



August 2017

The Rural Center's

Dispatches from DC

Congress returns to Washington after Labor Day to face some critical deadlines. Treasury Department officials are urging Congress to raise the \$19 trillion debt ceiling before it defaults on our debt. This will take bipartisan support to pass a clean bill without cuts to domestic spending. Congress must pass FY 2018 appropriations bills or a Continuing Resolution by September 30 to keep the federal government operating and avoid a shutdown. White House tax negotiators and congressional leadership expect to release late September an outline of agreed-upon principles that will serve as a framework for a tax reform bill. Meanwhile, there are bipartisan efforts ongoing to find a way to revise the Affordable Care Act to provide more affordable health insurance in 2018.

Congress Must Act To Avoid Financial Crisis

Treasury Department officials are urging Congress to raise the \$19 trillion debt ceiling. Tax receipts have been lower than expected and Treasury is facing limited options to pay its bills without defaulting on its debt. House leadership indicates it will be the first order of business in September but that bipartisan support may be needed for quick passage of a clean bill without spending cuts attached.

FY 2018 Appropriations Process Moving Forward

Although the House of Representatives has not yet approved its FY 2018 Budget Resolution setting priorities for the next ten years, the House Appropriations Committee moved forward to complete markup of all 12 annual subcommittee bills and packaged together four of those bills into H.R. 3219, which was approved by the full House of Representatives prior to recess. The minibus package makes up 66 percent of federal discretionary spending and includes funding for Defense, Military Construction, Veterans, Energy & Water Development that includes the Army Corps of Engineers water resources and beach projects, and the Legislative Branch budget, which includes new funding for security for the members of Congress following the shooting of Representative Steve Scalise, two Capitol Police officers, and others. The bill also includes \$1.6 billion for the border-wall construction that normally would be part of the Homeland Security Appropriations bill. Democrats oppose the minibus because it would reduce their ability to leverage for more non-defense spending and they oppose unrestricted funding for border wall construction.

The Senate Appropriations Committee also moved forward, using FY 2017 funding levels as the base, and marked up half of its FY 2018 bills prior to recess. None have been taken to the floor, but that has not stopped negotiations in the past.

We are very pleased that House and Senate Appropriations Committees rejected deep cuts proposed by the White House, although specific program funding levels is recommended by each respective subcommittee. Congress must approve FY 2018 appropriations bills or an FY 2018 Continuing Resolution prior to September 30 to avoid a federal government shutdown.

Tax Reform

White House tax specialists and congressional leadership of the House Ways & Means Committee and the Senate Finance Committee are working on a list of shared principles that will be released in late September.

Legislative action is planned by Thanksgiving. Republicans are debating whether parts of their tax reform package should be retroactive to January 2017 in order to boost the economy. Absent such retroactivity, people could delay new investments, which would hurt federal revenues and the economy. Democrats in the Senate have signed a letter saying they won't support a tax reform bill if it raises taxes on the middle class, gives tax breaks for the wealthiest Americans, or increases the federal deficit. Republicans agree on major goals for tax reform: spur economic growth, make it easier for U.S. companies to compete with companies based overseas, and simplify the filing system for individuals to make taxes less of a hassle. Everyone acknowledges the pressure on Republicans to secure a significant legislative victory prior to next year's midterm elections. Senator Richard Burr serves on the Senate Finance Committee and Representative George Holding serves on the House Ways & Means Committee.

Affordable Care Act Revisions

Senate Republicans failed to approve proposed changes to the Affordable Care Act prior to going on recess in mid-August. The Senate needed 51 votes to pass a bill that would then go to conference with the House of Representatives, which passed H.R. 1628, the American Health Care Act. Several options were proposed but none secured the necessary 51 votes. Senate Health, Education, Labor, and Pensions Committee Chairman Lamar Alexander (R-TN) has indicated his committee will hold hearings and draft bipartisan legislation to stabilize the health care insurance exchanges. Senator Richard Burr serves on this important committee. The uncertainty over the cost-sharing reduction subsidies provided to insurance companies is the biggest factor driving proposed premium hikes for next year.

