health Insurance for Unemployed Workers (COBRA)** -- Extends through June 30, 2010 a key provision to strengthen COBRA to help maintain health coverage during this downturn. (It makes these benefits available for people who were involuntarily separated from their jobs through June 30, 2010 and extends the months of help from nine months to 15 months.) About seven million people benefited from this provision in the Recovery Act and hundreds of thousands who got this subsidy when it was first made available in March are currently slated to roll off the program.
- **Protecting Health Care Coverage for Millions through Medicaid (FMAP)** -- Extends the provisions in the Recovery Act that provide the states with additional federal matching funds for Medicaid for six months - from December 31, 2010 to June 30, 2011.

Child Tax Credit

The legislation reduces taxes for 16 million families by making the Child Tax Credit available to all low-income working families with children in 2010. (Under the Recovery Act, families must earn at least \$3,000 in order to begin to take advantage of the \$1,000 Child Tax Credit.)

The "Jobs for Main Street Act," having passed the House, must now be taken up and considered by the Senate.

FY 2010 Appropriations Update

Congress passed, and the President has signed, the remaining annual appropriations bills. The remaining appropriations bills were passed in the form of two Omnibus bills. The first Omnibus bill, known as the "Consolidated Appropriations Act 2010," contained the annual appropriations for six of the remaining bills (Transportation-Housing and Urban Development, Commerce-Justice-Science, Financial Services, Labor-Health and Human Services and Education, Military Construction/Veterans Affairs, Department of State/Foreign Operations). The second Omnibus bill was the FY 2010 Defense Appropriations bill, which carried items in addition to the annual defense appropriations. The FY 10 Defense Appropriations Bill was the last of the 12 appropriations bills that needed to be passed and signed by the President this year.

The following programs and projects within Leon County were funded in the FY 2010 annual appropriations bills. The first two were requests made by Leon County.

\$250,000 for Woodville Highway, Leon County, FL (Department of Transportation, Surface Transportation Priorities) (Rep. Boyd)

\$200,000 for Joint Emergency Communications Center, Leon County, Tallahassee, FL (Department of Justice, COPS Technology) (Rep. Boyd and Senator Bill Nelson)

\$450,000 for Economic Development Council of Tallahassee/Leon County, Inc., Tallahassee, FL Tallahassee Small Business Incubator (Small Business Administration, Administrative Provisions-Small Business Administration) (Rep. Boyd)

Widen Capital Circle NW/SW in Leon County, FL¹ (Department of Transportation, Technical Corrections) (Senator Bill Nelson)

Six-Year Transportation Authorization Update

After significant discussion about a six-month extension, Congress approved a two-month extension of surface transportation funding in late December. As such, Congress is expected to consider the six-year transportation authorization bill in early 2010, though whether a multi-year bill will be passed in 2010 is still very much in question.

Energy/Climate Change Legislation

We expect that early in 2010, the House and Senate will be engaged in finalizing and conferencing the health care bill. As such, we anticipate that the earliest date climate change legislation will be moved to the Senate floor would be in late January or early February.

¹ Clarification of funds provided in previous appropriations Acts.

At the U.N. conference in Copenhagen, Denmark, former Vice President Gore called for April 22, 2010 as a realistic deadline for the passage of climate change legislation in the US. This date was chosen for two reasons: 1) it realistically takes into consideration the health care and other priorities that may continue to consume Congress in early 2010, and 2) April 22nd is Earth Day.

President Obama also spoke in Copenhagen and discussed America's responsibility in climate change, including renewing US leadership with regard to international climate negotiations, and encouraged major economies to put forward national actions that will reduce their emissions. Some of the more salient points of his speech are below.

- * The US will cut emissions in the range of 17 percent by 2020, and by more than 80 percent by 2050. The US will keep its commitments regardless of what happens in Copenhagen.
- * The President urged for a mechanism to review how nations are keeping their commitments and to share that information.
- * The US will be a part of a fast-start funding that will ramp up to \$10 billion in 2012 to help developing and the most vulnerable countries adapt to climate change.

For your convenience, the full text of President Obama's speech in Copenhagen is attached in *Appendix A*.

Request by Count Staff: Repeal of Section 511 of the Tax Increase Prevention and Reconciliation Act (TIPRA)

County staff inquired concerning the chances of a repeal of Section 511 of the Tax Increase Prevention and Reconciliation Act (TIPRA), which requires governments with annual spending in excess of \$100 million to withhold 3 percent on payments made for most goods and services.

As you may know, the American Recovery and Reinvestment Act delayed the implementation of the withholding tax on government contractors until December 31, 2011. As such, the withholding provision is currently slated to take effect on January 1, 2012. That provision of the law is provided below.

"PART II—DELAY IN APPLICATION OF WITHHOLDING TAX ON GOVERNMENT CONTRACTORS

SEC. 1511. DELAY IN APPLICATION OF WITHHOLDING TAX ON GOVERNMENT CONTRACTORS.

