This Week In Congress

**House** – The House passed H. Con. Res. 24, which expresses the sense of Congress that the report of Special Counsel Mueller should be made available to the public and to Congress. The House also passed H.R. 758, “The Cooperate with Law Enforcement Agencies and Watch Act;” and H.R. 1122, “the Housing Choice Voucher Mobility Demonstration Act.”

**Senate** – The Senate passed H.J. Res. 46, which would terminate the President’s national emergency declaration related to the U.S.-Mexico border. The Senate also passed S.J. Res. 7, which would direct the removal of United States Armed Forces from hostilities in the Republic of Yemen that have not been authorized by Congress.

Additionally, the Senate confirmed the following nominations: Paul B. Matey, to be United States Circuit Judge for the Third Circuit; Neomi J. Rao, to be United States Circuit Judge for the District of Columbia Circuit; and William Beach, to be Commissioner of Labor Statistics, Department of Labor.

Next Week In Congress

**House** – The House will be in recess.

**Senate** – The Senate will be in recess.

---

TAX

Treasury Secretary Mnuchin Testifies Before House and Senate Tax Writing Committees

**Key Points:**

- Democrats on both the Senate and House tax writing committees argued that the Tax Cuts and Jobs Act has only benefited the wealthy and that the President’s budget request would cut important programs like Medicare and Medicaid.
- Republicans say the FY 2020 Budget makes necessary spending cuts and promotes fiscal responsibility.
- Treasury Secretary Mnuchin said guidance on Opportunity Zones and other areas of the TCJA should be expected in the near future, and he will consider penalty relief for underwithholding.

On Thursday, Treasury Secretary Steven Mnuchin testified before the House Ways and
Means Committee and the Senate Finance Committee to discuss the President’s Fiscal Year 2020 Budget proposal. Ways and Means Chairman Neal (D-MA) and Senate Finance Ranking Member Wyden (D-OR) both argued that the budget proposal would cut funding for programs such as Medicare and Medicaid and would threaten Social Security benefits. They also argued that the 2017 Tax Cuts and Jobs Act (TCJA) has not benefited the middle class and will add trillions of dollars to the national debt.

Ways and Means Ranking Member Brady (R-TX) and Senate Finance Chair Grassley (R-IA) touted the TCJA and highlighted several economic facts, including the low unemployment rate, wage increases, and consumer confidence that were experienced in 2018. In regard to the budget, Grassley believed that the budget includes various proposals “to confront a variety of policy issues, including runaway federal spending, border security and immigration enforcement, national defense, the opioid epidemic, and healthcare costs.”

Secretary Mnuchin also praised the TCJA and specifically highlighted the Opportunity Zones that he said will “help ensure that more Americans benefit from our economic expansion and robust job market.” He noted that Treasury guidance on the new Opportunity Zones should be expected in the near future. He also mentioned that the budget includes $290 million for the Business Systems Modernization account that would help modernize the Internal Revenue Service’s (IRS) information technology systems and infrastructure. Finally, he suggested he would promptly consider additional administrative relief to individual taxpayers who have underwithheld due to changes in the tax law.

House Ways and Means Committee Holds Hearing on Tax Extenders

**Key Point:**
- Democrats and Republicans both agreed that temporary tax policy adds uncertainty to businesses and individuals and that something must be done.

On March 12, the House Ways and Means Committee’s Select Revenue Measures Subcommittee held a hearing entitled “Temporary Policy in the Internal Revenue Code.” Chairman Thompson (D-CA) explained that the cost of making every expiring provision in the TCJA permanent is estimated to cost $2.5 trillion over the next 10 years. He said any new policies must be created with a commitment to fiscal responsibility and closed his opening statement by calling for a forward-looking tax policy that provides individual taxpayers with financial certainty.

Ranking Member Smith (R-NE) argued that there would be even more economic growth from the TCJA if the individual tax provisions were made permanent and said there is broad agreement of the need to modernize the tax code.

The hearing covered the policy implications of temporary tax policy and fiscal costs of making measures permanent, but there was no clear resolution on tax extenders. That said, the House hearing is itself a step in potential actions this year on tax extenders. It follows introduction of a tax extenders bill in the Senate by Finance Chairman Grassley (R-IA) and Ranking Member Wyden (D-OR).
JCT Releases Reports on Section 199A

This week, the Joint Committee on Taxation released its report, “Overview of Deduction for Qualified Business Income: Section 199A” which includes information on qualified business income, a qualified trade or business, a specified service trade or business, deduction limitations, agricultural or horticultural cooperatives, and taxpayer eligibility.

For more information about tax issues you may email or call Christopher Hatcher at 202-659-8201. Henry Homans contributed to this section.

