

NATION/WORLD

Pentagon Starts To Bargain Hunt

WASHINGTON (AP) — The Defense Department has unveiled its surprising new plan to start reining in its oversized budget: after nine years of unbridled war spending, the military will finally start bargain hunting.

Defense Secretary Robert Gates told reporters at a Pentagon news conference Tuesday that the military will begin weighing whether something is affordable before buying it.

Contracts exceeding \$1 billion will have to identify ways to keep costs down. And when looking to spend money, the military will try to do more to comparison shop, Gates said.

The initiatives are part of Gates' goal to find \$100 billion in savings in the next five years so that the money can be used for troops and weapons modernization.

U.S. Steps Up Pressure For Sudan

WASHINGTON (AP) — The Obama administration is offering the prospect of restoring full diplomatic relations with Sudan if it improves conditions in the Darfur region and doesn't undermine a referendum that could lead to the secession of the southern part of the country.

The Obama administration is intensifying its diplomacy ahead of the referendum, which is scheduled for January. President Barack Obama hopes to focus attention on the referendum when he attends a United Nations meeting on Sudan on Sept. 24.

Special envoy Scott Gratton says that in recent meetings in Khartoum he has outlined a list of incentives that include returning an ambassador to Khartoum, debt relief and economic aid. He said he also described possible negative repercussions for backsliding by Khartoum.

Tobacco Given \$270 Million Reprieve

WASHINGTON (AP) — Supreme Court Justice Antonin Scalia has temporarily blocked a state court order requiring tobacco companies to pay \$270 million for a smoking cessation program in Louisiana.

Scalia granted a request from the companies on Tuesday, but said he would reconsider his order later this month after hearing from Louisiana plaintiffs who won a class-action lawsuit against the cigarette makers.

The companies lost their bid in state court to throw out the award or at least delay the payment. They want the high court to throw out the judgment against them and relieve them of having to pay out the money while the case is being appealed.

U.S.: Iraq Has Money For Security

WASHINGTON (AP) — Congressional investigators estimate that Iraq has about \$11.8 billion in surplus money available to use for its own security.

The Government Accountability Office report comes as U.S. lawmakers consider an administration proposal to spend \$2 billion for Iraqi security forces in the upcoming budget year.

Small Business Measure Clears Senate Hurdle

BY ANDREW TAYLOR
Associated Press Writer

WASHINGTON — In a win for President Barack Obama and his political allies, Senate Democrats on Tuesday won a crucial vote to clear the way for a bill to create a \$30 billion government fund to help open up lending for credit-starved small businesses.

Democrats cracked a GOP filibuster of the bill with the help of two Republicans: Sens. George Voinovich of Ohio and George LeMieux of Florida.

The 61-37 tally sets the stage for a final vote later this week to return the measure to the House, which is likely to approve it for Obama's signature.

The bill is probably the last piece of Democrats' ambitious jobs agenda that would become law before midterm elections, which will determine whether Democrats keep their majorities in the House and Senate.

Democrats started the year with ambitious plans for a series of bills designed to boost the economy and job creation but have

relatively little to show for it. The nationwide unemployment rate ticked up to 9.6 percent last month.

Obama welcomed the vote. "This is a bill that would cut taxes and help provide loans to millions of small business owners who create most of the new jobs in this country," Obama said in a statement. "Small businesses across the country have been waiting for Washington to act on this bill for far too long."

The new fund would be available to community banks with less than \$10 billion in assets to encourage lending to small businesses. The bill would combine the fund with about \$12 billion in tax breaks aimed at both large and small businesses over the coming decade.

Democrats say banks should be able to use the lending fund to leverage up to \$300 billion in loans, helping to loosen tight credit markets. Some Republicans, however, have likened it to the unpopular bailout of the financial industry.

Oil Industry: Nix Higher Offshore Inspection Fees

BY MATTHEW DALY
Associated Press Writer

WASHINGTON — The oil and gas industry says an Obama administration plan to double fees charged for inspections of offshore operations could cost jobs.

The industry recognizes the need for improved inspections and oversight following the massive BP oil spill, American Petroleum Institute president Jack Gerard said. But doubling the fees is not appropriate, especially during a recession, he said.

"This is not the time to go back and impose additional costs on industry," Gerard said Tuesday in a conference call

with reporters.

