This Week in Congress

- **House** – House Majority Leader Kevin McCarthy (R-CA) released a memo outlining the House legislative agenda in September. McCarthy indicated that the House will send a package of job bills and energy bills focused on “production, infrastructure, reliability, and efficiency.”
- **Senate** – The Senate was in recess.

Next Week in Congress

- **House** – The House is expected to consider the “Waters of the United States Regulatory Overreach Protection Act” (H. R. 5078).
- **Senate** – The Senate is expected to vote on the motion to invoke cloture on the motion to proceed to S.J.Res.19, a joint resolution proposing an amendment to the Constitution of the United States relating to contributions and expenditures intended to affect elections.

Quote Of The Week

- House Majority Leader Kevin McCarthy (R-CA) to GOP Members: “I don’t know if you caught this, but last Friday the Forest Service published an article about how to roast marshmallows.”

TAXES

House to Send Jobs Bill Containing Several Tax Extender Items to Senate; Senate to Consider Extends in Lame Duck; Both House and Senate to Take Up Continuing Resolution

Key Points:

- House and Senate prepare for expedited action on a Continuing Resolution when they return from recess
- House to send jobs bill with several individually passed tax extender measures to Senate
- Senate plans to take up full tax extender package in November lame-duck session

This week, House Majority Leader Kevin McCarthy (R-CA) released a September legislative agenda laying out plans for the House to send a single jobs package to the Senate assembled from several jobs bills House Republicans have already passed this Congress. The jobs bill includes the following tax measures which have already been passed by the full House:

- The “Permanent Internet Tax Freedom Act” (H.R. 3086), which protects Internet...
access for all Americans;

- The “American Research and Competitiveness Act” (H.R. 4438), which makes the R&D tax credit permanent;
- The “America’s Small Business Tax Relief Act” (H.R. 4457), which makes Section 179 expensing permanent;
- The “S Corporation Permanent Tax Relief Act” (H.R. 4453), which provides flexibility for S corporations to access capital and make new investments; and
- H.R. 4718, making bonus depreciation permanent and AMT election in lieu of bonus depreciation

The House agenda includes several other measures dealing mostly with health care and Internal Revenue Service (IRS) issues on 501(c)(4) organizations and others topical areas. McCarthy also said that the House plans to pass a simple continuing resolution (CR) when the House returns that will continue to fund government operations as they are on September 30 into FY 2015. Reports indicate the House is now expected to move its CR first but the Senate also will be prepared to take up and pass its own measure if Speaker John Boehner (R-OH) is not able to garner enough support for the Republican bill.

On the other side of the capitol, Senate Majority Leader Harry Reid (D-NV) stated that allowing several lapsed tax incentives for clean energy to remain expired “is not an option” and has apparently planned for a November lame-duck vote on H.R. 3474, which will serve as the legislative vehicle for the “Expanding Provisions Improvement Reform and Efficiency” (EXPIRE Act) (S. 2260), which retroactively extends the entire package of tax extenders.

Inversion Issue to Remain in Spotlight When Congress Returns Next Week

Key Points:

- Secretary Lew to speak at a panel on business tax reform addressing corporate inversions transactions next week.
- Congress may consider the issue in September, but few expect any action to lead to enactment of legislation in the near term.

During the August recess, the tax issues surrounding inversions have continued to generate headlines and garner attention especially after Burger King announced a merger with Canadian company Tim Hortons. Burger King CEO’s statement that he did not expect “meaningful tax savings” from the transaction was met with skepticism in Washington, attracting more attention from both Congress and the Administration. Specifically, Secretary of the Treasury Jacob Lew announced that he will speak at an open session on business tax reform addressing the inversions issue, which will include a panel of experts. Though Lew is not expected to unveil the Administration’s plan to curb inversions, the panel suggests the issue remains on the forefront for the President and Treasury.

Further, Congress could return to the inversions issue in the next few weeks, before they depart again to campaign for November

Upcoming Dates

September 30: FY 2014 Ends
October 1: FY 2015 Begins
November 4: Midterm Elections
March 2015: Debt limit suspension expires
May 2015: Highway Trust Fund patch and MAP-21 extension expires
elections near the end of the month. It is certainly possible that additional proposals will be made to address inversions or broader underlying economies of the deals. The Senate seems most likely to see some action or additional proposals, possibly from Senator Chuck Schumer (D-NY) who said August 14 that he wants to introduce a bill to prevent earning stripping for inverting companies. At this point, it is not expected that any action will result in enactment of legislation in the near term on this issue but a procedural vote is certainly possible in the Senate in September, though not a certainty.

Finally, the American Action Forum released a study claiming that proposals to stop corporate inversions transactions would hurt the U.S. economy in terms of investment dollars and employment. The report indicates nearly $1 trillion in U.S. capital and about 42,000 domestic jobs would be put in peril if legislators raise foreign ownership requirements and tighten corporate management and control standards as several of the recent legislative inversions proposals would do.

Upcoming Hearings and Events

September 8

Business Tax Reform and Corporate Inversions: Secretary of the Treasury Jacob Lew will speak at an open session held by the Urban Institute titled “Business Tax Reform: What Can Be Done?” followed by commentary from a panel of experts. The session will cover corporate inversions transactions and will include the following panel of experts: Sarah Rosen Wartell, President, Urban Institute (moderator); Sally Katzen, Visiting Professor, New York University; Steven Rosenthal, Senior Fellow, Urban-Brookings Tax Policy Center; John M. Samuels, Vice President and Senior Counsel of Tax Policy and Planning, General Electric Company; Stephen Shay, Professor, Harvard Law School.