FINANCIAL SERVICES

Senate Banking Committee Holds Hearing on the Consumer Financial Protection Bureau

Key Points:
- Democrats criticized the actions taken by the CFPB under the Trump Administration, particularly in regards to payday lending, the Military Lending Act, and student debt.
- Republicans commended the work of Director Kraninger, but called for the CFPB to be restructured to enhance its accountability.

On March 12, the Senate Banking Committee held a hearing to discuss the Consumer Financial Protection Bureau’s (CFPB) Semi-Annual Report to Congress, with CFPB Director Kathy Kraninger testifying. Chairman Mike Crapo (R-ID) said the CFPB has begun to ensure that its regulations are based on solid evidence and legal support. He noted that the CFPB has proposed to rescind the underwriting provision and delay compliance with their payday lending rule, due to insufficient evidence in the original rule. He said the CFPB has taken steps to begin implementing S. 2155, which increases protections for consumers. He said S. 2155 would allow consumers affected by data breaches to freeze or unfreeze their credit files without charge. Crapo said the CFPB has begun implementing regulations to exempt community banks from certain Home Mortgage Disclosure Act (HMDA) reporting requirements. Crapo said consumers are concerned about how their data is collected and secured, and he raised concerns with the data collected by the CFPB. He said while the CFPB has made some improvements, they must ensure that only the necessary data is collected and that the data they collect is secure. He suggested that the Fair Credit Reporting Act (FCRA) should be reexamined for the digital era.

Ranking Member Sherrod Brown (D-OH) said the CFPB was created to crack down on Wall Street predators and shady lenders. He said the CFPB was created to be a voice for consumers, suggesting that they have turned their back on this role under their new leadership. He stated that the CFPB is not protecting servicemembers under the Military Lending Act (MLA) anymore. He suggested that the CFPB is giving payday and car title lenders “free rein.” He suggested that the CFPB’s Office of Innovation will allow banks and technology companies to find new ways to scam consumers. He stated that the CFPB is working on regulations to allow debt collectors to harass borrowers as much as they want.

Senators Chris Van Hollen (D-MD), Mark Warner (D-VA), and Doug Jones (D-AL) expressed opposition to the CFPB’s proposal to rescind the underwriting provision of their payday loan regulation. Van Hollen suggested that this decision gives predatory lenders a “green light” to take advantage of consumers. Kraninger stated that the CFPB was issuing the new proposal due to concerns about the evidence base for the original rule. She emphasized that the rule was still in the
proposal phase and she had an open mind about its outcome. Senators Catherine Cortez-Masto (D-NV), Bob Menendez (D-NJ), Tina Smith (D-MN) and Jack Reed (D-RI) criticized the CFPB’s decision to no longer supervise financial institutions for compliance with the Military Lending Act. Kraninger said she would like for the CFPB to have authority to supervise for MLA compliance, but they do not under her reading of the statute.

Senator Tim Scott (R-SC) said the DFA did not give the CFPB authority over insurance products. He asked if the CFPB is an insurance regulator. Kraninger responded in the negative, noting that the DFA stipulated that the CFPB does not have authority over insurance. Scott expressed support for the state-based system of insurance regulation.

Senator John Kennedy (R-LA) spoke in support of restructuring the CFPB as a commission and bringing it into the appropriations process.

House Financial Services Committee Holds Hearing on NFIP Reauthorization

Key Point:

- The Committee discussed legislation to reauthorize the NFIP and make changes related to mapping, mitigation, affordability, and the claims process.

On March 13, the House Financial Services Committee held a hearing entitled “Preparing for the Storm: Reauthorization of the National Flood Insurance Program.”

The Committee discussed four pieces of draft legislation:

- A bill by Chairwoman Maxine Waters (D-CA) to reauthorize the National Flood Insurance Program (NFIP) and establish a demonstration program to make insurance affordable for low-income families.
- A bill to make improvements to floodplain management and mitigation.
- A bill to reauthorize the flood mapping program and provide funding to support flood mapping.
- A bill by Representative Nydia Velazquez (D-NY) to ensure that policyholders better understand the terms of their flood insurance policies and improve the appeals and litigation process for consumers.

Chairwoman Maxine Waters (D-CA), in a statement, said the NFIP plays an important role in disaster preparedness and resiliency by providing flood maps, setting standards for floodplain management, and investing in mitigation. She stressed that flood insurance is not just a coastal issue. She emphasized the need for a long-term NFIP reauthorization in order to provide certainty to the housing market. Waters said Congress must do more to address unaffordable premium costs for low-income households. She said her draft bill would cancel the NFIP’s debt and create a demonstration program to provide targeted financial assistance. Waters stressed the need to invest more heavily in mitigation and mapping, suggesting that this will save taxpayers money in the long run. She said the bills being considered call for updated mapping technologies to improve accuracy and provide authorization and funding for mapping, floodplain management, and mitigation. She said the bill introduced by Representative Nydia Velazquez (D-NY) would address issues related to the claims process and fraud, which were discovered after Hurricane Sandy.

