

GOVERNMENT HIGHLIGHTS

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V O T E!

TUESDAY, NOVEMBER 6, IS PENNSYLVANIA GENERAL ELECTION DAY

FOR MUNICIPAL AND JUDICIAL OFFICES

POLLS ARE OPEN FROM 7:00 A.M. TO 8:00 P.M.

For more information, call the Allegheny County Elections Division at 412 350-4500

or the University of Pittsburgh Office of Governmental Relations at 412 624-6011

Musharraf Imposes Emergency Rule in Pakistan

Pakistani President General Pervez Musharraf on November 3 imposed emergency rule, suspended the constitution, and fired the chief justice of the supreme court who was deliberating on the validity of Musharraf's re-election to the position of president and was expected to issue a ruling as early as next week. The cumulative effect of the measures is that previous steps toward democracy have been replaced by absolute power in the president. The United States and other Western allies requested unsuccessfully that the constitution remain in effect. Musharraf's stated reasons for the actions were rising extremism and a judiciary "at cross purposes" with the rest of the government.

Turkey Still Worried about Kurdish Guerillas

Responding to requests from Turkey that it take additional steps against Kurdish guerillas in northern Iraq, the Iraqi government vowed to "cooperate in the fight against terror." Iraqi Prime Minister Nouri al-Maliki promised again to close offices of the Kurdistan Workers' Party (PKK) in northern Iraq and more closely monitor the Turkish-Iraqi border where PKK soldiers have launched attacks that have killed dozens of Turkish soldiers and civilians. Whether the PKK attacks can be stopped is uncertain, and some analysts believe the Iraqi government is not eager to cause a popular backlash if it ordered military attacks against the PKK forces. Turkey wants the United States to pressure Iraq to push out the PKK, but so far there has been little interest on the part of the U.S. military command in Baghdad to do so.

Rice May Draft Diplomats to Iraqi Posts

Secretary of State Condoleezza Rice plans to order Foreign Service officers to Iraq if vacancies there cannot be filled voluntarily. Volunteers have filled about 200 positions to begin next summer, but almost 50 remain unfilled. Some State Department employees are suggesting they may quit if they are ordered to Iraq. Rice said that Iraq is “the most essential foreign policy and national security priority for our nation.”

Palestinians May Not Attend U.S. Peace Conference

The chief Palestinian peace negotiator said last week there would not be talks with Israel unless it agrees to set a deadline for establishing a Palestinian state. Arab nations have been slow to endorse the conference effort, and Israel is making only general promises instead of specific proposals. Israel and the Palestinians do not agree on the timetable for establishing a Palestinian state, and the discussions between Palestinian President Mahmoud Abbas and Israeli Prime Minister Ehud Olmert have not reached common ground on the issue.

Federal Government Developments

Congress Continues Work on Appropriations Bills; New CR Likely

Some slight progress has been made toward the passage of FY2008 appropriations bills, which should have been passed by both houses of Congress and signed by the President by October 1, 2007, the start of the federal fiscal year. Since the current continuing resolution (CR) which provides the authority for federal departments and agencies to continue to operate expires on November 16, it appears likely that another CR may be necessary if all 12 bills are not enacted into law by that date.

Labor/Health and Human Services (HHS)/Education Appropriations Bill

House and Senate conferees have agreed on the provisions of the FY2008 Labor/HHS Appropriations bill (H.R. 3043), and it is expected to be filed on November 5, with the House likely to consider it again on November 7 and the Senate soon thereafter. The conference agreement also includes the Military Construction/VA Appropriations bill (H.R. 2642), although not the FY2008 Defense Appropriations bill which was originally attached to the other two bills.

Some of the provisions of the conferenced Labor/HHS bill are the following:

- The National Institutes of Health (NIH) will receive \$30 billion, which is higher than either the House number (\$29.7 billion) or the Senate number (\$29.9 billion). The amount is \$1.1 billion above the FY2007 funding level of \$28.9 billion.
- The Pell Grant maximum award is raised to \$4,435, an increase of \$125 in discretionary funding above the current level of \$4,310. The increase in the conference report is in addition to the mandatory funding provided through the College Cost Reduction Act.