The oil and gas industry contributes billions of dollars to the U.S. government in royalty payments, taxes and other fees, Gerard said, adding that government policies should encourage development of domestic energy while making sure it is safe.

The White House asked Congress late Monday to approve the higher inspection fees as part of a request for \$80 million in new spending for the agency that oversees offshore drilling.

The proposal would more than double the amount collected from oil and gas companies, to \$45 million next year from about \$20 million this year.

Dems Wary Of Leaving Rich Out Of Cuts

BY LAURIE KELLMAN AND ANDREW TAYLOR
Associated Press Writers

WASHINGTON — Congressional Democrats on Tuesday wrestled over whether to abandon President Barack Obama's tax cut plan, with some House moderates joining Republicans in calling for an extension of Bush-era breaks for the wealthy as well as middle-income earners.

But Senate Majority Leader Harry Reid of Nevada and House Speaker Nancy Pelosi remained solidly behind Obama's proposal to allow tax cuts for upper-income people to expire as scheduled at the end of the year. From lunchtime into the evening, the leaders met behind closed doors with members concerned that voters would punish Democrats on Election Day if tax cuts are extended for some Americans, but not all.

"We are in listening mode," said Rep. Chris Van Hollen of Maryland, chief of the House Democrats' campaign committee.

What they heard Tuesday on both sides of the Capitol indicated divisions among Democrats

that contrasted with strong unity among Republicans in supporting a full renewal of all tax cuts, regardless of income, despite a 10-year cost to the government of about \$700 billion above Obama's plan. Still, House Republican leader John Boehner said over the weekend he would vote to extend the relief for only middle-income Americans if that were the only option available.

Some House Democrats, particularly moderates facing difficult re-election battles in districts carried by GOP presidential nominee John McCain two years ago, agree with a proposal offered by Republicans for a short-term renewal of all of the Bush-era tax cuts.

"We look forward to working with you to extend all income tax rates," a small group of conservative-to-moderate House Democrats wrote in a draft letter to party leaders as lawmakers trickled back into town Tuesday from their summer break.

Democratic Reps. Jim Matheson of Utah, Melissa Bean of Illinois and Glenn Nye of Virginia were circulating the letter for more signatures Tuesday afternoon and were picking up support.

"Don't raise taxes in a recession," said Earl Pomeroy, D-N.D.

This was not the debate Democrats wanted as the midterm election season opened. The plan was to make an extension of the middle-class tax cut the party's closing argument — against Republicans, not each other — as voters began to focus on whether they trust Democrats to improve the ailing economy enough to reward them with control of Congress for another two years.

