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THIS WEEK IN WASHINGTON

Week of Septemeber 18, 2017



This Week in Washington

Thanks for your continued interest in Washington, D.C., and for reading *This Week in Washington*.

The cover story this week is an article on the outlook for an infrastructure bill. It's written by [Mike Joyce](#), a new partner at Total Spectrum. Mike was most recently the Senior Vice President and Chief of Government Affairs for the American Trucking Association, and worked previously as a chief of staff or legislative director for three congressmen who served either on the Transportation and Infrastructure or the Ways and Means Committees.

[Larry Smith](#) provides an update on trade and NAFTA renegotiation. Jake Ostenso reports on regulatory changes in Agency Watch. [Steve Gordon](#) returns with a very timely update on healthcare reform and the pending tax reform work in *Heard on the Hill*, and [Dana Marston](#) takes a look at global corporate tax rates and this week's schedule on Capitol Hill. We always welcome your comments and suggestions. Please stay in touch and thanks again for reading *This Week*.

Heard on the Hill

By [Steve Gordon](#), Managing Director, Total Spectrum

Republicans left Washington in August feeling dejected after failing to pass healthcare. They came back to Washington after Labor Day knowing that their list of pressing items is as long as their arm.

It's clearly not the same Washington they left – because the President has changed his approach and the political environment. He reached out to Democratic leadership to

ICYMI: Arizona Issues in the News

[Arizona Gov. Doug Ducey gives his support to latest 'Obamacare' repeal effort](#)

[Arizona Supreme Court Says Gays Get Equal Parental Rights](#)

[Arizona agency to test child care facilities' water for lead](#)

[NAFTA talks high stakes for Arizona's economy](#)

Where the U.S. Ranks in Global Corporate Taxes

Click on the image below to see where the U.S. Ranks in Global Corporate Taxes.





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handling DACA and getting additional border security. Progressives objected to Minority Leader Schumer and Minority Leader Pelosi dealing with the President, while Majority Leader McConnell, Speaker Ryan, and several members of the President's team objected to not only the debt ceiling deal – but also not being consulted in the process.

The President clearly wants to change the way he deals with Congress, and maybe even will moderate his style. President Trump's primary goal is to achieve legislative wins for his agenda, and he clearly likes the positive response he received from the press from his outreach to Democratic leaders.

[Read more.](#)

Trade/NAFTA Update

By [Larry Smith](#), President Legislative Strategies Inc and Strategic Consultant to Total Spectrum

NAFTA

Round #3 of the NAFTA talks will take place in Ottawa, Canada from September 22-27. This is expected to be the toughest session to date. Big on the list of issues is ISDS, the investor-state dispute settlement mechanism (Chapter 11). The sticking point with the current process is the length of time it takes for any resolution. Originally proposed by the United States back when NAFTA was created, the Trump Administration wants major revisions to the pertinent chapter in NAFTA 2.0. Canada is willing to make some modifications but Mexico generally seems opposed. Some democrats are saying that they will vote against the agreement if ISDS isn't dropped altogether while major U.S. business groups are saying that they will oppose the agreement if it is dropped. Threading the needle on this one isn't going to be easy for any of the parties involved.

U.S pork producers are sounding the alarm that they fear their tariff-free status will be threatened by Mexico if the U.S. places restrictions on Mexican produce coming into the U. S. In our last report we mentioned the whole issue of U.S. vs. Mexican produce, and we are beginning to see some fallout among other U.S. agricultural entities as they see the potential that their exports to Mexico could be complicated by revisions in the NAFTA agreement.

[Read more.](#)

The Outlook for Infrastructure

By [Mike Joyce](#), Partner, Total Spectrum

In the hyper-political rhetoric of Washington, D.C., one word tends to cut through political sensitivities and bring people together. That word is “infrastructure.” Although not talked about as publicly during the last several Administrations, it is recognized as a path forward to endear elected officials to voters, and certainly a good way to create good-paying jobs while creating lasting investments, enabling our nation to compete in the global marketplace, getting our goods to market.