Ranking Member Patrick McHenry (R-NC) said the NFIP is in need of pragmatic changes, including better technology and more
innovation. He noted that the NFIP owes the Treasury more than $20 billion, even though Congress forgave $16 billion in NFIP debt last year. He stated that the Waters bill would forgive the NFIP’s debt without imposing any reforms to prevent future debt. He stressed the need to ensure the NFIP has the tools to perform its insurance functions. He said communities should be able to get better maps and more effective mitigation. He stated that there are multiple tools available to update the NFIP. He said Congress should examine how to use risk sharing to offload some of the NFIP's burdens into the private sector. He said he is committed to ensuring that there is an effective NFIP.

Representative Blaine Luetkemeyer (R-MO) noted that there have been 10 short-term NFIP reauthorizations in the past few years, stressing the need for a long-term reauthorization which includes systemic reforms. He emphasized the need to ensure NFIP solvency, stating that it would be irresponsible to simply forgive the NFIP’s debt. He stated that reinsurance should help to address NFIP solvency, noting that in 2017 FEMA purchased a reinsurance policy which saved taxpayers nearly $1 billion. He said in 2018 and 2019 FEMA transferred $4 billion of risk off of their books. He noted that he has introduced legislation to require the FEMA Administrator to annually transfer a portion of the NFIP’s risk to private reinsurance or the capital markets. He urged the Committee to consider similar provisions.

Senate Banking Committee Holds Hearing on the FSOC Nonbank Designation Process

Key Points:
- The Committee discussed the FSOC Improvement Act, which would require the Council to consider alternative approaches before imposing nonbank SIFI designations.
- Ranking Member Sherrod Brown (D-OH) criticized the FSOC’s shift from entity designations to an activities-based approach.

On March 14, the Senate Banking Committee held a hearing to discuss Financial Stability Oversight Council (FSOC) nonbank designations. Chairman Mike Crapo (R-ID) said the Dodd-Frank Act (DFA) created FSOC to identify and respond to threats to financial stability. He said the DFA authorizes FSOC to subject nonbank financial companies to additional supervision by the Federal Reserve. He noted that FSOC previously designated four nonbank companies: AIG, MetLife, Prudential, and GE Capital. He said the initial designation process was immeasurable and unclear, and that a report from the GAO found that the designation process lacked transparency, insufficiently tracked data, and lacked consistent methodology. Crapo said the designation process must be robust and focused on risks. He noted that in November 2017 Treasury issued a report which made recommendations to improve the designation process, including prioritizing an activities-based approach, performing cost-benefit analysis, and creating a clear off-ramp. He stated that on March 6, 2019, the FSOC proposed new interpretive guidance to implement the Treasury’s recommendations. He said Senators Mike Rounds (R-SD), Doug Jones (D-AL), Thom Tillis (R-NC), and Kyrsten Sinema (D-AZ) have introduced the FSOC Improvement Act (S. 603), which would require FSOC to assess whether other actions could address risk before they consider a designation.

Ranking Member Sherrod Brown (D-OH) stressed the importance of FSOC to protecting Main Street. He stated that the biggest banks have gotten even bigger and more interconnected. He said the shadow banking system is growing and taking on more risk. He
said the Administration has looked the other way as financial institutions have taken on greater risks. He said FSOC was created after Bear Stearns and Lehman Brothers failed and created havoc in the economy. He suggested that these firms lacked adequate oversight. Brown suggested that FSOC is “closed for business,” noting that they recently rescinded the last nonbank systemically important financial institution (SIFI) designation from the Obama Administration. He said FSOC has issued proposed guidance which would make it harder to designate nonbanks. He said this change shifts risk back to the prudential regulators who failed to prevent the 2008 crisis. He noted that FSOC’s staff has been cut in half and FSOC is engaging in fewer meetings. He said Treasury has cut the staff of the Office of Financial Research (OFR), which is meant to support the FSOC. Brown said FSOC should be given greater authority to prevent risk, as well as adequate staff and resources.

Senator Doug Jones (D-AL) stated that the FSOC Improvement Act (S.603) is intended to give nonbanks an opportunity for correction. He asked if there is any reason why FSOC should not consult with a primary regulator before imposing a designation. Douglas Holtz-Eakin (American Action Forum) responded in the negative. Paul Schott Stevens (Investment Company Institute) responded in the negative, noting that the primary regulator would have the most expertise on the issue. Jeremy Kress (University of Michigan School of Business) suggested that FSOC already consults with primary regulators before engaging in designations. Senator Mike Rounds (R-SD) said the Senate has a responsibility to ensure regulations and statutes are operating efficiently. He expressed support for reviewing the nonbank SIFI designation process. He noted that much more robust legislation passed the House last year with bipartisan support. He said it is his hope that the Committee will pass S.603 in a bipartisan manner. He stated that unjustified SIFI designations can lead to increased fees and reduced returns for retirement savers.

