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*Welcome to the October edition of the CEO Report, POLITICO Pro's high-level outlook on the policy issues driving the month ... and beyond.*

## TAX

**Now we're talking:** Tax reform efforts are expected to go into overdrive this month now that Republican leaders have released a "unified framework" on tax cuts and other changes, reports Pro Tax's Toby Eckert. There are still a lot of blanks to fill in — notably, how to fund those tax cuts. That will be one of the toughest questions to answer, and it will launch a lobbying frenzy as various businesses and interest groups try to make sure they're not on the losing end as tax writers start removing tax breaks and other niche provisions from the tax code.

The first order of business, though, will be passing a budget that will carry the "reconciliation" instructions Republicans plan to use so they can get the tax overhaul through the Senate with a simple majority, rather than 60 votes, thereby dispensing with the need for any Democratic support. The House is expected to vote on its budget Thursday. The Senate Budget Committee is also expected to vote that week on its own fiscal blueprint. The chambers are far apart on their numbers for tax reform. While the Senate budget would allow tax writers to add as much as \$1.5 trillion to the deficit over 10 years, the House wouldn't allow a tax plan to add to the deficit. So the chambers will have to reach an agreement on that.

The White House is sticking to its timeline of getting a tax bill through the House this month. "We would hope to be in the Senate in November," National Economic Council Director Gary Cohn told reporters. "And we would hope to have a bill done by this year."

**Still waiting:** This is the last full month of IRS Commissioner John Koskinen's hitch at the agency. His term is up Nov. 12, and he's expressed no interest in staying on beyond that. If President Donald Trump were to suggest re-appointing Koskinen, whom he's acquainted with through past business dealings, he'd face a backlash from conservative groups. They've been clamoring for Trump to fire Koskinen for how he handled the

cleanup of a scandal, which predated his appointment by President Barack Obama, over the IRS subjecting right-leaning groups to greater scrutiny when they sought tax-exempt status.

So far, there's no indication of who, if anyone, Trump has in mind for the job, which requires Senate confirmation. It comes at a sensitive time for Trump and other administration officials, who may be facing scrutiny in special counsel Robert Mueller's probe of Russian meddling in the 2016 election. That could involve the IRS if Mueller digs into finances.

It is almost certain that Trump will have to name an acting director for the agency, who wouldn't face vetting by the Senate, since it's hard to see a nominee getting through the confirmation process by Nov. 12. That prompted a coalition of liberal groups in September to call on Senate Finance Chairman [Orrin Hatch](#) and top Democrat [Ron Wyden](#) to "advise the president to retain John Koskinen as acting commissioner while the process of nominating his successor moves forward. Above all else, it is imperative that any acting commissioner be a professional currently working at the IRS and without any indications that he or she is an ally of the president or any key members of the president's team (like Treasury Secretary Mnuchin)."

## DATAPoint

**Corporate tax reform plans:** In broad strokes, the latest GOP tax framework lays out plans to switch to a territorial corporate tax system, where the government would no longer attempt to tax companies' overseas earnings; reduce the number of individual tax brackets from seven to three; and adjust numerous deductions and credits.

*View the full graphic [online](#) and find out more about DataPoint [here](#).*

## BUDGET & APPROPRIATIONS

**Budget sprint begins:** The prospect of a government shutdown this month is behind us. So lawmakers enter the new fiscal year with the certainty that federal funds will keep flowing until Dec. 8 under the stopgap spending bill, H.R. 601, Congress [cleared](#) along with hurricane aid last month.

But there's still more disaster aid to come. As of the start of the month, FEMA's disaster fund got a \$6.7 billion infusion from the latest aid bill Congress passed. That money isn't expected to last long, however, as the agency continues to lead recovery from the trio of hurricanes that pummeled parts of the U.S. mainland, as well as the country's

Caribbean territories. Congressional leaders are planning another aid package this month, with growing pressure to specifically earmark funding to help Puerto Rico recover from Hurricane Maria. — *Jennifer Scholtes*

## EMPLOYMENT & IMMIGRATION

**Deadline for DREAMers:** The Trump administration plans to cut off renewals for the Deferred Action for Childhood Arrivals program by Thursday, a deadline likely to spark legal challenges from enrollees and their supporters. But that date may get pushed back.

