



# PAACC Federal Update

March 2018

## Major Washington News

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### FY 18 Omnibus Spending Bill

The \$1.2 trillion-dollar spending bill that Congress needs to pass by March 23 has gotten bogged down in haggling over details and added provisions, pushing a vote closer to the deadline to keep the government operating. Disputes over issues ranging from environmental regulations to transportation projects are hobbling lawmakers' efforts to reach a deal on funding the government for the rest of the fiscal year. While no lawmakers are raising prospect of another government shutdown, delays could bring Congress to the brink on March 23, when current funding expires.

Trump's demand for border wall funds is among the disputes that have held up negotiations. The White House has floated the idea of a deal on immigration -- short-term protection from deportation for young immigrants -- in exchange for money to begin building a wall on the southern U.S. border.

### Dodd-Frank Senate Bill

The Senate passed legislation that would ease constraints on regional and community banks while mostly snubbing Wall Street, giving the finance industry its best chance in years of rolling back rules adopted in the wake of the 2008 crisis.

The bipartisan bill (S. 2155) written by Senate Banking Committee Chair Mike Crapo (R-Idaho) frees smaller lenders from some of the toughest requirements of the Dodd-Frank Act, striking them from the ranks of banks deemed too-big-to-fail. Banks and credit unions with less than \$10b in assets would receive regulatory relief if they have a leverage ratio of 8% to 10% of assets; for larger institutions, the bill would raise to \$250b from \$50b the minimum asset threshold for banks to be subject to stricter regulatory oversight by the Federal Reserve.

The 67-31 Senate vote shifts attention to the House, where members will have to pass their own version of the bill. The White House issued a statement within minutes of the bill clearing the Senate that said President Donald Trump supports it and would sign it into law.

House Financial Services Committee Chair Jeb Hensarling (R-Texas), one of Dodd-Frank's most vocal critics in Congress, has said he wants to include bigger revisions to post-crisis financial rules than were passed by the Senate. At the same time, moderate Democrats who helped Crapo push his bill through the Senate have warned that any changes could jeopardize their support.

## Business & Industry

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### New White House Economic Adviser

Incoming White House economic adviser Larry Kudlow signaled that Trump would support a strong dollar, pursue a second phase of his tax overhaul to make cuts permanent and take a tougher line on trade with China.

Minutes after his appointment was announced, Kudlow, an economist and CNBC contributor, was on the network outlining his views on a range of economic fronts, starting with the dollar. In a rare departure for someone about to take a senior government job, he even offered a trading recommendation: "I would buy King Dollar and I would sell gold."

He backed off previous criticism of Trump's tariff plans, instead praising Trump's skill as a negotiator and warning of potential new tariffs on European cars. He cited a source -- who he hinted was Trump -- telling him that Canadian Prime Minister Justin Trudeau "has been on the phone with the president" making concessions on NAFTA negotiations "hand over fist."

While White House officials traditionally avoid commenting on monetary policy for fear of encroaching on the Federal Reserve's independence, Kudlow waded right in, urging the central bank not to "overdo it" in raising interest rates: "Growth is not inflationary. Just let it rip, for heaven's sake."

Kudlow also said tax cuts for individuals should be made permanent under 'phase two' of an overhaul. "Individuals deserve a permanent break," he said on CNBC. Kudlow said he did not expect a phase two to cut the corporate rate further.

### Congressional Panel Works on Pension Fix

Sixteen members of Congress held their first meeting as part of their task to find solutions to fix the pensions of up to 1.5 million employees and retirees.

The House-Senate Joint Select Committee on Solvency of Multiemployer Pension Plans has until the end of November to propose legislation to fix the ailing multiemployer pension system. Multiemployer plans are set up through collective bargaining between unions and employers in the same industry, such as trucking and construction.

The Pension Benefit Guaranty Corporation (PBGC) estimates that 114 multiemployer pension plans are on the path to becoming insolvent. If that happens, the PBGC—the federal agency that backstops pension plans—will need to step in and pay benefits for the 1.5 million retirees in those plans. And the guaranteed amount PBGC will pay is often significantly less than the retirees receive from these plans.

The committee also must find a way to keep afloat the PBGC's multiemployer insurance program. The PBGC projects the program could be insolvent by 2024.

Democrats on the committee have supported solutions that do not cut retiree benefits but instead call for government funding or loan programs. Republicans on the committee have not backed any of the proposals now circulating.