Senator Catherine Cortez-Masto (D-NV) asked why entity-specific regulation is preferable to activities-based regulation. Kress said entity regulations are necessary for several reasons, suggesting that activities regulation looks at activities individually, but various activities put together can create risk. He stated that entity designations allow regulators to impose entity-wide, consolidated capital and liquidity requirements, as well as risk management requirements. Cortez-Masto said designations allow regulators to look for patterns of risky activity, to which Kress agreed. Paul Schott Stevens said there are major differences between bank regulation and capital markets regulation. He stated that it would be inappropriate to impose bank regulations on the fund industry, but there were proposals after the crisis to do so. He said inappropriate regulations should not be imposed on an industry that has done very well.

### House Financial Services Panel Holds Hearing on Regulation Best Interest

**Key Points:**
- Democrats criticized the SEC’s proposed Regulation Best Interest as being too weak.
- Republicans expressed support for the rule, arguing that it is an improvement of the fiduciary duty rule previously proposed by the Department of Labor.

On March 14, the House Financial Services Committee’s Subcommittee on Investor Protection, Entrepreneurship and Capital Markets held a hearing entitled “Putting
Investors First? Examining the SEC’s Best Interest Rule”. Chairwoman Carolyn Maloney (D-NY) said that the regulation in question addresses the legal standard for brokers providing retail investors with investment advice. She explained that the story behind this rule started in 2010 with Dodd-Frank Act (DFA). She said that the House version of DFA included a fiduciary rule that held brokers to the same standard as financial advisors. She said that the version of the bill that was passed into law instead required the Securities and Exchange Commission (SEC) to conduct a study to determine whether this type of rule would be a good modification. She said that the SEC completed the study and recommended that this fiduciary rule be implemented. She explained that the SEC did not subsequently take steps to implement the rule and in the meantime investors continued to receive bad advice. She said that the Department of Labor produced its own fiduciary rule but that this rule was eventually struck down in court. She said that the SEC proposed its rule in April 2018 and said that this rule is “too weak”. She said that this rule “does not subject brokers to a full fiduciary duty”. She said that the rule fails to define the term “best interest” and allows brokers to consider their own financial interests when providing advice. She also said that conflicts of interest are not addressed and therefore investors are still vulnerable. She said she encouraged the SEC to adopt a stronger rule and said that there is pending legislation related to this topic.

Ranking Member Bill Huizenga (R-MI) said that the Department of Labor’s fiduciary rule was too cumbersome and limited Americans’ choices and raised costs. He said that the SEC is the right agency to create this rule. He said that the proposal provided by the SEC protects investors without limiting choices. He said that the purpose of the hearing is to determine whether the rule is putting investors first. He said that the answer to this question is a “resounding yes”. He said that the proposed rule “is not perfect” but that the SEC is taking steps to listen to all stakeholders and review comments as the final recommendations are developed. He said that the experts at the SEC should be left to do their jobs.

Full Committee Ranking Member Patrick McHenry (R-NC) said it is important to protect access and choice in the investment market. He said that the proposed rule provides transparency and requires high standards without eliminating choice. He said that the best interests of Main Street investors should be the guiding principle behind all actions.

House Passes Financial Services Bills and Resolutions

Key Points:
- The House passed bills and resolutions relating to financial crime enforcement, Federal Reserve supervision, housing vouchers.

This week, the House passed several financial services bills and resolutions:

- The FinCEN Improvement Act (H.R. 1414), introduced by Representative Jennifer Wexton (D-VA), which would ensure that the Financial Crimes Enforcement Network (FinCEN) works with Tribal law enforcement agencies, protects against all forms of terrorism, and focuses on virtual currencies. The bill passed the House by voice vote.
- The Cooperate with Law Enforcement Agencies and Watch Act (H.R. 758), introduced by Representative French Hill (R-AR), which would provide a safe harbor for banks that keep customer accounts open at law
enforcement’s request. The bill passed the House by a vote of 404-7.

- The Federal Reserve Supervision Testimony Clarification Act (H.R. 974), introduced by Representative Josh Gottheimer (D-NJ), which would require the Federal Reserve’s Vice Chairman for Supervision to provide a written testimony on board efforts regarding the supervision of certain financial institutions. The bill passed the House by voice vote.

- The Housing Choice Voucher Mobility Demonstration Act (H.R. 1122), introduced by Representative Emanuel Cleaver (D-MO), which would authorize the Secretary of Housing and Urban Development to carry out a housing choice voucher mobility demonstration to encourage families receiving such voucher assistance to move to lower-poverty areas and expand access to opportunity areas. The bill passed the House by a vote of 387-22.

