Silver Users Association

Washington Report

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Market Watch: *Silver Price*

2006 Comex Spot Settlement

Month	*High*	*Low*	*Avg.*
January	9.85	8.82	9.18
February	9.84	9.10	9.52
March	11.62	9.71	10.40
April	14.50	11.67	12.63
May	14.85	12.28	13.44
June	12.25	9.60	10.69
July	11.51	10.46	11.16
August	12.90	11.85	12.22
September	13.07	10.76	11.56
October	12.21	10.71	11.59
November	14.06	13.72	13.83
December	14.06	12.36	13.23

In This Issue:

This Month's Newsletter Sponsored by:

QML Metals & Logistics

Association News:

- SUA is pleased to announce that it has partnered with the International Precious Metals Institute at its June 9-12 conference in Miami. The SUA will be hosting a Silver Section at the conference. To learn more, please call Paul Miller at (703) 930-7790 or e-mail him at pmiller@mwcapitol.com
- *Press Releases:* Please send us your press releases and/or company announcements, so that we can include them in SUA's monthly newsletter.
- Web Site: Visit our web site at:: http://www.silverusersassociation.org
- ***SUA Board Votes to Cut 2007 Dues by $1,700.*** Contact Paul Miller for news on the new 2007 dues structure and how you can get involved. Paul can be reached at (703) 930-7790 or at pmiller@mwcapitol.com

Note:

- Please send us any updates to your company profile so that we can update our records and web site.
- If you are interested in sponsoring the newsletter, please e-mail Paul Miller today at pmiller@mwcapitol.com

Tiffany's Holiday Sales Increase 15%

New York, N.Y., January 10, 2007 – Tiffany & Co. (NYSE: TIF) today reported geographically broad-based sales growth in its holiday period from November 1 – December 31, 2006.

Net sales increased 15% to $818,087,000, due to strong growth in the U.S. and most international markets. On a constant-exchange-rate basis which excludes the effect of translating foreign-currency-denominated sales into U.S. dollars (see attached "Non-GAAP Measures" schedule), net sales rose 14% and worldwide comparable store sales increased 7%. These results are based on unaudited sales.

Sales by channel of distribution were as follows:

- U.S. Retail sales increased 12% to $432,430,000. Comparable store sales rose 8%, due to sales growth of 15% in Tiffany's New York flagship store and 7% in comparable branch stores, resulting from increases both in the number of transactions and in the average amount spent per transaction. Five new U.S. stores opened in 2006 also meaningfully contributed to sales growth.

- International Retail sales increased 18% to $283,549,000. On a constant-exchange-rate basis, sales rose 14% and comparable store sales rose 6%. Strong sales growth was achieved in most international markets, which more than offset a comparable store sales decline in Japan. Detailed sales results by geographical region are noted on the attached "Non-GAAP Measures" schedule.

- Direct Marketing sales rose 10% to $69,738,000, due to increases in both the number of orders and in the amounts spent per order.

- Other sales rose 51% to $32,370,000. The increase was largely due to increased wholesale sales of diamonds, as well as increased specialty retail sales in IRIDESSE and LITTLE SWITZERLAND stores.

Michael J. Kowalski, chairman and chief executive officer, said "We are delighted to report such strong overall sales growth for the holiday season which exceeded our expectations. We saw healthy sales increases in many product categories ranging from diamonds to silver jewelry. Based on these results and no meaningful change in sales or margin trends in the rest of the fiscal year ending January 31st, our full year expectation calls for 11-12% growth in earnings before income taxes and net earnings in a range of $1.82 - $1.85 per diluted share."

Mr. Kowalski added, "Based on the success of new stores and numerous opportunities, our plans for 2007 include accelerating the pace of TIFFANY & CO. store openings to 5-7 in the U.S. and 10 internationally. We will also introduce a wide range of new products. We are still engaged in our financial planning, but our preliminary expectation for 2007 calls for low-double-digit net sales growth and approximately 13-15% growth in earnings per diluted share. We will elaborate further when we report our full year 2006 results."