Last month, Trump announced that by March, he would phase out DACA, an Obama-era program that allows undocumented immigrants brought to the United States as children to apply for work permits. Trump's scuttling of DACA, a 2016 campaign promise, threatens to upend the lives of roughly 690,000 enrollees, known as DREAMers, and Trump, along with lawmakers of both parties, has urged a legislative solution. It isn't clear, though, how hard that March deadline is. "Congress now has 6 months to legalize DACA (something the Obama Administration was unable to do)," Trump tweeted on Sept. 5, the same day he announced the program's termination. "If they can't, I will revisit this issue!"

The more immediate question is whether the Trump administration will stick to the Oct. 5 deadline. The Homeland Security Department set that reapplication deadline for people with permits that expire between Sept. 5 and March 5. The extension would be good for two years. But the Oct. 5 deadline may not give some enrollees enough time to amass \$465 to pay the renewal fee and to complete the paperwork, some immigration advocates say. Presiding over a lawsuit challenging the program's termination, Brooklyn District Court Judge Nicholas Garaufis, a Bill Clinton appointee, labeled the Oct. 5 deadline "arbitrary" and "heartless." The plaintiffs — a DACA enrollee and advocacy group — hadn't filed a motion to block the renewal cutoff, but now they're considering one. Acting DHS Secretary Elaine Duke said during a Sept. 27 Senate committee hearing that the department hadn't gotten any complaints about the Oct. 5 deadline. "We have had no indication from DACA recipients that they are having trouble," she said. — *Ted Hesson*

## FINANCIAL SERVICES

**Spotlight on scandals:** The House and Senate will kick off a series of hearings this month on the massive data breach at Equifax and the growing list of problems at Wells Fargo. Those could set the tone not only for how Washington cracks down on the two companies, but also how Congress proceeds with proposals to ease financial regulations. Wells Fargo CEO Tim Sloan appears before the Senate Banking

Committee on Tuesday, and Equifax's recently retired chief Richard Smith faces the panel the next day. Smith will also testify before the House Energy and Commerce Committee on Tuesday and the House Financial Services Committee on Thursday.

**Treasury roadmap:** The Treasury Department will reassert itself at the center of the effort to overhaul financial rules this month when it proposes another set of sweeping recommendations — this time on capital markets and asset management. Two more reports are also due from Treasury: one on revisions to so-called orderly liquidation authority, which allows the government to take over and unwind failing financial firms; and another on the process for designating nonbank financial institutions as "systemically important," meaning they'll face stricter oversight. Treasury is not a regulator itself, but it is shepherding the Trump administration's move to undo some of the post-crisis rules set out in the landmark Dodd-Frank Act.

**Payday for new rule:** The Consumer Financial Protection Bureau is expected to issue long-awaited rules to curb payday and small-dollar lending. The bureau's original proposal generated a record number of public comments. The bureau is risking yet another showdown with congressional Republicans, who may try to overturn the regulation under a 1996 law that gives them a limited window to scrap new rules with a simple majority.

**Great unwinding begins:** The Federal Reserve this month will start allowing some of its trillions of dollars in asset holdings to mature without being replaced. It's a long-anticipated — and once dreaded — development that markets now seem to be taking in stride, but it could start to nudge up long-term interest rates and let the air out of any current asset bubbles.

**Lonely at the Fed:** Federal Reserve Vice Chairman Stanley Fischer intends to step down on or around Oct. 13. If Fed nominee Randal Quarles, tapped to lead regulatory policy at the central bank, isn't confirmed before then, the agency will be down to three of seven governors for the first time in its history. Trump has a major opportunity to put his stamp on the central bank, with Chair Janet Yellen's term up in February, but the process of installing new people has been slow.

**Alternative credit:** The Federal Housing Finance Agency, which regulates Fannie Mae and Freddie Mac, is exploring whether to adopt the use of alternative credit scores as a way to increase homeownership. This month, it's likely to get the ball rolling by requesting formal input from industry and the public.

