



Mid-Year Update – July 2017

NC Rural Center's

Dispatches from DC

With every new Administration and Congress comes a period of change and building new relationships. Six months into President Trump's first term, Washington is still adjusting. While legislative efforts to repeal and replace the Affordable Care Act, enact tax reform and support a major infrastructure investment package are proceeding very slowly, the Administration immediately focused on rolling back federal regulations promulgated by the Obama Administration, revoking agency policies and proposing significant budget cuts in its FY 2018 budget submitted to Congress in May. With only weeks remaining to the August congressional recess, Republican leadership is facing pressure to move bills, raise the debt ceiling and prepare the FY 2018 appropriations bills for enactment prior to the October 1 deadline and beginning of the next federal fiscal year. Senate Majority Leader Mitch McConnell just announced a delay to the start of the August recess until the third week of August to provide more time to reach compromise on a health care reform bill.

FY 2018 Federal Appropriations

Although the House Budget Committee has not prepared its FY 2018 Budget Resolution to outline ten years of spending program priorities and funding levels due to differences over the amount of cuts to mandated entitlement spending, the House Appropriations Committee is moving forward to mark up its annual FY 2018 appropriations bills. The Committee hopes to have all 12 subcommittee bills considered by the August recess.

Aides note that under the \$1.065 trillion spending cap set in law (2011 Budget Control Act, Public Law 112-25) for FY 2018, domestic programs are already slated to see a \$3 billion decrease from current levels. New subcommittee spending levels will be approved July 12. Even larger cuts in domestic programs will be required if leaders plan to significantly increase defense spending. We are very pleased that House and Senate Appropriations Committees are rejecting deep cuts proposed by the White House, although specific program funding levels will be recommended by each respective subcommittee.

There will be efforts made to increase the spending cap, possibly linked to an increase in the debt ceiling, in order to get Democrats to support completing the remaining bills or even a Continuing Resolution by September 30. The Senate Appropriations Committee is moving forward with the FY 2018 Military Construction/Veterans Affairs Subcommittee bill as the first bill to be considered by mid-July, hoping to complete at least 6 of the 12 appropriations bills before the August recess.

Congress Must Act To Avoid Financial Crisis

Treasury Department officials are urging Congress to raise the \$19 trillion debt ceiling before they leave Washington for August recess. Tax receipts have been lower than expected and Treasury is facing limited options to pay its bills without defaulting on its debt. Senate leadership indicates a willingness to act before leaving town, although House leadership indicates it will be September before they enact such legislation and will likely couple it with cuts in FY 2018 appropriations bills to get the necessary votes for passage.

Career and Technical Education Bill Approved by House

With bipartisan support, the House of Representatives approved the **Strengthening Career and Technical Education (CTE) for the 21st Century Act (H.R. 2353)**, led by **Rep. Virginia Foxx** (NC-5), Chairwoman of the House Education and The Workforce Committee. The bill, which the Rural Center supports, reauthorizes the Carl Perkins Act programs to provide federal support to help prepare high school and community college students and close the skills gap. The bill empowers state and local community leaders by simplifying the application process for receiving federal funds and providing more flexibility to use federal resources to respond to changing education and economic needs. For example, the bill increases from 10 percent to 15 percent the amount of federal funds states can set aside to assist eligible students in rural areas and gives states more flexibility to use federal funds to support CTE programs that are focused on unique and changing education and economic needs or state-based innovation. The bill also improves alignment with in-demand jobs by supporting innovative learning opportunities, building better community partners and encouraging stronger engagement with employers. In recent years, Congress enacted bipartisan reforms to improve K-12 education, Every Student Succeeds Act, and alter the nation's workforce development system, Workforce Innovation and Opportunity Act. But advances in technology and the growth of a global economy have dramatically changed the kinds of jobs that are available. Our community and technical colleges need the flexibility to develop the skills vital to competing in today's workplaces.