### Congress Will Not Block Tariffs

The Senate's second-ranking Republican said there's little chance Congress will block Trump's tariffs on aluminum and steel, but lawmakers who support free trade will keep lobbying the administration to add more exemptions. Sen. John Cornyn (Texas) said that Trump already has responded to lawmakers urging that he curtail the impact of the tariffs and that is probably the approach most likely to have an impact. The administration is still working out exemptions, including for Canada and Mexico, from the tariffs of 25 percent on steel imports and 10 percent on aluminum before they take effect later this month.

## Energy & Environment

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### EPA Clears the Air for Polluters on U.S. Factory Emissions Rules

Environmental Protection Agency Administrator Scott Pruitt has issued a new directive that clarifies a powerful but technical facet of the Clean Air Act, completing a trifecta of high-profile changes to the way EPA oversees conventional air pollution.

The action takes the form of guidance to regulated industries, which include iron and steel, paper, forestry, refiners and manufacturing. Pruitt highlighted his agency's work on the Clean Air Act's New Source Review provision, stressing it is part of an effort to bring more certainty to companies.

When a major polluting facility expands its capacity, the EPA requires that companies analyze whether the work will result in significant new emissions. If it does, the "New Source Review" provision requires pollution controls to help keep the air clean. The EPA's new guidance resolves what for many industries -- for many years -- has been a frustration. In short, they contend the calculations required by EPA give insufficient weight to decreases in pollution that may also result from the new construction. The new guidance allows companies to include emission decreases at the same step they calculate increases.

## Defense

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### Aircraft Maintenance

Opportunities for companies that provide maintenance, logistics support, and training on military aircraft are likely to expand as Pentagon procurement programs for new aircraft such as the Navy's MQ-25 tanker drone or the Army's Future Vertical Lift helicopter face delays.

In fiscal 2017 the Department of Defense spent \$7.9 billion on contracted aircraft maintenance. The top company was L3 Technologies, which is not an aircraft builder. Other companies that do not build aircraft, such as DynCorp International and Redstone Defense Systems, were also in the top 10, along with aircraft builders Northrop and Boeing. Given the aging state of DOD's aircraft fleet, maintenance costs will inevitably increase as replacements for the current inventory come slowly. That will likely lead to a variety of aircraft maintenance requirements among military services for the near future.

### DOD Audit

Lawmakers expressed frustration when Defense Department Comptroller David Norquist could not give a clear timeline on when it will produce the first clean audit of the department's \$2.4 trillion in assets, even as it looks to spend nearly \$2 billion to find out exactly how it's spending its money. Norquist told the Senate Budget Committee in a hearing that DOD expects to know "the vast majority" of the problems within the first two years.

During the hearing, Norquist also related a request for more flexibility to spend billions in additional money slated for its operations and management account as lawmakers weigh easing defense spending restrictions as part of a bill to fund the government after March 23. The \$700 billion bonanza for national security programs is posing serious headaches for the Pentagon because there is not enough time to spend the money if no exceptions are made to the rules.

## Infrastructure

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### Infrastructure Funding

Funding remains the biggest question regarding President Donald Trump's infrastructure plan, even after a lengthy hearing on the topic.

Transportation, Commerce, Labor, Agriculture, and Energy secretaries Elaine Chao, Wilbur Ross, Alexander Acosta, Sonny Perdue, and Rick Perry, respectively, appeared before the Senate Commerce, Science and Transportation Committee where lawmakers expressed concerns about the infrastructure proposal's lack of pay-fors.

Items like the FAA authorization bill (S. 1405) and the Senate's AV START bill (S. 1885) could be packaged together this year with other committees' bills to create a "down payment" on a "more robust" infrastructure package later, Thune told reporters after the hearing.

Chao told senators that the administration is "agnostic" about how to pay for the bill and has offered options including tolling, expanded bond and loan programs, asset recycling, and incentives for private investment. But some lawmakers were skeptical.

"Until this administration comes forward with an actual concrete plan of how we pay for it, let us be honest with the American people: This is just smoke and mirrors," Sen. Gary Peters (D-Mich.) said during the hearing.

Separately, House Transportation and Infrastructure Chairman Bill Shuster (R-Pa.), speaking at a symposium, said some elements of Trump's infrastructure plan are very good, "but there's no money behind it." Trump has proposed shifting \$200 billion from other areas, including mass transit, to fund new infrastructure plans, but Shuster called that idea "smoke and mirrors,"

The Republican leadership in Congress has announced its opposition to raising the federal fuel tax. Although 50 or 60 Republicans in the House might not go along with the idea, it is a practical option that rewards the public for its costs, Shuster said.

