

Senate Democrats are Focused on Creating Jobs for the American People

Nearly one year ago, the U.S. economy was on the brink of disaster. Years of misplaced priorities and misguided fiscal policies during the Bush Administration had weakened the economy and threatened the American Dream for nearly all Americans. Moreover, years of regulatory failures contributed to the worst financial crisis in generations, leaving our country in a severe and deep recession. Swift and aggressive efforts by the Democratic Congress, President Obama, responsible actors in the private sector, and average Americans worked to pull the nation back from the brink of disaster and onto the road to recovery. Yet, while another Great Depression was averted and progress is being made to restore economic activity, Senate Democrats know that far too many families are still struggling as job creation, always a “lagging economic indicator,” has been slow to keep up with the pace of job loss and the needs of new workers.

Senate Democrats are focused on jumpstarting jobs recovery for the American people. As one of our first steps in the New Year, we will work to develop and pass a package of initiatives that will immediately create new jobs, including a focus on expanding access to credit for small businesses, the engine of our economy; saving and creating public service jobs to educate and safeguard our nation; supporting school construction and transportation-related jobs that will rebuild America; and building a new market for clean energy jobs that will modernize our society, protect our environment, and prepare us to compete globally throughout the 21st Century.

Democrats Inherited the Great Recession

President Obama and Congressional Democrats inherited an economic mess.

During the eight years of the Bush Administration, life for millions of middle-class families grew less affordable and less secure. Working Americans suffered from lower wages, fewer jobs, and skyrocketing costs for basic necessities like gas, health care, and college tuition.

- *Americans worked harder, but earned less.* Median household income, adjusted for inflation, declined \$2,197 from \$52,500 in 2000 to \$50,303 in 2008. Between 2000 and 2007, the government’s measure of take-home pay (median weekly earnings) increased by a mere 0.3 percent (adjusted for inflation), compared with 7.7 percent growth between 1989 and 2000 (the last comparable business cycle). While the productivity of the American worker (output per hour) rose by 19.08 percent between the fourth quarter of 2000 and the third quarter of 2008, average hourly compensation (wages plus benefits, adjusted for inflation) increased by only 6.3 percent during this period.
- *Health insurance became less affordable.* The cost of family health insurance increased nearly 80 percent between 2001 and 2008. This is compared to a 24 percent increase in overall inflation. When premium growth outpaces increases in wages and inflation, workers typically have to spend a greater portion of their income each year in order to maintain coverage. The average premium for a family of four rose to \$12,680 in 2008, with the average family contribution of over \$3,350. Moreover, the amount that families paid out of pocket for their share of premiums increased by approximately \$1,550.

- *College became less affordable.* Average tuition, fees, room and board costs at four-year private universities increased by \$11,892, from \$22,240 in the 2000-2001 academic year to \$34,132 in the 2008-2009 academic year. Tuition, fees, room and board charges at four-year public colleges jumped from \$8,439 for the 2000-2001 academic year to \$14,333 for the 2008-2009 academic year – an increase of \$5,894, or 69 percent.
- *Housing became less affordable.* According to RealtyTrac, more than 2.3 million U.S. properties faced foreclosure in 2008, an 81 percent increase from 2007. This was added to the 1.3 million properties that faced foreclosure in 2007, a 75 percent increase from 2006. Moreover, between 2001 and 2006, middle-class renters who spent more than 50 percent of their income on rent rose by 1.4 million. And middle-class homeowners were twice as likely as middle-class renters to pay more than half of their income on housing. Housing is considered affordable if it makes up less than 30 percent of income.

Even before the Great Recession, the Bush Administration had the worst job creation record in generations. Over the course of his term in office, President Bush was in a statistical dead heat with his father for the worst overall job creation record since Herbert Hoover more than 70 years ago. Overall non-farm payroll employment increased by just 3 million between January 2001 and the end of 2008, compared with 22.7 million jobs created during the Clinton presidency. Overall employment growth averaged just 31,800 jobs per month (or 0.3 percent per year) – barely one-fifth of the 150,000 jobs needed each month to keep up with population growth. It was not uncommon to see monthly job gains of 300,000 and even 400,000 during economic expansions during the Clinton Administration.

