

House Passes \$1T Budget Bill, Avoids Shutdown

BY ANDREW TAYLOR
Associated Press

WASHINGTON — The House has passed a \$1 trillion-plus catchall budget bill paying for day-to-day operations of 10 Cabinet departments and averting a government shutdown, while Senate talks on renewing a payroll tax cut and jobless benefits reached a critical phase.

The 296-121 vote to approve the spending measure represented a rare moment of bipartisanship in a polarized Capitol. The Senate's top Republican, meanwhile, raised the stakes in the showdown over the payroll tax cut, insisting he won't back a compromise extension unless the bill includes language aimed at forcing construction of a Canada-to-Texas pipeline.

As negotiations on the payroll tax bill proceeded Friday, Senate GOP Leader Mitch McConnell, R-Ky., said, "I will not be able to support the package that doesn't include the pipeline."

The GOP's pipeline demands added uncertainty to efforts by McConnell and Senate Majority Leader Harry Reid, D-Nev., to quickly reach a deal on a bill renewing payroll tax cuts and jobless benefits for the long-term unemployed.

Negotiators on the payroll tax measure worked behind closed doors Friday in hopes of sealing agreement on how to pay for the measure. Simply extending the current 2 percentage point payroll tax cut would cost \$120 billion, while extending unemployment benefits for the long-term unemployed and preventing a cut in Medicare payment to physicians would add tens of billions of dollars more.

A House-passed version of the payroll tax bill would give President Barack Obama 60 days to decide whether to build the proposed, 1,700-mile Keystone XL pipeline.

Obama, with the support of congressional Democrats, has announced he will delay that decision until after next year's elections, citing a need to study the impact the pipeline would have on sensitive lands in Nebraska. Obama has threatened to reject a payroll tax bill if it includes language easing work on the pipeline.

The postponement would let Democrats avoid having to choose between two of the party's core constituencies: environmentalists who oppose Keystone and some unions who covet the jobs it would produce.

But McConnell and other Republicans say the project would create thousands of jobs. The company's developer, TransCanada, says it could produce up to 20,000 jobs, while critics say the figure would be fewer than 3,500, including less than 1,000 that would be permanent.

After passing the catchall spending bill House leaders sent their members home until Monday or later, planning to return

Nick-of-time bill

Highlights of the \$915 billion spending package Congress passed to keep the government running for nine months and avoid a shutdown, in billions:

Defense Department's core	\$518
Veterans programs	\$122.2
Afghanistan, Iraq war costs	\$115
Health and Human Services	\$69.7
State Dept., foreign aid	\$53.3
Homeland security	\$39.6
Health research	\$30.7
Title I grants to schools	\$14.5
Dept. of Labor	\$14.5
IRS	\$11.8
Grants for special needs students	\$11.6
EPA	\$8.4
Sustain U.S. nuclear arsenal	\$7.2
FEMA	\$7.1
Congress' own budget	\$4.3

Source: House Appropriations Committee, AP Graphic: Judy Treilbe © 2011 MCT

when the Senate produces a payroll tax cut measure for the House to vote on.

The way was smoother for the compromise spending bill, which passed on a 296-121 vote. It would fund 10 Cabinet-level departments, such as the Pentagon and the Department of Education, and dozens of smaller agencies. It would finance everything from U.S. operations in Iraq and Afghanistan to veterans' services, and from airport security inspections to Congress' own operations.

Reid and McConnell said that even if only the House had approved the spending bill by midnight Friday, the Obama administration agreed there would be no federal shutdown. For extra measure, the House also passed two stopgap spending bills, one to fund the government for a single day and the other for a week.

Agreement on the spending legislation was reached after Republicans agreed to drop language that would have blocked Obama from easing rules on people who visit and send money to relatives in Cuba. But a GOP provision will stay in the bill thwarting a 2007 law, passed during President George W. Bush's administration, on energy efficiency standards that critics argued would make it hard for people to purchase inexpensive incandescent light bulbs.

SEC Charges Ex-CEOs With Fraud

BY DEREK KRAVITZ
AP Business Writer

WASHINGTON — The Securities and Exchange Commission on Friday brought civil fraud charges against six former top executives at Fannie Mae and Freddie Mac, saying they misled investors about risky subprime loans that the mortgage giants held when the housing bubble burst.

Those charged include the agencies' two former CEOs, Fannie's Daniel Mudd and Freddie's Richard Syron. They are the highest-profile individuals to be charged in connection with the 2008 financial crisis.

The federal government has faced criticism for not bringing charges against top executives who may have contributed to the worst financial meltdown since the Great Depression.

Mudd, 53, and Syron, 68, led the mortgage giants in 2007, when home prices began to collapse. The four other top executives also worked for the companies during that time.

The lawsuit was filed in federal court in New York City.

"Fannie Mae and Freddie Mac executives told the world that their subprime exposure was substantially smaller than it really was," said Robert Khuzami, SEC's enforcement director. "These material misstatements occurred during a time of acute investor interest in financial institutions' exposure to subprime loans, and misled the market about the amount of risk."

Fannie and Freddie both entered into agreements with the government on Friday, accepting responsibility for its conduct without admitting or denying the charges. The government-controlled companies also agreed to cooperate with the SEC on the cases against the former executives.

The Justice Department has opened up probes into Fannie and Freddie but has not charged anyone with a crime.

In a statement released through his attorney, Mudd said the lawsuit "should never have been brought" and said the government reviewed and approved all of the company's financial disclosures.

"Every piece of material data about loans held by Fannie Mae was known to the United States government to the investing public," Mudd said.

