This Week in Congress

- **House** – The House passed the “Transportation, Housing and Urban Development, and Related Agencies Appropriations Act of 2015” (H.R. 4745) by a 229-192 vote; the “Permanent S Corporation Built-in Gains Recognition Period Act of 2014” (H.R. 4453) by a 263-155 vote; the “Small Business Tax Relief Act of 2014” (H.R. 4457) by a 272-144 vote. The House began consideration of the “Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act of 2015” (H.R. 4800), however the bill was pulled from the floor on Wednesday, June 11; it is unclear when it will be brought back for further debate.

- **Senate** – The motion to proceed to the “Bank on Students Emergency Loan Refinancing Act” (S.2432) was not agreed to by a 56-38 vote. A motion to invoke cloture on a motion to proceed was filed on the motion to proceed to the “Commerce, Science, Justice Appropriations Act of 2015” (H.R. 4660), which is expected to be the legislative vehicle for a package of spending bills. The Senate confirmed the nomination of Stanley Fischer to be Vice Chairman of the Board of Governors of the Federal Reserve System, and the nominations of Lael Brainard and Jerome Powell to be members of the Board of Governors of the Federal Reserve System.

Next Week in Congress

- **House** – The House is expected to consider the “Customer Protection and End User Relief Act” (H.R. 4413); and the “Department of Defense Appropriations Bill, 2015.” The Republican Conference is expected to hold elections for the Leadership positions of House Majority Leader and Majority Whip on June 19.

- **Senate** – The Senate is expected to turn next week to the first “minibus,” which will include the “Commerce, Justice, Science, and Related Agencies Appropriations Act, 2015” (S.2437), the “Transportation, Housing and Urban Development, and Related Agencies Appropriations Act, 2015” (S.2438) and the “Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2015” (S.2389).

**TAXES**

**Lawmakers Float Repatriation Holiday as Revenue for Highway Trust Fund**

**Key Points:**

- Senate Finance Committee Ranking Member issues Joint Committee on Taxation repatriation score

Discussions on using a repatriation holiday to keep the Highway Trust Fund solvent developed throughout this week. Though most of the plans floated by lawmakers involved a short-term fix to insolvency, the mechanics of how such a tax could be structured remain in question.
The debate began when Senate Finance Committee Ranking Member Orrin Hatch (R-UT) sent out a score by the Joint Committee on Taxation (JCT) for a temporary and voluntary repatriation holiday for one year. The JCT scored such a repatriation holiday as a 10 year revenue loss of $95.8 billion and reasoned that much of the cost is a result in lowered rates for the repatriation, recent changes in behavior by companies on bringing back earnings, changes in timing of expected revenues and changes of corporate behavior in the future- assuming companies would avoid most usual repatriation of earnings awaiting a potential future holiday. Hatch said in a press release that this policy should only occur when it makes economic sense, such as in comprehensive tax reform and urged lawmakers to consider these issues when looking for revenue in the future for other programs.

Senate Majority Leader Harry Reid (D-NV) reached out to the press with his own option in a New York Times article, in which he indicated that he would propose a revised, voluntary and temporary repatriation with a 9.5 percent tax rate for one year. Additionally, to offset the $95.8 billion cost over ten years, he would limit the interest deduction for companies that have overseas earnings and are borrowing in the U.S. instead of bringing the money back. Senator Rand Paul (R-KY) offered an option as well that includes a 5 percent permanent rate on overseas earnings.

In response to the alternatives, House Ways and Means Committee Chairman Dave Camp (R-MI) apparently spoke with Paul and Reid. Although he has not endorsed either plan he said he would “reserve judgment for now.” Camp has proposed using repatriation for revenue in comprehensive reform and as such his support for using a repatriation holiday to fund surface transportation programs remains less likely.

**Obama Announces Support for Student Loan Refinancing Bill with “Buffett Tax” That Fails to Advance in Senate**

**Key Points:**
- Senate fails to advance student loan refinancing bill with “Buffett Tax”

This week, in a 56-38 vote the Senate failed to advance the “Bank on Students Emergency Loan Refinancing Act” (S. 2292) introduced May 6, 2014 by Senator Elizabeth Warren (D-MA). The bill would allow most individuals with student loans (both federal and private) to refinance those loans into new federal direct loans at interest rates specified in the bill. The legislation includes an offset that imposes a tax on high-income taxpayers, known as “the Buffett Tax.” Early this week, President Barack Obama announced his support for the bill and urged Congress to support it. However the bill failed to obtain the 60 votes required to proceed. Many saw this bill as political in nature and therefore it was not expected to advance.

<table>
<thead>
<tr>
<th>Upcoming Dates</th>
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<td><strong>June 24:</strong> Special Election for the 19th Congressional District of Florida</td>
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<td><strong>June 30:</strong> House is supposed to have passed all 12 appropriations bills</td>
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<td><strong>July:</strong> Projected insolvency of Highway Trust Fund</td>
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<td><strong>September 30:</strong> FY 2014 Ends and MAP-21 expires</td>
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<td><strong>October 1:</strong> FY 2015 Begins</td>
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<td><strong>November 4:</strong> Midterm Elections</td>
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<td><strong>March 2015:</strong> Debt limit suspension expires</td>
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House Passes Two Additional Tax Extender Bills; President Obama Issues Veto Threat Ahead of Consideration

**Key Points:**
- House passes two additional tax extender bills on small business and S-Corporations

This week the House took up two additional tax extender bills: H.R. 4453 that makes permanent the rules for the S-corporation built-in gains tax and for S-corporation charitable contributions that expired at the end of 2013; and HR 4457 that makes permanent the increased expensing limitations for small businesses and farms that expired at the end of 2013. Each of the measures passed the House bringing the total to three tax extender bills to have passed including permanent extension of the Research and Development Tax Credit in May. The three bills that have passed the full House are listed below.

- The “Permanent S Corporation Built-in Gains Recognition Period Act of 2014” (H.R. 4453)
- The “Small Business Tax Relief Act of 2014” (H.R. 4457) (179 expensing for small business)
- The “American Research and Competitiveness Act of 2014” (H.R. 4438)

In anticipation of House passage, The Obama Administration threatened to veto H.R. 4453, “S Corporation Permanent Tax Relief Act of 2014” as well as H.R. 4457, “America’s Small Business Tax Relief Act of 2014.” Specifically, the Office of Management and Budget said in the June 10 statements that it strongly opposes making the provisions permanent without offsets. Reports indicate that additional tax extenders will be considered in the House Ways and Means Committee though Chairman Dave Camp (R-MI) has not said how many more provisions he plans to mark up.

**Upcoming Hearings and Events**

**June 18**

**MedPAC June Report:** The House Ways and Means Subcommittee on Health will hold a hearing on the Medicare Payment Advisory Commission June report to Congress.

**TBD**

**Tax Reform and Education:** The Senate Finance Committee will likely hold hearings this month on tax reform and education.

**Identity Theft and Corporate Taxes:** The Senate Finance Committee will likely hold hearings will likely hold hearings on identify theft and corporate taxes

*For more information about tax issues you may email or call Christopher Hatcher at 202-659-8201. Tess Illas contributed to this report.*

**TRADE**

**Subcommittee Looks the U.S. Trade Agenda**

**Key Points:**
- House Ways and Means Subcommittee on Trade discusses Trade Promotion Authority and Trans-Pacific Partnership at hearing on advancing the United States Trade agenda

On June 11, the House Ways and Means Committee’s Trade Subcommittee held a hearing entitled “Advancing the U.S. Trade Agenda: Benefits of Expanding U.S. Agriculture Trade and Eliminating Barriers to U.S. Exports.” The hearing’s primary focus was on increasing the United States’ agriculture
exports by addressing tariff and non-tariff trade barriers. Much attention was paid to the difficulty in Trans-Pacific Partnership (TPP) negotiations with Japan. Also during the hearing, Subcommittee Chairman Devin Nunes (R-CA) asked the Obama Administration to work on passing Trade Promotion Authority before it finishes work on TPP with eleven other countries.

For more information about tax issues you may email or call Christopher Hatcher at 202-659-8201. Tess Illos contributed to this report.