Next Scheduled Announcement

The Company intends to report its fourth quarter and full year results on March 26, 2007 with a conference call at 8:30 a.m. (EST) that day, to be broadcast at www.tiffany.com and www.streetevents.com. To receive future notifications of conference calls and news release alerts, please register at www.tiffany.com (click on "About Tiffany," "Shareholder Information," "Calendar of Events" and "News by E-Mail").

Company Description

Tiffany & Co. operates jewelry and specialty retail stores and manufactures products through its subsidiary corporations. Its principal subsidiary is Tiffany and Company. The Company operates TIFFANY & CO. retail stores and boutiques in the Americas, Asia-Pacific and Europe and engages in direct selling through Internet, catalog and business gift operations. Other operations include consolidated results from ventures operated under trademarks or tradenames other than TIFFANY & CO. For additional information, please visit www.tiffany.com or call our shareholder information line at 800-TIF-0110.

Senate Finance Approves Small-Business Tax Breaks

The Senate Finance Committee approved by voice vote Wednesday an $8.3 billion package of small business tax breaks that is likely to be attached to a House-passed minimum wage bill despite the objections of House Democratic leaders.

Finance Chairman Max Baucus, D-Mont., said he hoped the combined measure could go to the floor quickly, but that he had no commitment of floor time yet from Senate Majority Leader Harry Reid, D-Nev. Richard J. Durbin, D-Ill., said Wednesday that the Senate would turn to the minimum wage bill as soon as it completes work this week on an ethics and lobbying overhaul (S 1). The wage measure passed by the House (HR 2) would raise the hourly minimum wage to $7.25, from $5.15, over two years.

Baucus said the tax breaks were necessary to "create a minimum wage bill that can get more than 60 votes and pass the Senate." He has said that a clean minimum wage bill would face a filibuster that Democrats could not surmount. They control the Senate by a scant 51-49 margin. Charles E. Grassley of Iowa, ranking Republican on Finance, echoed that argument. "It's one thing to live in political and ideological fantasy land, and it's quite another to make law," Grassley said. No amendments were advanced during the markup. Republicans elected to hold their fire until the floor debate.

GOP critics such as Jim Bunning of Kentucky castigated as "Draconian" a proposed offset in the package that would raise $806 million over 10 years by capping the amount deferred compensation that can be set aside annually without being subject to immediate income tax at $1 million.

Republicans also criticized the measure for spending too much on a $3.6 billion proposal to extend for five years the work opportunity credit not enough on three provisions costing a total of $2.7 billion that would extend faster depreciation over 15 years of leasehold improvements and expand that benefit to include new restaurant buildings and improvements in retail stores owned by their operators.

Jon Kyl, R-Ariz., offered but then withdrew an amendment to extend the faster depreciation for leasehold improvements to 2010 at a cost of about $5.3 billion over 10 years and shorten the extension for the work opportunity tax credit to three years. Baucus said he would try to work out a compromise with Kyl later.

But Grassley warned Republicans not to push too hard for more tax breaks that would trigger Democratic offsets "that we might not want." "We ought to move this bill to the floor," Grassley said.

House Ways and Means Chairman Charles B. Rangel, D-N.Y., wants to keep the minimum wage bill free of tax cuts. The House has a new pay-as-you-go rule requiring offsets for the cost of any new tax cuts or entitlement spending. Rangel has vowed to raise a "blue-slip" objection if senators try to add tax breaks to the minimum wage bill, invoking the constitutional requirement that revenue measures originate in the House.

Typically, senators would avoid such an obstacle by using an unrelated House-passed tax bill to carry their version of the minimum wage and tax break package back to the House. But with no such bill available so early in the session, Rangel's threat could delay a final passage vote in the Senate.

Ames Goldsmith Sells Subsidiary, Ames Electro Materials Corp to Umicore.

Ames acquired part of the former Handy and Harmon operation at Fairfield, Ct, and at Pawtucket RI, 5 years ago, forming Ames Electro Materials Corp. (AEMC). Ames moved those operations, reestablishing them at Glens Falls, NY and at Cranston RI.

AEMC became a leading supplier of silver and silver alloy rod, wire, strip and atomized powders. Ames Goldsmith operates Plants in Glens Falls, NY, Charleston, W Va and at Kirkby U.K. The Company also operates a joint venture in Taiwan. Products include silver nitrate, silver oxide and electronic materials including silver powders, flakes and nanomaterials. The Company also refines EO catalyst and other silver bearing materials as Catalyst Refiners Inc.