The Children's Health Insurance Program authorization expires September 30 and this must-pass bill may give lawmakers the legislative vehicle they need to make changes to the Affordable Care Act.

Open enrollment for 2018 is scheduled for November 1 through December 15. The Department of Health and Human Services has given more time, until September 5, to health insurance companies to submit premium rate requests for plans sold on the federal HealthCare.gov exchange. The insurance companies want assurances that they will continue to receive cost-sharing reduction payments from the federal government, estimated to be about \$7 billion this year, to subsidize out-of-pocket costs for lower-income households. Insurers are facing imminent deadlines in many states to submit their preliminary premium requests and state whether they will stay in the market. Some states are considering their own reinsurance program to keep companies engaged. Some are offering tax relief to operate in rural counties.

Opioid Addiction a National Emergency

President Trump announced his administration is preparing documents to declare opioid addiction a national emergency, which would provide extra funding and governmental authority to address a wave of overdose deaths and the power to negotiate lower prices for overdose reversal drugs. More than 33,000 Americans died from opioid overdoses in 2015, according to the National Institute on Drug Abuse.

Atlantic Coast Pipeline (ACP)

President Trump has asked Neil Chatterjee from Kentucky, former advisor to Senate Majority Leader Mitch McConnell, to temporarily chair the Federal Energy Regulatory Commission (FERC), the federal agency that oversees energy markets and approves pipelines. FERC will now have a quorum although Trump nominee for chairman, Kevin McIntyre, and Richard Glick, Democratic nominee for commissioner are still pending.

The Atlantic Coast Pipeline received a favorable Final Environmental Impact Statement (EIS) from FERC on July 21 and the North Carolina Department of Environmental Quality (NCDEQ) is holding public

hearings as part of the 401 water quality permitting process. The Rural Center submitted a letter of support of the Atlantic Coast Pipeline to the Federal Energy Regulatory Commission. The natural gas transported will be used to generate cleaner electricity to homes and power new industries, creating much needed new jobs in eastern North Carolina.

Broadband

Rural: On August 3, the Federal Communications Commission (FCC) approved a series of proposals aimed at spurring more investment and federal support for rural broadband expansion, according to Chairman Ajit Pai. The FCC approved a data collection and challenge process for an upcoming auction representing Phase II of its Mobility Fund, which subsidizes rural wireless network build-out. The agency voted to collect data from wireless providers on where they offer 4G LTE service to determine which parts of the country have no unsubsidized high-speed wireless and should be eligible for support from the fund. Stakeholders would then be able to challenge any areas the FCC finds tentatively ineligible. Trade groups representing small and rural telecom companies, such as NTCA-Rural Broadband Association, has proposed other ways to determine eligibility.

The FCC also voted to start collecting input on procedures it should use in an auction planned for 2018. The auction would deliver up to \$2 billion to largely rural broadband providers under the Connect America Fund, which subsidizes broadband in areas that providers have deemed too expensive to build out to without federal funding.

The agency also voted to start collecting input on any changes it should make to the broadband and voice data it routinely collects to build its maps of nationwide broadband coverage.

Net Neutrality: The FCC has extended until August 30 the deadline for reply comments on its proposal to scale back 2015 landmark regulations, known as net neutrality, making it illegal for Internet providers to block, slow, or charge websites extra fees.

Industry providers such as AT&T and Verizon argue that the regulations are overly burdensome, and prevent it from upgrading networks to give consumers better speeds and more reliable services. Supporters of net neutrality, such as Google, Netflix, and Facebook, say that strong regulations are necessary to prevent Internet service providers from artificially directing customers to sites and applications they control or with whom they share special business relationships. In response to the FCC proposal to repeal the net neutrality rules, one group, Broadband for America, is urging bipartisan congressional action to pass open Internet protections and provide a more lasting solution. There also is litigation that may reach the Supreme Court.