- H. Res. 206, a resolution “acknowledging that the lack of sunlight and transparency in financial transactions poses a threat to our national security and our economy’s security and supporting efforts to close related loopholes.” The resolution was introduced by Representative Maxine Waters (D-CA). The resolution passed the House by voice vote.

Upcoming Hearings and Meetings

March 25

**CFTC Open Meeting:** The Commodity Futures Trading Commission (CFTC) will hold an open meeting to consider seven items: (1) Amendment to the Comparability Determination for Japan: Margin Requirements for Uncleared Swaps for Swap Dealers and Major Swap Participants; (2) Comparability Determination for Australia: Margin Requirements for uncleared Swaps for Swap Dealers and Major Swap Participants; (3) Final Rule Amending Regulations on Segregation of Assets Held as Collateral in uncleared Swap Transactions; (4) Final Rule Regarding the De Minimis Exception to the Swap Dealer Definition – Swaps Entered into by Insured Depository Institutions in Connection with Loans to Customers; (5) Final Rule Regarding Financial Surveillance Examination Program Requirements for Self-Regulatory Organizations; (6) Brexit-Related Updates to Memoranda of Understanding and Related Side Letters with the United Kingdom Financial Conduct Authority; and (7) Interim Final Rule Regarding Margin Requirements for uncleared Swaps for Swap Dealers and Major Swap Participants in Light of Brexit.

March 26

**Disaster Recovery Funds:** The House Financial Services Committee’s Subcommittee on Oversight and Investigations will hold a hearing entitled “The Administration of Disaster Recovery Funds in the Wake of Hurricanes Harvey, Irma, and Maria.”

**ESG Disclosure:** The House Financial Services Committee’s Subcommittee on Investor Protection, Entrepreneurship and Capital Markets will hold a hearing entitled “Building a Sustainable and Competitive Economy: An Examination of Proposals to Improve Environmental, Social and Governance Disclosures.”

March 27

**Technology Advisory Committee:** The CFTC will hold a meeting of its Technology Advisory Committee (TAC). The agenda for the meeting includes presentations and actionable recommendations from the TAC subcommittees on Automated and Modern
Trading Markets, Distributed Ledger Technology and Market Infrastructure, Virtual Currencies, and Cyber Security, as well as presentations on research findings on automated orders in the futures and options markets from the CFTC’s Division of Market Oversight.

**March 28**

**Investor Advisory Committee:** The SEC will hold a meeting of its Investor Advisory Committee (IAC). The agenda for the meeting includes three panels: (1) Discussion Regarding Stock Exchanges: Investor Protection Under the Modern Exchange Regulatory Structure; (2) Discussion Regarding Disclosures on Human Capital (which may include a recommendation from the Investor as Owner subcommittee); and (3) Discussion Regarding Trends in Investment Research and Potential Regulatory Implications.

**May 31**

**SEC Forum on DLT and Digital Assets:** The Securities and Exchange Commission (SEC) will host a forum on distributed ledger technology and digital assets. The forum is organized by the SEC’s Strategic Hub for Innovation and Financial Technology, and will explore “initial coin offerings, digital asset platforms, DLT innovations, and how these technologies impact investors and the markets.”

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

---

**ENERGY & ENVIRONMENT**

**President Releases FY 2020 Budget Proposal**

**Key Points:**
- On Monday, the President issued his budget proposal for the fiscal year that begins on October 1, 2019.
- The proposal would cut domestic discretionary spending, including for cabinet departments and agencies that handle energy and environment policy.
- Congress is unlikely to enact these cuts in the Fiscal Year 2020 appropriations process.

On March 11, the Trump Administration issued its Fiscal Year 2020 budget proposal. This annual document compiles the President’s requests for spending in the fiscal year that begins on October 1, as well as historical budget data, and projections regarding federal revenues, receipts, and mandatory spending.

The budget proposes cuts to the key agencies with jurisdiction over energy and environment issues. However, as in previous years, Congress is expected to maintain or increase funding when it enacts Fiscal Year 2020 appropriations legislation.

<table>
<thead>
<tr>
<th>Agency</th>
<th>FY 2019 Enacted</th>
<th>FY 2020 Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>$35.5</td>
<td>$31.7</td>
</tr>
<tr>
<td>Interior</td>
<td>$14.0</td>
<td>$21.5</td>
</tr>
<tr>
<td>Office of Pipeline Safety</td>
<td>$0.165</td>
<td>$0.149</td>
</tr>
<tr>
<td>EPA</td>
<td>$8.8</td>
<td>$6.1</td>
</tr>
</tbody>
</table>

In billions of dollars.
Individual agencies released additional information on the FY 2020 budget:

- Department of Energy: “Budget Request Fact Sheet”.
- Department of Interior: “Budget in Brief”.
- Department of Transportation (includes the Office of Pipeline Safety): “Budget Highlights”.
- Environmental Protection Agency: “Budget in Brief”.