Democrats are Working to Help the Nation Recover from the Great Recession

Democrats have worked with the Obama Administration to advance a bold, positive agenda that rebuilds and reinvests in America, beginning with restoring a healthy economy. Years of misplaced priorities and failed fiscal policies under Republican leadership in Washington brought the nation's economy to the brink of disaster. Since the start of the 111th Congress, Democrats have enacted several pieces of legislation to help the nation recover from the Great Recession, including:

- The *American Reinvestment and Recovery Act*, which:
 - Stabilized the economy and protected millions of jobs;
 - Provided tax relief for the middle class; and
 - Provided enhanced safety net programs for Americans suffering the most.
- The *Helping Families Save Their Homes Act*, which strengthened the housing market and prevented unnecessary foreclosures;
- The *Credit Card Accountability Responsibility and Disclosure Act of 2009*, which protects consumers from abusive credit card practices; and
- The *SBIR/STTR Reauthorization Act of 2009*, which supports the growth of small businesses.

- The *Fraud Enforcement and Recovery Act of 2009*, which combats mortgage and corporate fraud;

Moreover, under Democratic leadership, Congress is poised to pass one of the most important pieces of legislation in generations: health insurance reform. The Senate bill, the *Patient Protection and Affordable Care Act*, will not only ensure all Americans receive quality, affordable health care, it will rein in skyrocketing health care costs for individuals and businesses and reduce the federal deficit.

Congress also began to responsibly rebuild the nation's domestic agenda after years of neglect by the Bush Administration. With appropriations for Fiscal Year 2009 and 2010, Congress invested in America – infrastructure, labor, energy, health care, education and more – to address not only our short-term economic concerns, but lay the groundwork for long-term economic prosperity.

Senate Democrats passed economic recovery legislation to pull the nation's economy back from the brink of disaster and onto the road to recovery. On February 13, 2009, by a supermajority vote of 60, Congress passed the *American Recovery and Reinvestment Act of 2009 (H.R. 1, P.L. 111-5)*. On February 17, 2009, President Obama signed the bill into law. The *Recovery Act* took steps to:

- ✓ Save or create an estimated 3.5 million jobs through investments in transportation, federal, housing, broadband, and environmental infrastructure; investments in state fiscal relief; investments in energy innovation; investments in health-care modernization, and tax incentives for small businesses;
- ✓ Provide the Making Work Pay tax credit for 95 percent of working families; expand the Child Tax Credit and the Earned Income Tax Credit; expand the First Time Homebuyer Tax Credit; and extend tax relief for small businesses;
- ✓ Make long-term investments in our economy to ensure competitiveness in a 21st Century global economy, including investments in science, education, and the development of clean, efficient, alternative, and renewable energy; and
- ✓ Extend a hand of help to those Americans hardest hit by the economic crisis, investing billions in the Supplemental Nutrition Assistance Program (SNAP), extension of federal emergency unemployment benefits, state fiscal relief to ensure continuation of the Temporary Assistance for Needy Families program, subsidies for COBRA Continuation Coverage for unemployed workers, and relief payments for seniors, veterans and other Americans in need.

Moreover, the *Recovery Act* is providing transparency and accountability to guarantee that all taxpayer money is invested responsibly.

The Recovery Act is working. While it took years to create our current economic mess, the *Recovery Act* has made a difference even though only about half of the investments have been distributed thus far. The measure staved off an even more severe recession, prevented further job loss, generated economic activity, and laid a foundation for sustainable growth.

- Last month, the White House announced that certain recipients of *Recovery Act* funds have reported the creation of 640,329 direct jobs. About 325,000 of these jobs are in education

and over 80,000 are in construction. These numbers, however, represent only about 16 percent of expenditures through September 30 and do not reflect the majority of *Recovery Act* funding to date, which has gone directly to individuals and states. Moreover, the reported data does not capture indirect or induced jobs created when prime contractors hire suppliers or other companies to complete projects or when newly employed workers spend their pay checks. It is estimated that, if included, indirect jobs would add another 50 percent or more to the direct jobs numbers and induced jobs would add an additional 36 percent. Taken as a whole, the reported data confirms earlier estimates that the *Recovery Act* would create or save over one million jobs by now, even though less than half of the *Recovery Act* funds have been put to work. [Office of the Vice President, 10/30/09, CBPP, 10/28/09]