"The SEC is wrong, and I look forward to a court where fairness and reason — not politics — is the standard for justice."

Syron's lawyer couldn't be immediately reached for comment.

According to the lawsuit, Fannie told investors in 2007 that it had roughly \$4.8 billion worth of subprime loans on its books, or just 0.2 percent of its portfolio. The SEC says that Fannie actually had about \$43 billion worth of products targeted to borrowers with weak credit, or 11 percent of its holdings.

Mudd told a congressional panel in March 2007 that Fannie's subprime business represented less than "2 percent of our book." He also said the company held subprime mortgages "very carefully." A month later, he told a separate congressional panel that subprime loans represented less than 2.5 percent of Fannie's books.

Freddie told investors in 2006 that it held between \$2 billion and \$6 billion of subprime mortgages on its books. The SEC says its holdings were actually closer to \$141 billion, or 10 percent of its portfolio in 2006, and \$244 billion, or 14 percent, by 2008.

OBAMA:

Support For Israel 'Unshakable'

BY ERICA WERNER
Associated Press

WASHINGTON — Defending himself sharply against Republican attacks, President Barack Obama told a Jewish group Friday that his administration has done more than any other in support of Israel's security, and he declared his support for Israel to be "unshakable."

"So don't let anybody else tell a different story," Obama said. "We have been there and we will continue to be there. Those are the facts."

Obama never specifically referenced his GOP critics in his remarks to more than 5,000 listeners at a conference of the Union for Reform Judaism, which represents a large and generally liberal branch of North American Judaism. But his comments came amid sustained attack from the GOP presidential field over his record on Israel, with Newt Gingrich, Mitt Romney and others accusing him of throwing Israel under the bus and siding with the Palestinians.

Ahead of Obama's remarks Friday, the Republican National Committee organized a conference call where former Sen. Norm Coleman of Minnesota asserted that Obama "has a serious policy problem with Israel."

Obama strongly disputed any such criticism.

"I am proud to say that no U.S. administration has done more in support of Israel's security than ours. None. Don't let anyone else tell you otherwise. It is a fact," he said.



OLIVIER DOULIERY/ABACA PRESS/MCT

President Barack Obama speaks at the 71st General Assembly of the Union for Reform Judaism, at the National Harbor in Fort Washington, Maryland, Friday, December 16, 2011.

"We will keep standing with our Israeli friends and allies just as we've been doing when they needed us most."

In support of Obama's claim, administration officials cite high levels of defense spending and military cooperation as well as comments from Israeli Defense Minister Ehud Barak and other Israeli officials.

Barak also spoke at the conference and Obama met with him Friday on the sidelines.

Republicans point to Obama's public pressure on Israel over building settlements in disputed

areas and on the peace process, including a call to use Israel's 1967 borders, with agreed-upon land swaps, as the basis for peace negotiations. Critics say those borders are indefensible, though they often neglect to mention Obama's emphasis on land swaps to account for Jewish settlements and other current conditions.

Obama expressed frustration Friday with the stalled peace process, which his efforts have failed to revive. But he promised to keep trying.

"I have not wavered and will not waver," the president said.

'Barefoot Bandit' Gets More Than 7 Years For Spree

COUPEVILLE, Wash. (AP) — Colton Harris-Moore, the "Barefoot Bandit," was sentenced Friday to more than seven years in prison after pleading guilty to dozens of state charges.

The 20-year-old man gained international notoriety while evading police across the country in stolen planes, boats and cars during a two-year crime spree.

Judge Vickie Churchill said

"this case is a tragedy in many ways, but it's a triumph of the human spirit in other ways." She described Harris-Moore's upbringing as a "mind numbing absence of hope," and believed he was genuinely remorseful and contrite.

Friday's proceedings consolidated cases against Harris-Moore in three Washington counties. He has already pleaded guilty to fed-

eral charges in Seattle and will be sentenced for those crimes early next year. He will serve his state and federal sentences at the same time.

Wearing handcuffs and an orange jail uniform, Colton Harris-Moore spoke softly in court while entering his pleas and sat next to his attorneys with his eyes downcast, looking even younger than his 20 years.

Bad Financial News Flows Out Of Europe

BY SHAWN POGATCHNIK
Associated Press

DUBLIN — Alarming financial news flowed out of Europe in a torrent Friday, just a week after the EU leaders struck a deal they thought would contain the continent's debt crisis.

The bombardment shredded hopes of a lasting solution to the turmoil that is endangering the euro — the currency used by 17 European nations — and threatening the entire global economy.

In quick succession:

— The Fitch Ratings agency announced it was considering further cuts to the credit scores of six eurozone nations — heavyweights Italy and Spain, as well as Belgium, Cyprus, Ireland and Slovenia. It said all six could face downgrades of one or two notches.

— Ireland's economy shrunk again much deeper than had been expected, with its third-quarter gross domestic product falling 1.9 percent. Ireland is one of three eurozone nations kept solvent only by an international bailout.

— Bankers and hedge funds were balking in talks about forgiving 50 percent of Greece's massive debts, a key issue in the debate over Greece's second rescue bailout.

— The red ink in Spain's regional governments surged 22 percent in the last year, endangering the central government's efforts to cut overall Spanish debt.

— France, the second-largest eurozone economy after Germany, warned that it faced at least a temporary recession next year.

— The euro hovered Friday just above \$1.30, a cent higher than its 11-month low.

On the positive side, Fitch said France should keep its top AAA credit rating even though the country's debt load is projected to rise through 2014. Italian lawmakers overwhelmingly passed Premier Mario Monti's new austerity package in a confidence vote, even though many still objected to its pension reforms.

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