### Self-Driving Car Bill Outlook

Five senators, two more than previously known, are seeking changes to safety standards preemption and other language in the Senate's self-driving car bill in a letter sent to the bill co-sponsors.

The Senate Commerce, Science and Transportation Committee's AV START Act (S.1885) would create a national framework to regulate autonomous cars and trucks lighter than 10,000 pounds. Sens. Tom Udall (D-N.M.) and Kirsten Gillibrand (D-N.Y.) joined the three known holdouts, Sens. Dianne Feinstein (D-Calif.), Richard Blumenthal (D-Conn.) and Edward J. Markey (D-Mass.), in a letter detailing their concerns and asking for changes to the bill.

"We are concerned that the bill indefinitely preempts state and local safety regulations even if federal safety standards are never developed," the senators wrote. The letter takes public and expands the list of concerns the co-sponsors and their fellow senators have been working through in recent months.

## Aviation

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### Airline Fees at Play in Omnibus

A provision in the Senate's transportation spending bill that would nearly double airline passenger fees used to fund airport improvements could be included in the omnibus appropriations measure, despite objections from key transportation authorizers.

In July, the Senate Appropriations Transportation, Housing and Urban Development subcommittee approved a bill that would raise the fee from \$4.50—the level since 2000—to \$8.50 per flight segment. In contrast, the FAA authorization bill approved by the Commerce, Science and Transportation Committee does not include the fee hike. The THUD-approved bill is part of the omnibus, which could be unveiled before March 23.

### Thune Seeks Aviation Vote in Senate Without Air Traffic Change

The Senate's top transportation lawmaker said he wants a floor vote in coming weeks on his committee's FAA reauthorization bill, which does not contain an air traffic control proposal championed by his House counterpart.

But Senate Commerce, Science, and Transportation Committee Chairman John Thune (R-S.D.) admitted that the Senate's schedule makes the timing of a floor vote uncertain.

The committee last year approved the Federal Aviation Administration reauthorization measure (S. 1405). But controversial language in that bill, and in a companion measure (H.R. 2997) approved by the House Transportation and Infrastructure Committee, have kept them from getting floor votes. Congress instead extended the current law by six months—to March 31—to give lawmakers time to work things out. Thune has told House T&I Chairman Bill Shuster (R-Pa.) of his plan to get a floor vote soon on S. 1405.

Thune wrote a provision into the Senate's FAA bill to loosen the federally mandated 1,500 flight hours minimum for commercial airline co-pilots to allow other forms of non-flight training. The idea was to ease a pilot shortage at regional airlines. But the provision faces staunch opposition from Senate Minority Leader Chuck Schumer (D-N.Y.). Thune has since suggested he would drop the provision in favor of non-legislative solutions from the Transportation Department.

### Airport Security

The nation's aviation security forces must shift their focus away from checkpoints and toward public areas of airports to adapt to a changing threat exemplified by a spate of recent attacks, the agency's new chief said. David Pekoske, a former vice commandant of the U.S. Coast Guard who took control of the TSA seven months ago, also called for the agency to become more entrepreneurial and to adapt faster to the shifting risks from terrorists.

## Congressional Schedule

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### March

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
				1 House & Senate in Session	2	3

4	5 House & Senate in Session	6 House & Senate in Session	7 House & Senate in Session	8 House & Senate in Session	9	10
11	12 Senate in Session	13 House & Senate in Session	14 House & Senate in Session	15 House & Senate in Session	16 Senate in Session	17
18	19 House & Senate in Session	20 House & Senate in Session	21 House & Senate in Session	22 House & Senate in Session	23 Senate in Session	24
25	26	27	28	29	30	31

## April

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1	2	3	4	5	6	7
8	9 Senate in Session	10 House & Senate in Session	11 House & Senate in Session	12 House & Senate in Session	13 House & Senate in Session	14
15	16 House & Senate in Session	17 House & Senate in Session	18 House & Senate in Session	19 House & Senate in Session	20 House & Senate in Session	21
22	23 Senate in Session	24 House & Senate in Session	25 House & Senate in Session	26 House & Senate in Session	27 House & Senate in Session	28
29	30					

Out of Session

Both in Session

One Chamber in Session