- According to Congressional Budget Office (CBO) projections, “an additional 600,000 to 1.6 million people were employed in the United States, and real (inflation-adjusted) gross domestic product (GDP) was 1.2 percent to 3.2 percent higher, than would have been the case in the absence of ARRA.” [CBO, 11/09]
- The Commerce Department reported that the nation’s gross domestic product grew by 2.2 percent in the third quarter of 2009, the first expansion in more than a year. Economists are projecting 4 percent growth in the fourth quarter. [Commerce Department, 11/24/09; testimony of Martin Baily before the Senate Democratic Policy Committee, 12/16/09].
- According to economist Mark Zandi, “the stimulus has mainly helped by forestalling bigger job and program cuts by state and local governments. Increased aid to unemployed workers is contributing to the recent firming in consumer confidence (which hit an all-time low in February, just before the stimulus took effect) and helping to stabilize retail sales.” “It may be hard to tell when hundreds of thousands of jobs are vanishing each month, but without the stimulus, job losses would be measurably worse.” [Economy.com, 7/7/09]
- Moreover, federal assistance for Americans in need is not only the right thing to do, it is the smart thing to do in an effort to stimulate the economy. “Starting in April, a family of four on food stamps received an average of \$80 extra. Money from the program – officially known as the Supplemental Nutrition Assistance Program – percolates quickly through the economy. The U.S. Department of Agriculture calculates that for every \$5 of food-stamp spending, there is \$9.20 of total economic activity, as grocers and farmers pay their employees and suppliers, who in turn shop and pay their bills.” [Wall Street Journal, 7/7/09]

Congress passed legislation to stabilize the housing market for homeowners, renters, and lenders. As Democrats work to get the economy growing again by making long-term investments, creating jobs, and providing middle-class tax relief, we have not forgotten the origin of the current recession: the crash of the home mortgage market. Building upon legislation passed in the 110th Congress, the Omnibus Appropriations Act, 2009, the American Recovery and Reinvestment Act of 2009, and President Obama’s “*Making Home Affordable*” program, on March 19, 2009, the 111th Congress passed the *Helping Families Save Their Homes Act* to prevent unnecessary foreclosures, improve access to affordable home loans, increase the availability of credit, protect renters, and prevent homelessness. President Obama signed this legislation into law on May 20, 2009 (**P.L. 111-22**).

The new law:

- Encourages participation in the HOPE for Homeowners program, including by offering new incentives for lenders to negotiate loan modifications with borrowers at risk of foreclosure

and reducing fees for homeowners and lenders that have previously discouraged them from participating;

- Gives FHA and USDA's Rural Housing Service (RHS) the flexibility needed to modify loans consistent with the Obama Administration's loan modification program;
- Protects lenders from frivolous lawsuits when they make loan modifications consistent with the President's program or done through the Hope for Homeowners program;
- Increases funding for foreclosure prevention including counseling, additional fair housing employees, and education programs to warn Americans about foreclosure scams;
- Strengthens tools to ensure that predatory lenders cannot act as lenders or servicers in the FHA programs;
- Establishes the right of a homeowner to know who owns their mortgage;
- Provides renters who live in foreclosed properties with at least a 90-day notice for eviction;
- Protects the bank deposits and savings of consumers with a four-year extension of the increase in deposit insurance to \$250,000;
- Increases the borrowing authority of the Federal Deposit Insurance Corporation (FDIC) to reduce the financial burden on small community banks;
- Provides new resources to respond to the nation's homelessness crisis and prevent additional homelessness; and
- Expands accountability of financial rescue funds.

Congress has passed legislation to ensure the continuation of critical safety-net and economic recovery programs. The Great Recession inherited by the Bush Administration was deeper and more severe than anyone – economists and elected officials alike – could have predicted. Programs that were originally set to expire have been extended to ensure that American families survive these difficult times, the economic recovery gains of the past few months are sustained, and the economy is stable. To this end, Congress has taken steps to ensure the continuation of:

- **The Highway Trust Fund, Federal Unemployment Trust Fund, and the Federal Housing Administration (FHA) and Government National Mortgage Association (GNMA).** Economists and industry experts reported earlier this year that, if Congress did not act, these programs would face funding shortfalls resulting in the loss of nearly 240,000 jobs, 4.6 million American losing unemployment insurance benefits, and a tightening of the mortgage-lending market. To avoid this, Congress enacted *a bill to Restore Sums to the Highway Trust Fund and for Other Purposes (P.L. 111-46)*. The legislation transferred \$7 billion to the Highway Account of the Highway Trust Fund to ensure the continuation of state highway projects; provide funds to the Federal Unemployment Fund for the purposes of repayable advances to states in an effort to ensure the availability of unemployment benefits for the nation's out-of-work workers; and increase the mortgage

commitment authority of the FHA and GNMA to ensure continued mortgage lending and the recovery of the housing market.

