

THIS WEEK IN WASHINGTON

Week of February 27, 2017



Thanks for your continued interest in This Week in Washington.

President Trump will give his first major address tonight to Congress. Make no mistake – it marks a major transition for the new Trump Administration. The pregame is over. The legislative season begins.

Candidate Donald Trump generated enthusiasm during the campaign with his commitment, delivered in a straight forward way, to disrupt the status quo. He said he would build a wall and rebuild our military, and he promised that he would remember the folks he said had been forgotten. But Candidate Trump was elected because he said he would bring back jobs, fix health care, make better trade deals, rebuild our infrastructure, and generate economic growth.

President Trump began his administration with executive orders, and many of the members of the cabinet were selected to reduce and reform regulatory actions. But rolling back regulations requires time and people in place to drive new policies in each agency and department. President Trump’s major agenda items – tax reform, health care reform, and infrastructure – will all need Congressional activity.

The President –the outsider – needs Senate Majority Leader Mitch McConnell and Speaker Paul Ryan – both key insiders – to get his agenda through Congress. Leader McConnell and Speaker Ryan in turn need a Republican President. They all know that the clock is ticking, as the legislative window will begin to close in December as off-year congressional elections begin to heat up.

ICYMI: Arizona Issues in the News

[Americans Split on Whether NAFTA is Good or Bad for U.S.](#)

[Trump to Sign Bills Repealing Obama-era Regulations on Firearms, Water](#)

[Work on Trump's Border Wall Will Begin Near Tucson](#)

Cabinet Update

Click the image below for a complete update on President Trump's cabinet nominees, including their confirmation status and hearing dates.

The Senate voted Monday to confirm Wilbur Ross as Commerce Secretary. Barring a change in schedule, Rep. Ryan Zinke (R-MT) is expected to be confirmed to the post of Interior Secretary by a full vote Wednesday.

omitted will have an impact on the success of their agenda.

We'll provide a summary of the President's Speech and Congressional reaction to it in next week's edition of This Week.

Last week was a Congressional in-state work period. The feature article this week is the second half of our interview with Congressman Erik Paulsen, in which we asked him questions about trade/NAFTA and healthcare. Dana Marston provides a look at this week's calendar and an update on the progress and the slow pace of confirming the President's Cabinet, and I'll summarize what we heard on the Hill last week.

We appreciate your continued interest, thoughts, feedback, and suggestions for future editions.

Heard on the Hill, Week of Feb. 27

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

Congress was on recess last week. We had time to digest the first five weeks of this administration and get ready for tonight's major address by the President to a joint session of Congress.

Administration

Steve Bannon, Assistant to the President, keeps track of the promises then-candidate Donald Trump made during the campaign, and the progress President Trump is making to fulfill each promise. He is clearly the keeper of the Trump flame.

Steve Mnuchin, Treasury Secretary, is working with Congress to smooth over differences on tax reform. He would like to pass it before August, and predicts that tax reform will generate 3 to 4% economic growth. [Read more.](#)

Part 2 - Interview with Rep. Erik Paulsen (R, MN)

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

We published in last week's This Week in Washington the first part of an interview with Congressman Erik Paulsen following his breakfast presentation at the Arizona Chamber's DC fly-in. The first part of the interview covered his thoughts on tax reform, and today's covers healthcare and trade. Read the first part of the interview [here](#).

Congressman Paulsen is in his 5th term representing Minnesota's third Congressional District. He is a member of the Ways and Means Committee, which has jurisdiction over health care, economic and trade policy and is the chief tax writing committee in the House of Representatives. The Congressman is also a member of the Joint Economic Committee, which studies and performs research on matters relating to the US economy, and advises Congress on how to best spur economic growth and create jobs. He serves as co-chair of the House Medical Technology Caucus and is a leader in advocating for the medical technology industry, and is also



On the Calendar This Week (All Times ET)

Monday

12:00 p.m.
House and Senate convene

2:00 p.m.

[House Democratic leader Nancy Pelosi and Senate Democratic Leader Chuck Schumer at Press Club](#)

5:30 p.m.

[Rep. Mia Love at Heritage Foundation](#)

Tuesday

10:00 a.m.
[House Judiciary Committee meets on health care, Trump taxes](#)

9:00 p.m.

Trump addresses a joint session of Congress

Wednesday

9:00 a.m.

[Brookings on the future of the European security order](#)

12:00 p.m.