FINANCIAL SERVICES

Senate Committee Holds Hearing on CFPB Semi-Annual Report

Key Point
- Director Cordray states the CFPB will be releasing a proposed rule on prepaid card later this summer.

On June 10, the Senate Banking Committee held a hearing on the “CFPB’s Semi-Annual report to Congress.” The hearing focused on steps the Consumer Financial Protection Bureau (CFPB) has taken to protect consumers, the CFPB collection of data on credit card use, CFPB action on payday lending, and the Qualified Mortgage (QM) rule. Chairman Tim Johnson (D-SD) explained that the CFPB has had a noticeable impact on nearly every aspect of the consumer’s experience with the financial system, from student loans to credit cards, mortgages, financial education, debt collection, prepaid cards, and credit reports.

Ranking Member Mike Crapo (R-ID) stated that in recent months, the CFPB has laid out a broad and “ambitious” rulemaking agenda that will considerably affect many consumer financial products and services. He stated that as the CFPB proceeds with rules targeting short term and small dollar credit, overdraft protection, auto financing, mortgage servicing and settlement, and arbitration, it must fully understand how these rules will affect the cost and availability of credit for consumers. In addition, Crapo voiced his concerns over the CFPB’s collection of consumer data on the use of credit cards.

When asked about the impacts of the Qualified Mortgage (QM) rule on the markets, CFPB Director Richard Cordray stated the QM rule has been a significant protection for the mortgage market to date. He noted the steps being taken to put the Qualified Residential Mortgages (QRM) rule on a level playing field with the QM rule and suggested the re-proposal of the QRM rule will be more “on point.”

When asked for a timeline for a proposed rule dealing with prepaid cards and abusive fees, Cordray stated the CFPB had anticipated releasing a proposal in June but will now likely be releasing a proposal later in the summer.

During a discussion of payday lending a question was asked about how the CFPB will ensure that any new rules proposed will protect consumers through the range of products which can be used such as payday, auto title, and installment loans. Cordray stated the CFPB has learned from the “Military Lending Act” that when original rules are narrow they can be circumvented. He suggested the CFPB will face the same challenges with rulemaking for the small dollar lending market and will take the time to ensure the rules cannot be circumvented.
House Panel Holds Hearing on Coins/Currency Production

Key Point:
- Bureau of Engraving and Printing states they are considering alternative metals for coin production.

On June 11, the House Financial Services Committee’s Monetary Policy and Trade Subcommittee held a hearing entitled: “The Production and Circulation of Coins and Currency.” The hearing focused on steps taken by the U.S. Mint to reduce the costs of coin production, changes being implemented by the Bureau of Engraving and Printing (BEP) to paper currency, the metal composition of coins, and whether processes used in other countries can be used in the U.S. to reduce the costs of currency production.

Chairman John Campbell (R-CA) stated the cost of producing a penny is more than the face value of the coin. He noted several other countries have moved to alternative metals for their coins to reduce production costs. Ranking Member William Lacy Clay (D-MO) asked whether the nation is moving towards a “totally plastic payment system,” and he asked whether a move to plated steel would be economical. U.S. Mint Deputy Director Richard Peterson stated the U.S. has been examining alternative metals for use in coins. He explained there are four possible metals to work with and zinc and steel are the ones with the most promise.

House Committee Holds Markup on CFPB Reform and Other Bills

Key Point:
- House Financial Services Committee approves 12 bills aimed at reforming the CFPB, the securities laws, and to reauthorize the Defense Production Act.

At a June 10 and 11 markup, the House Financial Services committee approved 12 bills addressing reforms to the Consumer Financial Protection Bureau (CFPB), the securities laws, as well as a reauthorization of the Defense Production Act. The Committee had scheduled to also consider bills to address crowdfunding and to reform the Financial Stability Oversight Council (FSOC), but they were pulled from consideration.

The bills as described by a recent Committee Memo include:
- **Well-Known Seasoned Issuer (WKSI) Threshold:** The “Small-Cap Access to Capital Act” (H.R. 4697), introduced by Representative Kevin McCarthy (R-CA), would require the Securities and Exchange Commission (SEC) to revise the definition of a Well-Known Seasoned Issuer (WKSI) to reduce the dollar amount relating to the worldwide market value of outstanding common equity from $700 million to $250 million. H.R. 4697 also prohibits an emerging growth company from qualifying as a WKSI. The bill was approved by a vote of 32 to 27.
- **Exemption of Low-Revenue Companies from Certain SEC Regulations:** The “Fostering Innovation Act of 2013” (H.R. 2629), introduced by Representative Michael Fitzpatrick (R-PA), requires the SEC to amend Rule 12b-2 so that companies with a public float of either (i) less than $250 million with no annual revenue restriction or (ii) between $250 million and $700 million and less than $100 million in annual revenue, are deemed “non-accelerated filers” and can...
therefore take advantage of certain exemptions from the securities laws and the Sarbanes-Oxley Act of 2002. The bill was approved by a vote of 31 to 28.

- **Defense Production Reauthorization:** A bill to reauthorize the Defense Production Act for five years (H.R.4809), introduced by Representative John Campbell (R-CA), would make certain reforms to the Act. The bill was approved by a voice vote.

- **Independent CFPB Inspector General:** The “CFPB-IG Act of 2013” (H.R. 3770), introduced by Representative Steven Stivers (R-OH), “would create a separate, independent inspector general for the CFPB.” The bill was approved by a vote of 39 to 20.

- **CFPB and the Federal Advisory Committee Act:** The “Bureau Advisory Commission Transparency Act” (H.R. 4262), introduced by Representative Sean Duffy (R-WI), clarifies that the Federal Advisory Committee Act (P.L. 92-463) applies to the CFPB, and the agency must allow its meetings to be open to the public. The bill was approved by voice vote.

- **CFPB Small Business Advisory Board:** The “Bureau of Consumer Financial Protection Small Business Advisory Board Act” (H.R. 4383), introduced by Representative Robert Pittenger (R-NC), creates a small business advisory board at the CFPB. The bill, as amended, was approved by a voice vote.

- **Disclosure of CFPB Research Data:** The “Bureau Research Transparency Act” (H.R. 4539), introduced by Fitzpatrick, requires that CFPB research papers made available to the public be accompanied by all studies, data, and analyses on which the paper was based. The bill, as amended, was approved by a vote of 32 to 27.

- **CFPB and Personally Identifiable Information:** The “CFPB Data Collection Security Act” (H.R. 4604), introduced by Representative Lynn Westmoreland (R-GA), would require “the CFPB to create an opt-out list for consumers” who do not want their personally identifiable information collected. All CFPB employees accessing personally identifiable information would be required to hold a “confidential” security clearance. The bill, as amended, was approved by a vote of 32 to 27.

- **Public Notice and Comment Period on CFPB Guidance:** The “Bureau Guidance Transparency Act” (H.R. 4811), introduced by Representative Marlin Stutzman (R-IN), “would require that the CFPB… provide a public notice and comment period before issuing the guidance in final form, and must make public any studies, data, and other analysis it relied on in preparing and issuing its guidance.” The bill was approved by a vote of 35 to 24.

- **Eliminates the CFPB Civil Penalty Fund:** The “CFPB Slush Fund Elimination Act” (H.R. 3389), introduced by Representative Shelley Moore Capito (R-WV), would require the CFPB to “eliminate the Bureau’s Civil Penalty Fund and require the CFPB to remit fines it collects to the U.S. Treasury.” The bill, as amended, was approved by a vote of 31 to 27.

- **Confidential Director Opinions:** The “Bureau Advisory Opinion Act” (H.R. 4662), introduced by Representative Bill Posey (R-FL), would establish “a
process by which covered persons can submit inquiries concerning the conformance of prospective products and services with Federal consumer financial law and receive a confidential opinion from the Director.” The bill, as amended, was approved by a vote of 32 to 27.

- **CFPB Examinations:** The “Bureau Examination Fairness Act” (H.R.4804), introduced by Representative Mick Mulvaney (R-SC), imposes certain requirements on the Bureau’s examination process. The bill was approved by a vote of 33 to 26.