- **Unemployment Insurance, the Homebuyer Tax Credit, and Certain Business Tax Credits.** Congress passed the fully-offset *Worker, Homeownership, and Business Assistance Act of 2009 (P.L. 111-92)* to: 1) extend unemployment insurance by up to 14 additional weeks for jobless workers across the nation; 2) continue the \$8,000 first-time homebuyer credit through April 30, 2010, but with 60 days to close after that date; 3) provide a \$6,500 credit to new purchasers who have lived in their current residence for five or more years; and 4) extend and expand the carry back provision to allow all businesses to carry back losses incurred in 2008 or 2009 for five years.
- **“Cash for Clunkers.”** On August 7, 2009, Congress passed legislation, entitled *Making Supplemental Appropriations for the Consumer Assistance to Recycle and Save Program*, also known as the Car Allowance Rebate System (CARS) or “Cash for Clunkers” (**P.L. 111-47**). In an effort to boost auto sales and promote higher vehicle fuel economy, the CARS program provided consumers who trade-in an old, less fuel efficient vehicle with a rebate of \$3,500 or \$4,500 toward the purchase of a new, more fuel-efficient vehicle, provided the trade-in is scrapped by the dealer. Sales must have been made before November 1, and the rebate amount determined by fuel economy and fuel savings of the new car relative to the old car, as well as vehicle class. The program was originally established as part of the *Supplemental Appropriations Act, 2009 (P.L. 111-32)*. The initial appropriation was \$1 billion, enough for between 222,000 and 286,000 rebates. Due to an overwhelming response from consumers and dealerships, the Obama Administration notified Congress within the first week that the initial appropriation would soon be exhausted. After deliberating about the effectiveness of the CARS program in helping the nation recover from economic recession and in addressing our environmental challenges, Congress provided an additional \$2 billion for the program.

Congress approved a program to give entrepreneurs the resources they need to grow and innovate. In October, the Senate passed a bipartisan bill to temporarily extend the Small Business Administration’s Small Business Innovation Research (SBIR) program. The legislation was signed into law on October 30, 2009 (**P.L. 111-43**). This temporary reauthorization, which extends SBIR and other programs through April 30, 2010, gives Congress more time to pass a comprehensive bipartisan bill that will strengthen and improve the SBIR program and provide long-term stability for the program.

On July 13, the Senate took a step toward that comprehensive reauthorization by passing **H.R. 2965**, the *SBIR/STTR Reauthorization Act of 2009* (STTR refers to the Small Business Technology Transfer program). SBIR and STTR stimulate technological innovation, allow small businesses to meet federal research and development needs and provide seed capital for small businesses to develop ideas until they attract outside investment.

Although small firms employ 41 percent of the nation’s high-tech workers and generate 13 to 14 times more patents per employee than large firms, they have received a disproportionately low share of federal R&D dollars. The SBIR program was designed in 1982 to harness the innovative capacity of America’s small businesses to meet the needs of our federal agencies and to help grow small, high-tech firms that, in turn, grow local economies all across the nation. Since then, the SBIR program has generated more than 84,000 patents and millions of jobs. Eleven federal agencies participate in the SBIR program - including the Department of Defense and National Science Foundation – allocating 2.5 percent of their extramural research and development dollars for the program.

H.R. 2965 would: 1) reauthorize the programs for eight years, giving small businesses and government the stability it needs to plan for and transition important technologies for our country; 2) amend the eligibility requirements to allow businesses owned and controlled by multiple venture capital firms to compete for a certain percentage of SBIR projects while making sure that there's a fair playing field for the small businesses that are independently owned and operated; 3) adjust the amount of SBIR and STTR awards to reflect inflation costs while taking a measured approach to increasing the allocation dedicated to these important small business research and development programs; and 4) improve the diversity of the programs, geographically and otherwise, by reauthorizing the Federal and State Technology (FAST) program and Rural Outreach Program for five years.