For more information about tax issues you may email or call Christopher Hatcher at 202-659-8201. Tess Illas contributed to this report.

FINANCIAL SERVICES

Federal Reserve, FDIC and OCC Approve Liquidity Coverage Ratio Final Rule

Key Points:

- The Federal Reserve, FDIC and OCC approved a final rule to implement the Liquidity Coverage Ratio and a proposed rule to establish margin and capital requirements for covered swap entities.
- The FDIC also approved a final rule making revisions to the Supplementary Leverage Ratio.

On September 3, the Federal Deposit Insurance Corporation (FDIC) and Federal Reserve held open meetings in which they approved a final rule on the Liquidity Coverage Ratio (LCR) and a proposed rule to establish margin and capital requirements for covered swap entities. The Office of the Comptroller of the Currency (OCC) also approved the LCR final rule.

The final LCR rule imposes a quantitative minimum liquidity coverage ratio for banks subject to the rule to maintain an amount of high quality liquid assets (HQLAs) “that is no less than 100 percent of its total net cash outflows over a prospective 30-calendar day period.” The rule applies to banking organizations with $250 billion or more in consolidated assets “or $10 billion or more in on-balance sheet foreign exposure and to their consolidated subsidiaries that are depository institutions with $10 billion or more in total consolidated assets.”
The proposed rule on margin and capital requirements for covered swaps entities establishes “minimum margin and capital requirements for registered swap dealers, major swap participants, security-based swap dealers, and major security-based swap participants for which one of the Agencies [OCC, Federal Reserve, FDIC, Farm Credit Administration, and Federal Housing Finance Agency] is the prudential regulator.” The proposal makes changes to their 2011 proposal based upon comments received on that proposal and to achieve the goals of 2013 international framework (by the Basel Committee on Banking Supervision (BCBS) and the International Organization of Securities Commissions (IOSCO)). The proposal would “adopt a risk-based approach that would establish initial and variation margin requirements for covered swap entities.” In addition, the proposal “requires a covered swap entity to comply with regulatory capital rules already made applicable to that covered swap entity as part of its prudential regulatory regime” and it relies on existing regulatory capital rules “as appropriate and sufficient to offset the greater risk to the covered swap entity and the financial system arising from the use of swaps that are not cleared and to protect the safety and soundness of the covered swap entity.”

Speaking on the LCR rule, Federal Reserve Governor Daniel Tarullo stated that while most state and municipal bonds are not sufficiently liquid to serve the purposes of HQLA in stressed periods, public comments and staff analysis over the past several months suggest that the liquidity of some state and municipal bonds is comparable to that of the very liquid corporate bonds that can qualify as HQLAs. He suggested that Federal Reserve staff will consider a proposal to allow certain state and municipal bonds to qualify as HQLA. At the FDIC meeting, Chairman Martin Gruenberg stated that a number of commenters expressed concern with the exclusion of municipal securities from the HQLA standard in the LCR final rule. He stated that it is his understanding that banks do not generally hold municipal securities for the liquidity purposes, but rather for longer-term investments and other objectives. He said the FDIC will monitor closely the impact of the rule and consider adjustments if necessary. FDIC staff indicated that they are open to working with the Federal Reserve on a proposal to address municipal securities.

The FDIC also approved a final rule on revisions to the Supplementary Capital Ratio.

**FSOC Proposes to Designate MetLife as a SIFI, Considers Bank Resolution Plans, Asset Manager Assessments**

**Key Points**

- FSOC meets in a closed meeting to propose to designate MetLife as a systemically important financial institution (SIFI), which MetLife strongly disagrees with.
- FSOC considers budget, bank resolution plans, and discusses ongoing assessment of the asset manager industry.
- House Capital Markets Chairman Scott Garrett (R-NJ) indicates he would have FSOC members appear before the Committee “in the near future”.

At a September 4 the Financial Stability Oversight Council (FSOC) met in closed session on September 4, and as described in a readout, approved its fiscal year 2015 budget and minutes of its previous meeting on July 31. FSOC also discussed its efforts regarding the “ongoing assessment of the asset management industry” and received an update from the
Federal Reserve and the Federal Deposit Insurance Corporation “on their recent review of the largest banks’ resolution plans.”

In addition, the Council unanimously “voted [with one member voting present] to make a proposed determination regarding a nonbank financial company under section 113 of the Dodd-Frank Act.” The entity, MetLife, which disclosed itself in a press release, has 30 days to request a hearing before FSOC “to contest the proposed determination” before a final determination is made. MetLife’s Chairman, President and Chief Executive Officer Steven Kandarian “strongly disagree[d]” with the FSOC “preliminary designation of MetLife” and explained that “MetLife is not ruling out any of the available remedies under Dodd-Frank to contest a SIFI designation.” The House Financial Services Committee’s Capital Markets Subcommittee Chairman Scott Garrett (R-NJ) responded in a press release, calling the FSOC designation “irresponsible and inappropriate” that “flies in the face of a unanimous, bipartisan vote in the House of Representatives to postpone any additional designations.” He added that the FSOC did not provide the “same minimal level of review that the Council provided for asset management companies.” Garrett noted that he would have FSOC members appear before the Committee “in the near future to explain today’s actions.”