**EPA Proposes Allowing 15 Percent Ethanol Blend Sales Year-Round**

**Key Points:**

- On March 12, the EPA released its long-awaited proposal to allow the sale of gasoline blended with up to 15 percent ethanol year-round.
- Currently only blends of up to 10 percent ethanol (E10) can be sold year-round, including during the summer months.
- The proposal would also reform the regulations governing “Renewable Identification Numbers” (RINS), which are the compliance mechanism for the Renewable Fuel Standard (RFS).
- Congress enacted the RFS in 2005 and 2007, establishing targets for the blending of ethanol and other renewable biofuels into the nation’s surface transportation fuel supply.

Ethanol producers and House Members and Senators representing corn-producing states have advocated for changes to allow year-round sales of 15 percent ethanol blends (E15). Petroleum refiners, which are among the obligated parties responsible for RFS implementation, have called for reforms in the RIN markets.

On Tuesday, the Environmental Protection Agency (EPA) released a Notice of Proposed Rulemaking (NPRM) titled “Modifications to Fuel Regulations to Provide Flexibility for E15; Modifications to RFS RIN Market Regulations”. The rule would:

- “allow gasoline blended with up to 15 percent ethanol to take advantage of the 1-pound per square inch (psi) Reid Vapor Pressure (RVP) waiver that currently applies to E10 during the summer months”;
- “define gasoline blended with up to 15 percent ethanol as ‘substantially similar’ to the fuel used to certify Tier 3 motor vehicles”; and
- “modify certain elements of the Renewable Fuel Standard (RFS) compliance system, in order to improve functioning of the renewable identification number (RIN) market and prevent market manipulation.”

As described in a press release, the proposed RIN reforms include:

- “Prohibiting certain parties from being able to purchase separated RINs;”
- “Requiring public disclosure when RIN holdings exceed specified thresholds;”
- “Limiting the length of time a non-obligated party can hold RINs; and”
- “Increasing the compliance frequency of the program from once annually to quarterly.”

The American Petroleum Institute (API) issued a press release criticizing both elements of the NPRM, warning that the proposed RIN market reforms “could increase costs for fuel producers and lead to higher prices for consumers.”

Renewable Fuels Association (RFA) CEO Geoff Cooper issued a statement in support of the proposal to allow year-round sales of E15 blends, but “urged EPA to separate the year-
round E15 provisions from the RIN reform provisions, and move forward as quickly as possible to finalize a practical and defensible year-round E15 solution.”

Upcoming Hearings and Events

**March 22**

**FERC Open Meeting:** The Federal Energy Regulatory Commission (FERC) will hold its monthly open meeting. The agenda includes planned consideration of: “Inquiry Regarding the Commission’s Electric Transmission Incentives Policy”; and “Inquiry Regarding the Commission’s Policy for Determining the Return on Equity for Public Utilities”.

**March 27**

**Colorado Drought:** The Senate Energy and Natural Resources Committee will hold a hearing “to examine the Colorado River Drought Contingency Plan”.

**March 28**

**Energy Sector Cybersecurity:** The Federal Energy Regulatory Commission (FERC) and the Department of Energy will hold a technical conference on “Security Investments for Energy Infrastructure”. The conference will “discuss current cyber and physical security practices used to protect energy infrastructure and will explore how federal and state authorities can provide incentives and cost recovery for security investments in energy infrastructure, particularly the electric and natural gas sectors.”

**June 25-26**

**Natural Gas Pipeline Safety Regulations:** The Pipeline and Hazardous Materials Safety Administration (PHMSA) will convene a meeting of its Gas Pipeline Advisory Committee (GPAC). As detailed in the meeting notice, the “GPAC will be considering the gathering line component of the proposed rule titled “Safety of Gas Transmission and Gathering Pipelines,” which was published in the Federal Register on April 8, 2016, (81 FR 20722) and the associated regulatory analysis.”

**June 27**

**Grid Reliability:** The Federal Energy Regulatory Commission (FERC) will hold a technical conference to “to discuss policy issues related to the reliability of the Bulk-Power System.”

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 also available on twitter.

**HEALTH**

Energy and Commerce Considers Drug Pricing Legislation

Key Points:
- The House Energy and Commerce Committee’s Health Subcommittee held its first hearing on seven bills related to prescription drug pricing.
- Republicans expressed concern the legislation was not being developed in bipartisan manner.