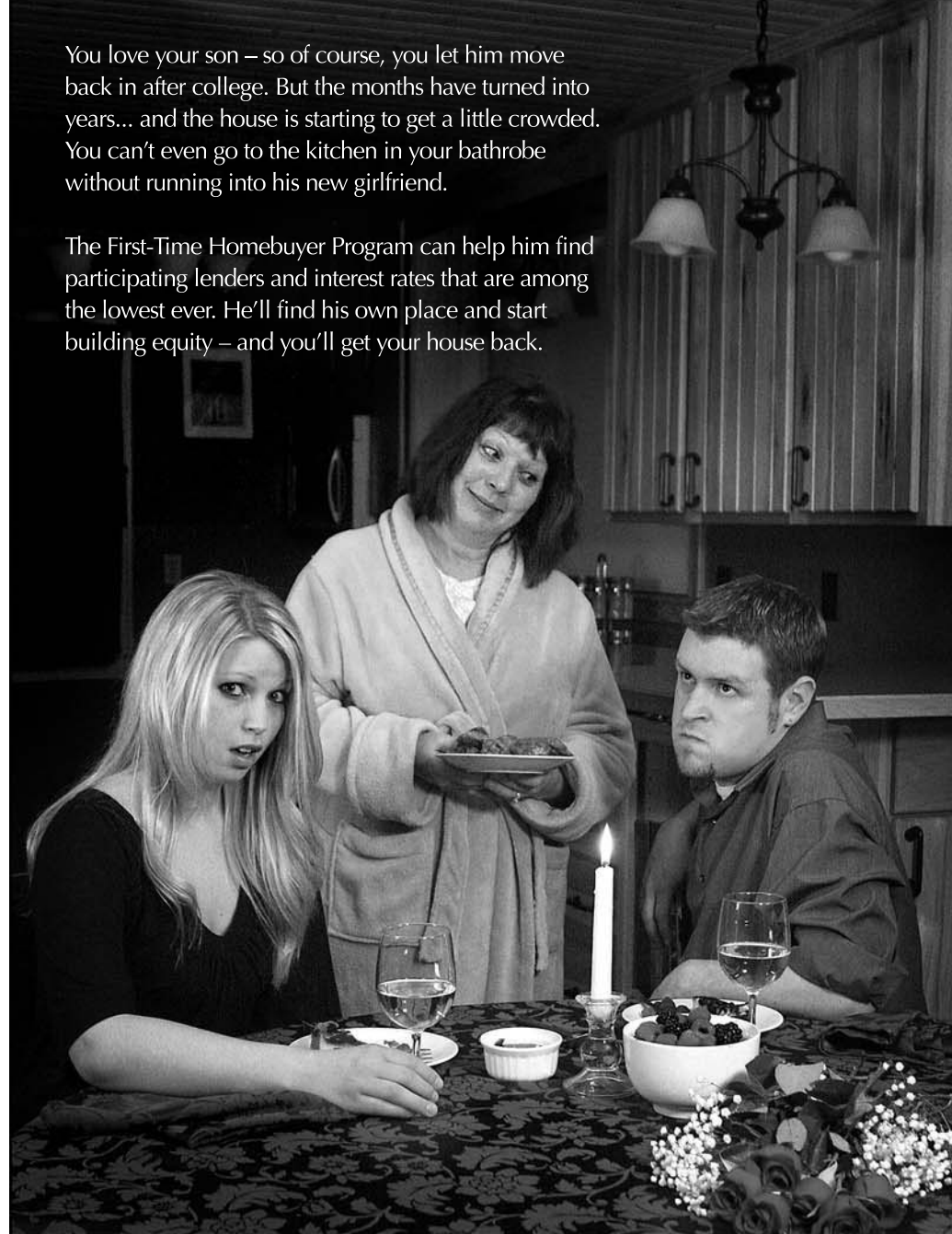
More broadly, some Democrats were nervous about casting a difficult vote on taxes before Election Day — in the wake of bruising votes on health care and global warming, among other matters. Some Democratic political professionals, however, think taxes are a good issue to define for voters the differences between the parties by casting Republicans as siding with wealthier people in the tax debate.

Still, some endangered lawmakers wanted to punt the issue until after the election, when Congress is all but certain to convene in a last-minute "lame duck" session.

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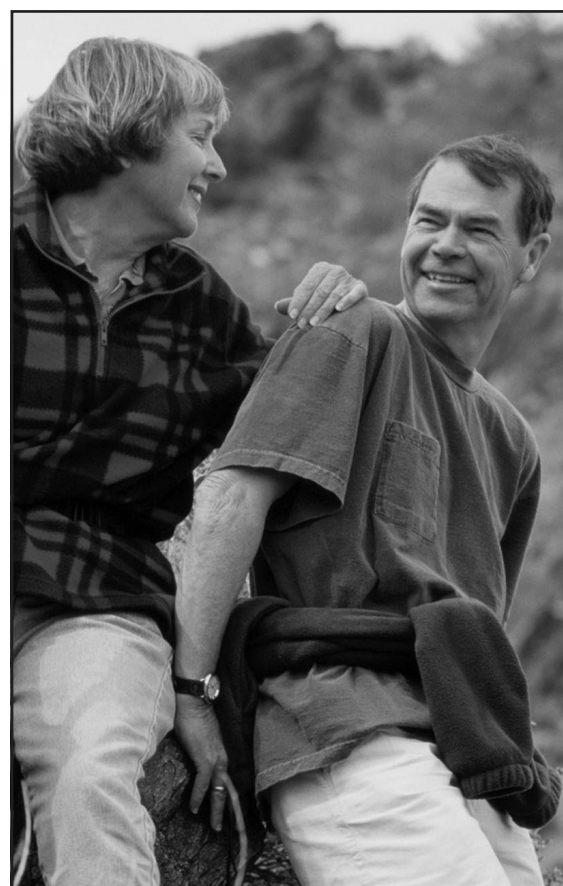
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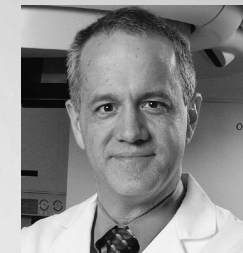
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