Dear Applied Solutions Partners:

As we strengthen our ability to keep members well informed about public policy issues related to our core organizational values, we are very excited to announce a new partnership with Squire Sanders Public Advocacy (SSPA). SSPA is a Washington based public policy practice that serves as the government relations division of Squire, Sanders & Dempsey, a major international law firm. The purpose of this partnership is to provide Applied Solutions Partners with real time capacity to be both well informed and impactful on key policy areas in energy, transportation, water, and land use.

Applied Solutions is seeking a seat at the proverbial policy making table. Our goal is to provide our membership with useful information about the trends, upcoming deliberations, potential risks, and promising opportunities in energy, transportation, water, and land use. Although it is important to incorporate this information into local planning and implementation processes, many localities find these services out of reach. Applied Solutions in partnership with Squire, Sanders & Dempsey offers a public education service that is both effective and accessible.

In this issue, articles focus on what to expect in the new Congress. In future editions we will provide information about upcoming grant opportunities and ways Applied Solutions can be helpful in assisting local governments in pursuing these opportunities. We will also spotlight key policy makers and track their plans to advance local government priorities through smart federal policy informed by local governments.

We appreciate your interest in Applied Solutions and look forward to working with you. Please contact me below if you have any questions.

Michelle Wyman
Executive Director, Applied Solutions
1720 N Street NW
Washington DC 20036
202-664-9556
www.appliedsolutions.org
Analysis of the New Congress

Conventional wisdom would lead one to believe that changes in Congress will lead to significant challenges in securing passage of legislation on energy, water, transportation and land use. While our review reveals a difficult environment, we expect opportunities for those able to strategically adjust with the times. Both parties support further development of domestic energy sources, technological innovations, and long term solutions to our country’s infrastructure problems. The Applied Solutions approach takes full advantage of this common ground to design projects that will be well received in both Democratic and Republican Congresses. We note the following key trends to watch in the New Congress.

Trends to Watch in Congress

Deficit pressures:
The next Congress will face unprecedented deficit reduction pressures. Congress and the Administration will need to make significant cuts in federal programming. Unfortunately, no area of federal spending, no matter how well meaning or justified, is safe from these budget pressures. However, those innovations that reduce costs through energy efficiency, for example, will potentially be viewed as deficit reduction tools. By framing projects in terms consistent with deficit reduction interests, successful local governments will prevail even in current environments.

New Members:
In the United States House of Representatives, nearly 1 in 4 members are serving their first term in Congress. Many of these new members are also new to public office. They are not likely to have significant experience in policy areas relating to Applied Solutions interests. It will, therefore, be very important for Applied Solutions members to introduce themselves to the new Congress. It will also be helpful to establish the importance of local and community based efforts as central components to any national strategies on energy, water, transportation, or land use solutions. By defining Applied Solutions interests early, long term relationships will be generated.

Earmarks:
Efforts to ban Congressional earmarks have gained bipartisan support and are expected to prevail in the new Congress. Unfortunately, many significant energy and water infrastructure projects have traditionally been supported through the earmarking process. Based our discussions with key Congressional staff, we have learned that Congress is aware of this problem and is working on developing solutions to ensure continued access to project funding. Applied Solutions will keep our members apprised of any new developments with the earmarking process.

Executive Branch Assertiveness/House Investigations:
Due to a divided Congress, the Administration is expected to aggressively assert Executive Branch authority to regulate greenhouse gas emissions, issue mandates on energy efficiency, and implement transportation policies. The Republican lead House of Representatives is already responding to Administration initiatives to use the Clean Air Act to regulate greenhouse gas emissions. Congress-
Trends to Watch in Congress Cont.

 regulate greenhouse gas emissions. Congresswoman Marsha Blackburn (R-TN) introduced a bill to prohibit the Administration from using the Clean Air Act (H.R. 97) to reduce greenhouse gas emissions. Ms. Blackburn’s bill already has 94 co-sponsors and is expected to be the subject of hearings early this year. Democratic Senator Jay Rockefeller (D-WV) has voiced similar concerns.

 The Administration and Congress are expected to have tense relations in the next two years. However, it is important for local governments to develop administration program relationships due to the fact that much of the activity in the near term will originate in the program offices in the Administration and not from Congress.

Renewable Energy Grants Extended

On December 17, 2010, President Obama signed into law the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (H.R. 4853) extending the Bush-era tax rates and a host of other expired and expiring energy tax credits. The bill also includes an extension for the existing Treasury 1603 Program- Payments for Specified Energy Property in Lieu of Tax Credits, which gives cash grants in lieu of the federal business energy investment tax credit (ITC) for renewable energy projects.

The renewable energy grant program is administered by the U.S. Department of Treasury and was created last year under the American Recovery and Reinvestment Act. The grant program allows qualifying renewable energy projects such as solar and geothermal power plants to apply for a Treasury Department grant that covers up to 30 percent of project costs.

To be eligible, a property must be placed in service in 2009, 2010, or 2011 or placed in service after 2011 but only if construction of the property began during 2009, 2010 or 2011. Applications must be submitted before October 1, 2012. It is important to note that only tax-paying entities are eligible for this grant. Federal, state and local government bodies, non-profits, qualified energy tax credit bond lenders, and cooperative electric companies are not eligible to receive this grant. The program has distributed roughly $5.8 billion in cash grants for solar electric systems, solar thermal projects, wind turbines, geothermal installations, biomass projects, fuel cells, landfill gas energy systems, and other projects.

Grant Information
U.S. Department of Treasury
1500 Pennsylvania Ave., NW
Washington, DC 20220
Fax: (202) 622-6415
E-Mail: 1603Questions@do.treas.gov
Web Site: www.treas.gov/recovery/1603.html

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