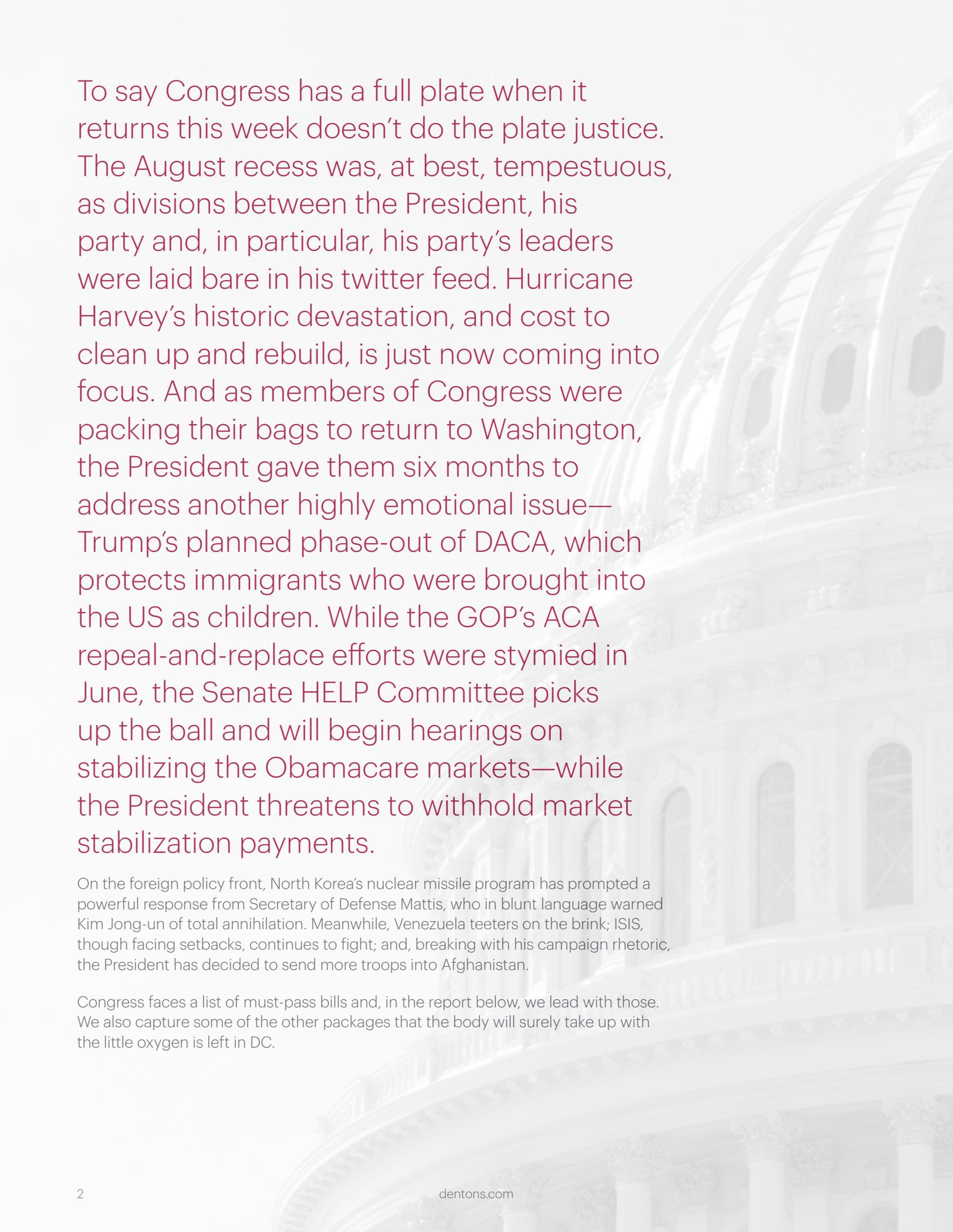


Fall's Congressional To Do List





To say Congress has a full plate when it returns this week doesn't do the plate justice. The August recess was, at best, tempestuous, as divisions between the President, his party and, in particular, his party's leaders were laid bare in his twitter feed. Hurricane Harvey's historic devastation, and cost to clean up and rebuild, is just now coming into focus. And as members of Congress were packing their bags to return to Washington, the President gave them six months to address another highly emotional issue—Trump's planned phase-out of DACA, which protects immigrants who were brought into the US as children. While the GOP's ACA repeal-and-replace efforts were stymied in June, the Senate HELP Committee picks up the ball and will begin hearings on stabilizing the Obamacare markets—while the President threatens to withhold market stabilization payments.

On the foreign policy front, North Korea's nuclear missile program has prompted a powerful response from Secretary of Defense Mattis, who in blunt language warned Kim Jong-un of total annihilation. Meanwhile, Venezuela teeters on the brink; ISIS, though facing setbacks, continues to fight; and, breaking with his campaign rhetoric, the President has decided to send more troops into Afghanistan.

Congress faces a list of must-pass bills and, in the report below, we lead with those. We also capture some of the other packages that the body will surely take up with the little oxygen is left in DC.