Subsection (b) of section 511 of the Tax Increase Prevention and Reconciliation Act of 2005 is amended by striking "December 31, 2010" and inserting "December 31, 2011".²

However, with regard to a full repeal of Section 511 of TIRPA, we anticipate that efforts will begin to pick up again in 2010. Two bills were introduced in the House and Senate in the prior Congress, and are expected to be reintroduced this year, that would repeal Section 511 of the Tax Increase Prevention and Reconciliation Act. We will continue to monitor this situation for you.

We trust this information proves useful to you.

Enclosure: Appendix A

² American Recovery and Reinvestment Act of 2009, PUBLIC LAW 111-5. February, 17, 2009.

Appendix A

**President Barack Obama
Copenhagen, Denmark
December 18, 2009**

“Good morning. It's an honor to for me to join this distinguished group of leaders from nations around the world. We come together here in Copenhagen because climate change poses a grave and growing danger to our people. You would not be here unless you - like me - were convinced that this danger is real. This is not fiction, this is science. Unchecked, climate change will pose unacceptable risks to our security, our economies, and our planet. That much we know.

So the question before us is no longer the nature of the challenge - the question is our capacity to meet it. For while the reality of climate change is not in doubt, our ability to take collective action hangs in the balance.

I believe that we can act boldly, and decisively, in the face of this common threat. And that is why I have come here today.

As the world's largest economy and the world's second largest emitter, America bears our share of responsibility in addressing climate change, and we intend to meet that responsibility. That is why we have renewed our leadership within international climate negotiations, and worked with other nations to phase out fossil fuel subsidies. And that is why we have taken bold action at home - by making historic investments in renewable energy; by putting our people to work increasing efficiency in our homes and buildings; and by pursuing comprehensive legislation to transform to a clean energy economy.

These actions are ambitious, and we are taking them not simply to meet our global responsibilities. We are convinced that changing the way that we produce and use energy is essential to America's economic future - that it will create millions of new jobs, power new industry, keep us competitive, and spark new innovation. And we are convinced that changing the way we use energy is essential to America's national security, because it will reduce our dependence on foreign oil, and help us deal with some of the dangers posed by climate change.

So America is going to continue on this course of action no matter what happens in Copenhagen. But we will all be stronger and safer and more secure if we act together. That is why it is in our mutual interest to achieve a global accord in which we agree to take certain steps, and to hold each other accountable for our commitments.

After months of talk, and two weeks of negotiations, I believe that the pieces of that accord are now clear.

First, all major economies must put forward decisive national actions that will reduce their emissions, and begin to turn the corner on climate change. I'm pleased that many of us have already done so, and I'm confident that America will fulfill the commitments that we have made: cutting our emissions in the range of 17 percent by 2020, and by more than 80 percent by 2050 in line with final legislation.

Second, we must have a mechanism to review whether we are keeping our commitments, and to exchange this information in a transparent manner. These measures need not be intrusive, or infringe upon sovereignty. They must, however, ensure that an accord is credible, and that we are living up to our obligations. For without such accountability, any agreement would be empty words on a page.

Third, we must have financing that helps developing countries adapt, particularly the least-developed and most vulnerable to climate change. America will be a part of fast-start funding that will ramp up to \$10 billion in 2012. And, yesterday, Secretary Clinton made it clear that we will engage in a global effort to mobilize \$100 billion in financing by 2020, if - and only if - it is part of the broader accord that I have just described.

Mitigation. Transparency. And financing. It is a clear formula - one that embraces the principle of common but differentiated responses and respective capabilities. And it adds up to a significant accord - one that takes us farther than we have ever gone before as an international community.

The question is whether we will move forward together, or split apart. This is not a perfect agreement, and no country would get everything that it wants. There are those developing countries that want aid with no strings attached, and who think that the most advanced nations should pay a higher price. And there are those advanced nations who think that developing countries cannot absorb this assistance, or that the world's fastest-growing emitters should bear a greater share of the burden.

We know the fault lines because we've been imprisoned by them for years. But here is the bottom line: we can embrace this accord, take a substantial step forward, and continue to refine it and build upon its foundation. We can do that, and everyone who is in this room will be a part of an historic endeavor - one that makes life better for our children and grandchildren.

Or we can again choose delay, falling back into the same divisions that have stood in the way of action for years. And we will be back having the same stale arguments month after month, year after year - all while the danger of climate change grows until it is irreversible.

There is no time to waste. America has made our choice. We have charted our course, we have made our commitments, and we will do what we say. Now, I believe that it's time for the nations and people of the world to come together behind a common purpose.

We must choose action over inaction; the future over the past - with courage and faith, let us meet our responsibility to our people, and to the future of our planet. Thank you.”