Ames intends to concentrate on the development of its core products and particularly our growth in the electronic materials segment of our business. AEMC will benefit from consolidation into Umicore's Global operations and as Umicore Technical Materials North America, will become a stronger and technically more capable supplier with a greater diversity of products.

Ames thanks all our former customers for their loyalty and their business, we know that they will be served at least as well in the future by Umicore. Ames also wishes to thank all of the employees of AEMC for their dedicated service through the establishment of the Company and we wish everyone all good things going forward with the new Management.

Job Training, Employment Programs Take the Big Hits

President Bush is once again looking to overhaul and cut spending on federal job training programs as part of a reduced discretionary spending plan for the Department of Labor.

The administration has requested $10.6 billion in discretionary spending for the department — a 6 percent decrease from fiscal 2006, when spending was $11.3 billion, and a 3 percent decrease from the $10.9 billion Bush requested for fiscal 2007. A key target of the cuts are training and employment programs — core elements of the 1998 Workforce Investment Act (PL 105-220). Bush requested $4.3 billion for these programs, a 17 percent reduction from $5.2 billion in fiscal 2006.

However, the budget also points toward legislation the administration will propose again this year that would consolidate a handful of existing grant programs into so-called Career Advancement Accounts. That legislation would add another $745 million that is not accounted for in the budget. The plan would increase states' flexibility to administer the programs, require that a greater percentage of resources be directed to training services for workers instead of administrative overhead, and consolidate various programs into a single state grant.

“We have several different delivery systems that are very complicated . . . and they are not serving workers,” said Labor Secretary Elaine L. Chao on Monday during a department briefing. “They are providing the same duplicative services. I don't think we are serving workers well. I think we can do better.” Jane McDonald-Pines of the AFL-CIO said the program would cap grants that previously had no set limit. Chao said the grants would be capped at $6,000 over two years, or $3,000 a year. “At a time when the Bush administration is emphasizing the need for job training, the budget proposes almost a billion dollars in cuts,” said McDonald-Pines. “It's hard to reconcile the rhetoric with the reality.”

In the 109th Congress, the House and Senate passed different versions of legislation that would have enacted parts of Bush's plan but never cleared a final measure. With Democrats in control in the 110th Congress, the outlook for the proposal is even dimmer. Bush also proposed cutting spending on a program that provides part-time community service jobs for low-income adults 55 and older. He has proposed $350 million for these programs, down from $432 million in fiscal 2006.

The spending cuts were proposed as the department's overall budget would increase by nearly 10 percent. The $50.4 billion request — combining mandatory and discretionary spending — for the Labor Department is $4.5 billion more than fiscal 2006, and 8 percent more than Bush's 2007 request of $46.7 billion. Mandatory spending in the Labor Department is predominantly for unemployment insurance benefits. The estimate for fiscal 2008 is $34.2 billion, up from $31.2 billion in fiscal 2006. The Labor Department budget includes $313 million for the Mine Safety and Health Administration, up $10 million over fiscal 2006. Congress cleared the first significant overhaul (PL 109-236) of mine safety laws in nearly three decades last year in response to several fatal coal mine accidents.

Bush Budget Trims Domestic Programs, Seeks $245 Billion for War

President Bush's $2.9 trillion budget proposal for fiscal 2008 squeezes Medicare and other domestic spending programs in favor of tax cuts and soaring military spending. Showing little conciliation toward the Democrats who have taken over Congress, the budget released Monday proposes significant policy changes to restrain Medicare and Medicaid and includes a near-freeze in domestic discretionary programs as part of a plan to balance the budget by fiscal 2012.

War costs would continue to mount, with Bush seeking an additional $245 billion in emergency spending for fiscal 2008 and the remainder of fiscal 2007. And the regular budget for the Department of Defense would climb by 11 percent to $481.4 billion. The budget proposal includes $929.8 billion in discretionary spending, up $57 billion or 6.5 percent, not including war costs. All but $3.6 billion of the increase would be funneled to security-related spending, leaving a 1 percent increase for domestic accounts. That is well below the anticipated rate of inflation, resulting in a decrease in "real" spending. The budget assumes a 3 percent pay raise for military and civilian personnel.