- The Pell Grant program, as a whole, is funded at \$14.5 billion, which is \$838 million or 6.1 percent above the FY2007 level.
- The TRIO program is funded at \$868.18 million, an increase of \$40 million (4.8 percent) above the FY2007 level.
- The GEAR UP program is funded at \$318.42 million, an increase of \$20 million or 6.6 percent above the FY2007 level.
- Student aid, as a whole, is funded at \$16.38 billion, an increase of \$838 million above FY2007.
- International education and foreign language programs would be funded at \$105.75 million, the same as FY2007.

European Commission Proposes to Require Travelers' Personal Data

The European Commission is expected to propose this week that the personal data of all travelers flying into and out of Europe—including Americans--be provided to all European Union states by airline carriers. The 19 pieces of data, including names, telephone numbers, credit card information, and travel itinerary would be transmitted to E.U. member states so that they could evaluate passenger risk for counterterrorism purposes. *The Washington Post* obtained a draft copy of the proposal, according to reporter Ellen Nakashima. The proposal also calls for the possible retention of the data for 13 years or longer if used in criminal investigations and intelligence operations. Airlines already provide data to U.S. authorities on passengers entering the U.S. Reportedly modeled on an agreement signed in July between the United States and Europe, the proposal would not permit the transmission regarding race, ethnicity, political opinions, religion, trade union membership, or health or sex-life information. The proposal would have to be approved by 27 E.U. states to become a Europe-wide law. Approximately 30 million people fly from North America to Europe each year.

Education Department Issues Final Rules on Student Loans

The U.S. Department of Education issued final rules for student loan programs designed to strengthen and improve their regulation, including greater “sunshine” on loan arrangements between lenders and institutions. The regulations, which cover the Perkins Loan Program, the Federal Family Education Loan Program (FFEL), and the William D. Ford Direct Loan Program, reflect changes in law required by the 2006 reconciliation act and the negotiated rulemaking process that took place earlier this year. The regulations note that there are no significant differences between the Notice of Proposed Rulemaking and these final regulations. They take effect July 1, 2008, but the Department is encouraging the voluntary implementation of many of the provisions before that date.

The final regulations were published in the November 1, 2007 *Federal Register* (72 FR 61959) and may be accessed at:

<http://a257.g.akamaitech.net/7/257/2422/01jan20071800/edocket.access.gpo.gov/2007/07-5332.htm>.

DHS Retreats from Strict Deadlines for “Real ID”

The Department of Homeland Security (DHS) is reportedly making more flexible its requirement for stringent national standards for drivers’ licenses, in response to the requests of state officials who have complained the “Real ID” program is unworkable and too expensive. For the second time this year, DHS is extending deadlines and easing or taking over responsibility for new security measures. The original deadline of May 2008 was earlier moved back to 2013 for getting all 245 million U.S. drivers’ licenses to comply with a national standard. Now, DHS may move the date back to 2018 for drivers older than 40 or 50 to reduce the costs related to the anticipated surge of drivers at motor vehicle license facilities. According to remarks made to state officers by DHS policy official Richard C. Barth, the cost of the “Real ID” will fall by “billions of dollars” as DHS relaxes previous requirements that the new licenses be renewed every five years; that costly, tamper-resistant materials be used for the cards; and that each state develop its own document verification system. DHS is completing work on “Real ID” regulations for a 90-day White House budget review.

According to Spencer S. Hsu of *The Washington Post*, Congress approved \$40 million in grants to states to cover some of the expenses this year. The National Governors’ Association, however, puts the need for state assistance at \$1 billion next year.

DHS Also Relaxing Chemical Plant Storage Rules

The Department of Homeland Security (DHS) on November 2 relaxed rules requiring tens of thousands of U.S. chemical plants to protect their stockpiles from terrorists. Facilities affected by the change include pulp and paper mills, petroleum plants, food and agricultural facilities, and manufacturing and industrial cleaning sites. According to Spencer S. Hsu of *The Washington Post*, DHS initially proposed a list of 344 chemicals that businesses would have to track and disclose to the department through an online reporting system. Under the newly released rules, the number of affected chemicals is about 300 and the reporting threshold levels of many chemicals of security concern have been raised.