To his credit, President Trump has owned the word infrastructure since early in his presidential campaign. And since coming into office, the President has put his staff to work, trying to come up with a plan to invest as much as \$1

On the calendar this week
(All Times ET)

COMMITTEE HEARINGS AND MARKUPS:

Tuesday

9:30 a.m.
Senate Armed Services [hearing](#) on recent Navy incidents at sea, including deadly collisions. Navy Secretary **Richard Spencer** and Chief of Naval Operations Adm. **John Richardson** will testify

9:30 a.m.
Senate Agriculture [hearing](#) on **Stephen Censky's** nomination to be deputy Agriculture secretary and **Ted McKinney's** nomination to be undersecretary for trade and foreign agricultural affairs.

10 a.m.
Senate Finance [hearing](#) on business tax reform. The Tax Foundation's **Scott Hodge**, the Tax Policy Center's **Donald Marron**, **Troy Lewis** of the American Institute of CPAs and the Real Estate Roundtable's **Jeffrey DeBoer** will testify.

10 a.m.
Senate Energy and Natural Resources [hearing](#) on S. 1460, a broad energy package, and H.R. 1873, which would make it easier to remove trees and other vegetation near electric equipment on federal lands.

10 a.m.
Senate HELP [hearing](#) on three nominations: **Carlos Muniz** to be the Education Department's general counsel, as well as **Janet Dhillon** and **Daniel Gade** to be a members of the Equal Employment Opportunity Commission.

10:30 a.m.
Senate Commerce [hearing](#) on S. 1693. The bill would create new legal liability for internet companies whose sites knowingly facilitate sex trafficking and other crimes through content hosted on their platforms.

Wednesday

10 a.m.
Senate Environment and Public Works [hearing](#) on five nominations: **Michael Dourson** to be EPA's assistant administrator for Chemical Safety and Pollution Prevention; **David Ross** to run the Office of Water; **Bill Wehrum** to head EPA's Office of Air and Radiation; **Matthew Leopold** to be general counsel; and **Jeffery**



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and bridges – think ports, airports, water and wastewater infrastructure, rail, mass transit, and even broadband internet for underserved areas of the country. Additionally, his ideas would build around using not only federal funds, but leveraging private-sector resources to get to the \$1 trillion investment.

2:30 p.m.
Senate Homeland Security
subcommittee [hearing](#) on end-of-
year spending.

So, you might ask, where is the Administration's, and for that matter Congress', in-depth infrastructure investment proposal in the "to do" pipeline of Washington, D.C.? And I would tell you, it's coming, maybe not soon enough for most, but it's "in-process," as they say.

[Read more](#)

Agency Update

By Jake Ostenso, Total Spectrum

Obamacare Cuts

The Department of Health and Human Services announced that it will be reducing funding to ACA grassroots organizations known as navigators by as much as 92%. This cut was expected and comes two weeks after the Trump administration announced that it would cut overall program funding by 41%. Those who support funding navigators say that they play a crucial role in signing people up for healthcare. However the Trump administration cites that despite spending \$62.5 million on the program last year, the navigator organizations signed up less than 1% of total enrollees.

[Read more.](#)

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Heard on the Hill, continued.

The first issue the Senate may deal with is the last one they attempted in July – healthcare – repealing and replacing Obamacare. The last date for dealing with Obamacare under reconciliation – requiring only a simple majority -- is September 30th.

Trade, continued.

Commerce Secretary Wilbur Ross suggested that any revised NAFTA agreement should have a five-year sunset provision. Mexico and Canada immediately came out against the idea and key members of Congress have also said they thought it was a bad idea, especially since it would create uncertainty among industrial and agricultural markets. Ontario Premier



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Graham (R-SC) have teamed up with Senators Dean Heller (R-NV) and Ron Johnson (R-WI) on a bill that would award individual states with block grants to fashion their own health care system. Senator Cassidy claims to have about 48 or 49 votes, although there is some softness in the support. Senator Rand Paul (R-KY) is a hard no, Utah's Senator Mike Lee is leaning yes. Senator Collins of Maine is undecided, as is Senator Lisa Murkowski from Alaska. The margin is slim.