**CFPB Requests Information on Mobile Financial Services**

**Key Points:**
- CFPB requests information on the use of mobile financial services and provides tips for consumers on the use of mobile devices.
- CFPB holds field hearing on Mobile financial services.

On June 11, the Consumer Financial Protection Bureau (CFPB) announced it is launching an inquiry into the “opportunities and challenges” associated with the use of mobile financial services. The CFPB is looking into how mobile technologies help the unbanked and underserved access banking services. The CFPB released a Request for Information (RFI) seeking information on: (1) access for the underserved, whether use of mobile devices open up options for the underserved and whether use of mobile devices will impact the number of bank branches; (2) real-time money management, how mobile products can help customers manage their finances in real time; (3) customer services, what types of customer service are available, and what additional protections are needed if a customer loses their device or loses internet service; and (4) privacy concerns and data breaches, what kind of information are companies collecting on consumers, whether this collection is discloses, and whether data breaches are more common on mobile devices.

In addition the CFPB published consumer tips on how consumers can better protect themselves when using mobile devices for financial transactions.

On June 12, the CFPB held a field hearing on mobile financial services. In his prepared remarks, Director Richard Cordray explained that the increased use of mobile technologies presents the opportunity to provide greater access to financial services to those typically underserved. He stressed the need for the regulatory framework to keep up with this shift in technology so that all consumers are protected. He noted the CFPB is requesting information on the ways mobile devices can provide access to consumers who do not have easy means to obtain financial products and services; and how mobile devices can offer opportunities for real-time money management.

**House Passes Mortgage Choice Act of 2013**

**Key Point:**
- House passes bill to amend CFPB’s QM rule as it relates to computation of points and fees.

On June 9, the House passed by voice vote the “Mortgage Choice Act of 2013” (H.R. 3211), introduced by Representative Bill Huizenga (R-MI) and Representative Gregory Meeks (D-NY). The bill modifies the definition of “points and fees” under the Truth in Lending Act to exempt from the Qualified Mortgage (QM) rule cap on points and fees any affiliated title charges and escrow charges for taxes and
insurance. The bill exempts fees paid to businesses affiliated with the lender, such as title companies, from the computation of points and fees under the QM cap. The bill is aimed at helping those with low to moderate incomes continue to be able to obtain mortgages.

Senate Confirms Federal Reserve Nominees

Key Points:
- Senate confirms three nominees for the Federal Reserve.

On June 12, the Senate confirmed three nominations to serve on the Board of Governors for the Federal Reserve. The nominations include: Lael Brainard to be a Member of the Board of Governors of the Federal Reserve System for a term ending February 1, 2026 (in a 61-to-31 vote), Jerome Powell to be Member of the Board of Governors of the Federal Reserve System for a term ending February 1, 2028 (in a 67-to-24 vote), and Stanley Fischer, to be Vice Chairman of the Board of Governors of the Federal Reserve System (in a 63-to-24 vote). Late last month, Fischer was confirmed by the Senate and sworn in as a member of the Board of Governors.

House Considers CFTC Appropriation, Crop Insurance

Key Point:
- House begins consideration of CFTC funding measure and crop insurance.

On June 11, the House began consideration of the “Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2015” (H.R. 4800). Included in the bill is an allocation of $218 million to the Commodity Futures Trading Commission (CFTC), a requirement the CFTC Chairman to develop and report a schedule for rule and order implementation (including cost-benefit analysis studies) for the swaps push-out, swaps jurisdiction and position limits provisions under the Dodd Frank Act; and an allocation of $9 million for crop insurance.

Upcoming Hearings and Events

June 17

Equity Market Structure, High Frequency Trading: The Senate Homeland Security Committee’s Permanent Subcommittee on Investigations will hold a hearing entitled, “Conflicts of Interest, Investor Loss of Confidence, and High Speed Trading in U.S. Stock Markets”. The hearing is to focus “on the conflicts of interest that arise between the obligation of brokers to provide their customers with best execution of their orders to buy or sell securities, and the brokers’ receipt of payments from other brokers for order flow and rebates from some trading venues for placing those orders directly.” Witnesses will be: Bradley Katsuyama, President and CEO of IEX Group; Robert Battalio, Professor of Finance, University of Notre Dame; Thomas Farley, President, NYSE Group; Joseph Ratterman, CEO, BATS Global Markets; Joseph Brennan, Principal and Head of Global Equity Index Group, The Vanguard Group; and Steven Quirk, Senior Vice President, TD Ameritrade.

FHFA, HUD Nominations: The Senate Banking Committee will hold a hearing on the nominations of Julian Castro, of Texas, to be Secretary of the Department of Housing and Urban Development (HUD); and Laura Wertheimer, of the District of Columbia, to be Inspector General of the Federal Housing Finance Agency (FHFA).
June 17-19

**DOL Advisory Meeting on Lifetime Plan and Fee Disclosures:** The Department of Labor’s Employee Benefit Security Administration ERISA Advisory Council will hold a meeting and receive “an update from the Employee Benefits Security Administration (EBSA)”. The Advisory Council is to study the following issues: (1) “Issues and Considerations around Facilitating Lifetime Plan Participation, (2) Outsourcing Employee Benefit Plan Services, and (3) PBM Compensation and Fee Disclosure.”

June 18

**Equity Market Structure, High Frequency Trading:** The Senate Banking Committee’s Subcommittee on Securities, Insurance, and Investment will hold a hearing on “High Frequency Trading’s Impact on the Economy.” Witnesses to testify include: Professor Hal Scott, Nomura Professor of International Financial Systems, Harvard Law School; and Jeffrey Solomon, Chairman and CEO, Cowen Group.


**CFPB Employment Discrimination:** The House Financial Services Committee’s Subcommittee on Oversight and Investigations will hold a hearing entitled: “Allegations of Discrimination and Retaliation within the Consumer Financial Protection Bureau, Part Three”.

**CFPB Field Advisory Meeting on the Mortgage Market:** The Consumer Financial Protection Bureau (CFPB) Consumer Advisory Board meeting will hold a meeting in Reno, Nevada with CFPB Director Richard Cordray to “discuss trends and themes in the mortgage market and new resources available to consumers looking to buy a home.”

**Financial Services Appropriations:** The House Appropriations Committee’s Subcommittee on Financial Services will markup the Fiscal Year 2015 Financial Services and General Government Appropriations bill.

June 19

**CFTC Roundtable on Position Limits:** The Commodity Futures Trading Commission (CFTC) will hold a staff roundtable “to discuss position limits for physical commodity derivatives.”

July 10

**SEC Investor Advisory Meeting:** The Securities and Exchange Commission’s (SEC) Investor Advisory Committee will hold a meeting.

For more information about financial services issues you may email or call Joel Oswald at 202-659-8201. Rebecca Konst, and Alex Barcham contributed to the articles.

**ENERGY AND ENVIRONMENT**

**CSIS Forum Considers Crude Oil Export Issue**

**Key Points:**

- Tuesday’s forum at the Center for Strategic and International Studies continues Washington’s focus on the efficacy of the existing ban on crude oil exports.
- IHS energy authorities Daniel Yergin and Kurt Barrow reviewed their organization’s recently released report on the export ban and the impacts of lifting the ban.
On June 10, the Center for Strategic and International Studies (CSIS) held a forum on “Assessing the Impacts of Lifting the Ban on U.S. Crude Oil Exports”. Daniel Yergin and Kurt Barrow of IHS discussed their organization’s new report, “U.S. Crude Oil Export Decision: Assessing the Impact of the Export Ban and Free Trade on the U.S. Economy”.

IHS Vice Chairman Daniel Yergin discussed the origin of the ban on crude oil exports, noting that it was needed to prevent export of price-controlled U.S. oil to world markets in the 1970s. He also explained that the “Export Control Act of 1979” focused on preventing the export of Alaskan crude oil to Japan.

Yergin asserted that maintaining the ban on exports would lead to price discounts that “will have a negative impact on investment.” He also suggested that lifting the ban would increase supplies on the world market which would “mean lower prices than would otherwise be the case.” Yergin called the prohibition on oil exports “an archaic ban left over from another era.”