On March 13, the House Energy and Commerce Committee’s Health Subcommittee held a hearing entitled “Lowering the Cost of Prescription Drugs: Reducing Barriers to Market Competition.” The hearing examined the following bills:

- “H.R. 938, Bringing Low-cost Options and Competition while Keeping Incentives for New Generics (BLOCKING) Act of 2019;”
- “H.R. 965, Creating and Restoring Equal Access to Equivalent Samples (CREATE) Act of 2019;”
Chairwoman Anna Eshoo (D-CA) stressed the American people are the victims of agreements to delay entry because they are denied access to lower priced generic equivalents. She noted low generic prices in the U.S. demonstrate the market benefits of generic competition. Ranking Member Michael Burgess (R-TX) expressed frustration that the hearing was not considering additional policies and did not contain adequate representation from the entire supply chain. He asserted if Republicans do not have a seat at the table, these bills will be delayed. He questioned why there was no representative from the Food and Drug Administration since the agency would be responsible for implementing the legislation.

HHS Secretary Alex Azar Testifies about FY 2020 Budget Request

Key Points:

- Three Congressional committees held hearings to evaluate the Fiscal Year 2020 HHS Budget Request.
- Azar summarized the HHS’ $87 billion budget proposal and explained changes to key programs.
- Questions focused on Medicare and Medicaid proposals, changes to the Affordable Care Act, and strategies for combatting the opioid crisis and reducing prescription drug prices.

The House Energy and Commerce Committee, House Appropriations Committee, and Senate Finance Committee held hearings to examine the President’s Fiscal Year 2020 budget proposal for the Department of Health and Human Services (HHS). Common topics in the hearings included: (1) Prescription Drug Prices; (2) Medicaid; (3) Medicare Part D; (4) 340B Drug Pricing Program; (5) ACA Markets; (6) Generic/Biosimilar Approvals; (7) Opioid Crisis; (8) NIH Research; and (9) E-Cigarettes/Cannabidiol.

Funding reductions for Medicaid were a primary focus for Democrats, with members taking particular issue with proposals to institute per-capita caps or block grant the program. HHS Secretary Alex Azar pointed to a $1.2 trillion grant proposal in the budget, contending states would better target vulnerable communities with this flexible approach. Members also raised objections about the Administration’s recommendation to expand work requirements in Medicaid. Senate Finance Ranking Member Ron Wyden (D-OR) was particularly critical, calling these a “right-wing experiment” aimed at reducing coverage. Azar noted there are broad exceptions to the requirements and argued they push people towards better employer-sponsored coverage.

Azar emphasized that funding to support state opioid grants and recovery programs was “walled off” from general budget reductions. He highlighted HHS’ efforts to expand medication-assisted treatment access by funding rural critical access hospitals and Medicare-certified rural health clinics. There was bipartisan consensus on the success of HHS-supported opioid grants, however, Democrats did voice concerns about the impact of Medicaid changes on treatment options for substance use disorder.
Prescription drug pricing was a theme throughout the hearings, with questions centering on various HHS rulemaking proposals. Republicans expressed support for the proposed drug rebate rule, with Azar predicting the change would cause pharmaceutical manufacturers to compete through lower list prices. Azar also indicated this change would be beneficial in the private insurance markets. Also, House Energy and Commerce Ranking Member Greg Walden (R-OR) expressed skepticism regarding a Centers for Medicare and Medicaid Services proposed rule to introduce step therapy for medications in the six Medicare Part D protected classes. Both parties called on HHS to promote the entry of new generic and biosimilar products.

Additional subjects included bipartisan concern about the proposed 13 percent funding reduction for the National Institutes of Health (NIH), ways to strengthen the small and individual Affordable Care Act (ACA) markets, and HHS’ commitment to regulating menthol and electronic cigarettes.

The President’s budget can be read [here](#) and the HHS Budget-in-Brief [here](#). A copy of Azar’s testimony before all three committees is available [here](#).

### Upcoming Hearings and Meetings

**March 19**

**FDA:** The Brookings Institution will host “A conversation with departing FDA Commissioner Scott Gottlieb on his tenure and policy reforms.”

**March 20**

**Coordinated Care:** The American Hospital Association will hold a discussion on “Building Coordinated Networks of Care in the Digital Age: How Contemporary Market Forces are Changing Health Care.”

**March 22**

**Surprise Bills:** The Brookings Institution will hold a discussion on “Emerging Policy Solutions to Surprise Medical Bills.”

For more information about healthcare issues you may [email](mailto:) or call Nicole Razinski Bertsch or George Olsen at 202-659-8201. Thomas McGrath contributed to this section.

## TRADE

### USMCA Developments from This Week

**Key Points:**

- USTR Lighthizer met with House Democrats to discuss issues with USMCA.
- Mexican labor laws continue to be an area of contention for Congressional Democrats.
- AFL-CIO opposes the USMCA in its current form.
- The ITC report is due April 19.

**House Outreach by USTR** - U.S. Trade Representative (USTR) Robert Lighthizer met with several groups of Democrats this week, including the Congressional Progressive Caucus and the New Democrats Caucus, to discuss issues they have with the current form of the U.S.-Mexico-Canada Agreement (USMCA). Democrats remarked that the meetings with USTR Lighthizer were generally constructive, but most said the USMCA did not yet have enough support to pass. The objections from Democrats to the USMCA have centered on how the new agreement’s labor and environmental standards will be enforced. Representative Pascrell (D-NJ) told reporters Wednesday that the Congressional Progressive
Caucus’s “major priorities are labor standards and how to implement those standards”, and expressed hope that the deal could be passed before Congress’ August recess.

