Congressional Outlook

Week of January 20

The House and Senate resume work today after observing the Martin Luther King, Jr. holiday. Later tonight, President Obama will address a joint session of Congress to deliver his annual State of the Union address. Newly-elected Senator Joni Ernst (R-IA) will give the GOP response to the President's address. The President is expected to make economic growth a central theme and highlight proposals to make community colleges tuition-free, require companies to pay for sick days and maternity leave, and cut mortgage insurance premiums on loans used primarily by lower-income home buyers.

Also this week, the House will debate a bill to restrict abortions, banning the procedure at or after 20 weeks of pregnancy. The House will also consider legislation to streamline the permitting process for natural gas pipelines, requiring the Federal Energy Regulatory Commission to approve or deny an application for a natural pipeline project within twelve months. The Senate will continue debate on the Keystone XL Pipeline. Senator John McCain (R-AZ) is expected to introduce an amendment to gut part of the 95-year-old Jones Act, which requires that goods shipped between U.S. ports be carried by vessels built in the U.S. and owned and operated by Americans.

Week in Review
Holder Ends Asset Forfeiture Program

On Saturday, U.S. Attorney General Eric Holder announced that, with the support of Republicans like Senate Judiciary Committee Chairman Chuck Grassley (R-IA), he was ending the federal civil asset forfeiture program known as the "Equitable Sharing Program," which has been criticized for allowing local and state police to seize billions - $3 billion in just the past 7 years - in cash, cars and other property without warrants or criminal charges. The federal program split the proceeds with 80% going to 7,600 state and local police forces, accounting for 20% or more of their annual budgets.

Supreme Court to Hear Gay Marriage Cases

The Supreme Court on Friday agreed to decide whether the Constitution guarantees all Americans the right to enter into same-sex marriages. The case has potential to either legalize gay marriage in every state or roll the practice back by overturning a series of federal court rulings that have expanded same-sex marriage. The issue is likely to be argued in late April and decided before SCOTUS's term ends in June. The justices ruled in 2013 that the federal government had to recognize same-sex marriages performed in states, but the court left open the question of whether states were required to permit such unions.

Medicare Chief Stepping Down

Centers for Medicaid and Medicare Administrator Marilyn Tavenner said Friday that she will leave the administration at the end of February. Her departure will leave the agency without a confirmed leader just weeks before the Supreme Court hears oral arguments on who can get Obamacare's tax subsidies.

Volunteer First Responders Not Counted Employees for Obamacare

Last Monday, the House unanimously passed the Protecting Volunteer Firefighters and Emergency Responders Act (H.R. 33) sponsored by Rep. Lou Barletta (R-PA), which ensures that volunteer first responders are not counted as employees when determining if an employer must provide health insurance under the Affordable Care Act.

House Passes Regulatory Bill

Last Tuesday, the House passed H.R. 185, the Regulatory Accountability Act of 2015, by a vote of 250-175. The House also passed Rep. David McKinley's amendment, by a vote of 254-168, to ensure that agencies "take into consideration and account for low-income populations" when developing regulations and calculating costs and benefits of rules.

The measure is aimed at slowing regulations and adds new steps and increased public involvement in the regulatory process. The White House issued a veto threat for the bill, saying it "would make the regulatory process more expensive, less flexible, and more burdensome - dramatically increasing the cost of regulation for the American taxpayer and working class families."

Senate Finance Committee Announces Tax Reform Working Groups
New Senate Finance Committee Chairman Orrin Hatch (R-UT) and Ranking Member Ron Wyden (D-OR) announced the creation of five working groups that will work with the Joint Committee on Taxation to produce an in-depth analysis of legislative solutions with the goal of developing a comprehensive tax reform report by the end of May. The five policy working groups are: individual income tax; international tax; business income tax; community development and infrastructure; and savings and investment. Last year, the House formed similar tax reform working groups, which led to the comprehensive draft discussion released by the Ways and Means Committee. The Senate report will serve as a foundation for bipartisan legislation this year.

**House Democrats Release Package of Tax Reforms to Strengthen Middle Class**

Last week, House Budget Committee Ranking Member Chris Van Hollen (D-MD) released an "action plan" that aims to strengthen the middle class by incentivizing employers to boost wages and allowing workers to keep more of their earnings. This package is worth about $1.2 trillion over the next ten years and will be offset by new financial transaction fees and by curbing tax breaks for the top 1 percent of earners.

The plan's centerpiece is the Paycheck Bonus Tax Credit of $1,000 per worker per year, or $2,000 for a couple. This tax credit would raise a typical worker's income by $40,000 over a 40-year career or an estimated $110,000-$150,000 if money is consistently saved and invested. In addition, Representative Van Hollen proposes a "Saver's Bonus" of $250 for each person who applies at least $500 of his or her $1,000 Paycheck Bonus Tax Credit towards a tax-preferred savings plan.