IHS Oil Markets and Downstream Vice President Kurt Barrow explained that growing domestic production of light sweet crude oil “is not a particularly good fit” with the configuration of U.S. refineries. He also said that “with the constraint on trade [imposed by the export ban] we end up with very steep price discounts” for domestic crude oil. Barrow stated that Europe and Asia would be the primary markets for U.S. crude oil exports, noting that European refineries are configured for declining North Sea production of light crude oil.

Barrow outlined the responses of refineries to growing supplies of light sweet crude:

- “Step one…is [to] displace the light sweet crude imports.”
- The second option is “putting light, tight oil into the sour refining system” to produce gasoline.
- The third option is to process light sweet crude into naphtha.
- The final option is to de-rate the entire refinery, which reduces throughput capacity. Barrow observed that “you’d do that at the right price signal.”

He described a potential “gridlock” scenario which is “created by oversupply combined with uncertainty” over future export policy.

ClearView Energy Partners Managing Director Kevin Book suggested that sustained “gridlock”, with oversupply and policy uncertainty, would lead to slowing domestic oil production. He also cautioned that leaving the ban in place could lead to expanded U.S. refining capacity that engages in “bidding up” crude oil, which could ultimately result in higher prices.

CSIS Senior Vice President and the James R. Schlesinger Chair for Energy and Geopolitics Frank Verrastro emphasized that U.S. energy markets are “in a new reality now.” He echoed Yergin’s point on the price impact of allowing exports, stating that “an incremental barrel on the world market lowers prices, all things being equal.” Verrastro remarked that the Administration is balancing considerations including the impact of policy changes on U.S. refiners, the economy and energy security.

June 18

Climate Change: The Senate Environment and Public Works Committee’s Clean Air and Nuclear Safety Subcommittee will hold a hearing titled “Climate Change: The Need to Act Now.”
**Energy Jobs:** The House Natural Resources Committee’s Energy and Mineral Resources Subcommittee will hold a hearing titled “American Energy Jobs: Opportunities for States and Localities”.

**Energy and Natural Resources Legislation and Nominations:** The Senate Energy and Natural Resources Committee will hold a business meeting to consider and vote on the following: (1) the nomination of Suzette Kimball to be Director of the United States Geological Survey; (2) the nomination of Estevan Lopez to be Commissioner of Reclamation; (3) the nomination of Monica Regalbuto to be Assistant Secretary of Energy for Environmental Management; (4) the nomination of Norman Bay to be a Federal Energy Regulatory Commission (FERC) Commissioner; (5) the nomination of Cheryl LaFleur to be a FERC Commissioner; (6) “a bill to amend the Wild and Scenic Rivers Act to adjust the Crooked River boundary, to provide water certainty for the City of Prineville, Oregon...” (S. 1771); (7) “a bill to require the Secretary of the Interior to submit to Congress a report on the efforts of the Bureau of Reclamation to manage its infrastructure assets” (S. 1800); (8) “a bill to amend the Reclamation Safety of Dams Act of 1978 to modify the authorization of appropriations” (S. 1946); (9) “a bill to amend the East Bench Irrigation District Water Contract Extension Act to permit the Secretary of the Interior to extend the contract for certain water services” (S. 1965); (10) “a bill to amend the Water Conservation and Utilization Act to authorize the development of non-Federal hydropower and issuance of leases of power privileges at projects constructed pursuant to the authority of the Water Conservation and Utilization Act...” (S. 2019); (12) “an Act to amend the Water Conservation and Utilization Act to authorize the development of non-Federal hydropower and issuance of leases of power privileges at projects constructed pursuant to the authority of the Water Conservation and Utilization Act...” (S. 1963); and (13) “An original bill to approve the Keystone XL Pipeline”.

**June 19**

**GHG Power Plant Rule:** The House Energy and Commerce Committee’s Energy and Power Subcommittee will hold a hearing titled “EPA’s Proposed Carbon Dioxide Regulations for Power Plants”.

**Natural Gas:** The Senate Energy and Natural Resources Committee will hold a hearing titled “How to harness a game-changing resource for export, domestic consumption, and transportation fuel.”

**June 20**

**Energy Infrastructure on Federal Lands:** The House Natural Resources Committee’s Energy and Mineral Resources Subcommittee will hold a hearing on: the “Natural Gas Gathering Enhancement Act” (H.R. 4293); and the “Energy Infrastructure Improvement Act” (H.R. 1587).

**July 14 and 15**

**EIA Energy Conference:** The Energy Information Administration (EIA) will hold its annual Energy Conference. Planned session topics include: “U.S. Petroleum Exports”; “Logistical Issues in North American Liquid Flows”; and “Tight Oil Production Trends”.

For more information about energy and environment issues you may email or call Frank Vlossak at 202-659-8201. Updates on energy and environment issues are available during the week on twitter.
DEFENSE

House Appropriations Advances FY 2015 DOD and Energy-Water Bills

Key Points:
- House Appropriations Committee sends the FY 2015 DOD Appropriations Act to the House and moves the FY 2015 Energy-Water Appropriations Act to full committee
- Both bills stay within the FY 2015 spending caps

This week, the House Appropriations Committee reported out the “Department of Defense Appropriations Bill, 2015” and the Committee’s Energy and Water Subcommittee reported the “FY 2015 Energy and Water Development, and Related Agencies Appropriations Act” to the full committee. The House could take up the FY 2015 DOD Appropriations Act as early as next week.

FY 2015 DOD Appropriations Act

In a press release, the Committee stated that “the bill provides $491 billion in discretionary funding, an increase of $4.1 billion above the FY 2014 enacted level and $200 million above the President’s request...[and] $79.4 billion in Overseas Contingency Operations (OCO) for the ongoing war efforts abroad, the same level assumed in the President’s budget request and in the House-passed National Defense Authorization Act.”

In the draft Committee Report, the Committee provided more detail on funding levels:
- For Military Personnel, “the Committee recommends a total of $128,127,640,000 for active, reserve, and National Guard military personnel, a decrease of $829,953,000 below the budget request, and a decrease of $668,647,000 below the fiscal year 2014 enacted level. The Committee recommendation provides funding to increase basic pay for all military personnel by 1.8 percent, as authorized by current law, effective January 1, 2015. The Committee recommends full funding to support the requested end strength levels for active duty and Selected Reserve personnel.”
- For Operations and Maintenance, “the Committee recommends a total of $164,631,638,000 for operation and maintenance support to the military Services and other Department of Defense entities, a decrease of $1,371,180,000 below the budget request, and an increase of $4,761,912,000 above the fiscal year 2014 enacted level. The recommended levels will robustly fund operational training programs in fiscal year 2015. Requests for unit and depot-level maintenance, facilities sustainment, restoration and modernization, and base operations support program funding have been fully supported.”
- For Procurement, “the Committee recommends a total of $91,227,819,000 for procurement” [which represents a $1.633 billion reduction from FY 2014 enacted levels] and “[m]ajor initiatives and modifications include:
  - $1,356,227,000 for the procurement of 87 UH–60 Blackhawk helicopters, an increase of $119,226,000 and eight aircraft above the President’s request
  - $892,504,000 for the procurement of 32 CH–47 Chinook helicopters, the same as the President’s request.
  - $239,581,000 for the
procurement of 19 improved, longer range MQ-1 unmanned aerial vehicles, an increase of $49,000,000 above the President’s request  
- $1,018,547,000 for the procurement of twelve EA-18G Growler electronic attack aircraft, an increase of $975,000,000 and twelve aircraft above the President’s request  
- $2,128,787,000 for the procurement of nine P-8A Poseidon multimission aircraft, an increase of $125,460,000 and one aircraft above the President’s request  
- $809,057,000 for the procurement of 27 UH-1Y/AH-1Z helicopters, an increase of $30,300,000 and one aircraft above the President’s request  
- $5,843,108,000 for the procurement of 38 F-35 Lightning aircraft, an increase of $479,000,000 and four aircraft above the President’s request; six short take-off and vertical landing variants for the Marine Corps, four carrier variants for the Navy, and 28 conventional variants for the Air Force  
- $14,256,361,000 for the procurement of six Navy ships, including two DDG-51 guided missile destroyers, two SSN-774 attack submarines, and two Littoral Combat Ships  
- $789,300,000 above the President’s request for the advance procurement of material for the refueling of the USS George Washington (CVN-73)  
- $1,097,691,000 for the procurement of 14 C/HC/MC/KC–130J aircraft, the same as the President’s request  
- $1,481,100,000 for the procurement of 19 MV-22 aircraft, a decrease of $5,900,000 below the President’s request  
- $1,582,685,000 for the procurement of seven KC-46 tanker aircraft, the same as the President’s request  
- $1,346,046,000 for the procurement of three Evolved Expendable Launch Vehicles and infrastructure, a decrease of $35,000,000 below the President’s request  
- For Research, Development, Testing and Evaluation, “the Committee recommends a total of $63,362,890,000 for research, development, test and evaluation” and “[m]ajor initiatives and modifications include:  
  - $849,277,000 for the continued development of the replacement for the Ohio class ballistic missile submarine, the same as the President’s request  
  - $146,200,000 for the continued development of the E-2D Advanced Hawkeye aircraft, a decrease of $47,000,000 below the President’s request  
  - $230,733,000 for the continued development of the Next Generation Jammer, a decrease of $16,123,000 below the President’s request  
  - $1,636,130,000 for the
continued development of the F–35 Lightning Joint Strike Fighter aircraft, a decrease of $4,976,000 below the President’s request
  o $403,017,000 for the continued development of the Unmanned Carrier Based Strike System, the same as the President’s request
  o $913,728,000 for the development of a new penetrating bomber, the same as the President’s request
  o $766,937,000 for the continued development of the Next Generation Aerial Refueling Aircraft, a decrease of $10,000,000 below the President’s request