Hurricane Harvey supplemental

The results of Hurricane Harvey's historic landfall will certainly eclipse the combined economic and insurance losses associated with Hurricane Katrina, making it the costliest natural disaster in US history. Reports indicate that, in the short term, the House leadership is considering a down payment to ensure immediate needs are met. These types of "supplementals" often draw conservative ire because they are usually not offset by spending cuts elsewhere, as was the case with Hurricane Sandy, which battered the East Coast in 2012.

Flood insurance

US House of Representatives Financial Services Committee Chair Jeb Hensarling (R-TX5) has drafted a package of bills that reauthorizes the flood insurance program for five years. The package downsizes the program's foot print, raises what policyholders pay and makes it easier for private companies to compete. GOP members from flood-prone districts have criticized this approach. To date the program is \$24.6 billion in debt.

This seems to indicate a short-term extension past the September 30, 2017, expiration date.

Debt limit

Of all the five-alarm fires brewing already in September, the debt limit might be the most pressing. Administration officials have indicated a desire for a "clean" (read: no policy changes to entitlement programs) bill. For a clean bill to pass the House, Democratic members will have to support that package as conservative members of the GOP caucus will not vote to raise the limit without the inclusion of entitlement reform in the package.

Appropriations

With the fiscal year ending September 30, 2017, the House has passed four appropriations bills and still has eight that have yet to make it across the floor. The Senate, for its part, has yet to pass any of its bills. Complicating the situation is President Trump's desire to see included in the package funding for a wall along our southern border. As talk of a government shutdown heats up, the expectation is that the House will wrap the remaining eight bills into a single package and send it to the Senate. Reports also indicate that the Senate has no intention of acting on it, or on the earlier package sent to them by the House. The expectation is for a continuing resolution to be debated that effectively allows the House and Senate more time to finish—or in some cases start—their work.

Market stabilization hearings in the Senate

After the US Senate failed to pass a version of repeal and replace in late July, Senator Lamar Alexander (R-TN), chair of the Senate Committee on Health, Education, Labor and Pensions (HELP), announced there would be bipartisan hearings in September to try to develop legislation that would address some of the problems in the individual market in state exchanges. The first week after Labor Day, the committee will hear testimony from five governors and five state insurance commissioners on how Congress can help their states. The following week, the committee will hear from other stakeholders.

It is possible that Senator Alexander, along with the committee's top Democrat, Patty Murray (WA), could craft legislation and try to insert it into a short-term appropriations extension or some other must-pass legislative vehicle that would continue federal payments for cost-sharing subsidies and provide states with the flexibility to attempt to bring down the cost of certain health care plans.

CHIP

Mandatory funding for the Children's Health Insurance Program (CHIP) is scheduled to expire on September 30, 2017. Congress created the program in 1997 and it currently covers over 8 million children. CHIP gives states financial support to expand publicly funded coverage to uninsured children who are not eligible for Medicaid. As a block grant, it provides states with a set amount of funding that must be matched with state dollars. If Congress does not reauthorize the program before October 1, the federal government will no longer be able to provide its payments to states. However, it is possible for states to continue to provide CHIP coverage for another two or three months beyond the expiration date.

Medicare extenders

Absent legislative action, certain health care-related provisions will lapse on September 30, 2017, and December 31, 2017. The expiring provisions relate to Medicare, Medicaid, the joint federal-state Children's Health Insurance Program (CHIP), and private health insurance programs and activities.

Two broad categories of programs are at risk should Congress not act. The first type provides temporary funding, such as Medicare provider payments. The second type authorizes government agencies to act.

Funding for the CHIP program will be foremost among these issues, accompanied by a batch of additional expiring provisions expected to cost around \$6 billion. Among these “extenders” is the physical, occupational and speech-language pathology (SLP) therapy cap exception process created by Congress in 2006. Others include funding for community health centers, diabetes programs at the Indian Health Service, teen HIV/STD prevention, and infant and early childhood visitation programs, among others.

Tax reform

Although the Trump administration and the Republican leaders in Congress desperately want to pivot to tax reform, the volume of actual “must do” legislation that must be considered in September will inevitably siphon time and attention from tax reform efforts. Further, despite an August communications offensive on the tax reform issue, neither Congress nor the Administration have provided details fleshing out the principles and concepts on which they supposedly agree. Given that the countdown clock for enacting tax legislation before the 2018 election season begins in earnest is already ticking, if Congress and the administration want to enact tax legislation with only Republican votes, they will be increasingly pulled in the direction of tax cuts and temporary provisions rather than comprehensive tax reform and permanent changes.