Regulatory Reform

To achieve immediate regulatory reform, Congress used the Congressional Review Act to nullify 14 rules promulgated by the Obama Administration. These now-reversed rules would have:

- Required companies applying for federal contracts to disclose their labor violations;
- Required coal mines to reduce the amount of debris discharged into streams;
- Required tele-communications companies to take "reasonable measures" to protect their customers' personal information;
- Limited the drug-testing states could perform on those receiving unemployment insurance benefits;
- Placed individuals receiving Social Security payments for disabling mental illness to be added to a list of those not allowed to buy guns; and
- Allowed states to set up retirement savings plans for those who don't have the option at work.

In addition, the Environmental Protection Agency (EPA) has revoked several Obama-era policies aimed at reducing pollution and confronting climate change, in addition to the Administration withdrawing from the Paris Climate Agreement. Some of these EPA actions are being challenged in federal court.

The President has signed an executive order to open up oil and gas drilling in the Atlantic. North Carolina must work to secure revenue-sharing proceeds if this proceeds.

The Department of Labor has rolled back worker protections and the Department of Health and Human Resources will no longer enforce a fine for those who do not have health insurance and is encouraging states to file waivers with the Centers for Medicare and Medicaid Services to roll back Medicaid expansion plans.

The Department of Education has withdrawn, delayed or announced plans to rewrite more than a half dozen Obama-era measures involving federal student aid. These include the "gainful employment rule," which threatens to withhold student aid from vocational programs whose graduates consistently end up with more debt than they can repay because they can't get jobs, and the "borrower defense to repayment" rule which erases federal loans for students whose colleges used illegal or deceptive tactics to get them to borrow money to attend. Both actions are part of a broader effort by the department to reduce regulations in comparison to

an Obama administration seen as overly prescriptive toward schools. Some of these actions also are being challenged in federal court.

USDA Rural Development

USDA Secretary **Sonny Perdue**, former Governor of Georgia, has presented testimony proposing budget cuts to rural development programs and his proposal to reorganize and eliminate the position of Undersecretary for Rural Development which is Senate confirmed.

Despite objections expressed by members of Congress, Secretary Perdue named **Anne Hazlett** to be Assistant to the Secretary for Rural Development and she will oversee the Rural Utilities Service, the Rural Business Service, and the Rural Housing Service within USDA and report directly to the Secretary.

While the House and Senate Appropriations Committees consider the USDA budget priorities, Hazlett said, “Small towns and the people who call them home have been my life’s passion. It is with great enthusiasm and a deep commitment to rural America that I am eager to get to work at USDA and be a partner in crafting solutions to the significant challenges these communities face from economic opportunity to infrastructure, quality housing, and addiction.”

Anne Hazlett has worked on agriculture and rural issues for over fifteen years. Working in both the U.S. House and Senate, Hazlett most recently served as Republican Chief Counsel for the Senate Committee on Agriculture, Nutrition and Forestry where she was an advisor on many issues impacting rural America from Farm Bill programs to broadband and child nutrition. In addition to her public service in Washington, Hazlett was the Director of Agriculture for her home state where she managed the Indiana State Department of Agriculture and was an advisor to Indiana Governor Mitch Daniels on agriculture and rural issues. As Chief of Staff to Indiana Lt. Governor Becky Skillman, she assisted in the creation of the state’s first Office of Community and Rural Affairs, an agency devoted to providing financial and technical assistance to rural communities, and supervised management of the state’s housing finance, energy, and tourism agencies. Outside of public service, Hazlett was in private law practice where she advised clients on agriculture and environmental regulatory matters.

According to USDA, the reorganization places increased emphasis on Rural Development and is in recognition of the economic difficulties facing rural communities, which have lagged behind other parts of the country in prosperity. Fighting poverty wherever it exists is a challenge facing this country, as nearly 85 percent of America’s persistently impoverished counties are in rural areas. Rural childhood poverty rates are at their highest point since 1986, affecting one in four rural children, with deep poverty among children being more prevalent in rural areas (12.2 percent) than in urban areas (9.2 percent).