The proposal includes an ambitious attempt to slow spending on entitlement programs, with Medicare the principal target. The president's budget would slice a net $95.9 billion from entitlement spending over the next five years, and $309 billion over 10 years. Medicare savings alone account for $66 billion over five years and $252.4 billion over a decade. Much of the proposed savings would come from cuts in payments to hospitals and other providers, but some would come from charging higher monthly premiums to wealthier beneficiaries. Medicare would still grow at 6.7 percent over the next decade, instead of 7.4 percent, White House budget director Rob Portman said. The administration said its proposed Medicare changes would reduce the 75-year deficit in the program by $8 trillion.

The budget also includes an off-budget placeholder for Social Security private accounts, considered dead by Democrats, starting in 2012. The entitlement savings, however, would be dwarfed by the cost of extending Bush's tax cuts, most of which are set to expire in 2010. Extending the 2001 and 2003 tax cuts would cost $373.9 billion over five years and $1.62 trillion over a decade.

Additional tax cuts and extensions, including a one-year "patch" to blunt the effects of the alternative minimum tax (AMT), would cost $225 billion over five years and $237.3 billion over a decade. The president's plan also assumes enactment of a number of initiatives that were rejected by the GOP Congress in past sessions and seem to have no chance now that Democrats control both chambers. The budget, for example, assumes that Congress will allow oil drilling in the Arctic National Wildlife Refuge and will endorse new or higher fees for veterans' health care.

The budget faced a chilly reception from Democrats on Capitol Hill. Senate Majority Leader Harry Reid of Nevada ripped the budget. "Despite the historic fiscal failures of the past six years, President Bush's budget proposes more of the same. ...The president insists on spending billions on $150,000 tax breaks for multi-millionaires at the expense of the middle class. His budget hands out favors for the oil and gas industry while eroding health coverage for children and seniors."

Senate Budget Committee Chairman Kent Conrad, D-N.D., said the budget "is filled with debt and deception, disconnected from reality and continues to move America in the wrong direction." Despite Bush's professed goal of balancing the federal budget by 2012, Conrad pointed out that his budget does not fully take into account war costs beyond fiscal 2008. Nor does it account for modifications to the AMT beyond 2007. The budget, he said, also assumes deep cuts in domestic discretionary programs beyond 2008 but does not specify where they are to occur.

Conversely, the ranking Republican on the House Budget Committee, Paul D. Ryan of Wisconsin, said the budget proposal represented a solid start to debating the fiscal 2008 budget. “I fully support the president’s goal of balancing the budget — without raising taxes — by supporting continued economic growth and job creation, and by further restraining federal spending,” Ryan said. Portman, director of the White House Office of Management and Budget, noted that this is the first time Bush has included a full-year estimate for war costs. “This is our good faith effort to be as transparent as possible,” he said. The president also assumed $50 billion in war costs as a placeholder for fiscal 2009.

Democrats have promised to put forward their own budget plan that would balance the budget by 2012, but their proposal will almost certainly assume that some of Bush’s tax cuts would not be extended beyond 2010, when most are scheduled to expire. Senate Finance Chairman Max Baucus, D-Mont., said he supports extensions of some of the tax cuts — primarily those that help lower- and middle-income taxpayers — and modifications to the AMT. Bush’s budget assumes that tens of millions of additional taxpayers will face the AMT, although Portman said Bush supports changes to the AMT as part of a “revenue neutral” tax overhaul. The administration has repeatedly said it backs revenue- neutral AMT relief but has not proposed any way to offset the $1 trillion cost of modifying the AMT over the next decade.

Baucus praised Bush’s proposals to invest in renewable energy and said the Finance Committee would address the ones within its jurisdiction. He also said he intended to look for savings in Medicare and Medicaid that would not harm recipients. But he cautioned that the problems facing the twin entitlement programs lie beyond their boundaries. “To truly address Medicare and Medicaid’s long-term fiscal health, we must recognize that the programs are not the main problem – spiraling health care costs are,” Baucus said. Baucus also said Bush’s budget does damage to programs designed to provide health coverage to children.