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- $766,937,000 for the continued development of the Next Generation Aerial Refueling Aircraft, a decrease of $10,000,000 below the President’s request

- $309,501,000 for the continued development of the Space Based Infrared Satellite and associated ground support systems, a decrease of $10,000,000 below the President’s request
- $2,848,318,000 for the Defense Advanced Research Projects Agency, a decrease of $66,452,000 below the President’s request

For the Defense Health Program, “[t]he Committee recommends a total of $31,634,870,000 for the Defense Health Program to support worldwide medical and dental services for active forces and other eligible beneficiaries.”

Among the amendments adopted were the following:

- **Limit On OCO Funds:** The Committee adopted language that would limit the availability of OCO funds to 15% of the total appropriated until the Secretary of Defense provides “an assurance” and detailed spending plan that none of the funds will be sued to contravene the bar on transferring detainees from Guantanamo Bay Cuba without 30 days’ notice to the committees of jurisdiction.

- **Rosoboronexport:** The Committee adopted a provision barring the DOD from using any of the appropriated funds with Russian arms manufacturer Rosoboronexport unless and until Russia stops providing assistance to the Syrian government.

**FY 2015 Energy-Water Appropriations Act**

On June 10, the Energy and Water Subcommittee reported the bill by voice vote to the full Committee. In its press release, the Energy and Water Subcommittee asserted that its bill “totals $34 billion – a $50 million reduction from the fiscal year 2014 enacted level and an increase of $327 million above the President’s request.” In terms of funding provisions related to national security, the Subcommittee provided the following summary:

- **Nuclear Security** – The bill provides a total of $11.4 billion for DOE’s nuclear weapons security programs, including Weapons Activities, Defense Nuclear Nonproliferation, and Naval Reactors. This is a $154.6 million increase from the fiscal year 2014 level. This critical national defense funding will allow the U.S. to uphold its nuclear deterrence posture, and prepare for current and future nuclear threats by maintaining the safety and readiness of our nuclear stockpile. This includes:
  - $8.2 billion for Weapons Activities – $423.2 million above the fiscal year 2014
enacted level;
- $1.2 billion for Naval Nuclear Reactors – $120.3 million above the fiscal year 2014 enacted level; and
- $1.5 billion for Defense Nuclear Nonproliferation – $398.8 million below the fiscal year 2014 enacted level and the same as the President’s request.

- Environmental Cleanup – Included in the legislation is $5.6 billion for environmental management activities, $202.2 million below the fiscal year 2014 enacted level. This includes $4.8 billion for Defense Environmental Cleanup to safely clean sites contaminated by previous nuclear weapons production, as well as additional funding for various other non-defense related nuclear sites.

McCord Confirmed

Key Points:
- One of the Administration’s national security nominees confirmed by Senate while others are left pending

On June 12, the Senate confirmed Michael McCord unanimously to replace Robert Hale as Under Secretary of Defense (Comptroller.) Hale has served in that position since February 2009. However, the Senate has not yet acted on other national defense nominees sent to the Senate at about the same time as McCord’s nomination, including Christine Wormuth to be Undersecretary of Defense for Policy, Jamie Morin to be the director of Cost Assessment and Program Evaluation, Jessica Wright to be Undersecretary for Personnel and Readiness, and Jo Ann Rooney to be Navy Undersecretary.

GAO Takes Issue with DOD and DOE Nuclear Weapons Costs Estimates

Key Points:
- The GAO noted shortcomings with the “completeness” and transparency of 10 year estimates to sustain and modernize the U.S. nuclear arsenal

On June 10, the Government Accountability Office released an assessment of the Department of Defense (DOD) and National Nuclear Security Administration’s (NNSA) “$263.8 billion, 10-year estimates in their report to Congress for sustaining and modernizing U.S. nuclear weapons capabilities” and found “shortcomings with respect to the completeness of the budget estimates and the transparency of the assumptions and limitations that underlie the 10-year estimate.”

The GAO detailed the issues it found with the DOD and NNSA’s estimates:
- Nuclear stockpile and infrastructure: Based on GAO’s recent review of DOE’s long-term plans and estimates for sustaining and modernizing the nuclear enterprise, we found that DOE’s $97.5 billion estimate in the report includes less funding than will be needed through fiscal year 2018 to meet program milestones for planned nuclear weapon life extensions, and through fiscal year 2023 to meet milestones for constructing key facilities.
- Nuclear delivery systems: DOD’s $125.5 billion estimate in the report does not include potential budget estimates for Air Force efforts to modernize intercontinental ballistic missiles or to develop a new bomber. Instead, DOD treated these efforts as zero-cost in the estimate. Consequently, DOD may be significantly
underreporting its 10-year estimate, depending on the magnitude of the costs resulting from upcoming decisions about how to modernize these delivery systems.

- Nuclear command, control, and communications (NC3): DOD’s methodology for preparing its $40.8 billion estimate to sustain and modernize its system for assuring connectivity between the President and nuclear forces is not fully transparent because key assumptions and potential limitations are not documented in the report to Congress. As a result, Congress has a limited basis for understanding the estimate, or for comparing the estimates in one annual report to the next, as it assesses long-term affordability when allocating resources.

The GAO made two recommendations “to improve subsequent joint reports to Congress on plans for sustaining and modernizing U.S. nuclear weapons capabilities:

- To ensure the accuracy and completeness of DOD’s estimates for sustaining and modernizing strategic delivery systems over the 10-year period covered in subsequent joint reports, we recommend the Secretary of Defense direct the Secretary of the Air Force and Secretary of the Navy, as appropriate, to include at least a range of potential budget estimates for projects and programs in future modernization plans that extend beyond the period covered by their 5-year internal funding plans, based on preliminary cost information.

- To improve the transparency of the joint report’s methodologies, thereby assisting Congress in understanding the basis for DOD’s NC3 estimates in subsequent joint reports, we recommend the Secretary of Defense direct the DOD CIO to document in the report the methodological assumptions and limitations affecting the report’s estimates for sustaining and modernizing the NC3 system.”

Upcoming Hearings and Events

**June 17**

**FY 2015 Energy-Water Appropriations:** The Senate Appropriations Committee’s Energy and Water Subcommittee will hold a [markup](#) on the FY 2015 Energy and Water Development Appropriations Bill.