[Former FEC Commissioner Ann Ravel at Center for American Progress](#)

Thursday

No events scheduled

Friday

No events scheduled

His legislative agenda includes tax reform for taxpayers and businesses, pro-growth initiatives, and believes that open markets are the key to a strong economy. [Read more.](#)

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Heard on the Hill, continued.

Tax Reform. The White House has put out contradictory statements on the proposed Border Adjustment Tax.

Legislative Outreach. Passing legislation – especially major legislation like tax and healthcare reform – will take a coordinated effort. Many association leaders in Washington, D.C. are complaining that they had had no contact with this White House.

The President. People who worked with Donald Trump during the campaign have told us that he knows what he knows, he knows what he doesn't know, and he knows the difference. They say that this explains why most people say he has picked an overall qualified cabinet.

Budget. The 'skinny' on what's called on the Hill the Administration's first – or skinny – budget seems to indicate that he is staying true to his campaign themes. President Trump will propose a 10% increase in defense related spending (including homeland security and intelligence) and will decrease other priorities and agencies, including the Environmental Protection Agency and the State Department. Social safety net programs, including Medicaid, will be hit hard. They are presuming about 2.4% growth this year. Congress ultimately decides the budget, and the President signs it.

Interview, continued.

Congressman Paulsen brings real-world experience to Congress, having worked for a number of private sector companies – including as an analyst for Target Corporation. He also served in the Minnesota State Legislature for 14 years, including four years as the House Majority Leader, before being elected to Congress. He received a Bachelor of Arts in mathematics from St. Olaf College.

Trade

Steve Gordon: As you heard at the fly-in breakfast, trade with Mexico produces at least 41% of Arizona's exports – so NAFTA is critical to Arizona's economy. Is there a desire on Capitol Hill to strengthen and modernize NAFTA? Do you hear a chorus of people who want to get out of NAFTA entirely?

Congressman Paulsen: Steve, we always want to find opportunities to strengthen these trade deals and make any improvements that are in our country's best interest. Many local businesses and employees recognize the benefits of an agreement like NAFTA. Canada plays a similarly important role in Minnesota's economy, so I understand Arizona's concerns. In terms of modernizing NAFTA, we need to look at lifting digital trade restrictions and strengthened obligations to minimize technical barriers.

executive order on Friday establishing a task force to identify regulations that need to be repealed. The test according to the President will be “Does it make life better or safer for American workers or consumers?”.

Congress

Tax Reform

Democrats on the Ways and Means Committee are encouraging fellow Democrats not to take a position on tax reform until they see what’s in the proposal.

Health Care

Majority Leader McConnell said publicly what most people have presumed – that he doesn’t expect any cooperation from Senate Democrats on replacing Obamacare.

Under the House GOP draft healthcare proposal, the so-called Cadillac tax on high-cost healthcare plans as well as the medical device tax, which are both already suspended under current law, would be repealed effective January 1, 2018. The legislation would also retroactively repeal the individual and employer mandate penalties for persons without coverage, effective January 1, 2017. The tanning tax and the net investment income tax would be repealed effective January 1, 2017.

The GOP’s healthcare proposal also puts Medicaid on a ‘budget’ as part of the budget reconciliation process, and provide dollars to states as either per-capita caps or block grants.

Financial Deregulation

Senator Orrin Hatch, Chairman of the Senate Finance Committee, thinks that Dodd Frank is an ever worse law than Obamacare, and he blames Dodd Frank for financial problems experienced by both businesses and consumers

Supreme Court

Neil Gorsuch, President Trump’s nominee for the U.S. Supreme Court, will begin his confirmation hearings before the Senate Judiciary Committee on March 20th. His nomination is expected to pass in Committee and pass the full Senate.

Coordination between the Administration and Congress. Republican senators are pleased with Vice President Pence, who is a big part of the Administration’s outreach program to Congress. The Vice President participates in weekly meetings of the Republican Senate caucus, and brings his staff.

– and failing that, to seek new bilateral agreements with both Mexico and Canada – what role will the House Ways and Means Committee play in approving those proposed agreements?

Congressman Paulsen: The Ways and Means Committee will play an integral role should the Administration choose to renegotiate NAFTA. If a renegotiation requires a change in our laws, that process starts with our Committee. If not, I know that Members of the Committee will still be very actively engaged with the Administration to ensure we are getting the best deal possible for our constituents and for all Americans.

Steve Gordon: If negotiations result in modifications of the existing NAFTA agreement, will Congressional approval be required, or can the Administration implement any modifications on their own without Congressional approval?

Congressman Paulsen: There may be small changes the Administration can make without Congressional approval, but any substantive changes that require a change in U.S. law must be approved by Congress.