Since chemical security legislation expires in September 2009, Congressional critics of the new rules are expected to tighten the standards when they reauthorize the law.

Fed Cuts Short-Term Interest Rates by .25 Percent

The Federal Reserve cut short-term interest rates (federal funds rate) by a quarter percent on October 31, making it the lowest level in nearly two years. There was an additional half-percentage point reduction in September.

President Vetoes Water Bill; May Veto SCHIP Again—and Appropriations Bills

President Bush on November 2 vetoed a large water resources bill, replete with projects inserted by both Democratic and Republican legislators. The President explained that his

veto represented a vote for more fiscal accountability, but a number of Republicans had voted for the bill and the bill's sponsors reportedly have sufficient votes to override the President's veto—for the first time this Congress. A two-thirds vote is necessary in each chamber to override a President's veto and enact a law without his signature. This veto was the fourth for the President in the 110th Congress with its new Democratic majority.

The water resources bill would have authorized \$23 billion in projects, including funds for wetlands and coastal restoration in Louisiana after Hurricane Katrina; restoration of the Florida Everglades; new locks on the upper Mississippi and Illinois rivers; and hurricane protection in Mississippi and Louisiana. The House passed a \$14 billion bill; the Senate passed a \$15 billion bill. The House-Senate conference committee increased the total cost of the bill to \$23 billion, including 900 projects.

Both houses of Congress have passed a new version of the already-vetoed State Children's Health Insurance Program (SCHIP), and the President has said he will veto this second version even though it has strong public support. He has also said he plans to veto most of the regular appropriations bills because their total appropriations exceed the funding levels in his budget requests.

Rangel Offers Tax Revisions

U.S. Representative Charles Rangel (D-NY), chairman of the House Ways and Means Committee, on October 25 announced a far-reaching package of revisions to the Internal Revenue Code. Noting that he wants to restore "equity and fairness" to the tax system by raising taxes on high-income Americans while cutting them for average taxpayers, Rangel said he would repeal the Alternative Minimum Tax (AMT), that may affect some 23 million households this year. His proposal would also lower the corporate tax rate. To offset these cuts, he would impose a surtax on the wealthy and erase many deductions now enjoyed by corporations. Rangel, according to Marilyn Geewax of Cox News Service, said the tax reform provisions would not change the amount of tax revenue, but redistribute the sources it comes from.

Specific provisions include:

- Increasing benefits to middle- and lower-income taxpayers from the standard deduction, the Earned Income Tax Credit, and child tax credit. The standard deduction for married couples would rise by \$850 and for individuals by \$425.
- Lowering the corporate tax rate from 35 percent to 30.5 percent, decreasing revenue by \$364 billion over ten years.
- Taxing the profits of some private equity fund managers on the investments they handle, known as "carried interest," at ordinary income tax rates, not the 15 percent capital gains rate. This change would generate \$26 billion over ten years.
- Limiting a corporation's ability to defer taxes from overseas operations.

The Republican Congressional leadership almost immediately denounced the proposal.

Legislators Considering Forcing Libraries and Others to Turn Over Foreign Patron Data

Bills in both the Senate and the House, designed to replace a temporary law amending the Foreign Intelligence Surveillance Act (FISA), would permit the government to require “communications-service providers”—including libraries--to hand over information about the activity of users who are not U.S. citizens. No probable cause would be required that the individuals are either spies or terrorists. The Association of Research Libraries, the American Library Association, and the Association of American Universities are working on having the bill amended to short-circuit the provision.

U.N. Issues Dismal Global Report: Planet is Stressed

A major report, the fourth Global Environmental Outlook, issued by the United Nations Environment Program on October 25 concluded, in the words of *New York Times* reporter James Kanter, that “the human population is living far beyond its means and inflicting damage to the environment that could pass points of no return” Achim Steiner, the Executive Director of the program, said: “The human population is now so large that the amount of resources needed to sustain it exceeds what is available at current consumption patterns.” Climate change, the rate of extinction of species, and the challenge of feeding a growing population are all putting humanity at risk.