**FY 2015 State-Foreign Ops Appropriations:**
The Senate Appropriations Committee’s State, Foreign Operations Subcommittee will hold a [markup](#) of the FY 2015 Department of State, Foreign Operations, and Related Programs Appropriations Bill.

**Navy Threats:**
The Senate Armed Services Committee will hold a closed [hearing](#) to discuss major threats facing Navy forces.

**FY 2015 Appropriations:**
The House Appropriations Committee’s State, Foreign Operations Subcommittee will hold a [markup](#) of the FY 2015 Department of State, Foreign Operations, and Related Programs Appropriations Bill.

**June 18**

**FY 2015 Appropriations:**
The Senate Appropriations Committee’s Defense Subcommittee will hold a [markup](#) of the FY 2015 Department of Defense Appropriations Act.
Afghanistan: The Senate Foreign Relations Committee will hold a hearing to discuss United States policy in Afghanistan and the regional implications of the 2014 transition.

The Intelligence Community: The Senate Homeland Security and Governmental Affairs Committee will hold a hearing to discuss oversight of its contractor workforce.

June 19

FY 2015 Appropriations: The Senate Appropriations Committee will hold a markup of FY 2015 Energy and Water Development; State, Foreign Operations, and Related Programs; and Legislative Branch Appropriations Bills.

Nominations: The Senate Committee on Armed Services will hold a hearing to discuss Department of Defense nominations.

Iran: The House Armed Services Committee will hold a hearing to discuss Iran nuclear program negotiations.

Drones: The House Armed Services Committee will hold a hearing to discuss the carrier-launched drone program.

June 25

Nuclear Deterrence: The Senate Committee on Armed Services will hold a closed briefing to discuss the United States’ nuclear deterrence policy.

For more information on defense issues you may email or call Michael Kans at 202-659-8201.

HEALTH

Senate Subcommittee Marks up HHS Appropriations; House Postpones Final Passage of Agriculture-FDA Appropriations

Key Points:
- FY 2015 Labor, HHS, Education Spending Bill Reported to Full Committee
- Full Committee markup not yet scheduled; House prospects unclear

On June 9, the Senate Appropriations Committee’s Labor, HHS, “Education Subcommittee convened a markup of the FY 2015 spending bill for these agencies. The Subcommittee favorably reported the bill by voice vote, and the legislation now awaits action by the full Senate Appropriations Committee. The full Committee has not yet scheduled the markup, which could take place as early as next week.

In opening remarks delivered at the markup, Subcommittee Chairman Tom Harkin (D-IA) said that the bill represents the interests of Democrats and Republicans on the Committee, and said that it reflects many “hard choices.” He said the bill replaces the “disastrous” sequestration cut to the National Institutes of Health (NIH) and noted increased funding for Alzheimer’s research. Full Committee Ranking Member Richard Shelby (R-AL) expressed disappointment that a bipartisan solution was not reached, raising concerns about funding for the Affordable Care Act’s (ACA) healthcare exchanges and HHS' lack of transparency in the law’s implementation.

The bill provides nearly $157 billion in discretionary budget authority, which is similar to the FY 2014 enacted level. According to a summary released by the Subcommittee, the
bill includes a $560 million increase to waste, fraud, abuse, and improper payment prevention efforts in Medicare, Medicaid, and Social Security. Other highlights of the bill include: $30.5 billion for the NIH, a $600 million increase over FY 2014; $265 million for Children’s Hospitals Graduate Medical Education (CHGME), which the President’s budget would have eliminated; and $905 million for the AIDS Drug Assistance Program (ADAP).

The Senate Appropriations Committee reported the FY 2014 Labor, HHS, Education bill out of Committee last summer but no additional action occurred on the bill and the House did not advance a version of the bill through Committee.

Meanwhile, the House did not finish consideration of the “Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2015” (H.R. 4800). The bill was brought to the Floor on June 11 but consideration of further amendments and final passage was postponed. It is not yet clear if the House will resume consideration of the bill next week.

**House Panel Holds Second Hearing on 21st Century Cures Initiative**

**Key Points:**
- House holds second hearing on 21st Century Cures Initiative; explores role of incentives in advancing treatments and cures

This week, the House Energy and Commerce Committee’s Health Subcommittee held a hearing titled “21st Century Cures: Examining the Role of Incentives in Advancing Treatments and Cures for Patients.” Topics discussed at the hearing included whether current economic and regulatory incentives are sufficient to encourage robust investment in the research and development of innovative new drugs and medical technologies.

A number of Members and witnesses cited frustrations about the extensive time required to meet pretrial requirements and to conduct clinical trials on treatments for rare diseases. Ideas discussed at the hearing included the Modernizing Our Drug and Diagnostics Evaluation and Regulatory Network Cures Act of 2013 (MODDERN Cures Act), which supporters have said would lead to increased investment and new treatments.

The bipartisan 21st Century Cures initiative was launched at the end of April by House Energy and Commerce Chairman Fred Upton (R-MI) and Oversight and Investigations Subcommittee Ranking Member Diana DeGette (D-CO). The Committee has been gathering input over the last month from various stakeholders and has sought information on the gap between known diseases and treatment options and feedback on how proposals included in the 2013 report by the President’s Council of Advisors on Science and Technology (PCAST) report on drug innovation can be utilized to enhance research and development and accelerate new treatment and cures.

**Upcoming Hearings and Meetings**

**June 17**

**False Advertising of Weight-Loss Products:**
The Consumer Protection, Product Safety and Insurance Subcommittee of Senate Commerce, Science and Transportation Committee will hold a hearing titled "Protecting Consumers from False and Deceptive Advertising of Weight-Loss Products."
June 18

**E-Cigarettes:** The Senate Commerce, Science and Transportation Committee will hold a hearing titled "Aggressive E-Cigarette Marketing and Potential Consequences for Youth."

**MedPAC June Report:** The Health Subcommittee of House Ways and Means Committee will hold a hearing on the Medicare Payment Advisory Commission June report to Congress.

**Non-VA Veteran Care:** The House Veterans' Affairs Committee will hold a hearing titled "Non-VA Care: An Integrated Solution for Veteran Access."

June 25

**Brain Injuries:** The Senate Special Aging Committee will hold a hearing titled "State of Play: Brain Injuries and Diseases of Aging."

For more information about healthcare issues you may email or call Matthew Hoekstra or George Olsen at 202-659-8201.

**TRANSPORTATION AND INFRASTRUCTURE**

**House Passes FY 2015 T-HUD Appropriations**

**Key Points:**
- House finishes work on its T-HUD package

On June 10, the House passed the “Transportation, Housing and Urban Development, and Related Agencies Appropriations Act, 2015” *(H.R. 4745)* by a 229-192 vote. In the House Appropriations Committee’s summary, the Committee claimed that “the bill reflects an allocation of $52 billion in discretionary spending – an increase of $1.2 billion above the fiscal year 2014 enacted level and a decrease of $7.8 billion below the President’s budget request.” The Committee asserted that “given the reduction in offsets caused by a decline in Federal Housing Administration receipts, the program level within the bill is more accurately $1.8 billion below the current level.” In regards to transportation funding in the package, the Committee asserted that the bill includes “$17.1 billion in discretionary appropriations for the Department of Transportation for fiscal year 2015…$727.3 million below the fiscal year 2014 enacted level and $5.8 billion below the President’s request.” The Committee contended that “[w]ithin this amount, funding is prioritized on programs and activities with national need or significance, and that will help bolster our nation’s transportation system to support economic growth.”

Among the notable amendments considered on the floor were:

- **Amtrak Routes:** House Rules Committee Chairman Pete Sessions (R-TX) offered “[a]n amendment to prohibit the use of funds to support any Amtrak route whose costs exceed 2 times its revenues, as based on the National Railroad Passenger Corporation Fiscal Years 2013-2017 Five Year Plan from May 2013.” The amendment failed by a 167 – 250 vote.

- **California High Speed Rail:** House Transportation and Infrastructure Committee’s Railroads, Pipelines, and Hazardous Materials Subcommittee Chairman Jeff Denham (R-CA) offered “[a]n amendment to prohibit the use of the funds for high-speed rail in the State of California or for the California High-Speed Rail Authority.” The
amendment was agreed to by a 227 – 186 vote.