“We should go much further than this budget does to keep kids healthy, to get a handle on health care costs, to increase our economic competitiveness, and to make sure that unpaid taxes are collected to fund America’s priorities,” Baucus said. House Budget Chairman John M. Spratt Jr., D-S.C., complained that Bush found fiscal room to extend his tax cuts by slicing spending on domestic needs. “In the name of balancing the budget by 2012, he hits domestic priorities such as health care, education, and the environment,” Spratt said.

The proposed budget assumes a $244 billion deficit in fiscal 2007, down from $248 billion in fiscal 2006. The red ink is projected to diminish each year before turning into a $61 billion surplus in fiscal 2012. In addition to the entitlement program cuts, the president’s budget assumes annual discretionary spending caps that would require significant cuts in future years. From fiscal 2007 to fiscal 2012, total spending would be allowed to rise 15 percent. Security-related spending would increase by 23 percent over five years, but non-security spending would rise just 5 percent, far less than the anticipated rate of inflation.

Bush’s budget also assumes the elimination or reduction of 141 discretionary spending programs, saving $12 billion. A list of the programs is to be released separately later this week. Congress has yet to wrap up the fiscal 2007 appropriations process after the GOP-led Congress last year failed to finish nine of 11 spending bills. Much of the government is operating under a continuing resolution (PL 109-38) that expires Feb. 15. A $463.5 billion Democrat-crafted continuing resolution (H J Res 20) funding the government for the remainder of the fiscal year passed the House Jan. 31 and is awaiting Senate action. It includes billions of dollars in adjustments to boost spending for domestic and veterans programs under an $872.8 billion overall discretionary spending cap. Those adjustments are not reflected in the president’s budget.

PMA 2007 Silver Recovery Vendors List

The updated silver recovery vendor listing is now available for download and viewing on the PMA environmental website **http://www.pmai.org/environ/_toc_guidance.htm**. The listing provides an easy-to- reference list of the services that each company offers and updated contact information.

Take some time to look over the list, review your current silver recovery system and develop a list of questions that you will want to ask while you visit many of these companies at PMA 07 in Las Vegas. If you don't want to wait that long, simply pick up the phone and give a couple of them a call to discuss your current silver recovery situation. With silver staying at $12 an ounce or more, it is literally money down the drain if you are not getting the most out of your silver recovery system.

House Democrats May Advance Small-Business Tax Breaks Bill

House Ways and Means Chairman Charles B. Rangel has begun talks with other Democrats in both chambers about the possibility of advancing a House measure containing small-business tax breaks, according to a senior House Democrat.

John Tanner, D-Tenn., a leader of the moderate Blue Dog Coalition and a senior member of the Ways and Means panel, said Rangel, D-N.Y., had told him he was open to the idea of advancing a bill containing small business tax breaks, and softening his insistence on sending President Bush a measure similar to the House-passed proposal (HR 2) to raised the minimum wage by $2.10 over two years to $7.25.

House Democratic leaders, led by Rangel, have repeatedly pushed the Senate to pass a bill without an accompanying $8.3 billion package of small-business tax breaks, which would force Senate Republicans into a tough vote on a stand-alone minimum wage increase. Senate Democratic leaders have said they needed the small-business tax breaks to get the wage increase through their chamber. The minimum wage increase is a priority for the new Democratic leadership in Congress, and was part of House Speaker Nancy's Pelosi's, D-Calif., "first 100 hours" legislative agenda.

Senate Finance Chairman Max Baucus, D-Mont., said he had talked with Rangel, but would not discuss details. He said no deal had been reached on how to complete the stalled Senate-passed version of the minimum wage bill, which includes the small-business tax breaks. A senior House Democratic aide said Rangel had floated the idea of a House small-business tax package this week. Rangel said last month that such tax breaks were not on the Ways and Means Committee's agenda but he has been under pressure from House Democrats to develop a small business tax bill to help resolve the stalemate between House and Senate Democrats, and to clear a minimum wage increase for President Bush's signature.