USDA stresses that the systems, functions, and internal structure of the Rural Development agencies will not be changing, and that removing the additional bureaucratic layer of an undersecretary will allow Hazlett as Assistant to the Secretary to obtain “go” or “no go” decisions directly from Secretary Perdue without having to have ideas or suggestions passed through channels in the office.

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.

American Health Care Act

Senate Republican leadership continue to meet to craft a bill to repeal and replace the Affordable Care Act (ACA), hoping to get approval before August recess. Discussions are focused on increasing funding to combat opioid abuse while allowing insurers to offer plans that do not meet market requirements under the Affordable Care Act, such as coverage for preventive care, mental health care and substance-abuse treatment. Negotiations continue regarding keeping two ACA taxes in place, a 3.8 percent tax on investment income and a 0.9 percent Medicare payroll tax on wages and self-employment income, in order to have access to billions to use elsewhere in the bill. Efforts are being discussed to cut Medicaid or at least curtail the additional federal funds for states which enacted Medicaid expansion: moderates oppose cuts and recommend a seven-year phase-out while leadership recommends three years. Senate leaders support allowing states to be exempt from the ACA rules on what an insurance plan must cover, known as essential health benefits, but not from the rules preventing people with pre-existing conditions from being charged more, known as community rating. Most recently, the Senate Parliamentarian has warned that a provision preventing tax credits from being used on insurance plans that cover abortion is unlikely to be allowed under Senate rules. If that provision is not allowed, the bill may lose conservative support. The Senate needs 51 votes to pass the legislation, so negotiations among Republican Senators are ongoing. A Senate bill draft released prior to July 4 recess, the Better Care Reconciliation Act of 2017, was scored by the Congressional Budget Office as resulting in the loss of an additional 22 million people losing health insurance coverage. Another version of the bill is expected to be released on July 13 and scheduled for a floor vote the week of July 17.

Senate Democrats continue to call for a bipartisan effort to fix the Affordable Care Act. A recent outline included stabilizing the insurance marketplace by helping consumers who face high premiums on the individual insurance market, added cost-sharing subsidies to help cover expenses for some lower-income purchasers and aid for those who just miss the cutoff to receive subsidies.

House Republican leaders worked closely with the White House to propose additional amendments to H.R. 1628 in order to secure the necessary Republican votes to move the bill forward. North Carolina Republican Representatives **George Holding** (R-2), **Virginia Foxx** (R-5), **Mark Walker** (R-6), **David Rouzer** (R-7), **Richard Hudson** (R-8), **Robert Pittenger** (R-9), **Patrick McHenry** (R-10), **Mark Meadows** (R-11), and **Ted Budd** (R-13) voted for the bill. Representative **Walter Jones** (R-3) joined Democrat Representatives **G.K. Butterfield** (D-1), **David Price** (D-4), and **Alma Adams** (D-12) to oppose the measure. The Congressional Budget Office estimated the House bill would increase the number of uninsured by 23 million by 2026.

Meanwhile, 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. In addition, they also faced a June 21 deadline to tell the federal government whether they will participate next year. Some states are considering their own reinsurance program to keep companies engaged. Some are offering tax relief to operate in rural counties. Press reports that BlueCross BlueShield of NC is seeking an average rate hike of almost 23 percent because of the uncertainty around the cost-sharing payments, vs. rate increases of less than 9 percent otherwise.

If Senate Republican leaders are not successful getting the 51 votes to support the revised Better Care Reconciliation Act, then working with Senate Democrats to craft a bipartisan measure is the next step. There is still no guarantee of final passage of a health care bill to revise the Affordable Care Act.

Energy Efficiencies and Resources

The House of Representatives approved **H.R. 951**, authorizing the Federal Energy Regulatory Commission (FERC) to reauthorize and extend the construction license for the W. Kerr Scott hydropower project for as long as six years. The license expired July 17, 2016. The project is located on the Yadkin River in Wilkes County and the bill is sponsored by Rep. **Virginia Foxx** (NC-5).

The House of Representatives approved **H.R. 627** which mandates that the Department of Energy maintain a clearinghouse for schools to find information on federal programs for energy efficiency, distributed generation and retrofitting projects.