Other Federal Developments

--Director of National Intelligence Michael McConnell announced on October 30 that the U.S. government spent \$43.5 billion on intelligence in 2007, in the first official disclosure under a broad security measure containing the recommendations of the September 11 commission. McConnell said there would be no additional disclosures of classified budget information in addition to the overall spending figure, because “such disclosures could harm national security.”

--NASA Astronaut and emergency room physician Dr. Scott E. Parazynski repaired a damaged solar panel on the international space station in a risky and time-consuming (seven hours) maneuver that placed him farther from the safety of the station than ever before. Without the repairs, the damaged solar panel could have become structurally unstable and possibly be a hazard to the station which would have not had sufficient power to continue expanding. The next component of the station, a European laboratory, is scheduled to be installed in December of this year.

--President Bush said recently that a missile defense system is urgently needed in Europe to guard against a possible attack on U.S. allies by Iran, but Defense Secretary Robert M. Gates suggested that the United States could delay activating such a system until there is “definite proof” of such a threat.

--The House on October 23 passed a six-month extension of the Higher Education Act (HEA). It is not yet certain whether the Senate will pass a similar bill or will pass a shorter extension to force the House to produce a full reauthorization bill.

--All State Department security convoys in Iraq will now be under military control, in an effort to better control Blackwater Worldwide and other armed contractors under tighter supervision. The agreement was announced following discussion between Secretary of State Condoleezza Rice and Secretary of Defense Robert M. Gates.

--The House of Representatives on October 30 approved by a vote of 402-0 a bill to extend the moratorium on Internet access taxes for seven years, just two days before it was going to expire. The House vote follows a similar vote in the Senate, although House members had been considering a four-year time period. There is considerable support for a permanent ban on the Internet tax, but some thought there might be unintended consequences and a potential long-term impact on state and local governments.

People on the Move—or Not

--The nomination of retired federal judge Michael B. Mukasey to be U.S. Attorney General has apparently survived a temporary Democratic blockade in the Senate Judiciary Committee when Senators Charles E. Schumer (N.Y.) and Dianne Feinstein (CA) separated themselves from the Democratic opposition and announced their support for the nominee. This change of position would add their two Democratic votes to nine Republicans on the 19-member committee and virtually guarantees that Mukasey will be approved on November 6, to be followed by his likely confirmation in the full Senate later in the month. A number of Democrats, including the four Senators running for President, made known their opposition to the nomination related to Mukasey's repeated refusal to say whether the interrogation technique known as waterboarding amounts to illegal torture under U.S. law. The nominee said the tactic was "repugnant" but said he could not evaluate its legality without access to classified material. Judiciary Chairman Senator Patrick J. Leahy (D-VT) is on record opposing the nomination.

--President Bush on October 31 nominated Edward Schafer, a former two-term Republican Governor from North Dakota, to lead the U.S. Department of Agriculture. He would replace Mike Johanns, a candidate for the U.S. Senate seat from Nebraska.

--President Bush has nominated retired Lieutenant General James B. Peake, M.D., as the Secretary of Veterans' Affairs. Currently the chief medical director and chief operating officer of QTC Management, Inc., Dr. Peake served as surgeon general of the U.S. Army from 2000 to 2004, and as commanding general of the U.S. Army Medical Department Center and School. If confirmed by the Senate, he will be the first general and the first physician to head the VA.

--Karen Hughes, a close advisor of President Bush, announced on October 31 that she will resign as head of public diplomacy at the State Department.

Local and Commonwealth Developments

Open Records Debate Wages On

State lawmakers will take a lot longer to decide how far to go in letting taxpayers gain access to government records. The state House of Representatives started a debate last week on a landmark open records bill sponsored by Representative Tim Mahoney, a Fayette County Democrat.