Tanner said no details had been worked out about what would be contained in a small-business tax package but it would likely serve as a new vehicle for the Senate-passed version of the minimum wage bill. "He's talked to Baucus," Tanner said of Rangel. "And we're talking. We're trying to put a small-business tax package together. It's going to be sooner rather than later, but we have not set a time for a markup yet."

Meanwhile, House GOP tax writers said they had been advised to expect a Ways and Means Committee markup of a small-business tax package next week. "We're expecting a markup next week of a bill that will contain small business tax breaks," said Rep. Dave Camp, R-Mich. "This is a positive development." Tanner said the House small-business bill would not contain another version of the proposal to raise the minimum wage, but would have provisions related to low-income workers. "It would not have a direct connection to the minimum wage," Tanner said. "If the Senate can't get 60 votes to pass a clean minimum wage, we've got to do something. The current situation not only hamstrings the Senate, it hamstrings the House, too."

Tanner had urged Rangel to advance a small-business tax package during the House Democrats retreat at Williamsburg, Va. Sen. Charles E. Grassley of Iowa, the ranking Republican on the Senate Finance Committee, said a deal could be cut quickly, if Rangel agreed to merge the minimum wage increase with some small business tax breaks. "We can preconference something and we can get something to the president within a week," Grassley said. Baucus said he hoped Rangel would move quickly on a House small-business tax bill. "I hope it will not be protracted," he said. "It could be a good vehicle."

House Financial Services to Consider Overhaul of Review Process for Foreign Investments

The House Financial Services Committee will consider legislation next week to revamp the government's process for reviewing foreign investments in the United States. The markup is slated for Feb. 13. Chairman Barney Frank, D-Mass., said Wednesday that he expects the bill (HR 556) to come to the House floor quickly.

The push to overhaul the review process started last year after the interagency Committee on Foreign Investment in the United States (CFIUS) approved the sale of a company that runs operations at several U.S. ports to DP World. That company is controlled by the United Arab Emirates.

Both chambers passed measures last July, but the legislation then stalled. Lawmakers were unable to agree on the balance between protecting security interests and maintaining an open climate for foreign investment. In its current form, the House bill contains the exact language passed last year. It is sponsored by Rep. Carolyn B. Maloney, D-N.Y., and has 35 cosponsors. But panel members are considering amendments, Frank said during a hearing on the legislation.

Speaking for CFIUS at the hearing, Clay Lowery, Treasury's assistant secretary for international affairs, raised several specific concerns with the bill that could provide fodder for amendments. Overall, he said, the administration supports the House bill as a necessary and balanced approach to the issue. "DP World was a problem," and CFIUS agencies were not happy with the way it was handled, he told lawmakers. Treasury and other member agencies have made internal changes in response, but legislation would help restore public confidence in the process, Lowery said. While the administration supports the spirit of the House bill, there are specific tweaks the agencies would like to see — requests made the last time around as well.

The House bill would require either the Treasury secretary or deputy secretary to certify the panel's recommendation at the close of an investigation. Lowery said the administration would prefer to have that authority broadened to include all Senate-confirmed Treasury officials so the top two executives are not burdened with routine approvals. They are fully informed of all transactions, Lowery said. The administration supports requiring their approval for cases that go to the second-stage, 45-day investigation. He also criticized the bill's requirement for a mandatory 45-day investigation for all acquisitions involving foreign governments.

Last year, lawmakers criticized CFIUS for approving the DP World deal within the standard 30-day review period, without requiring the more extensive second-stage look. Lowery praised the bill for seeking to formalize the role of the Director of National Intelligence in the CFIUS process, but said he is concerned that allowing the director to trigger a second-stage review, as the bill would permit, gives the intelligence community a policy role it shouldn't have. The administration believes the intelligence community should provide information only, he said.

Last year's uproar over the DP World has the business community worried that foreign investors will think twice before investing in the United States. It's a view Frank shares and that appears to be motivating the swift action on the House side. "The notion that your investment is going to have to sit and become a political football before some congressional committee . . . is unlikely to encourage you to invest here," Frank said, speaking about Congress' role in the process. "We do not want to interfere in that process." In the DP World case, congressional reaction effectively scuttled the deal.