The House of Representatives passed **H.R. 338** which promotes a 21st century energy and manufacturing workforce, by directing the Department of Energy to prioritize education and training for energy and manufacturing jobs through its grant-making.

Atlantic Coast Pipeline (ACP): The 90-day public comment period for ACP's Draft Environmental Impact Statement (EIS) has concluded. In total, the Federal Energy Regulatory Commission (FERC) received more than 35,700 comments related to the project. FERC will use feedback received during the comment period to prepare the Final EIS, which is expected to be released July 21, 2017. The NC 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 NC.

Receiving a favorable Draft EIS from FERC was a significant project milestone. The report concluded that the ACP project team has adopted all necessary measures to minimize environmental impacts and protect public safety. These conclusions are the result of more than two years of exhaustive study and meaningful engagement with landowners and communities along the proposed route. The report drew from nearly 100,000 pages of reports that the ACP project team submitted to FERC.

There is every reason to believe that the project will receive a favorable Final EIS and ultimately final approval from FERC early in the fall with construction beginning late 2017. In addition to the FERC regulatory process, sponsors must continue to work diligently to meet other federal, state and local requirements.

The NC Department of Environmental Quality (NCDEQ) will hold two public hearings as part of the 401 water quality permitting process: July 18, 6:00-9:00 p.m. in Fayetteville and July 20, 6:00-9:00 p.m. in Rocky Mount for public input on impacts on water quality. The NCDEQ deadline for written comments is August 19 at 5:00 p.m.

Small Business

President Donald Trump held events in June to highlight transportation and infrastructure needs, workforce development and efforts to expand apprenticeships to make it easier for students to obtain skill-based education through earn-and-learn programs. Efforts to promote jobs for women and minorities focus on STEM – science, technology, engineering, and math. The Administration plans to nearly double funding for apprenticeship grants to about \$200 million by pulling money from existing job training programs; the Labor Department would set broad standards for companies, industry groups and unions to design the programs. Siemens USA, with facilities in North Carolina among other states, has been outspoken in its efforts to advocate for such programs which allow them to train employees while they attend community college.

The House of Representatives passed **H.R. 10**, the **Financial CHOICE Act**, to replace or modify Dodd-Frank Wall Street Reform and Consumer Protection Act (Public Law 111-203) enacted in 2010 in response to the financial crisis when the collapse of the housing bubble caused significant losses and threatened the stability of the U.S. financial system. Supporters say the law gave regulators essential tools to manage systemically risky companies, wind down failing financial institutions, oversee complex financial instruments, and protect consumers. Opponents say the law made the financial regulatory system too complex and allowed the government to impose burdens on small financial institutions, making it harder for small businesses and consumers to access credit. The House bill remains a non-starter in the Senate where any rollback would need all Republicans and at least eight Democratic votes to be enacted.

The Financial CHOICE Act:

- exempts banks from stricter supervision if they hold more capital;
- eliminates regulators' authority to designate companies as systemically important and to wind down failing financial institutions;
- gives Congress more authority over the Consumer Financial Protection Bureau, Federal Reserve and other agencies;
- repeals the Volcker Rule, fiduciary rule, and other regulations; and
- reduces requirements for startup businesses, publicly traded companies, mortgage lenders, credit rating companies, and private equity funds.

Broadband

The Federal Communications Commission (FCC) has proposed scaling back 2015 landmark regulations, known as net neutrality, for Internet providers to protect consumers, making it illegal for Internet providers to block, slow or charge websites extra fees. No Internet service provider should be able to unfairly manipulate consumers' Internet usage or Web experience in ways that harm other businesses.

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 is also litigation which may reach the Supreme Court.

In other news, Microsoft announced a new pilot, Rural Airband Initiative, to bring broadband Internet to millions of rural Americans within the next five years through what is now unused TV spectrum. One of its partners is CenturyLink and they are developing pilot programs in 12 states including Virginia and Georgia, but not yet North Carolina.