Upcoming Hearings and Events

**September 9**

*Dodd-Frank Act Oversight:*
The Senate Banking Committee will hold a hearing entitled: “Wall Street Reform: Assessing and Enhancing the Financial Regulatory System.” Witnesses to testify include: Daniel Tarullo, Governor, Board of Governors of the Federal Reserve System; Martin Gruenberg, Chairman, Federal Deposit Insurance Corporation; Thomas Curry, Comptroller of the Currency; Richard Cordray, Director, Consumer Financial Protection Bureau; Mary Jo White, Chair, Securities and Exchange Commission; and Timothy Massad, Chairman, Commodity Futures Trading Commission.

**September 10**

*Credt Reporting:*
The House Financial Services Committee’s Subcommittee on Financial Institutions and Consumer Credit will hold a hearing entitled: “An Overview of the Credit Reporting System.”

**September 11**

*Small Business:*
The House Committee on Small Business’ Subcommittee on Contracting and Workforce will hold a hearing entitled: “The Decline in Business Formation: Implications for Entrepreneurship and the Economy.” Witnesses to testify include: Jonathan Ortmans, Senior Fellow, Kauffman Foundation; John Dearie, Executive Vice President, Financial Services Forum; and Chad Moutray, Chief Economist, National Association of Manufacturers.

*CFPB Advisory Meeting on Access to Financial Services:*
The Consumer Financial Protection Bureau’s (CFPB) Consumer Advisory Board will hold a meeting with CFPB Director Richard Cordray on “trends and themes related to technology and access to financial services.”

**September 18**

*CFPB Field Hearing on Auto Finance:*
The Consumer Financial Protection Bureau’s (CFPB) will hold a hearing in Indianapolis, Indiana on auto finance, with remarks from CFPB Director Richard Cordray, as well as “testimony from consumer groups, industry representatives, and members of the public.”
For more information about financial services issues you may email or call Joel Oswald at 202-659-8201. Eric Robins, Rebecca Konst, and Alex Barcham contributed to the articles.

ENERGY AND ENVIRONMENT

House September Agenda Includes Energy Legislation

Key Points:

- Later this month the House is expected to vote on a package of energy bills.
- The House will most likely pass the legislation, but the Senate will not act on the package.
- The energy legislation will include provisions to expedite approval of the Keystone XL Pipeline, accelerate permitting of liquefied natural gas (LNG) exports, and reform the process for permitting cross-border energy infrastructure.

The House of Representatives returns next week for a planned two-week session ahead of the November elections. Majority Leader Kevin McCarthy (R-CA) outlined the agenda for this work period, which includes a package of energy legislation consisting of bills previously passed by the House. As described in a press release, the House will vote on “another package of energy bills…that will focus on improving energy production, infrastructure, reliability, and efficiency.”

In a memo to House Republicans, McCarthy listed the legislation that will be included in the energy package:

- “the Northern Route Approval Act, authored by Representative Lee Terry, which allows construction of the Keystone XL pipeline” (H.R. 3);
- “the Bureau of Reclamation Conduit Hydropower Development Equity Jobs Act, authored by Representative Steve Daines, which streamlines the development of hydropower on federal lands” (H.R. 1963);
- “the Central Oregon Jobs and Water Security Act, authored by Representative Greg Walden, which allows for construction of a hydropower facility at the Bowman Dam” (H.R. 2640);
- “the Protecting States’ Rights to Promote American Energy Security Act, authored by Representative Bill Flores, which protects American energy production by recognizing states’ authority to regulate hydraulic fracturing” (H.R. 2728);
- Legislation “authored by Representative Adam Kinzinger, which studies the impact and cost effectiveness of thermal insulation in federal buildings” (H.R. 4801);
- “the North American Energy Infrastructure Act, authored by Chairman Fred Upton, which strengthens our partnerships with Canada and Mexico in order to build a more secure and efficient North American energy market” (H.R. 3301);
- “the Domestic Prosperity and Global Freedom Act, authored by Representative Cory Gardner, which expedites the export of U.S. liquefied natural gas to our allies” (H.R. 6);
- “the Energy Consumers Relief Act, authored by Representative Bill Cassidy, which ensures Congressional oversight of energy-related rules costing more than $1 billion” (H.R. 1582);
- “the Natural Gas Pipeline Permitting Reform Act, authored by Representative Mike Pompeo, which modernizes the review process for
natural gas pipeline permit applications” (H.R. 1900);

- “the Responsible And Professionally Invigorating Development Act, authored by Representative Tom Marino, which establishes a more streamlined and transparent federal permitting process for construction projects” (H.R. 2641);
- “the Electricity Security & Affordability Act, authored by Representative Ed Whitfield, which protects reliable and affordable electricity sources” (H.R. 3826);
- “the Preventing Government Waste & Protecting Coal Mining Jobs in America Act, authored by Representative Bill Johnson, which prevents the Administration from developing new, job-killing coal regulations” (H.R. 2824); and
- “the Lowering Gas Prices to Fuel an America That Works Act, authored by Chairman Doc Hastings, Representative Doug Lamborn, Representative Scott Tipton, and Representative Bill Johnson, which removes federal government barriers that block production of U.S. energy sources offshore and expands onshore American energy production by streamlining government” (H.R. 4899).

**Chesapeake Bay:** The Senate Environment and Public Works Committee’s Water and Wildlife Subcommittee will hold a field hearing, in Annapolis, Maryland, titled “Examining the Strategy for Achieving the Goals of the New Voluntary Chesapeake Bay Watershed Agreement.”