- **Amtrak Food and Beverage Service:** Representative Phil Gingrey (R-GA) offered “[a]n amendment to prohibit the use of funds to subsidize Amtrak Food and Beverage Service.” The amendment was agreed to by voice vote.

- **I-4 Toll Lanes:** Representative Alan Grayson (D-FL) offered “[a]n amendment to prohibit use of funds to authorize, approve, or implement a toll on existing free lanes on any segment of Interstate 4 in the State of Florida.” The amendment failed by voice vote.

- **Norwegian Air International:** Representative Peter DeFazio (D-OR) offered “[a]n amendment to prohibit use of funds to approve a new foreign air carrier permit or exemption application under U.S. law of an air carrier already holding an air operators certificate issued by a country that is party to the U.S.-E.U.-Iceland-Norway Air Transport Agreement where such approval would contravene U.S. law or the Agreement.” The amendment was agreed to by voice vote.

The Senate Appropriations Committee reported out the “Transportation, Housing and Urban Development, and Related Agencies Appropriations Act, 2015” (S. 2438) on June 5, and it is expected that the bill will be brought to the floor next week along with two other bills.

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**NextGen Hearing**

**Key Points:**

- **Lawmakers pressed the FAA Administrator on measures to help general aviation adopt NextGen and the timeline for implementation**

On June 11, the House Small Business Committee held a hearing entitled “FAA’s 2020 NextGen Mandate: Benefits and Challenges for General Aviation.” Topics discussed in the hearing included, but were not limited to: (1) establishing an FAA loan guarantee program; (2) the ADS-B Out mandate; (3) installation backlogs; (4) pilot record database development; (5) equipment certification standards; and (6) use of handheld devices.

Chairman Sam Graves (R-MO) noted the Federal Aviation Administration (FAA) has mandated all aircraft be NextGen equipped by January 1, 2020. He explained that NextGen technology is designed to make air travel safer and more reliable. He claimed NextGen technology will allow an aircraft to broadcast precise location information based on Global Positioning System (GPS) signals. He said there is a need to address the backlog of aircraft that need NextGen equipment installed.

Ranking Member Nydia Velázquez (D-NY) said through the NextGen mandate, the FAA hopes to improve the general aviation safety record, and reduce noise and environmental pollution. She explained costs to implement NextGen technologies vary from $8000 to $30,000 per aircraft, but not all aircraft need to be equipped. She noted the FAA has been criticized for its public outreach during the NextGen initiative.

Federal Aviation Administration Administrator Michael P. Huerta stated that implementing NextGen will increase the efficiency and
predictability of air travel, and reduce congestion, noise, emissions and fuel consumption. He explained that Automatic Dependent Surveillance–Broadcast (ADS–B) is a key component of NextGen, which will move air traffic control (ATC) from a radar-based system to a more precise satellite derived system. He noted that baseline installation of ADS-B ground stations is now complete, “so operators who equip now will see benefits now.” He stated that ADS-B provides controllers with continuous updates, which leads to enhanced safety and ultimately results in a smoother flow of air traffic. He said ADS-B will increase the capacity in U.S. airspace by reducing minimum separation distance between aircrafts. He noted that all operators must be equipped with ADS-B Out technology by January 1, 2020. He explained that this applies to Class A, B, and C airspace, as well as Class E airspace areas at or above 10,000 feet mean sea level (MSL), excluding the airspace at and below 2,500 feet above the surface. He stated that users who never fly into designated airspace will not be impacted by the new requirements.

Graves noted that the “FAA Modernization and Reform Act of 2012” created a program to incentivize NextGen implementation by giving FAA the authority to create and implement a public-private equipment incentive program for installation of equipment required by the ADS-B Out mandate. He asked Huerta whether the FAA had moved forward with the implementation of such a loan guarantee program. Huerta said in December of 2013 an interested private partner submitted an application to the FAA for an incentives program specifically targeted at general aviation. He said the FAA is currently reviewing the application and is working with the Department of Transportation’s Credit Council on the viability of the application and the lending program.

Velázquez asked Huerta why appropriations funding is needed to establish a loan guarantee program. Huerta said pursuant to the “Federal Credit Reform Act of 1990,” loan guarantees need to be accounted for in an appropriations act. He reiterated that an appropriation act is needed to give the FAA the ability to enter into a program. Velázquez noted that program costs could be offset by fees.

P3 Panel on Public Infrastructure

Key Points:
- Panel continues considering the utility of private investment as a means of bolstering funding for public infrastructure
- Witnesses give mixed testimony on potential for P3s for public buildings

On June 10, the House Transportation and Infrastructure Committee’s Public-Private Partnerships Panel held a roundtable titled “Innovative Approaches to Delivering Public Buildings.” The Panel discussed the benefits of public-private partnerships (P3), specifically looking at how P3s have been used in the development and completion of public buildings.

Representative Lou Barletta (R-PA) stated that the private sector's long-term agreement to maintain a facility over its useful life as part of a P3 allows for continuous investment in the building rather than “starving it for maintenance” over the life of the project through limited public funding. He claimed that private sector capital is already integral to the public building sector, noting that “more than half” of GSA’s space is owned by private real estate companies. He argued that the
question is whether the taxpayers should get any equity from these agreements.

Delegate Eleanor Holmes Norton (D-DC) agreed that the private sector already has a major presence in the public building industry. She argued that uncertainty caused by the long-term nature of P3s makes it important for public sector administrators to look at who is in the best position to fund a project and how much uncertainty mitigates against them “going out into the private sector and acting like a private developer.” Winstead asserted that P3s allow governments to “recapture” value from an under-utilized asset, such as the refurbishing of the Old Post Office Pavilion in Washington, DC.

Ranking Member Michael Capuano (D-MA) asked why a P3 agreement is a better value than publically funding a project that would be retained by the government. AECOM Capital Senior Vice President Samara Barend contended that the traditional design-build model neglects the long-term maintenance and operations costs associated with large public facilities. Capuano argued that a P3 agreement restricts how a government can spend funding because it agrees to a long-term contract with either defined payments or a forfeit of user-fees. Norton Fulbright Counsel Michael Pikiel explained that some P3s, such as the agreement for the Long Beach Courthouse, have provisions that the building has a certain amount of “useful life remaining” when it reverts back to public ownership following the end of the contract. He said that “an availability payment ‘PPP’ contract” is not debt and therefore not a long-term obligation, but rather broken down into annual obligations over the life of the contract.

Chairman John Duncan (R-TN) asked why many federal building projects experience cost overruns and schedule delays. Winstead stated that the process for review, design, and planning is “way too extended.” He noted that by extending the process, it leads to a compounding of projects as new projects became necessary while older projects have yet to be completed. Duncan asked what level of complexity would justify a P3. Barend said the complexity is determined by identifying the severity of the risks and placing a monetary value on those risks. She stressed that determining P3 eligibility is not as simple as evaluating its cost of financing. She commented that a project would have to be worth more than $250 million to be suitable for a P3, according to the investment community.

Upcoming Hearings and Events

June 18

General Motors: The House Energy & Commerce Committee will hold a hearing to discuss the General Motors Ignition Switch Recall.

Surface Transportation: The House Science, Space, and Technology Committee will hold a hearing to discuss the future of surface transportation.

Coast Guard: The House Transportation and Infrastructure Committee will hold a hearing to discuss maintaining Coast Guard readiness.

Aviation: The House Transportation and Infrastructure Committee’s Aviation Subcommittee will hold a hearing to discuss airport financing and development.

For more information on transportation issues you may email or call Michael Kans at 202-659-8201. Lucas Rogers, Greg Frink, Chris Anthony and Tim Hooge contributed to this section.
TECHNOLOGY

Hearings On Federal IT

Key Points:
- Lawmakers focused on IT with respect to the Veterans Affairs’ difficulties and other mismanaged IT developments

On June 10, the Senate Homeland Security and Governmental Affairs Committee’s Efficiency and Effectiveness of Federal Programs Subcommittee and the Federal Workforce held a hearing entitled “A More Efficient and Effective Government: Examining Federal IT Initiatives and the IT Workforce.” Topics discussed in the hearing included, but were not limited to: (1) Department of Veterans Affairs scheduling problems; (2) Chief Investment Officer oversight; (3) VA-DOD interoperability; (4) the Federal IT Dashboard; (5) federal hiring and retention; and (6) interagency collaboration.