Lawmakers adopted several revisions to the bill, including removing a provision that would have allowed government agencies to reject document requests that they deemed burdensome. However, a final House vote on the bill will not occur until at least mid-November. If the bill manages to pass the House, the state Senate plans to vote in mid-November on a separate open records proposal that would exempt a greater amount of legislative documents than the House version. That could mean the final version of the open records legislation will be hammered out by a joint House and Senate conference committee later this year.

Several lawmakers said the deliberative process proved that the culture in Harrisburg has changed significantly since the 2005 pay-raise vote, which occurred in the middle of the night without a word of debate. Some Republicans argued that that process was moving too fast and that additional public hearings were needed to get input from school boards, municipalities and government watchdog groups. Representative David Steil (R-Bucks) said that because the bill would presume nearly all government records are open, more time is needed to refine exactly which records would still be off-limits to the public.

House Majority Leader Bill DeWeese (D-Greene) rallied enough support from his members to defeat a GOP proposal that would have sent the bill back to the committee and put off debate indefinitely. “This [process] is immeasurably more open than the last 12 years,” DeWeese said. “We are not rushing to judgment. To send this back to committee one more time is just not necessary.”

The House did approve several key changes to the bill. Representative Jim Marshall (R-Beaver) backed revisions that would shield some proprietary information in government research project grants and would ease requirements that municipalities and school boards post their budgets on the Internet. Only municipalities and school boards that currently have their own Web sites or that start up Web sites in the future will be required to post their spending plans under Marshall's amendment. Representative Marshall said it could be too costly to mandate that local governments and school boards post the information.

Representative Josh Shapiro (D-Montgomery) sponsored an amendment that removed a provision allowing municipal and state agencies to turn down requests for information deemed burdensome. Government watchdogs and the Pennsylvania Newspaper

Association said that would have created a major loophole for governments to deny access to records.

A proposal that would have given the public access to most e-mail messages of government officials was defeated. Even though the proposal would have excluded e-mail messages from constituents, lawmakers expressed uneasiness about sharing their correspondence. Representative Scott A. Petri (R-Bucks) said the proposal was too unwieldy because it would have required lawmakers to keep e-mail messages indefinitely and forced lawmakers to seek legal advice on which e-mail would be considered public.

Property Tax Plans Discussed

Responding to voters' rejection of local tax shift plans last spring, a House committee last week approved bills to hike the state sales tax to pay for school property tax cuts. The action sets the stage for the full House to debate how to extend property tax relief beyond the cuts funded by the state's share of slots revenues from casinos. Lawmakers revived sales tax swap proposals after the defeat of Act 1 referendums by voters in most school districts across Pennsylvania. "When we come back in November, property tax reform and open records will be taken up immediately," said House Majority Leader Bill DeWeese (D-Greene) before lawmakers broke for an election recess. Lawmakers return to session November 13.

In bipartisan votes, the Finance Committee approved two separate sales tax swap bills. One measure sponsored by Representatives Mario Scavello (R-Mount Pocono) and David Levdansky (D-Allegheny) would provide \$1.5 billion of property tax cuts annually by increasing the state sales tax rate to 6.5 percent from 6 percent and increasing the state income tax rate to 3.29 percent from 3.07 percent. This passed 21-8. The other measure, by Mr. DeWeese and Keith McCall (D-Carbon) would hike the sales tax rate to 6.5 percent from 6 percent and provide for \$750 million worth of property tax cuts annually. It passed, 18-11.

Representative Levdansky, the committee chairman, said the plan is to give rank-and-file lawmakers an opportunity to vote on both bills that cleared the committee. However, he characterized his proposal as "tax reform lager" compared to Mr. DeWeese's "tax reform light" as the former will enable property tax bills to be cut 50 percent —the maximum allowed under the homestead tax exemption in the state Constitution. Three northeastern lawmakers on the committee — Representatives Tim Seip (D-Schuylkill), Mike Peifer (R-Greentown), and Mr. Scavello — voted for both measures.