**September 9**

**NRC Nominations:** The Senate Environment and Public Works Committee will hold a hearing to consider nominations to the Nuclear Regulatory Commission.

**Regulations of Power Plants’ GHG Regulations:** The House Energy and Commerce Committee’s Energy and Power Subcommittee will hold a hearing titled “State Perspectives: Questions Concerning EPA’s [Environmental Protection Agency] Proposed Clean Power Plan.”

**Endangered Species Act Legislation:** The House Natural Resources Committee will hold a hearing on legislation to amend the Endangered Species Act.

**September 10**

**Wildlife and Domestic Energy:** The House Natural Resources Committee will hold a hearing on the Fish and Wildlife Service’s enforcement of wildlife laws.

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 available during the week on twitter.

---

Upcoming Hearings and Events

**September 8**

**Electricity Transmission and Distribution:** The Department of Energy will hold a public meeting, as part of the Quadrennial Energy Review process, in Newark, New Jersey, on “Electricity Transmission and Distribution – East”.

---

**Williams & Jensen, PLLC**

701 8th Street, N.W. Suite 500 Washington, D.C. 20001
Telephone: (202) 659-8201 Fax: (202) 659-5249

www.williamsandjensen.com
DEFENSE

Eventful NATO Summit Focuses on Afghanistan, Syria, Iraq, and Ukraine

Key Points:
- NATO announces formation of new response team to respond quickly to aggression against member states and allies
- U.S. spearheads effort to coalesce nations into coalition against ISIS but European nations signal resistance to military actions

This week, President Barack Obama, Vice President Joseph Biden, and the Secretaries of State and Defense attended the 2014 North Atlantic Treaty Organization (NATO) Summit in Wales. Much of the discussions centered on the best response for NATO with respect to Russia’s actions in Ukraine and the Islamic State of Syria and the Levant (ISIL or ISIS). NATO and the White House reiterated the need for the Afghan government to sign agreements to clear the way for troops to remain past 2014.

Afghanistan

NATO and the White House reiterated their support for signing agreements with the Afghan government that would allow up to 12,000 troops to remain in country potentially through 2016. However, it was acknowledged that the signing of such agreements will not occur before the Afghan presidential election standoff is resolved.

NATO Secretary General Anders Fogh Rasmussen explained that “[w]ith the end of the International Security Assistance Force (ISAF) in December, we will change the nature and the scope of our involvement in Afghanistan...[b]ut our commitment will endure...[b]ecause stability in Afghanistan also means security for us.” He stated that “[w]e will continue supporting Afghanistan in three ways:”

- First, NATO Allies and partners stand ready to launch a new non-combat mission. To train, advise and assist the Afghan forces from next year. When the required legal framework is in place. But we stand ready. Without a signature, there can be no mission. Although our military commanders have shown great flexibility in their planning, time is short. The sooner the legal framework is in place, the better.
- Second, we are also willing to assist the Afghan forces financially, as part of the broader international efforts. Today, we renewed our financial commitments to support the sustainment of the Afghan forces, including to the end of 2017. The Afghan government has also committed to making an increasing financial contribution itself. We urge the rest of the international community to stay engaged, and to support Afghanistan’s future stability. This is in all our interests.
- And third and finally, we reaffirmed today our commitment to an enduring partnership between NATO and Afghanistan. That partnership provides a framework for political consultations and practical cooperation. It is already in place, and we are determined to strengthen it.

The White House issued a fact sheet on “NATO’s Changing Role in Afghanistan,” which reiterated that post-2014 troop support is contingent on Afghanistan signing a Bilateral Security Agreement (BSA) with the U.S. and a status of forces agreement (SOFA) with NATO. Moreover, NATO stated once more its commitment to help finance the Afghan
National Security Forces (ANSF) with the “international community” pledging €1 billion a year from 2015 through 2017 and the U.S. contributing $4.1 billion in FY 2015 per the Administration’s budget request.

The White House explained that “[a]t the Wales Summit, NATO Allies and partners reaffirmed their intent to conduct a non-combat train, advise, and assist mission in Afghanistan beyond 2014, known as Resolute Support, contingent upon the Afghans signing a BSA and a SOFA with NATO.” The White House stated that at this point “the United States would be prepared to continue ‘two narrow missions’ in Afghanistan after 2014: “training Afghan forces and supporting counterterrorism operations against the remnants of al-Qa’ida.” The White House added that “[a]t the beginning of 2015, we anticipate 9,800 U.S. troops in Afghanistan with the majority participating in the NATO-led Resolute Support mission...[and] by the end of 2015, we would reduce that presence by roughly half, consolidating our troops in Kabul and Bagram Airfield.” The White House claimed that “[b]y the end of 2016, our military presence would shift to a strong security assistance mission based from our embassy...[that] would serve as the basis for sustained security cooperation with the Afghan government and continued coordination with Allies’ and partners’ efforts to advise and assist the Afghan security ministries and to continue to develop ANSF capabilities.”

Ukraine

The White House and NATO took steps to ensure that Russia and other potential aggressor nations understand that NATO member nations and allies would be defended and steps would be taken to assist Ukraine against Russia. On September 2, Obama gave a speech in Tallinn, Estonia in which he explained his conception of NATO and the protection and assurances it provides to European members and partners.