NDAA

On July 14, 2017, the House passed, with strong bipartisan support, its version of the National Defense Authorization Act (NDAA) for FY18 by a vote of 344–81. The Senate did not consider its version of the annual, must-pass defense policy bill before departing for August recess, and is set to dispense with the legislation this week. Thereafter, a conference committee will be formed to resolve the differences between the House- and Senate-passed versions. With top-line defense spending levels in each bill that exceed the \$549 billion cap on base DOD spending for FY18 imposed by the Budget Control Act of 2011, lawmakers must raise the defense spending cap for FY18, which will inevitably require Congressional Republicans to make concessions to their Democratic colleagues on a domestic spending cap increase. A deal to increase the FY18 defense and domestic spending caps will likely be struck within the broader framework of the required short-term CR. Congress has sent the NDAA to the president every year for the past 55 consecutive years, and that streak will continue this year.

Afghanistan

President Trump campaigned on a promise to withdraw from military conflicts abroad, including Afghanistan. However, on August 20, 2017, he announced a new US plan for Afghanistan based on his administration’s policy review. Trump’s plan is to deploy more troops there, with primarily a training purpose for the Afghan National Army and the Afghan police. He also suggested the US will place even more pressure on Pakistan, which supports militants inside Afghanistan, to stop providing sanctuary, support and a platform to the Taliban. Under the Trump plan, the US will also continue its counter-terrorism mission with US Special Forces in Afghanistan. Trump declined to indicate the amount of the troop increase, the benchmarks for success or how long US troops will stay. His plan is not altogether different from the last administration and can be viewed as a victory for Secretary of Defense Jim Mattis and National Security Advisor H.R. McMaster, both of whom advocated for continued US commitment in Afghanistan to prevent the ascendancy of the Taliban and ISIS that would surely occur in the wake of a withdrawal. The plan also calls for greater emphasis on diplomacy and economic development in Afghanistan, but these goals will be difficult to achieve with the proposed cuts to State Department and AID funding.

North Korea

Amidst escalating rhetoric and shows of force between North Korea and the US and its East Asian allies over North Korea’s unwavering pursuit of advancements in its nuclear capabilities and corresponding missile tests, the UN Security Council unanimously imposed new sanctions on North Korea on August 5, 2017, including a prohibition on key mineral and other exports from the totalitarian state. Undaunted, the Kim Jong Un regime fired a ballistic missile over the northern tip of Japan on August 29—one of the Hermit Kingdom’s most provocative acts in the past 20 years. State-run media described the launch as “a meaningful prelude to containing Guam,” a US territory in the Western Pacific that serves as a strategic hub for US military power projection throughout the Asia-Pacific region. US Secretary of Defense Jim Mattis and Chairman of the Joint Chiefs of Staff General Joe Dunford, while continuing to emphasize that the US has a range of military options that are immediately deployable, insist that diplomatic engagement with the mercurial Kim regime remains the preferred option for mitigating tensions arising from North Korea’s nuclear ambitions.

CYBER

Recently, several members of President Trump's National Infrastructure Advisory Council resigned over the president's "insufficient attention" to the nation's cyber vulnerabilities. Citing Mr. Trump's reaction to the violence in Charlottesville, VA, his failure to adequately address the threats of climate change to critical infrastructure, and his failure to secure the national election infrastructure, seven members of the council resigned one day before the council submitted its report on securing critical cyber infrastructure. While several of the resignations came from Obama-era appointees, the newsworthy takeaway is how (or if) the government will adopt the council's recommendations and the impact that this will have on the security of the nation's critical infrastructure, including the electoral system.

FAA

Neither the House nor the Senate have been able to pass a comprehensive Federal Aviation Administration (FAA) authorization bill, which will necessitate the passage of a short-term extension to avoid a shutdown on September 30th. In the Senate, efforts have stalled over a proposal by Senate Commerce Committee Chairman John Thune (R-SD) to allow pilots to substitute classroom training for flying experience in qualifying to fly for commercial airlines. House Transportation and Infrastructure Chairman Bill Shuster's FAA bill has been held up while the Chairman tries to garner support for his proposal to turn over the Air Traffic Control system to a non-profit corporation.

'18 House and Senate outlook

Sure there are still 426 days until election day and a lot can, and will, happen during that time. But that doesn't mean we can't make some educated guesses as to the members facing the toughest reelection bids. Democrats need to win 24 seats to win back the House in 2018, which means they will need to protect virtually all of their incumbents in addition to flipping GOP-held districts. It's a tall order after flipping only nine House seats in 2016, with a net gain of just six.

CA-10 Denham	NE-02 Bacon
CA-21 Valadao	TX-23 Hurd
CA-25 Knight	VA-10 Comstock
CA-39 Royce	CA-07 Bera
CA-49 Issa	AZ-01 O'Halleran
CO-06 Coffman	IL-17 Bustos
FL-26 Curbelo	IA-02 Loebsack
FL-27 Ros-Lehtinen (OPEN)	MN-08 Nolan
MN-02 Lewis	NJ-05 Gottheimer
MN-03 Paulsen	NY-18 Maloney, S

In the Senate, Democrats must defend 23 seats and the seats of 2 independent who caucus with Democrats, while Republicans must protect a relatively modest 8. Here is a look at the vulnerable today.

AZ Flake	MO McCaskill
NV Heller	MT Tester
FL Nelson	ND Heitkamp
IN Donnelly	WV Manchin

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