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Senate, House Begin Talks on Stimulus

By Shailagh Murray
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Senators began talks with the House yesterday to determine which tax breaks and spending provisions will survive as part of a final stimulus package, but despite the optimism leaders in both chambers expressed about quickly resolving their differences, the negotiations are expected to be contentious.

Senate Democrats won passage of their version of the legislation yesterday by the narrowest of margins, leaving little room for negotiators to maneuver. The 61 to 37 vote on the \$838 billion package included three Republican "aye" votes, drawing the same three moderates -- [Susan Collins](#) and [Olympia J. Snowe](#), both of Maine, and Pennsylvania's [Arlen Specter](#) -- who provided the only GOP support Monday on a procedural motion to bring the bill to the floor.

Democrats in the House and Senate remain broadly unified around the central provisions of the legislation, which is intended to create or save up to 4 million jobs, but several disputes could extend negotiations beyond their goal of having a finished product by the weekend.

The shuttle diplomacy had already begun before the Senate vote yesterday afternoon. [House Speaker Nancy Pelosi](#) (D-Calif.) and [Senate Majority Leader Harry M. Reid](#) (D-Nev.) paid an early morning visit to the White House to discuss the bottom lines of the two versions with President Obama. The leaders continued meetings into the evening, and both sounded optimistic that a deal could be struck quickly.

"We have a clear idea of what the differences are and hope to resolve them as soon as possible," Pelosi said after meeting yesterday afternoon with House Democrats. She said a final bill could emerge "hopefully before the end of this week."

Reid said after a Senate Democratic lunch, "I think the differences really are fairly minor, and we're going to work very hard to resolve those differences as soon as we can." He predicted that a first draft of the final bill could circulate as soon as today.

The Senate's package is about \$19 billion more than the \$819 billion House package. It provides less in federal spending and more in tax breaks.

On the spending side, likely flashpoints include Medicaid and school construction, both top priorities in the House that the Senate scaled back or dropped. On the tax side, the Senate included several breaks that could fall off the table, including incentives to buy homes and automobiles, along with a temporary

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The homebuyer provision, a \$15,000 tax credit for the purchase of primary residences, has received substantial attention since it was added last week on a Senate voice vote. But its primary sponsor, [Sen. Johnny Isakson](#) (R-Ga.), voted against the Senate bill yesterday, giving Democratic negotiators little incentive to retain the provision, which was estimated to cost nearly \$40 billion over 10 years. Democratic negotiators said the tax measure may also be scaled back drastically.

Obama traveled yesterday to Fort Myers, Fla., an epicenter of the housing crisis, to urge a quick resolution. He was joined on stage by Gov. Charlie Crist, one of several prominent Republican governors who have broken with their GOP colleagues in Congress to support the bill.

"When the town is burning, we don't check party labels," Obama said. "Everyone needs to grab a hose."

The Obama administration appears to have taken the House's side in the battle over school-construction funding. Education Secretary Arne Duncan visited Wakefield High School in Arlington yesterday to call for the restoration of \$20 billion that the Senate removed from its bill, money that would be used to pay for new facilities from kindergartens to colleges.

The original Senate bill provided a similar level of funding, but moderates protested the cost as well as the principle of too prominent a federal role in education policy. Collins, one of the lead GOP negotiators, said of the construction provisions: "I do not support the establishment of a new federal school construction program, because school construction traditionally has been a state and local responsibility."

The bill includes "vast sums" for other education programs, Collins noted, including \$13 billion for special education and \$13 billion for Pell grants.

[Sen. Ben Nelson](#) (D-Neb.), who worked with Collins in crafting the final Senate legislation, said "everybody understands," including Reid, that vital Senate votes will be lost if the bill is "materially altered." He defended the compromise from the criticism of House Democrats targeting the Senate's stance on school construction funding, along with its decision to cut in half aid to state governments to help avoid layoffs of teachers, police and firefighters -- measures that now total \$39 billion in the Senate plan.

Nelson said school districts would still receive \$66 billion from the stimulus plan, while an additional \$40 billion would be directed to the Education Department in an annual spending bill to be approved by early March. Senior Democratic aides said one way for negotiators to restore school funding, without the specificity that Collins and Nelson oppose, would be to add money to more loosely defined state accounts.

A similar conflict is brewing over Medicaid spending, including how to distribute \$87 billion that both bills include, but with different formulas for small and large states. If the Senate version favoring small states is altered, warned Nelson, a former Nebraska governor, "that's a deal-breaker."

Republicans continued to protest the bill's size and content, suggesting that support in the House and Senate is unlikely to grow on final passage.

"We all know this is an emergency. We're all in favor of taking some kinds of action," said [Senate Minority Leader Mitch McConnell](#) (R-Ky.). "But I do think it's important to focus on the larger question

of: Where are we going to leave the country in two years if we take all of these steps? We will have made a dramatic move in the direction of, indeed, turning America into Western Europe."

Senate Finance Chairman [Max Baucus](#) (D-Mont.), who will help negotiate the final bill, predicted that it will be closer to the Senate version than the House's. "That's where the votes are," he said. Senate Appropriations Chairman [Daniel K. Inouye](#) (D-Hawaii), another negotiator, however, called the differences between the two bills "humongous."

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