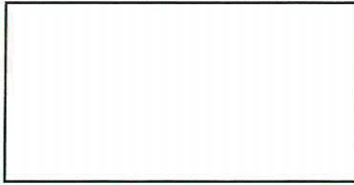


From: NJLM - Municipal Clerks [mailto:njlm-clerks@cityconnections.com]
Sent: Tuesday, October 14, 2008 2:46 PM
To: Lashway, Lisa
Subject: Municipal Clerks from NJLM



LEAGUE ALERT

Municipal Clerk: Please forward to Mayor and Governing Body.

October 14, 2008

Re: **Federal Update for Period Ending October 10, 2008**

Dear Mayor:

Here is the latest bi-weekly update on activity in our Nation's Capital from the federal relations staff of the National League of Cities (NLC). The House is in recess subject to being called back by the Speaker. The Senate is currently holding pro forma sessions but has scheduled a lame duck session to begin on November 17, 2008.

Rescue Plan Now Law

After defeating it earlier in the week, on Friday, October 3, the House reversed course on the \$700 billion financial rescue plan (Rescue Plan) and approved it by a vote of 263 to 171. The President signed the bill into law less than two hours after the House's action. Two days earlier, the Senate adopted the measure 74 to 25. The Emergency Economic Stabilization Act of 2008, H.R. 1424, included not only the rescue provisions to stabilize the economy and ease the credit crunch affecting communities across the country, but also a set of provisions to extend expiring tax breaks, provide disaster relief, temporarily increase the maximum deposit insured by the Federal Deposit Insurance Corporation (FDIC) to \$250,000 from \$100,000 per account, and a one-year patch to the alternative minimum tax (AMT). The Rescue Plan also has provisions intended to help homeowners at risk of foreclosure. Under the plan, the Treasury Secretary has the authority to "implement a plan that seeks to maximize assistance for homeowners," as well as the authority to modify federally acquired loans to prevent foreclosure. Finally, the bill encourages Treasury, the Department of Housing and Urban Development (HUD), the Federal Reserve Board, and the FDIC to explore the possibility of buying classes of troubled loans that can be restructured to prevent foreclosure. Treasury has already begun taking the initial steps necessary to implement the plan, but it is clear that it will be at least several months before the crisis is contained.

Congress Extends Renewable Energy Tax Credits

The Rescue Plan legislation also included a \$17 billion energy tax package to extend tax credits for renewable energy sources already expired or due to expire on December 31. The legislation provides a one-year extension of the production tax credit for wind projects, an eight-year extension of investment tax credits for commercial and residential solar projects, and renews a host of incentives to improve the energy efficiency of homes and buildings. The energy credits are fully offset.

Mental Health Parity Legislation Becomes Law

The Rescue Plan legislation also included the Paul Wellstone and Pete Domenici Mental Health Parity and Addiction Equity Act of 2008. The law, which NLC supported, requires all group health plans – whether self-insured or not, or sponsored by the public or private sectors – provide the same coverage for medical/surgical and mental health services, if the group health plan is governed by Section 712 of the Employee Retirement Income Security Act (ERISA) of 1974, Section 2705 of the Public Health Service Act, or Section 9812 of the Internal Revenue Code. Congress decided to require that coverage for all types of health services be the same, rather than mandate minimum coverage. Group health plans are expected to implement the new benefit requirements on or before the first day of the new plan year beginning after October 3, 2009.

President Signs Stop-Gap Spending Measure

On September 30, the President signed the year-end appropriations package that will keep the government funded into early March 2009 and leave final decisions on spending for domestic programs and agencies for the next Congress and President. The package leaves most programs funded at 2008 levels but calls for an increase in funding for military construction and the Departments of Defense, Homeland Security, and Veterans Affairs. The package includes an extension of the National Flood Insurance Program and the Pre-Disaster Mitigation Grant Program, both of which were scheduled to expire on September 30. The legislation also includes

\$22.9 billion for disaster relief and \$2.5 billion for low-income home energy assistance. It also effectively ends a moratorium on offshore oil and gas drilling for the time being. To view a chart of the approved spending levels for various programs, click <http://nlc.staging.10floor.com/ASSETS/E91BACA2F8744D3A9E34EC6BEA36CCF6/FY%202009%20Appropriations%20Status%20Report%20-%20Oct.pdf>

Amtrak Reauthorization Awaits President's Signature

The first reauthorization for Amtrak in over a decade awaits the President's signature, despite years of the Administration's opposition to funding the national passenger rail system. Amtrak currently provides passenger rail programs in 40 states. In the final days of the session, Congress combined several rail measures, the \$13 billion 5-year Amtrak reauthorization, funding for rail safety program under the Federal Rail Administration (FRA), and funding for the Washington, D.C. transit system, into H.R. 2095 which gained veto proof margins in both the House and Senate. H.R. 2095 authorizes \$13.1 billion in fiscal 2009 through 2013 for Amtrak, including \$5.3 billion for capital grants, \$2.9 billion for operating grants and \$1.4 billion to retire debt and \$1.9 billion over five years for intercity passenger rail service grants. Important to cities, the bill establishes the federal Surface Transportation Board's role in resolving disputes between transit agencies and rail carriers over the use of tracks and rights of way. H.R. 2095 also provides \$1.6 billion over five years for rail safety programs, including \$1.3 billion for the FRA. The bill requires large and passenger railroads to submit a plan to install equipment on trains by the end of 2015 that can sense impending collisions and stop trains, and includes an additional \$50 million a year to help implement the technology. The bill also authorizes \$3 million annually for highway-rail grade-crossing safety grants, and \$5 million annually in grants for safety improvements to railroad infrastructure.

IRS Rule on Public Sector Retirements Implementation Delayed

The Internal Revenue Service (IRS) announced today that it would delay implementation of a rule issued earlier this year that would have applied to state and local public employers that currently sponsor years of service-based pensions with minimum age requirements. Over the last year, NLC and other governmental pension stakeholders have been urging the IRS to withdraw the rule or to delay its implementation because of the difficulty states and localities would face implementing such a rule, especially in the states where such a change requires action by the state legislature or through a state constitution amendment. The IRS delayed implementation of the rule until plan years beginning on or after January 1, 2011. In making the announcement, the IRS said, "The Service and Treasury intend to extend the date by which a governmental plan must comply with final regulations on distributions from a pension plan upon attainment of normal retirement age, which were published in the Federal Register as T.D. 9325 (72 FR 28604) on May 22, 2007 ("the 2007 final regulations"). Under the extension, the 2007 final regulations will be effective for a governmental plan (as defined in § 414(d) of the Internal Revenue Code) for plan years beginning on or after January 1, 2011. This notice does not change the effective date of the 2007 final regulations for a plan that is not a governmental plan or modify the relief previously provided in Notice 2007-69, 2007- 2 C.B. 468."

If you have any questions about any of these issues, or our federal relations work in general, please call Jon Moran at 609-695-3481, ext. 121.

Very truly yours,
William G. Dressel, Jr.
Executive Director

NJLM
222 West State Street
Trenton, NJ 08608