He characterized Russia’s actions in Ukraine as “a brazen assault on the territorial integrity of Ukraine -- a sovereign and independent European nation...[that] challenges that most basic of principles of our international system - - that borders cannot be redrawn at the barrel of a gun; that nations have the right to determine their own future.” He claimed that “[i]t undermines an international order where the rights of peoples and nations are upheld and can’t simply be taken away by brute force.” He asserted that “[o]ur NATO Alliance is not aimed “against” any other nation; we’re an alliance of democracies dedicated to our own collective defense...[and] [c]ountries like Estonia and Latvia and Lithuania are not ‘post-Soviet territory.”

Obama said that “[l]et’s also be clear where we stand.” Her contended that “[j]ust as we refused to accept smaller European nations being dominated by bigger neighbors in the last century, we reject any talk of spheres of influence today...[a]nd just as we never accepted the occupation and illegal annexation of the Baltic nations, we will not accept Russia’s occupation and illegal annexation of Crimea or any part of Ukraine.”

Obama explained that “[a]s free peoples, as an Alliance, we will stand firm and united to meet the test of this moment, and here’s how:

- First, we will defend our NATO Allies, and that means every Ally. Today, more NATO aircraft patrol the skies of the Baltics. More American forces are on the ground training and rotating through each of the Baltic states. More NATO ships patrol the Black Sea.
Tonight, I depart for the NATO Summit in Wales, and I believe our Alliance should extend these defensive measures for as long as necessary.

- Second -- and in addition to the measures we’ve already taken -- the United States is working to bolster the security of our NATO Allies and further increase America’s military presence in Europe. The new initiative I proposed in Warsaw this spring includes several elements, and we’re working with Congress to get it done. Here in the Baltics, it would mean positioning more American equipment so it’s ready if needed. It would mean more training and exercises between our militaries. And it would mean more U.S. forces -- including American boots on the ground -- continuously rotating through Estonia and Latvia and Lithuania.

- Third, NATO forces need the ability to deploy even faster in times of crisis. This week, our Alliance must unite around a new plan to enhance our readiness. And that means we need to step up our defense planning, so we’re fully prepared for any threat to any ally. It also means we need to have the infrastructure and facilities that can receive rapid reinforcements, including here in the Baltics. We need to enhance NATO’s Rapid Response Force so it can deploy even more quickly and not just react to threats, but also deter them.

- Fourth -- even as we keep our countries strong at home, we need to keep our Alliance strong for the future. And that means investing in capabilities like intelligence and surveillance and reconnaissance and missile defense. And here in Europe, nations need to do more to spur the growth and prosperity that sustains our alliance.

- Fifth -- we must continue to stand united against Russia’s aggression in Ukraine. The United States, the European Union, our partners around the world have all said we prefer a diplomatic solution. But in light of Russia’s unwillingness to seize that opportunity, we have come together to impose major sanctions on Russia for its actions. And make no mistake, Russia is paying a price. Capital is fleeing, foreign investment is plummeting -- because investors know that today’s Russia is a bad bet, given its behavior. The Russian economy has slipped into recession.

In concert with the President’s speech, the White House issued a fact sheet, “U.S. Support and Reassurance Initiatives for the Baltics and Central Europe,” in which the Administration asserted that “[t]he United States stands by its Allies, as they have stood by us – our Baltic and Central European Allies have contributed robustly and bravely to Alliance operations in Afghanistan and elsewhere.” The White House stated that “[w]e look forward to discussing how to further enhance reassurance, readiness and deterrence at the September 4-5 NATO Summit in Wales, and will continue to take actions that increase the capability, readiness, and responsiveness of NATO forces.”

The White House claimed that “[t]hat is why the President has called on Congress to support a European Reassurance Initiative of up to $1 billion, which will enable us in the next year to undertake measures to:

- Increase U.S. military presence in Europe;
- Conduct additional bilateral and multilateral exercises and training with
On September 4, NATO Secretary General Anders Fogh Rasmussen announced that NATO had agreed on the formation of a new “very high readiness” unit within NATO’s Response Force of “several thousand land troops, ready to deploy within a few days with air, sea and Special Forces support.” He said that the new Readiness Action Plan would “strengthen NATO’s collective defense…[and] is a demonstration of our solidarity and our resolve.” Rasmussen stated that “[t]he security environment we face is more unpredictable than ever…[because] Russia is attacking Ukraine…[v]iolent extremists are rising in the Middle East…[and] [i]nstability is growing in North Africa.”

Rasmussen contended that “[i]n these turbulent times, NATO must be prepared to undertake the full range of missions, and to defend Allies against the full range of threats.” He stated that “[w]e have already taken immediate steps to enhance our defense…[and] [t]oday we agreed we will maintain continuous presence and activity in the air, on land and at sea in the Eastern part of the Alliance, on a rotational basis.” Rasmussen claimed that “[t]his decision sends a clear message: NATO protects all allies, at all times…[a]nd it sends a clear message to any potential aggressor: should you even think of attacking one ally, you will be facing the whole Alliance.”

On September 5, the Secretaries of State and Defense issued a joint statement after meeting at the NATO Summit with the foreign and defense ministers of nine nations regarding the threat posed by the Islamic State of Syria and the Levant (ISIL or ISIS) explaining that “[w]e and the Ministers agreed here today that there is no time to waste in building a broad international coalition to degrade and, ultimately, to destroy the threat posed by ISIL.” Secretary of State John Kerry and Secretary of Defense Chuck Hagel asserted that “[t]o be effective, an international coalition to defeat ISIL must coordinate across multiple lines of effort:

- Military support to our Iraqi partners;
- Stopping the flow of foreign fighters;
- Countering ISIL’s financing and funding;
- Addressing humanitarian crises; and
- De-legitimizing ISIL’s ideology.

