

NASEO GOVERNMENTAL AFFAIRS COMMITTEE CALL

FRIDAY, DECEMBER 16, 2016 (2:30 – 3:30 P.M.) (EASTERN TIME)

CALL-IN NUMBER: 1-631-992-3444

CONFERENCE CODE: 4962036

- 1) **BUDGET AND APPROPRIATIONS** – On 12/9/16 Congress agreed on a Continuing Resolution (CR) through April 28, 2017 (H.R. 2028). Most programs will be funded at the same level in FY'17 that they were in FY'16. The last CR ran from 10/1/16 – 12/9/16 (P.L. 114-223). The President signed the bill. The big increases in the bill covered increased disaster aid, increased DOD funding, increased State Department and US AID funding. The bill did fund \$170 million to address the water problem in Flint, Michigan. The CR did include a few months of funding for miners' pension and health care benefits. This issue will continue to be a problem. In addition, oil from the Strategic Petroleum Reserve (SPR) will be sold in order to help modernize the SPR. I should note that the sale of SPR oil is called for in other legislation, both this year and last year. For the State Energy Program (SEP) and the Weatherization Assistance Program (WAP), the same funding levels in FY'17 (as in FY'16) represents \$50 million (SEP) and \$214.6 million (WAP). Congress and the new Republican President will have to address funding for the remainder of FY'17 between now and April.
 - A) Budget Reconciliation will be used early in 2017 to facilitate the repeal of Obamacare and the passage of tax cuts/tax reform legislation. Budget Reconciliation permits legislation to move forward with only 51 votes in the Senate, so long as the matter in question addresses budget issues.

- 2) **TRUMP TRANSITION/PERSONNEL/PRIORITIES.** The transition is being led by Vice-President-elect Mike Pence, the sitting Governor of Indiana. For the energy and environmental agencies, the following individuals have been named: a) former Governor Rick Perry of Texas for the Department of Energy; b) Oklahoma Attorney General Gregg Pruitt for EPA Administrator; and 3) Representative Ryan Zinke (R-MT) for Interior Secretary. In other significant nominations, some key appointees are: a) Ben Carson (HUD); b) Tom Price (R-GA)(House Budget Chair)(HHS); c) Mike Pompeo (R-KS)(CIA); Elaine Chao (DOT); d) Rex Tillerson (Exxon CEO)(State); e) retired General Mike Flynn (National Security Advisor); f) Reince Preibus (RNC Chair)(White House Chief of Staff); g) Steve Bannon (White House Senior Advisor); h) Wilbur Ross (Commerce); i) James Mattis (DOD); j) Steve Mnuchin (Treasury); k) Gary Cohn (National Economic Council); l) Betsy DeVos (Education); and m) Senator Jeff Sessions (R-AL)(Attorney General). As of this writing the OMB Administrator and Agriculture Secretary have not been named. Governor Branstad (R-IA) was named Ambassador to China. Thus far, the only nominee that has engendered some push-back is Rex Tillerson of Exxon for State.