Senate Democrats voted to protect millions of Americans from unfair, unjust, and unacceptable credit card industry practices. On May 19, 2009, the Senate approved the *Credit Card Accountability Responsibility and Disclosure Act of 2009* (**H.R. 627**, as amended) (the "CARD act") by a vote of 90-5. This bipartisan legislation will stop credit card companies from misleading their customers with hidden charges and confusing terms. The legislation was signed into law on May 22, 2009 (**P.L. 111-24**). Specifically, the *CARD Act* will:

- **Establish strong consumer protections** by preventing unfair increases in interest rates and changes in terms, prohibiting exorbitant and unnecessary fees, requiring fairness in application and timing of card payments, and protecting the rights of financially-responsible credit card users;
- **Enhance consumer disclosures** by requiring disclosures related to payoff timing, late payment deadlines and penalties, card renewal terms, and requiring each credit issuer to post their credit card agreements;
- **Protect young consumers** targeted by aggressive and irresponsible credit card marketing offers;
- **Strengthen oversight of credit card industry practices** by requiring credit card issuers to post the credit card agreements on the Internet and provide those agreements to the Federal Reserve Board, requiring the Federal Reserve Board to review the consumer credit card market, including: terms of credit card agreements, practices of credit card issuers and the cost and availability of consumer credit, and increasing penalties for card companies that violate the *Truth in Lending Act* as it applies to credit card costumers;
- **Protect recipients of gift cards by eliminating declining** values and hidden fees in gift cards and requiring that gift cards have a five-year life span.
- **Protect small businesses** by requiring a study on the use of credit cards by small businesses and establishing a Small Business Information Security Task Force to address the information technology security needs of small businesses and help prevent the loss of credit card data; and
- **Promote financial literacy** by requiring comprehensive summary of existing financial literacy programs and development of strategic plans to improve financial literacy education.

Senate Democrats passed legislation to improve law enforcement's ability to prosecute financial and mortgage fraud. After 9/11, the Bush Administration shifted resources and attention away from the investigation of financial fraud, leaving law enforcement under-manned and under-funded and criminal statutes inadequate to deal with modern financial fraud schemes at a time when corporate and mortgage fraud were on the rise due to lax regulation by the Administration and Republican Congress of the housing and banking industries.

As of a result, thousands of fraud allegations went unexamined and many instances of fraud went unchecked. More than 65,000 suspicious activity reports were filed alleging mortgage fraud in 2008, compared with nearly 4,700 in 2001, nearly 13 times as much. This fraud ultimately contributed to the global economic crisis that is threatening the financial health of our nation and the security of American families today. (Senate Judiciary Committee referencing the U.S. Department of Treasury's Financial Crimes Enforcement Network, available [here](#) and [here](#).)

On May 19, 2009, the Senate passed the *Fraud Enforcement and Recovery Act of 2009 (S. 386)* to enhance, strengthen, and rebuild the government's ability to investigate and prosecute the increasing instances of mortgage and corporate fraud. President Obama signed this legislation into law on May 20, 2009 (**P.L. 111-21**). Specifically, FERA will:

- Authorize more than \$260 million per year in Fiscal Years 2010 and 2011 to hire hundreds of additional prosecutors, agents, and staff to conduct investigations and prosecutions of financial fraud at the Department of Justice, the FBI, the U.S. Postal Inspection Service, the U.S. Secret Service, the Office of Inspector General for the Housing and Urban Development Department, the Securities Exchange Commission (SEC), and the Office of the Inspector General for the SEC;
- Improve and modernize fraud and money laundering statutes to strengthen prosecutors' ability to combat fraud, including mortgage and securities fraud, by:
 - Updating the definition of "financial institution" in federal fraud statutes to include mortgage lending businesses that are not directly regulated or insured by the federal government (these businesses account for nearly half of residential mortgages);
 - Amending the major fraud statute to protect funds expended under the economic recovery package and the bank bailout;
 - Strengthening the *False Claims Act* to reverse recent court decisions that have made it more difficult to recover funds and impose penalties for proven frauds; and
 - Filling key statutory gaps to account for modern types of fraud and correct misinterpretations of the law in recent court decisions; and
- Establish a commission to investigate the origins of the economic crisis so that we can avoid similar crisis in the future.

Besides the obvious benefits of combating financial crime and protecting taxpayer dollars from waste, fraud, and abuse, FERA also will recover billions of dollars in restitution, fines, and penalties for the government and victims. For every \$1 spent in the DOJ's Criminal Division to prosecute fraud, more than \$20 is recovered. For every \$1 spent in the DOJ's Civil Division to recover health care funds under the *False Claims Act*, more than \$15 is returned to the government. (Department of Justice and the Taxpayers Against Fraud.)