



The Daily Dish

November 19th Edition

DOUGLAS HOLTZ-EAKIN | NOVEMBER 19, 2014

A bill to approve [Keystone XL failed](#) to advance in the Senate last night with a 59-41 vote. With all Senate Republicans voting in favor of the measure, it was up to Senate Democrats to find 15 votes, but they fell one short. Quickly after the vote, soon-to-be Senate Majority Leader McConnell promised that there would be another opportunity for the chamber to pass similar legislation in the next session.

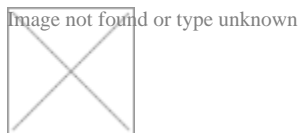
Republican [lawmakers are calling](#) on Senate Democrats to separate the Internet access tax and Internet sales tax into two bills. According to Rep. Daines, “Speaker Boehner, R-Ohio, has been very clear these two issues would be detached if they arrived at the House connected.” [AAF has found](#) that if Congress fails to renew the ban on Internet access taxes by December 11, then consumers could face up to \$14.7 billion in new taxes.

A bi-partisan group of House lawmakers [will introduce a bill](#) to authorize the Satellite Television Extension and Localism Act ([STELA](#)). The House bill will agree with the version passed in the Senate. The current act will expire by December 11, making it “must pass” legislation during the lame duck session.

Eakinomics: Taxpayers and the Federal Housing Administration

The Federal Housing Administration (FHA) provides a taxpayer backstop for low down payment mortgages. For this reason, it absorbed enormous losses in the Great Recession, to the point that it depleted its capital reserves and required a \$1.7 billion bailout from the Treasury Department last year to bolster its finances. In turn, this has led to calls for FHA reform.

Earlier this week, the FHA released the results of its annual audit. (For a more comprehensive review of the FHA and its audit, see the [piece by Andrew Winkler here](#).) The good news is that due to mortgage settlement money, higher premiums, and other changes the FHA’s capital ratio has rebounded from -1.44 percent in FY2012 to 0.41 percent in FY 2014. The bad news is that Congress mandates that the FHA have a minimum of capital equal to 2 percent of its exposure, so it is still badly undercapitalized. The worse news is that the most recent report also suggests that it will take a year longer; 2016 instead of 2015. And the worst news is that FHA has *always* failed to meet its projections in recent years — compare the “actual” line to year-by-year forecasts in the chart below, which is reproduced from the Winkler study.



This would seemingly be a slam dunk case for FHA reforms that would protect the taxpayers. Surprisingly, most of the recent clamor has taken the form of greater subsidies (lower premiums) for borrowers; ostensibly because the housing market is stronger and the FHA healthier. The results of the audit argue to the contrary.

From the Forum

[NLRB Likes Losing in Court](#) by Sam Batkins, AAF Directory of Regulatory Policy; and Ben Gitis, AAF Policy Analyst

[E-Rate Program Expands 123 Percent in New Proposal](#) by Will Rinehart, AAF Director of Technology and Innovation Policy

[AAF Solutions: Trade Promotion Authority \(TPA\)](#) by Laura Collins, AAF Director of Immigration Policy

[Reviewing The Financial Health Of The FHA](#) by Andy Winkler, AAF Director of Housing Finance Policy