



*Week of 6-6-16
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Congressional Overview

Congress returned this week for an abbreviated six-week summertime session highlighting a handful of must-do legislation: assisting Puerto Rico through its fiscal crisis (with a July 1 deadline looming for a \$2 billion debt payment), funding the battle against the Zika virus and reauthorizing the Federal Aviation Administration. Summertime in presidential election years is often a time when Congress lowers its sights and focuses more on what it has to do rather than testing the limits the political thicket will admit and allow.

QCA Sends Letter to Congressional Committees Regarding Multiemployer Pension Reform

On Wednesday, June 8, the Quality Construction Alliance (QCA) sent a letter to the four congressional committees of jurisdiction on multiemployer pension reform regarding the importance of composite plan design. The four committees include: House Ways and Means / Ed. & Workforce and Senate Health, Education, Labor, and Pension (HELP) and Finance. The QCA represents the interests of tens of thousands of construction employers, who support a Congressional authorization of a new multiemployer benefit plan design called a composite plan. The impetus for the letter was due to the Treasury Department's failure to approve the Central States Rescue Plan, with no additional action expected.

The letter highlighted that contributing employers and their labor partners have consistently worked together to address the precarious position of many defined benefit multiemployer plans, including:

- Began to work for legislative solutions in 2002 after plan adjustments did not work.
- For several years, helped work for enactment of the 2006 Pension Protection Act (PPA).
- Watched helplessly as the 2008 cataclysmic investment events further destabilized plans.
- In 2010, worked with a Democratic Congress for major reforms that included revenue for failing plans, an effort that was never given serious consideration.
- Worked for over a year with more than 40 labor and employer organizations and helped develop an agreement on an innovative plan design to fundamentally restructure multiemployer plan design.
- In 2013, and 2014 worked to help pass major pension reform, which included Composite Plans.
 - Composite Plan design could be voluntarily adopted by plans.
 - Composite Plan design would allow employers to offer lifetime pension benefits to their employees without risking the survival of their business.

The Multiemployer Pension Reform Act (MPRA) of 2014 did not include new plan design, but premiums for multiemployer plans doubled.

Senate Subcommittee Approves Draft FY 17 Spending Bill

On Wednesday, the Senate Labor-HHS-Education subcommittee approved a bipartisan draft spending bill that would provide a second consecutive boost of \$2 billion for the NIH and restore year-round Pell higher education grants. The LHS bill is the largest domestic spending bill and has been a target in the past for funding and policy issues, with Republicans often setting its initial allocations low in both chambers. The last time a Senate Labor-HHS bill came close to unanimous support at a full committee markup was in 2009, when the panel voted 29-1 to support it. The NIH appears to be solidly on track for a second \$2 billion boost that would put annual funding at about \$34 billion.

The bill would provide the Department of Labor with \$12.04 billion, a decrease of \$134 million. The bill did not address many of the most contentious rules from the Labor Department. Sen. James Lankford (R-OK) expressed disappointment that the bill would not address a new overtime rule that increases the salary threshold for workers to receive overtime pay. The bill would also provide funding for critical health programs, such as the NIH, Centers for Medicare and Medicaid Services, and combating the opioid epidemic.

Funding the NIH has broad bipartisan support since the agency is charged with overseeing projects that could lead to major medical breakthroughs, such as Vice President Biden's Cancer Moonshot and the Precision Medicine Initiative. Yet there has been contention around which pot of government funds the money should come from. Finally, there's been a call for more funds to fight the opioid epidemic, particularly since a \$600 million emergency supplemental failed to be tacked onto the Comprehensive Addiction and Recovery Act. Advocates have been working to ensure money is allocated in the appropriations process.

Obama Administration Threatens to Veto Senate's Version of FY 17 Defense Authorization Bill

The Obama administration has threatened to veto the Senate's version of the FY 17 defense authorization bill, raising objections to dozens of provisions contained in the bill ranging from efforts to reorganize the Pentagon bureaucracy to language blocking the closure of Guantanamo Bay. In its statement of administration policy, the White House took a preemptive strike at an amendment offered by Senate Armed Services Chairman John McCain (R-AZ) that would boost authorized defense spending next year by \$18 billion to bridge the gap between the Pentagon request and what McCain believes the Pentagon needs next year.