Among the concrete steps announced by Kerry and Hagel were:

- We agreed to engage in an immediate conversation with a new Iraqi government about accelerating these efforts, including the potential for additional training and equipping of the Iraqi Security Forces at the federal, regional, and provincial level.
- Specifically, we will form a multinational task force to share more information about the flow of foreign fighters into Syria and from Syria into Iraq. These foreign fighters represent an acute threat to our NATO allies.
- We also agreed to work in concert to stifle ISIL’s sources of revenue, including any trade in petroleum products, and hold accountable those
who violate international prohibitions on such trade.

- This effort will also be a focus of the UN General Assembly later this month as we work to establish a truly global coalition.

However, after the meeting, United Kingdom Foreign Secretary Phillip Hammond ruled out British participation in air strikes at this point. He remarked that “[t]he clear message coming out of here is that we have to have a comprehensive response to the ISIL challenge…[yet] [i]t’s not just about whether or not we should get involved in air strikes.”

Congress May Consider Syria Authorization

Key Points:
- Members have argued that the Congress should take up and debate authorization for the Administration to conduct air strikes

As the situation in Syria and Iraq grows more serious, more Members of Congress are calling on the Obama Administration to pursue a more forceful course of action in responding to the Islamic State of Iraq and the Levant (ISIL or ISIS). Some Members have vowed to introduce authorizations for the use of force in Syria, a country that some senior Administration officials have claimed is not subject to the 2011 Authorization of Use of Force that has been the statutory basis for much of the Bush and Obama Administrations actions in the Middle East and elsewhere. However, given the crowded legislative calendar before Congress recesses before the mid-term elections, there may not be sufficient time to pass such an authorization.

On September 2, in a statement Senator Bill Nelson (D-FL), a senior member of the Senate Armed Services Committee, introduce “legislation that would give President Obama clear authority to order airstrikes against ISIS in Syria.” In a speech the next day, Nelson also floated the possibility of offering an amendment to the FY 2015 National Defense Authorization Act (S. 2410) authorizing the use of force in Syria.

Also on September 2, in a CNN interview, House Foreign Affairs Committee Chairman Ed Royce (R-CA) and Ranking Member Eliot Engel (D-NY) in which both argued for U.S. air strikes against ISIL. in Syria. Royce noted that “many countries in this region are very concerned about the brutality of ISIS and they feel there needs to be an international coalition here…[b]ut that’s going to require leadership on the part of the United States.” He claimed that “[t]hat’s going to require not only coordination, but a will to go after, from the air, using air power, these targets that ISIS presents.” In response to whether he wants the Administration “to authorize air strikes against ISIS targets in Syria,” Engel responded “[y]es, I do” and I “have been calling to aid the Free Syria Army.”

Upcoming Hearings and Events

September 9
**Hamas:** The House Foreign Affairs Committee will hold a hearing to discuss terrorism and Hamas.

September 10
**Military Cybersecurity:** The House Armed Services Committee will hold a hearing to discuss military cybersecurity.

**Iraq/Syria:** The House Foreign Affairs Committee will hold a hearing to discuss religious attacks in Iraq and Syria.
**ISIS:** The House Homeland Security Committee will hold a hearing to discuss the threat posed by ISIS terrorists with western passports.

**September 16**
**ISIS:** The House Foreign Affairs Committee will hold a hearing to discuss the United States’ strategy against ISIS.

**September 17**
**Terrorism:** The House Homeland Security Committee will hold a hearing to discuss global terrorism threats to the United States.

For more information on defense issues you may email or call Michael Kans at 202-659-8201.

**HEALTH**

**House Plans ACA-Related Bills in September**

**Key Points**
- House plans to take up Employee Health Care Protection Act and a jobs package that includes ACA legislation

According to a memorandum released this week by House Majority Leader Kevin McCarthy (R-CA), the House plans to hold a vote on the “Employee Health Care Protection Act” (H.R. 3522). The legislation, which was introduced by Representative Bill Cassidy (R-LA) in November 2013, would allow health insurers to continue offering plans that were available in the group market during any point in 2013 to continue offering these plans outside of the Affordable Care Act’s (ACA) health care exchanges. House Republicans have said that this legislation is critical to fulfilling President Barack Obama’s promise to Americans that “if you like your plan, you can keep it.” Last year, the Office of Management and Budget (OMB) issued a Statement of Administration Policy (SAP) strongly opposing similar legislation, the “Keep Your Health Plan Act of 2013” (H.R. 3350), stating that the bill “rolls back the progress made by allowing insurers to continue to sell new plans that deploy practices such as not offering coverage for people with pre-existing conditions, charging women more than men, and continuing yearly caps on the amount of care that enrollees receive.”

McCarthy also announced that the House would send a jobs package to the Senate that would include over a dozen bills that the House has already passed. This legislation will include two ACA-related bills:

- **The Save American Workers Act (H.R. 2575):** Legislation introduced by Representative Todd Young (R-IN) to repeal the ACA’s definition of a full-time worker as an individual who works 30 or more hours per week. In April, H.R. 2575 passed the House by a vote of 248-179, mostly along party lines. Senators Susan Collins (R-ME) and Joe Donnelly (D-IN) have introduced similar legislation in the Senate to modify the ACA’s definition of a full-time worker.