Meanwhile, a group of House lawmakers floated a new property tax elimination plan. The lawmakers propose expanding the number of consumer items subject to the state sales tax and a small hike in the state income tax rate, but details are still being worked out. "As we've seen in the past, tweaking the system in one way or the other does little to address the problem," said Representative David Argall (R-Tamaqua), a supporter of the elimination plan. "The only way to truly solve Pennsylvania's property tax problem is by abolishing this tax altogether."

No More Bonus Babies

State House and Senate leaders have stopped the practice of issuing bonuses to legislative staff members. A bill sponsored by Senator Jim Eichelberger (R-Blair) that would ban legislative bonuses is off to a good start. The Senate passed it, 48-0. The House has not acted yet, and Governor Ed Rendell believes exceptional work by state employees deserves to be rewarded.

The legislation clearly targets bonuses awarded to legislative staffers in the wake of Attorney General Tom Corbett's investigation into that practice. Six more aides, including Democrats and Republicans, have been subpoenaed to testify before a grand jury. That means 14 staffers have now been called by Corbett as he investigates whether public bonuses were awarded for political campaign work during the 2006 election season.

Though Senator Eichelberger's bill would not eliminate the practice of bonuses for state agencies, such as the Pennsylvania Higher Education Assistance Agency, they could not be hidden. Under the current law, it took lawsuits to force PHEAA to reveal travel expenses and bonuses. The new legislation would make these agreements open to immediate public scrutiny. Allowing the sun to shine on performance-based incentive payments should help prevent excess and abuse. The legislation also exempts personal or collective-bargaining contracts, but the contract terms must be disclosed.

The hope is that banning bonuses will end the temptation for the House and Senate to use them inappropriately--and those that are allowed will face increased public scrutiny.

PennDot Receives Funding

The Pennsylvania Turnpike Commission has sent a second payment to the Pennsylvania Department of Transportation (PennDot) as part of its obligation under new transportation funding legislation passed by the General Assembly and signed by Governor Ed Rendell this past summer. Part of the check for \$229.1 million will be used for roads and bridges and part will subsidize public transit. The money is in addition to the first payment of \$62.5 million that the turnpike commission sent to PennDOT on August 6.

In all, the commission is to provide PennDOT with \$750 million in the current fiscal year, \$850 million next year and \$950 million in fiscal 2009-10 as part of the 50-year, \$116 billion package that is based on tolling Interstate 80 across the state and increasing tolls on the Pennsylvania Turnpike by 25 percent in 2009 and three percent a year thereafter.

New County Taxes Proposed

Although restaurateurs and business owners expressing opposition to Allegheny County's proposed drink and rental car taxes have not changed their tone, the new levies were endorsed recently by two business-friendly organizations. Kevin Joyce, chairman of the

Pennsylvania Restaurant Association, told County Council's budget committee to consider raising the property tax rate among other things before adopting a drink tax, which he said would be a disaster for the hospitality industry.

The Allegheny Conference on Community Development and the Greater Pittsburgh Chamber of Commerce, however, announced that they support county Chief Executive Dan Onorato's plan for a 10 percent tax on poured drinks and \$2-a-day tax on car rentals to support mass transit, provided he promises to withhold the money from the Port Authority if the agency does not get its finances in order.

Council President Rich Fitzgerald, D-Squirrel Hill, said the endorsement of Mr. Onorato's tax plan by the Allegheny Conference and chamber signifies "how real these taxes are." "This is a big deal that we have the business community endorsing this plan," Mr. Fitzgerald said. "It is not the best plan, but it is better than raising the real estate taxes."

Light-Rail between Oakland and Airport?

The Transportation Action Team, appointed by Allegheny County Chief Executive Dan Onorato in 2006, issued its report on October 31 including the recommendation of a light-rail transit system connecting Oakland, Downtown, and Pittsburgh International Airport. Although Onorato hoped the team would have completed its work sooner than it did, he said the delay was related to addressing the fiscal problems of the Port Authority. The report was not very concrete about how to fund the recommendations or about a timetable. It did recommend, however, leveraging existing assets, such as the busways, to generate new revenue.

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