Steve Gordon: Has the Administration signaled to the Ways and Means Committee those specific trade items it hopes to raise with Canada and Mexico?

Congressman Paulsen: Members of the Ways and Means Committee are actively engaged with the Administration with respect to their trade agenda. However, we have yet to discuss specific items the Administration hopes to raise with Canada and Mexico. We will be continuing our dialogue.

Steve Gordon: Candidate Donald Trump talked about China’s long standing policy of manipulating its currency to gain an advantage for its exports. How do we force them to stop gaming trade without upsetting our relationship with China and risking a trade war?

Congressman Paulsen: We must take steps to prevent our trading partners from manipulating their currencies. That’s why we included a specific directive in the Bipartisan Congressional Trade Priorities and Accountability Act – which was signed into law in June 2015 – that requires the Administration to prioritize the elimination of unfair currency practices when negotiating trade agreements. We must use these future trade agreements to establish anti-currency manipulation provisions as the new global standard. This should pressure China to

Healthcare

Steve Gordon: At the fly-in breakfast, you indicated that the Committee looks to reform Obamacare by fitting aspects of the agenda into 3 buckets. Would you discuss that again please. Do you sense there's a coalescing around what a replacement for Obamacare looks like?

Congressman Paulsen: The approach we're currently looking at involves three buckets. The first bucket is regulatory relief, which the Administration can and will use in order to provide patients with immediate relief from expensive Obamacare mandates. The next bucket is repeal and replace through the budgetary process of reconciliation, which would repeal significant portions of Obamacare, ensure a stability period for patients, and then include elements of a replacement. The third bucket is to replace the Affordable Care Act through new legislation that will do things such as strengthening insurance markets by empowering patients, families, and states. The reason for this three-pronged process rather than one large, thousand-page piece of legislation is that a large and complicated legislative product that few read and fewer understood is what gave us the Affordable Care Act.

Steve Gordon: As you know, Arizona decided to expand Medicaid. How will the Ways and Means bill handle the rising costs of Medicaid?

Congressman Paulsen: Most of the provisions dealing with Medicaid and Medicaid expansion will actually be dealt with by my colleagues at the House Energy and Commerce Committee. Our number one policy goal is to make sure we do not pull the rug out from anyone, but we also need to make sure we have a sustainable program that is able to treat those who are most in need. The conversation on how to treat expansion states versus non-expansion states is still ongoing, and we are looking at all of the options available to us. We also need to look at the long-term financing of the program to make sure it is viable for years to come.

Steve Gordon: What are some of the ways that healthcare options could be continued for those people with pre-existing conditions? What can Congress do to stabilize ever increasing insurance premiums?

Congressman Paulsen: One thing that the ACA never addressed was how we actually start to bring down the cost of health care. I have long been a supporter of moving to a system that prioritizes quality over quantity, which means we have to change the way we pay our

instead on the quality of care delivered to a patient. We also need to make sure we have a responsible regulatory environment, because regulations often times end up increasing the premiums for consumers. Steve, there is great bipartisan support for continuing provisions like covering pre-existing conditions. Along with some market reforms and protections, our Better Way agenda explores the idea of using State Innovation Grants to allow states to design innovative ways to cover their citizens.

Steve Gordon: It appears that there is general agreement that any replacement package should include two provisions of Obamacare - coverage for preexisting conditions and allowing adult children to stay on their parents' plans until age 26. But there's a long list of other items that are mandated under Obamacare - like mental health coverage. How do you see mandates being handled?

Congressman Paulsen: Part of the relief we're looking to provide in our reforms is for patients hurt by Obamacare's mandates. Our goal is to eliminate mandates such as the individual and employer mandate penalties, so that millions of workers, families, and jobs creators will no longer be forced into expensive, inadequate Obamacare plans that they don't want and can't afford. As for other mandates, we will continue deliberating on what approach we can take to make health care more affordable and accessible for the American people.

Steve Gordon: You have worked to get rid of the Medical Device Tax. Will this be included in the Ways and Means Bill? What about other taxes, such as the Cadillac health plan tax?

Congressman Paulsen: I am looking at any opportunity to get the medical device tax repealed -- either as a standalone bill or as part of a larger package. We worked tirelessly to get the current two-year delay of the medical device tax passed, and we are working just as hard to get it permanently repealed. As for the other taxes that were part of the ACA, I believe there is momentum building to repeal all of them, which will help to reduce many of the burdens on our health care system.

Steve Gordon: Congressman Paulsen, thank you for your service, and for your time.

Congressman Paulsen: Steve, it was my pleasure.