- **The Hire More Heroes Act (H.R. 3474):** Legislation introduced by Representative Rodney Davis (R-IL) that modified the ACA by allowing employers to hire certain veteran service members and exclude them from counting towards the 50 full-time employee threshold at which employers must provide healthcare or face a penalty. These individuals can be excluded from an employer’s number of full-time employees if they are covered under the TRICARE program.
In March, H.R. 3474 passed the House by a vote of 406-1. A cloture motion was filed to proceed to the legislation in the Senate, but no agreement was reached to hold a vote on the bill. A companion Senate bill introduced by Senator Roy Blunt (R-MO) had 39 co-sponsors.

At the Committee level, the House continues to hold events on the bipartisan 21st Century Cures initiative, with a roundtable scheduled for September 10 that includes the Secretary of Health and Human Services (HHS) Sylvia Burwell, National Institutes of Health (NIH) Director Francis Collins, and Food and Drug Administration (FDA) Commissioner Margaret Hamburg. The House Energy and Commerce Committee’s Health Subcommittee will hold a hearing on legislation sponsored by Representative Renee Ellmers (R-NC) to enhance training of health providers to recognize victims of human trafficking. Finally, the House may also continue their focus on the security of data on the healthcare exchanges, following reports this week that HealthCare.gov was successfully hacked in July.

Upcoming Hearings and Meetings

September 9
Laboratory Testing: The Health Subcommittee of House Energy and Commerce Committee hearing titled "21st Century Cures: Examining the Regulation of Laboratory Developed Tests."

September 10
21st Century Cures Roundtable: The House Energy & Commerce Committee will host a roundtable on the 21st Century Cures initiative featuring the participation of HHS Secretary Burwell, NIH Director Collins, and FDA Commissioner Hamburg.

ACA Assessment: The Health Subcommittee of House Ways and Means Committee hearing on the status of the 2010 health care overhaul law.

September 11
Human Trafficking: The House Energy and Commerce Committee’s Health Subcommittee will hold a hearing to examine H.R. ___, the Trafficking Awareness Training for Health Care Act of 2014.

September 18
HealthCare.gov Security Breach: The House Oversight and Government Reform Committee will hold a hearing to examine the security of Healthcare.gov. Centers for Medicare and Medicaid Services Administrator Marilyn Tavenner will testify at the hearing.

September 29
Opioid Abuse and Chronic Pain: The National Institutes of Health will hold a meeting entitled, “The Role of Opioids in the Treatment of Chronic Pain.”

For more information about healthcare issues you may email or call Matthew Hoekstra or George Olsen at 202-659-8201.

TRANSPORTATION AND INFRASTRUCTURE

ARTBA Warns That New Capital Standard May Raise Costs of Infrastructure Projects

Key Points:
- American Road & Transportation Builders Association (ARTBA) claims that new capital standards for depository institutions that treat municipal bonds less favorably may make financing infrastructure projects more difficult.
- ARTBA calls on Congress to address this and other funding issues, namely a long-term fix for Highway Trust Fund revenues

On September 5, the American Road & Transportation Builders Association (ARTBA) President & CEO Pete Ruane sent a letter to Congressional Leadership, arguing that “new federal banking rules announced September 3 will further impede state transportation planning and investments across the nation.” Ruane claimed that “[t]his decision will increase the financing cost of infrastructure projects for state and local governments by imposing a constraint on the market for municipal bonds.” He claimed that this “could also adversely impact development of public-private partnerships for transportation projects.” Ruane asserted that the new rule should serve “as another motivator to do what the vast majority of your colleagues have acknowledged needs to be done—develop a long-term, sustainable revenue solution to permanently stabilize the Highway Trust Fund (HTF) and support future state investments in transportation improvements.”

The Office of the Comptroller of the Currency, Department of the Treasury; Board of Governors of the Federal Reserve System; and Federal Deposit Insurance Corporation issued a final rule titled “Liquidity Coverage Ratio: Liquidity Risk Measurement Standards” on September 3. The final rule would exclude municipal securities from the definition of “high-quality liquid assets” (HQLA) that institutions would need to hold in order to meet increased liquidity requirements under the Basel III framework. The agencies explained that “[u]nder the final rule, securities issued by public sector entities, such as a state, local authority, or other government subdivision below the level of a sovereign (including U.S. states and municipalities) do not qualify as HQLA.” They asserted that “[t]he goal of the [final rule] is to ensure that covered companies are able to meet their short-term liquidity needs during times of stress...[and] [i]nability to meet those liquidity needs proved to be a significant cause of the failure or near failure of several large financial firms during the recent financial crisis.”

FHWA Promulgates MAP-21 Rule That Speeds Project Delivery

Key Points:
- FHWA releases regulations that would loosen current value engineering requirements, speeding approval of some highway projects

On September 5, the Federal Highway Administration (FHWA) issued a final rule, “updating the existing value engineering (VE) regulations to make them consistent with the statutory changes in the “Moving Ahead for Progress in the 21st Century Act” (MAP-21) and to make other non-substantive changes for clarity.” The FHWA stated that “[t]his final rule modifies the regulations that govern VE analyses in the planning and development of highway improvement projects due to recent changes” required by MAP-21. Specifically, the last surface transportation reauthorization required the FHWA to implement changes to VE regulations “by increasing the project monetary thresholds that trigger a VE analysis; eliminating the VE analysis requirement for design-build projects; and defining the requirements for a State Transportation Agency (STA) to establish and sustain a VE program.” Consequently, the FHWA’s regulation “raise the VE analysis requirement threshold to $50,000,000 or more for projects on the National Highway System (NHS) that use Federal-aid Highway Program Funding assistance, and $40,000,000 or more for bridge
projects on the NHS that receive Federal assistance.”