Sen. Christopher J. Dodd, D-Conn., chairman of the Senate Banking, Housing and Urban Affairs Committee, has said the issue is a priority for him as well, but so far there's been no action in the Senate.

Budget Critics Now; in Hot Seat Soon

After complaining that President Bush's budget relies on unrealistic assumptions and calls for unacceptable cuts, Democrats now must wrangle among themselves over how to write an alternative plan to eliminate the deficit by 2012. With House Majority Leader Steny H. Hoyer, D-Md., calling for a House Budget Committee markup of a fiscal 2008 budget resolution the week of March 12 and floor consideration the following week, Democratic leaders have little time to settle many contentious fiscal issues.

"That's obviously a lot of work for the Budget Committee in the next five or six weeks, but that is what our hope is," Hoyer said Tuesday. Hoyer has acknowledged that adopting a budget resolution will be one of the most critical tests for the new Democratic majority in Congress. "This is a long baseball season, and the opening pitch was thrown just yesterday," said Thomas Kahn, Democratic staff director of the House Budget panel, noting that Democrats are still digging through the president's proposal, released Feb. 5.

"Our budget will be more fiscally responsible than the president's, and we will reject the deep cuts to critical services like [home heating assistance], education, veterans' health care, and the environment to pay for nearly $2 trillion in tax cuts," Kahn said. He added that the Democratic budget, unlike Bush's, will comply with new pay-as-you-go budget rules, which require offsets for tax cuts and new entitlement spending. Democrats criticized Bush's $2.9 trillion fiscal 2008 budget plan for failing to account for long-term war costs and assuming overly optimistic revenue.

But charting a course to a balanced budget without resorting to their own gimmicks will require Democratic leaders to bridge the differences between their party's deficit hawks, who want spending restraint, and liberals who would prefer to balance the budget with tax increases.

Issues Democrats must wrestle with over the next month include:

• Whether to accept Bush's proposed $929.8 billion fiscal 2008 discretionary spending cap. Although that is up $57 billion from fiscal 2007, not including war spending, nearly all of the additional funds would be swallowed up by the Defense Department and other security spending.

Liberal Democrats likely will be tempted to increase the cap to find more room for domestic spending, provoking a showdown with Bush, who in the past has threatened to veto spending bills that breach his spending limits.

• How to account for long-term modifications to the alternative minimum tax (AMT). Democrats criticized the president's budget for failing to account for AMT costs beyond a one-year "patch" in 2007, but they have not developed their own plan for offsetting the cost of changing the AMT.

• How to deal with the expiration of Bush's 2001 and 2003 tax cuts (PL 107-16, PL 108-27). Democrats have supported extending some of the tax breaks, most of which are set to expire in 2010, but will almost certainly assume that many of these tax cuts will expire. That could leave Democrats open to criticism from Republicans that they are effectively raising taxes.

Democratic budget proposals written while the party was in the minority provided room to extend only a fraction of the tax cuts. Meanwhile, if House Democrats assume that some tax cuts are extended, they will violate the pay-as-you-go budget rules they just enacted unless they find offsetting tax increases or spending cuts.

• Whether to include entitlement savings and reconciliation instructions that would protect such a package from a Senate filibuster. Democratic fiscal conservatives have called for slowing the growth of Medicare and other entitlement programs to help eliminate the deficit, but liberals want such savings to be plowed back into benefits.

• Whether to support the costs of the president's military buildup. Although the budget resolution does not technically allocate spending under the discretionary cap — a task left to appropriators — the Democrats' long-term budget figures will suggest broad spending levels for defense and domestic programs. Liberals have complained about military spending crowding out domestic programs, but Democratic leaders have been reluctant to call for cuts to defense spending — lest they be viewed as failing to show support for the troops.

• Whether to adopt tough new spending controls that would go beyond the current discretionary spending caps imposed by adoption of a congressional budget resolution. Democrats including Senate Budget Chairman Kent Conrad of North Dakota back such caps, but getting the support of the full caucus could be difficult.

Judd Gregg of New Hampshire, the ranking Republican on the Senate Budget Committee, has repeatedly offered to Conrad to craft a "fusion" budget that would find a bipartisan middle ground, but said he's not expecting that to happen. "To satisfy his side, he's going to dramatically increase spending, dramatically increase taxes," Gregg said of Conrad.