Though Senator McCain continues to object to the way this bill has been developed, Governor Ducey has endorsed it, and Chairman Hatch has scheduled a Finance Committee hearing to deal with the process questions that have been raised.

The Senate will not have a full score from the Congressional Budget Office before they vote, but they will have trend lines. President Trump has endorsed the bill as has Leader McConnell. The Majority Leader is going to schedule a vote on this bill for sometime next week. While he does not yet have the votes to pass it, Majority Leader McConnell is unlikely to put the bill on the floor unless he sees where the votes are. There's very little education in the second kick of the mule.

There has been a second track on health care reform and an internal tug-of-war between Senator Lamar Alexander (R-TN), Chairman of the Health, Education, Labor and Pensions (HELP) Committee, and Senator Orrin Hatch (R-UT), Chairman of the Finance Committee. Both committees have some jurisdiction on health care: the HELP Committee oversees insurance and the individual markets including the Obamacare exchanges, while the Finance Committee oversees Medicare and Medicaid, as well as money issues in Obamacare.

Chairman Alexander and Senator Patty Murray, who serves as the HELP Committee's ranking member, want to protect Americans from collapsing health care markets. Chairman Hatch wants structural changes to Obamacare before providing support – and both he and Senator Ron Wyden, the Senate Finance Committee's ranking Democrat, object to the HELP Committee's intrusion.

Chairman Hatch told me he thought he would prevail, and he has. Tuesday evening Chairman Alexander pulled his proposal from consideration.

The second major focus in Congress is tax reform/tax reduction. Chairman Hatch has started hearings, and told us last week that he expects a markup in the Finance Committee by October 31st.

the deal; it would entrench such uncertainty that it would be a real problem." David MacNaughton, Canada's Ambassador to the United States, probably gave the best comment in describing why NAFTA shouldn't have a sunset provision when he said, "if every marriage had a five-year sunset clause, I think our divorce rate would be a heck of a lot higher than it is right now."

Even U.S Trade Representative Lighthizer, when given an opportunity to comment on Secretary Ross's sunset provision at a public forum in Washington, declined to do so. If the Secretary meant for this idea to be a trial balloon, it barely got off the ground before it was deflated.

Round #4 of negotiations is slated to be held in Washington, D.C. October 11-15. Ambassador Lighthizer has begun to suggest that maybe the negotiations will not reach a successful conclusion by year's end, but this might be more of an effort to manage expectations with so many unresolved issues still requiring discussion.

KORUS

Since Labor Day weekend, the South Korea-U.S. Free Trade Agreement has garnered a lot of attention once word leaked out of the White House that the President was considering cancelling the agreement. One source said that the President "genuinely dislikes" the agreement and thinks it is unfair to the American worker. But given all of the national security concerns on the Korean peninsula, many observers felt that if the United States were to terminate its trade agreement with South Korea, it couldn't come at a worse time. Chief National Security Advisor H. R. McMaster and White House Chief of Staff John Kelly are being given credit for prevailing on the President to leave the South Korea trade agreement intact. In short, national security trumped the trade concerns in this given instance.

To put things in perspective, however, this [chart](#) provides information on the present trade imbalance between the United States and South Korea and the rate it has expanded since the agreement was signed five years ago. This is the information that White House Trade Advisor Peter Navarro used to make his case that the trade agreement should be terminated. It was only because of national security grounds that he lost the argument. While this issue has been put aside for now, we wouldn't be surprised to see it re-emerge as a hot topic especially if the North Korean situation is ever resolved peacefully. In the meantime, U.S. Trade Representative Lighthizer has suggested that perhaps the trade agreement can be modified and has



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There is some progress, and some things are not yet clear. Two key members of the Senate Budget Committee – Senators Corker and Toomey – have agreed to the size of the tax reduction and expect to have a budget bill on the floor in the very near future. The principles for the tax reform effort have not been completed, and there are a number of senators who would be fine with a temporary tax reduction (ten years) that is not revenue neutral.