Sens. Harry Reid (D-NV) and Barbara Mikulski (D-MD) are proposing a second-degree amendment that would authorize a comparable amount for domestic funding, a move they argue is consistent with last year's budget deal that raised caps on defense and non-defense spending. The Democratic amendment would add \$18 billion for an array of domestic efforts, including \$2 billion to address cybersecurity vulnerabilities, \$1.1 billion for the heroin and opioid crisis, \$3.2 billion for infrastructure, \$3.5 billion for science and technology and \$1.9 billion for Zika prevention and treatment. Sen. Chuck Schumer (D-NY) threatened to derail the appropriations process if the chamber adopts McCain's amendment and rejects the Democrats' counter language.

Congress Working on Zika Funding

The House appointed conferees to the FY 17 Military Construction Appropriations Bill and Zika funding legislation. The Senate legislation addressing the Zika virus provides \$1.1 billion in emergency funds, while the House bill calls for spending \$622 million through reprogramming. Conference negotiations have begun to try to find a compromise and the White House is prepared to blame congressional Republicans if the disease spreads and no federal prevention program has been approved.

House Passes Legislation to Aid Puerto Rico

This week, the House passed legislation to aid Puerto Rico in its debt crisis with a 297-127 vote. The legislation would establish a seven-member fiscal oversight board, appointed by the president, with the authority to petition federal courts in order to restructure the \$72 billion in debt owed by Puerto Rico. The legislation now moves to the Senate.

Puerto Rico has already defaulted three times on its debt since August 2015, and the July 1 deadline looms large. On that date, the territory will owe \$2 billion in debt payments, roughly \$800 million of which is in the form of general obligation debt. Puerto Rico's constitution guarantees that debt must be paid ahead of all other spending on the island. Gov. Alejandro Padilla has said that there is simply no money left to pay that debt. The Congressional Budget Office (CBO) said the bill would not significantly affect the federal deficit, but it would cost about \$1 million in 2017 owing to various reports and administrative requirements contained in the legislation.

Congress Will Need to Pass Another Continuing Resolution to Keep the Federal Government Funded After Oct. 1

The compressed legislative calendar means another continuing resolution will be required to extend government funding after the Oct. 1 deadline. Members of Congress have scheduled only 12 work days in June and eight in July when both the House and Senate will be in session at the same time. Congress will be out of town for the presidential nominating conventions in the latter half of July and for the entire month of August, their traditional summer break. That leaves little time to resolve policy disputes and funding decisions for all 12 of the appropriations bills.

GOP Leadership Brings Appropriations Bill to Floor Using Structured Amendment Rule

After watching their FY 17 Energy-Water Appropriations Bill get defeated on the House floor last month, the GOP Leadership brought the FY 17 Legislative Branch Appropriations Bill to the floor this week under a process designed to eliminate surprise amendments. The use of a so-called structured amendment rule, while not unprecedented, abandons the open-ended process that GOP leaders had hoped to adopt as part of a return to "regular order" for appropriations bills. That hope was dashed just before the Memorial Day recess, when a surprise amendment related to gay and transgender rights led to the defeat of the Energy-Water funding bill. Rep. Carolyn Maloney (D-NY) offered an amendment to prevent federal contractors from discriminating against gay and transgender employees, which prompted 130 Republicans to vote against their own party's bill – it was rejected on a 112-305 vote.

Democrats voted against the bill because of several conservative policy riders related to the Iran nuclear deal and illegal immigration policies. When the bill failed, House Appropriations Chairman Hal Rogers (R-KY) vowed the surprising defeat would simply be a temporary pause instead of stopping the appropriations process. The problem for congressional leaders is they do not have much time left for temporary pauses. With only four months to go before the start of the new fiscal year on Oct. 1, the House has passed only one of the 12 annual spending bills needed to fund the government. The Senate has done marginally better, having passed three.

America's Oil and Gas Producers Are Still Finding Places to Drill

Per Wednesday's Wall Street Journal, "America's oil and gas producers are still finding places where they can prosper even at today's lower prices. Companies are refocusing their drilling efforts on the Permian Basin in Texas and New Mexico and rushing into a part of Oklahoma known as the Stack where they can claim solid returns. While small in terms of overall production, the move is gathering steam, even as drilling in places like North Dakota and Pennsylvania remains sluggish."

Wells in the Permian and the Stack (Sooner Trend, Anadarko basin, and Canadian and Kingfisher counties) are apparently achieving between 10 and 30 percent returns based on oil priced at \$45 a barrel. These returns benefit from access to an established pipeline, storage and other infrastructure. Drillers in both areas have been able to find energy stacked in layers underground with some producers tapping holdings that were acquired long ago, when acquisition costs were lower. As U.S. oil futures, which closed last Friday at \$48.62 a barrel, some large and midsize energy companies have said they are planning to step up production in lower-cost areas. The gains are not expected to cause greater production or hiring nationwide, but they are tempering some of the decline elsewhere.