The Democrats' relatively slim majority in the House and exceedingly slim majority in the Senate will complicate adoption of a budget resolution. Last year, Republicans — with a similar House majority but a wider Senate majority than the Democrats enjoy now— were unable to agree on a budget. Democrats avoided detailed talk of their own budget plans Tuesday, instead criticizing the president's proposal.

"We're concerned that you overestimate the revenue and understate the costs, particularly the war costs," House Budget Chairman John M. Spratt Jr., D-S.C., told Rob Portman, director of the White House Office of Management and Budget (OMB), at a committee hearing. Bush's budget assumes only $50 billion in war costs in fiscal 2009, and none thereafter. Spratt noted that the administration's revenue assumptions are $155 billion larger than those of the nonpartisan Congressional Budget Office (CBO). Portman contended that the CBO's projections are below those of many private economists.

Portman said he hoped to work across party lines to reach deals on a tax overhaul as well as on slowing the growth of entitlement spending. "We believe everything should be on the table," he said. "No preconditions. . . . Maybe I'm naive. I'm more hopeful than most." Democrats, meanwhile, decried cuts to education spending and other programs in Bush's budget proposal, and what they termed budgetary gimmicks. "I'm worried when you start spreading happy talk," said Rep. Jim Cooper of Tennessee, a conservative "Blue Dog" Democrat, who accused the administration of using "every trick in the OMB book" to show a balanced budget in 2012. "You sap Congress' will to deal with the problem."

Silver Users Association Petitions U.S. Mint for Exemption

On December 30, 2006 the Secretary of the Treasury issued an Interim Rule effective immediately prohibiting the exportation, melting, and treatment of 5-cent and one-cent coins.

According to the Secretary has determined that, to protect the coinage of the United States, it is necessary to generally prohibit the exportation, melting, or treatment of 5-cent and one-cent coins minted and issued by the United States. The Secretary has made this determination because the values of the metal contents of 5-cent and one-cent coins are in excess of their respective face values, raising the likelihood that these coins will be the subject of recycling and speculation.

In fact, the Department has received anecdotal reports suggesting that this activity may already be occurring. The prohibitions contained in this interim rule apply only to 5-cent and one-cent coins.

Exceptions to the Interim Rule include:

(1) The exportation in any one shipment of 5-cent coins and one-cent coins having an aggregate face value of not more than $100 that are to be legitimately used as money or for numismatic purposes. Nothing in this paragraph shall be construed to authorize export for the purpose of sale or resale of coins for melting or treatment by any person.

(2) The exportation of 5-cent coins and one-cent coins having an aggregate face value amount of not more than $5 carried on an individual, or in the personal effects of an individual, departing from a place subject to the jurisdiction of the United States.

> (b) The prohibition contained in § 82.1 against the treatment of 5-cent coins and one-cent coins shall not apply to the treatment of these coins for educational, amusement, novelty, jewelry, and similar purposes as long as the volumes treated and the nature of the treatment makes it clear that such treatment is not intended as a means by which to profit solely from the value of the metal content of the coins.
>
> (c)(1) The prohibition shall not apply to coins exported, melted, or treated under a written license issued by the Secretary of the Treasury (or designee).

The SUA is concerned that this Interim Rule has unintended consequences and has asked the Secretary for either an exemption to the Rule or has asked that the Interim Rule be discontinued on its expiration date of April 2007. The SUA is concerned that the Rule is very broad and prohibits the recycling and melting of coins not widely circulated. In our case we are referring to the 1942 War Nickels, which are used more for collecting than currency, but fall under the current prohibition. Other coins like the silver half-dollar and quarters fall into this category as well. If the concern is that 5-cent and one-cent coins in circulation are ripe for melting and recycling, it is our hope that the Secretary will issue an exemption for coins not widely circulated like the 1940’s War Nickels, silver half-dollar and quarters.

The SUA believes that the intent of the Rule was not to cover coins not widely circulated, but was to protect those 5-cent and one-cent coins widely used by the public for currency.

For a copy of the Interim Rule please call SUA headquarters at (703) 930-7790.