Some people still hold out hope for major tax reduction, and some folks expect a ‘skinny’ reform bill – a ‘dates and rates’ effort. Still others, like Idaho’s Senator Crapo, want the biggest reduction possible for the most simulative impact on the economy.

One thing is certain. The President wants a bill to sign. Organizations like the U.S. Chamber of Commerce, the National Association of Manufacturers, and the Business Roundtable have begun an education and mobilization effort. Corporations and associations – both big and small – are taking this effort seriously – and should.

Infrastructure, continued.

First, Congress is in their annual dance, saddled with trying to pass appropriation bills to fund the federal government after September 30th, as the fiscal year runs from October 1st to September 30th each year. As is the custom in the recent decade-plus, Congress usually passes short term extensions, known as CRs (continuing resolutions) to keep the government funded, ultimately culminating in a large, catch-all bill at the end of the calendar year, or even into the next calendar year. These are known as omnibus appropriation bills.

Second, the Administration and Congress have been working on emergency relief legislation/funding to support those impacted by Hurricanes Harvey and Irma, with Maria potentially on the way as a Category 4.

Third, a top priority for those policymakers who would naturally work on infrastructure legislation has been the reauthorization of the Federal Aviation Administration (FAA), whose authorization expires on September 30th.

Most important, it’s the belief of many that in order to get the funding necessary to sustain \$1 trillion investment in infrastructure, whatever package comes together will need to be coupled with or supported by tax reform, both corporate and personal. And there remains talk of using repatriation of corporate profits held overseas as part of the infrastructure component.

And there are some additional challenges along the way. First, current fiscal/budgetary constraints, coupled with a less-than-stellar appetite for elected officials to enact increases in fuel taxes (at least at the federal level) to pay for funding a large bill. For some, the echo of the past rings clear and present – recall George H.W. Bush’s “No new taxes” pledge (that didn’t work out so well for him when he ran for re-election). Running a parallel track is an undercurrent feeling from a small number of Members of Congress that \$1 trillion is not needed – that instead, the Obama Administration funded a large bill in February 2009 known as the American Recovery and Reinvestment Act (ARRA) – presumably \$787 billion dollars for infrastructure, of which less than 10% went to infrastructure, if that. And, more recently in support of the stance against a major reinvestment in infrastructure, in December 2015 Congress passed the FAST Act – a five-year highway & transit reauthorization bill. However, this legislation really only funds the first three years of the legislation, does not support our nation’s needs, and beyond three years does some extraordinary things to get funding where it’s needed.



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there's a will, there's a way." Although the path may not be clear, I believe there is a will, and it will happen.

Agency Update, continued.

Pay Gap Data

The Trump administration said that it was ending a rule that required large companies to report how much they pay their employees as well as their race and gender. The rule, which originated during the Obama administration, was aimed at reducing the gender and race pay gap within companies. The Office of Management and Budget said that they were pausing the data collection system in order to review its effectiveness. This action comes with the support of Ivanka Trump who said that while the intent of the rule was good, the process of reporting data did not yield the intended results. Groups who oppose this decision say that reporting this data is essential to closing the gender and race pay gap. They argue that this type of transparency is needed in order to craft further policy.

Military Surplus Program

Attorney General Jeff Sessions announced that President Trump would sign an executive order which aims to resume the transfer of military surplus equipment to local law enforcement agencies. The program, which started in 1990, was sharply curtailed two years ago by the Obama administration in the aftermath of the police response to protests in Ferguson, MO. This executive action reflects the President's hard-line stance on law enforcement. Police unions are praising the decision saying that equipment that they receive through this program is essential to ensuring public safety. Civil rights groups oppose this decision, saying it perpetuates violence in minority communities and endangers protesters.