Chairman Jon Tester (D-MT) noted that the federal Information Technology (IT) portfolio is more than $80 billion. He stated that “a number of recent events have given credence to those who say that the federal acquisition system is broken.” He said the rollout of Healthcare.gov and other federal IT initiatives have been lucrative for contractors but not worth the taxpayers’ money. He said the Department of Veterans Affairs’ (VA) computer scheduling system has proven incapable of adequately monitoring and coordinating the process through which veterans are provided with timely care. He stated that it is becoming increasing difficult for federal agencies to recruit and hire the best candidates in the IT field. He noted that the Office of Management and Budget’s (OMB) PortfolioStat initiative has helped agencies identify duplicative spending and could result in billions of dollars of savings.

Ranking Member Rob Portman (R-OH) stated that some federal IT programs have been problematic. He expressed interest in discussing how projects are solicited, awarded, monitored, and implemented. He said attracting and retaining the right talent is difficult given private sector competition. He stated that lack of staff expertise contributed to the recent problems at the VA. He noted that the Department of Defense’s (DOD) audit ready is partly an IT issue. He said there are ongoing concerns about implementing the IT aspect of the Affordable Care Act. He complimented the Government Accountability Office’s (GAO) efforts to improve the federal IT acquisition process.

Department of Homeland Security (DHS) Chief Information Officer Luke McCormack stated that the DHS has made great strides in the last 6 months. He said that in order to best govern its infrastructure, DHS has worked with Chief Information Officers (CIO) across its components to establish a robust, tiered governance model that provides active oversight and ensures programs have key executive stakeholder engaged. He explained that DHS’s Acquisition Review Board (ARB) has ultimate oversight over all programs with a life cycle cost estimate of $300 million or greater. He stated that the IT Acquisition Review (ITAR) process allows him to confirm that acquisitions comply with security, accessibility, and enterprise architecture requirements, and align with DHS strategic direction on enterprise data centers, licenses, and services.

Department of Veterans Affairs Executive in Charge of Information and Technology Stephen Warren stated that for the fourth year
in a row, the VA’s on-time delivery rate for IT projects was above 80 percent. He said the Project Management Accountability System (PMAS) ensures that the customer, project team, vendors, leadership, and all stakeholders focus on on-time delivery of IT capabilities. He noted that the VA currently delivers projects in an average of 4.2 months. He said in October of 2010 the VA moved to a competency based model, in which competency-based teams are organized around key knowledge, skills, abilities, and behaviors. He explained that the VA is in the process of moving to a DevOps model, which blends together product development and IT operations staff. He stated that DevOps is being applied to disability benefits processing, and has reduced the disability claims backlog 44 percent in the last year.

Government Accountability Office Information Technology Management Issues Director David Powner stated that three quarters of the federal governments’ annual investment in IT is spent on operational or legacy systems. He said it is vitally important that new systems acquisitions are managed effectively. He asserted that large IT acquisitions can be better managed by improving transparency, executive governance, incremental development, and by using best practices. He explained that the IT Dashboard was put in place to improve transparency by highlighting the status and CIO assessments of major IT investments across 27 departments. He indicated that, of the 750 major projects currently underway, 575 are in green status, 150 are in yellow status, and 40 are in red status. He added that the DOD currently reports no red status projects, but they have recently committed to a new process to improve their dashboard ratings. He asserted that the OMB and department CIOs are not conducting enough oversight meetings. He stated that agencies need to deliver projects in smaller segments in order to be successful. He said the OMB’s PortfolioStat initiative has the potential to save at least $5.8 billion through FY 2015.

Wheeler Calls For Greater Cybersecurity For FCC Regulated Entities

Key Points:

- FCC Chairman calls for voluntary efforts to “to build a new paradigm of proactive, accountable cyber risk management for the communications sector”

On June 12, Federal Communications Commission (FCC) Chairman Tom Wheeler made the keynote address at the American Enterprise Institute’s event “After Snowden: The road ahead for cybersecurity,” in which he laid out his vision for cybersecurity for the communications industry. He said that “I want to address how stakeholders in the communications sector – the sector on which all aspects of the digital economy depend – must create a new paradigm for cyber readiness...[which] begins with private sector leadership that recognizes how easily cyber threats cross corporate and national boundaries.” Wheeler noted that “[b]ecause of this reality, the network ecosystem must step up to assume new responsibility and market accountability for managing cyber risks.” He made clear that “[t]he purpose of these remarks is to explain that concept as it applies to cybersecurity...[and] [b]asically it boils down to this: identify public goals, work with the affected stakeholders in the communications industry to achieve those goals, and let that experience inform whether there is any need for next steps.”

Wheeler described how “I hope we will be able to build a new paradigm of proactive,
accountable cyber risk management for the communications sector:"

- The New Consensus. First, the FCC must build upon past Federal and private sector work in cybersecurity. The National Institute of Standards and Technology’s NIST’s Framework for Improving Critical Infrastructure Cybersecurity is a flexible, adaptable approach to risk management that can be applied by companies of all types and sizes across all sectors. It is not a static checklist. The Framework’s success will rely on proactive risk management, not reactive compliance with a cybersecurity to-do list. We have our work cut out for us, but there is now a deep and broad consensus that this approach is the only workable strategy for securing commercial networks.

- The FCC’s New Paradigm. So how do we, as a regulator, ensure that the communications sector steps up to the challenge? This new paradigm must be based on private sector innovation, and the alignment of private interests in profit and return on investment with public interests like public safety and national security. It needs to be more dynamic than rules, and – this is a key point – it needs to be more demonstrably effective than blindly trusting the market. “Demonstrably effective” will require a level of transparency that may make take some time to get used to, but the bottom line is that this new paradigm can’t be happy talk about good ideas – it has to work in the real world. We need market accountability on cybersecurity that doesn’t exist today, so that appropriately predictive and proactive investment is made to improve cyber readiness.

Wheeler noted that “[o]ur work on cybersecurity in the communications sector will be guided by a set of principles.

- First and foremost is a commitment to preserving the qualities that have made the Internet an unprecedented platform for innovation and free expression. That means we cannot sacrifice the freedom and openness of the Internet in the name of enhanced security.

- Second is our commitment to privacy, which is essential to consumer confidence in the Internet. We believe that when done right, cybersecurity enables digital privacy – personal control of one’s own data and networks.

- Third is a commitment to cross-sector coordination. We cannot address these threats in one-sector or one-agency silos. Particularly among regulatory agencies, we must coordinate our activities and our engagement with our sector stakeholders.

- Fourth, we continue support the multi-stakeholder approach to global Internet governance that has successfully guided its evolution, and we will oppose any efforts by international groups to impose Internet regulations that could restrict the free flow of information in the name of security. The digital economy is global, and this multi-stakeholder improvement in cyber readiness and market accountability will be a useful template for others and have positive impacts worldwide.

Wheeler said that “[g]uided by these principles, I have directed the FCC staff to organize our cyber activities around some central pillars:
First, Information Sharing and Situational Awareness
Second, Cybersecurity Risk Management and Best Practices
Third, Investment in Innovation and Professional Development

Upcoming Hearings and Events

June 24
**AT&T/DirecTV Merger:** The Senate Committee on the Judiciary will hold a hearing to discuss the AT&T/DirecTV merger.

**AT&T/DirecTV Merger:** The House Committee on the Judiciary will hold a hearing to discuss the AT&T/DirecTV merger.

For more information on technology issues you may email or call Michael Kans at 202-659-8201. Lucas Rogers contributed to this section.

*This Week in Congress was written by Laura Simmons.*
Calendar Summary. November 21, 2019: Next regional center program sunset date (possibly to be extended again for a few weeks as part of another continuing resolution). November 21, 2019: The EB-5 Immigrant Investor Program Modernization Regulation will take effect. Summary of Recent Updates.