NAFTA Revision Talks Begin

President Trump's goal to cut the U.S. trade deficit means the U.S. negotiators must convince Mexico and Canada to commit to buy more American products. Adding modern economic type issues, such as language on digital trade, to the NAFTA framework would certainly produce more economic activity among the three countries. In addition, the Trump Administration will push for higher wages and better conditions for Mexican workers, closing the gap with U.S. workers. Talks begin in mid-August.

Food Deserts

Senator Mark Warner (D-VA) has introduced the first comprehensive bipartisan legislation to provide incentives for grocers, retailers, and nonprofits to address food deserts. The Healthy Food Access for All Americans Act (S. 1724) bill would set up a system of tax credits and grants for businesses and nonprofits who serve low-income and low-access urban and rural areas. To qualify, a business or nonprofit must be certified as

a “Special Access Food Provider” by the Departments of Treasury and Agriculture. According to USDA, an estimated 37 million Americans live in a food desert.

Lumbee Recognition

Senator Richard Burr and Reps. Robert Pittenger and Richard Hudson have introduced legislation to grant federal recognition to the Lumbee Tribe (S. 1047, H.R. 2352). The benefits service area includes members of the Tribe residing in Robeson, Cumberland, Hoke, and Scotland Counties. Hearings have not yet been held.

Veterans’ Health Care Program Funded

Congress enacted S. 114 that provides \$2.1 billion for the Choice Program, which allows military veterans to go outside the VA system for health care. In addition, the bill includes \$1.4 billion for VA medical center leases and investments in the department’s workforce to enhance recruitment, retention, and training. The funding boost will help the VA fill nearly 50,000 job vacancies.

FDA Reauthorization Enacted

Congress enacted legislation to reauthorize the Food and Drug Administration (FDA) for five years to use user fees to pay for the review of medical devices, brand-name drugs, generic drugs, and biosimilars, which are copycat versions of costly biologic drugs made from living organisms. The FDA bill also includes new requirements that could increase the number of cancer drugs for children. The user fees generate about \$400 million in additional revenue for FY 2018 and finance more than a quarter of the FDA budget, which allows the agency to speed the approval of drugs while maintaining strict safety concerns.

National Flood Insurance Program Expires September 30

Congress must pass legislation to renew a federal program key to the lenders, insurers, and other businesses operating in flood-prone communities. Since the National Flood Insurance Program (NFIP) supplies almost all of the flood insurance in the U.S., a lapse in the program’s authorization would mean that the Federal Emergency Management Agency (FEMA) can’t issue new or renew existing coverage policies. If that happens, lenders won’t typically lend money, crippling related industries such as construction and real estate sales. Municipalities have complained that mistakes in FEMA’s flood maps can result in unnecessary costs for the localities as they attempt to dispute the maps with FEMA. The agency’s flood maps are used to determine both flood insurance rates and whether properties are required to maintain flood coverage or instead have the option to buy it. Proposals from lawmakers to reauthorize the program in 2017 have included requirements that FEMA work even closer with localities on updating its flood maps.

In an attempt to minimize taxpayers’ risk exposure from the NFIP, some lawmakers are trying to overhaul the program with proposals to open the flood insurance market up to the private sector, change the parameters on what properties can continue to qualify for federal flood coverage, and encourage structural improvements to properties. The House bill would allow private insurers to underwrite policies alongside the government while restricting coverage to properties that have suffered repeated flood damage. The Senate draft doesn’t give private underwriters a greater role in the program. Disagreements may result in short term extensions.

Infrastructure Package?

Transportation Department policy makers and modal administrators have not been confirmed by the Senate, and they are key to a successful rollout of an anticipated \$1 trillion infrastructure package. So, the proposal timeline remains unclear for now.