- A)** During the NASEO Board of Directors meeting this week, the Board met with two representatives from the Transition Team for DOE for almost two hours. We discussed important state priorities, the role of DOE and the important role of states (including a desire for an enhanced role). The Transition team representatives indicated a desire to continue a dialogue.
- B)** Controversy ensued late last week when a multi-page questionnaire was delivered to DOE seeking information on individuals involved in climate meetings and negotiations, as well as other issues. Secretary Moniz indicated that that type of information would not be provided. Senator Cantwell (D-WA) and ranking member of the Senate Energy and Natural Resources Committee, expressed significant displeasure with the nature of the questions.
- C)** In addition to repealing Obamacare, passing tax reform legislation and building a border wall/fence with Mexico, there are a number of energy and environmental issues which appear to be high priorities: a) stopping the Clean Power Plan for greenhouse gas emissions from existing power plants under 111d of the Clean Air Act at EPA and now pending before the U.S. Court of Appeals for the D.C. Circuit; b) repealing the Waters of the US rule (Army Corps of Engineers and EPA); c) cutting back on Corporate Average Fuel Economy (CAFÉ) standards for cars and light trucks; d) stopping the methane leakage rule; e) utilizing the Congressional Review Act to negate certain appliance energy efficiency standards published after May 2016; f) shifting funds to Fossil Energy; g) cutting funding for EERE; h) freeing BLM lands for development; h) expanding offshore drilling, including possibly opening ANWR and drilling under the 5-year leasing plan in the Chukchi and Beaufort seas; i) approving the Dakota Access pipeline; j) approving the Keystone pipeline; k) withdrawing from the Paris Climate Agreement; l) eliminating the guidance for the “social cost of carbon;” m) re-examining the Renewable Fuels Standard and ethanol requirements; n) re-examining offshore wind leases at the Bureau of Ocean Energy Management (BOEM); o) preventing the listing of the sage grouse or the prairie chicken under the Endangered Species Act; p) revival of the Yucca Mountain high-level nuclear waste repository; and q) possibly opening the Endangered Species Act for review. As noted above, the Congressional Review Act (CRA) would allow the new Administration to repeal certain rules put in place since May of 2016, for the first 60 legislative days of the new Administration.
- D)** On the tax side, the new Administration and Congress are contemplating two bites at tax reform; one early in the year and then later in the spring. There are also approximately 30+ tax provisions that will expire at the end of 2016, including a number of energy tax provisions, that might be addressed in a tax reform package. The plan appears to be considering reducing overall personal and corporate tax rates, and possibly limiting deductions. On the energy front, they might be considering extensions of loan guarantees for nuclear power, combined heat and power, geothermal and fuel cell extensions and possible benefits for carbon capture and sequestration.
- E)** The President has proposed an infrastructure package that could be as large as \$1 trillion in value. Part of the package might include public-private partnerships. In part, one way to pay for a portion of an infrastructure package would be through funds gained from tax

reform. As one option, corporate tax rates could drop which would permit the repatriation of profits held by domestic corporations overseas. The estimate of the amount of profits held overseas is upwards of \$2.6 trillion. The repatriation of those funds would increase revenue over the short-term.

3) **ENERGY LEGISLATION.** Despite valiant efforts to move comprehensive energy legislation through a conference committee, the bill died late last week, much to the chagrin of Chairman Murkowski (R-AK) and Ranking member Cantwell (D-WA), of the Senate Energy and Natural Resources Committee. With respect to the reauthorization of SEP and WAP, the House really never budged from their position that they would authorize funding. Whether there is sufficient interest in moving an energy bill in 2017, is yet to be determined.

A) Congress did move forward on a new version of the Water Resources Development Act (WRDA – with a new name). The bill funds water projects, flood control and rivers and harbors matters. One issue did come up on WRDA that might raise issues in 2017. A letter signed by 25 Senators was submitted to the conferees, urging them not to water down a “Buy America” provision as it relates to American iron and steel.

B) In terms of congressional shake-ups, Senate Minority Leader Reid (D-NV) retired, and Senator Schumer (D-NY) replaced him. While House Minority Leader Pelosi (D-CA) faced opposition from Rep. Ryan (D-OH), and he gained over 60 votes, she was re-elected as the Minority Leader. Rep. Gregg Walden (R-OR), will replace the term-limited Fred Upton (R-MI), as Chair of the House Energy and Commerce Committee. Senator Leahy (D-VT) will replace Senator Mikulski (D-MD) as Ranking Member of the Senate Appropriations Committee. Rod Freylinghuysen (R-NJ) has taken over as Chair of the House Appropriations Committee.

4) **MISCELLANEOUS.**

A) Report on NASEO Board of Directors Meeting (12/12 – 12/13/16, Arlington, VA); Plans for the NASEO Winter Meeting (2/6 – 2/10/17, Washington, DC)(David Terry).

B) Report on NASEO Transition Committee (David Terry).

C) Energy Security Committee Report (Jeff Pillon).

D) Report on VW Settlement and NASEO Board meeting on VW settlement (Cassie Powers).

E) Report form NGA.

F) Report from regional governors’ groups.

5) **NEW BUSINESS.**

6) **NEXT CALL – THURSDAY, JANUARY 12, 2017 (2:30 - 3:30 P.M.) (EASTERN TIME).**