**Labor Position** - The American Federation of Labor and Congress of Industrial Organizations (AFL-CIO) came out Thursday against the current structure of the USMCA. They said the AFL-CIO wants multiple changes but is focused primarily on the enactment of effective Mexican labor reform. In a statement, the AFL-CIO declared that “[if the] Administration insists on a premature vote on the [USMCA] in its current form, we will have no choice but to oppose it.” They urged the Administration to make changes such as curbing continued outsourcing of U.S. jobs to Mexico. Specifically, they requested an enforcement mechanism with “mandatory monitoring and reporting” be included in the pact, which the group says would assure that “action will be taken promptly when violations occur, and, critically, an avenue by which workers can intervene when governments lack the will to act.” They also called for new and strengthened rules (including rules of origin) for all manufacturing sectors to promote more U.S. domestic content and high-wage production, including the strengthening of the $16 per hour labor value content rule, rules for rail cars, steel, aluminum and other manufacturing sectors, and appropriate floor wage provisions.

**ITC Report Due in a Month** - The International Trade Commission (ITC) is expected to complete its report on the economic effects of the USMCA by April 19, following an extension due to the partial government shutdown. That report is a key hurdle for considering trade agreements under the TPA process. The report could influence votes on Capitol Hill as the Administration looks to pass the deal well ahead of elections next year.

**Treasury Secretary Mnuchin Testifies Before Congress**

**Key Points:**
- Secretary Mnuchin urged passage of USMCA as quickly as possible.
- Indicates that China deal timeline is not as strict, strong enforcement mechanisms are more important.

Treasury Secretary Steve Mnuchin testified before the House Ways and Means Committee on Thursday, and although President Trump’s 2020 budget was the subject of the discussion some questions were asked about the status of the USMCA and the ongoing negotiations with China. When asked for his opinion on the USMCA, Secretary Mnuchin expressed his unwavering support and urged Congress to approve it as quickly as possible. He stated that the USMCA is the single most important trade deal for the U.S. and should be given the utmost priority.

Regarding the current negotiations with China, Secretary Mnuchin stated he and USTR Lighthizer are working diligently on the deal and there is a 150 page document that is currently being worked on which includes a very clear enforcement mechanism. He added that President Trump has expressed his belief that “getting the trade deal right is more important than the exact timing.” He said he hopes to have something to present to the public in the near future.
US-China Section 301 Trade Updates

Key Points:
- President Trump is open to completing trade deal before meeting with the Chinese President Xi.

USTR Lighthizer announced Wednesday that the U.S. and China are in the “final weeks” of trade negotiations, but there are major issues that need to be resolved. President Trump declared that he is open to completing the China trade deal before meeting with Chinese President Xi Jinping, but he is also open to negotiating some of the final points in person.

Chinese government officials have indicated that they would like a deal wrapped up before Chinese President Xi Jinping meets with Trump, making any summit between the leaders a signing ceremony. In a statement to reporters on Wednesday President Trump said he is “somebody that believes in walking when a deal is not done and there’s always a chance that could happen.” Both USTR Lighthizer and President Trump have been very vague about the chances of a successful deal; at times stating that the chances are 50-50, while other times asserting that “there is a very good chance a deal is going to be made” because China desperately wants it to succeed.

EU Trade Deal Still Stalled Over Agriculture

Key Points:
- USTR Lighthizer characterized U.S.-EU trade talks as a “complete stalemate.”
- European Parliament failed to pass a resolution outlining recommendations on negotiation goals to the European Commission and EU member states on trade talks with the U.S.

USTR Lighthizer acknowledged Tuesday that the U.S. and EU are at a “complete stalemate” when it comes to the question of whether to include agriculture in trade negotiations. He argued that the U.S. agricultural trade deficit with the EU “has more to do with protectionism” and the EU refuses to talk about it. The senior trade official for the European Commission, Cecilia Malmström, stated Tuesday that the European Commission has not been given a mandate to talk about agriculture; and the EU has consistently maintained that a deal would only cover industrial goods.

On Thursday, the European Parliament failed to pass a resolution outlining recommendations to the European Commission and EU member states on trade talks with the U.S. With the resolution’s defeat, Parliament will not send its non-binding recommendations to the Commission or member states. The next step for potential U.S.-EU talks is for member states to make a decision on whether to accept the Commission’s proposed negotiating mandates.

For more information about tax issues you may email or call Christopher Hatcher at 202-659-8201. Cullen Neely contributed to this section.

This Week in Congress was written by Alex Barcham.