**EPA Launches New Water Infrastructure Financing Initiatives**

The Obama Administration is launching a Water Finance Center at the Environmental Protection Agency (EPA) and is proposing the creation of a new type of municipal bond to "level the playing field" for municipalities seeking private investment as part of a host of initiatives intended to improve water and other infrastructure by facilitating public-private partnerships (P3s). Last week's announcement is part of the White House's Build America Investment Initiative, which last year called for federal agencies to find new ways to increase investment in drinking water and sewer systems, as well as other types of infrastructure such as roads, bridges and ports, by facilitating partnerships between federal, state and local governments and private sector investors.

The formation of the new Water Finance Center comes at a time when the agency is also beginning to implement new changes to Clean Water Act (CWA) infrastructure financing created through the Water Resources Reform and Development Act (WRRDA) legislation passed in the 113th Congress. The Clean Water and Drinking Water State Revolving Funds (SRFs) were reauthorized in WRRDA to include water reuse, energy efficiency, green infrastructure and security improvements at publicly owned water treatment works. Also, WRRDA created the Water Infrastructure Finance and Innovation Act pilot concept within the EPA and the Corps of Engineers.

Finally, the proposed new type of municipal bond, a Qualified Public Infrastructure Bond (QPIB), will help municipalities seeking P3s to finance projects. This program will expand the scope of an existing type of bond, private activity bond (PAB), to include financing for a wider range of projects. However, this new public financing instrument would need to be authorized by Congress.
Ryan Rules Out Gas Tax Increase, Points to Differences in Addressing Individual Tax Reform

During the Republican policy retreat in Pennsylvania last week, House Ways and Means Committee Chairman Paul Ryan (R-WI) ruled out the possibility of raising the gas tax to pay for transportation infrastructure. Representative Ryan also said that unresolved issues between Republicans and the White House would prevent a “full throttle” revamp of the tax code because the White House wants to focus on corporate tax reform. Republicans, on the other hand, want to tackle corporate and individual tax reform together to address concerns about small businesses that are taxed at the lower individual income tax rates. "For us, you can't forget the small businesses..." said Representative Ryan. Some believe that widening the discussion to include individual tax reform could cause more difficulties in what is already an uphill battle for tax reform this year.

Republicans Release Net Neutrality Legislation

Congressional Republicans, led by Senate Commerce Committee Chairman John Thune (R-SD) and Representative Greg Walden (R-OR), began circulating the text of their net neutrality bill last week. The bill would prohibit internet service providers (ISPs) from blocking, slowing, or prioritizing web traffic, and would require ISPs to publically disclose their network management policies. It would also prevent the Federal Communications Commission (FCC) from using two provisions of the Telecommunications Act that are central in the President's plans to promote net neutrality and expand municipal broadband. Section II of the Act would allow the FCC to treat ISPs as public utilities for regulatory purposes, and Section 706 allows the FCC to promote broadband deployment, which it could use to preempt state laws that prohibit cities from providing municipal broadband services. The FCC is expected to vote on petitions by cities in North Carolina and Tennessee to override two such state laws, and any intervention would likely rely on Section 706. Read more...

Homeland Security Showdown Continues

Last Wednesday, the House passed a Department of Homeland Security (DHS) funding bill in a 236-191 vote. The bill provides approximately $40 billion for DHS, but contains provisions meant to counter President Obama's executive actions easing deportations and immigration restrictions late last year - including an amendment by Representative Marsha Blackburn (R-TN) that ends the Deferred Action for Childhood Arrivals (DACA) program. The aggressive amendments make it unlikely that the package will pass in the Senate, although it may receive a floor vote if only to give Senate Republicans a chance to vote against Obama's executive actions on immigration. With DHS funding expiring at the end of February and deliberations over the Keystone XL Pipeline bill expected to continue over the next two weeks, congressional leaders will need to begin work on a compromise bill very shortly to avoid a shutdown of DHS activities. Read more...

Congressional Schedule

Wednesday, January 21
• House Energy and Commerce Committee Subcommittee on Communications and Technology hearing on "Protecting the Internet and Consumers through Congressional Action."
• House Energy and Commerce Committee Subcommittee on Health hearing on "A Permanent Solution to the Medicare Sustainable Growth Rate: The Time is Now."
• House Homeland Security Full Committee Markup of H.R. 399, the Secure Our Borders First Act of 2015.
• Senate Commerce, Science and Transportation Full Committee hearing to examine protecting the Internet and consumers through congressional action.

**Thursday, January 22**

• House Energy and Commerce Committee Subcommittee on Environment and the Economy hearing on "EPA’s 2014 Final Rule: Disposal of Coal Combustion Residuals from Electric Utilities."
• House Energy and Commerce Committee Subcommittee on Health hearing on "A Permanent Solution to the Medicare Sustainable Growth Rate: The Time is Now (Day 2)."
• Senate Finance Full Committee hearing to examine jobs and a healthy economy.