Upcoming Hearings and Events

September 9
Transportation Infrastructure: The House Transportation & Infrastructure Committee will hold a hearing to discuss surface transportation infrastructure projects.

September 10
Freight Rail: The Senate Committee on Commerce, Science & Transportation will hold a hearing to discuss improving America’s freight rail.

Merchant Marine Issues: The House Transportation & Infrastructure Committee will hold a hearing to discuss merchant marine issues.

September 18
Airport Privacy Protections: The House Homeland Security Committee will hold a hearing to discuss balancing airport security and privacy protection.

For more information on transportation issues you may email or call Michael Kans at 202-659-8201.

TECHNOLOGY

Administration Spells Out Support For Leahy’s NSA Reform; Privacy Groups Warn Against Pairing CISA With Leahy’s Bill

Key Points:
- The Attorney General and Director of National Intelligence Articulate Their Support for USA FREEDOM ACT
- Privacy groups also state their support for Leahy’s bill but expresses their opposition to the Senate adding cybersecurity sharing legislation

The least week of the August Recess saw the release of two significant letters seeking to frame the potential Senate debate of a bill to reform the National Security Agency’s surveillance practices that resulted from extensive negotiations between Congressional and Executive Branch stakeholders.

On September 2, Attorney General Eric Holder Jr. and Director of National Intelligence James Clapper sent a letter to Senate Judiciary Committee Chairman Patrick Leahy (D-VT), stating that “the Intelligence Community believes that [the “Uniting and Strengthening America by Fulfilling Rights and Ensuring Effective Discipline Over Monitoring Act of 2014” (S. 2685)] preserves essential Intelligence Community capabilities; and the Department of Justice and the Office of the Director of National Intelligence support your bill and believe that it is a reasonable compromise that enhances privacy and civil liberties and increases transparency.” They asserted that “[o]verall, the bill’s significant reforms should provide the public greater confidence in our programs and the checks and balances in the system.”

Holder and Clapper noted several of the significant reforms in the bill, including:
- The USA FREEDOM Act bans bulk collection under a variety of authorities. In particular, the bill permits collection under Section 215 of the USA PATRIOT Act using a specific selection term that narrowly limits the scope of the tangible things sought to the greatest extent reasonably practicable, consistent with the purposes for seeking the tangible things.
• The bill also provides a mechanism to obtain telephone metadata records in order to identify potential contacts of suspected terrorists inside the United States.
• The bill also increases transparency by expanding the amount of information communications providers can disclose and increasing public reporting by the government.
• We note that, consistent with the President's request, the bill establishes a process for the appointment of an amicus curiae to assist the FISA Court and FISA Court of Review in matters that present a novel or significant interpretation of the law.

Holder and Clapper stated that “[t]he USA FREEDOM Act represents the result of extensive discussions and deliberations and has the support of a wide range of interests.” They asserted that “[a]dmittedly, it is possible that there are additional impacts that we will be able to identify only after we strut to implement the new law.” Holder and Clapper stated that “[y]ou have our commitment to notify Congress if we determine that the new law is impeding the Intelligence Community’s ability to protect national security.”

On September 4, “civil liberties, human rights, and other public interest organizations” sent a letter to Majority Leader Harry Reid (D-NV), Minority Leader Mitch McConnell (R-KY), and the chairs and ranking members of the Senate Judiciary, Intelligence, and Homeland Security and Governmental Affairs Committees. They noted that “[o]n July 30, 2014, many of the undersigned groups sent a letter to Congressional leadership voicing a unified statement of support for the new version of the USA FREEDOM Act (S. 2685).” These organizations stated that “[t]hough further reform will still be needed, it is an important first step to reining in the NSA’s overbroad surveillance authorities.” They stated that “as we made clear in both our July 30 letter and our previous letter of June 18, the broad consensus in support of the USA FREEDOM Act among companies and advocacy groups would be severely disrupted if any new mandatory data retention requirement were added to the bill.”

These organizations asserted that “[d]ata retention requirements pose significant threats not only to privacy and civil liberties, but also to data security, as stories of data breaches at major corporations like Target, Neiman Marcus, UPS, and major banks demonstrate.” They urged “the Senate to swiftly pass…S. 2685 without any amendments that would weaken its protections or create any new data retention mandates, and without taking up the “Cybersecurity Information Sharing Act” (CISA) (S. 2588) in its current form.” They asserted that “[t]he Senate cannot seriously consider controversial information-sharing legislation such as CISA without first completing the pressing unfinished business of passing meaningful surveillance reform.”

Upcoming Hearings and Events

September 9
DHS: The House Homeland Security Committee will hold a hearing to discuss the Department of Homeland Security Science & Technology Directorate.

September 10
Cybersecurity & Terrorism: The Senate Homeland Security Committee will hold a hearing to discuss cybersecurity and terror threats.

September 17
**FCC:** The House Energy & Commerce Committee will hold a hearing to discuss FCC management oversight.

*For more information on technology issues you may email or call Michael Kans at 202-659-8201.*

*This Week in Congress was written by Laura Simmons.*