The FHFA also will release its annual housing report, which updates the performance of the two mortgage giants. — *Mark McQuillan*

**TRADE**

**NAFTA getting 'complicated':** It will be another busy month in the trade world as NAFTA renegotiations continue for a fourth round, taking place Oct. 11-15 in Washington, D.C. The round could escalate the talks as the U.S. is expected to introduce a number of controversial proposals on rules of origin and dispute settlement. As Mexican Economy Ildefonso Guajardo told reporters as Round 3 wrapped up in Ottawa, things are going to get "complicated."

**Busy time in the District:** NAFTA Round 4 will overlap with the annual meetings of the International Monetary Fund and World Bank. Trade and finance officials from around the world will converge on Washington from Oct. 9-15 for those festivities.

**Hearing time on 301:** The Trump administration's Section 301 investigation, which could lead to major trade action against China, convenes a public hearing on Oct. 10 to examine Beijing's alleged intellectual property violations and practice of forcing U.S. companies to hand over sensitive technology.

**Talking, not withdrawing:** The United States and South Korea will meet for a second time on Oct. 4 — this time in Washington — to address U.S. complaints that a bilateral trade deal between the two countries has led to "significant trade imbalance." Over the Labor Day holiday, the president threatened to pull out of the agreement altogether. That decision appears to be on hold amid pressure from White House advisers, members of Congress and business and agricultural interests. The geopolitical friction with North Korea also makes the tenor of the talks more important.

**How are those trade deals doing?** Trump wants to know. Federal agencies face an Oct. 26 deadline to submit reviews as part of an executive order issued in April that directs the government to examine violations and performance of every U.S. trade and investment agreement.

**'Mini-ministerial' in Morocco:** On the global stage, World Trade Organization Director-General Roberto Azevedo will convene a meeting of ministers in Marrakesh, Morocco, Oct. 9-10. The so-called "mini-ministerial" will be preparation for WTO's big biennial minister-level conference, in Buenos Aires in December.

**China, Russia on the hot seat:** The U.S. Trade Representative's office will hold a hearing Wednesday on China's compliance with the commitments it made when it joined the WTO. On Oct. 10, it's Russia's turn. — *Adam Beshudi*

## TECHNOLOGY

**Social media on the Hill:** Tech companies find themselves in the crosshairs as congressional investigations into Russian meddling in the 2016 presidential election intensify. Both the House and Senate Intelligence committees are planning hearings with tech executives within the next month, and lawmakers are considering legislation to

extend political advertising labeling requirements to social media ads. After months of shying away from a role they may have played, even unwittingly, in facilitating Russia's influence in the election, tech companies are coming forward with details of how their sites may have been used to sway U.S. voters.

Twitter officials briefed House and Senate investigators last week, sharing details about ads that RT, formerly known as Russia Today, targeted at U.S. voters. Along with Twitter, Facebook and Google are invited to testify at a Nov. 1 Senate Intelligence Committee hearing. The committee's House counterpart says it plans to hold a hearing in October with tech companies but hasn't yet announced a date. Meanwhile, Facebook CEO Mark Zuckerberg last week apologized for the role his social network played in helping disseminate fake news. After the November election, he had dismissed the idea that Facebook may have played any role. — *Angela Greiling Keane*

## HEALTH CARE

**What's next for Obamacare:** Attempts to repeal the 2010 health care law appear to be sidelined for at least a few months while Republican lawmakers pursue a tax overhaul, and a pair of senior senators has resumed worked on a bipartisan deal to stabilize Obamacare's insurance markets. Senate HELP Chairman [Lamar Alexander](#) and ranking member [Patty Murray](#) say they're close to striking a deal that would continue funding a key Obamacare subsidy and allow states more leeway to tweak their health care systems. But it's not yet clear whether Republicans, who've repeatedly failed to agree on a replacement health plan, are ready to abandon their prolonged assault on Obamacare. A stabilization plan would need the support of 60 senators, meaning it would need at least 12 Republican votes to pass. — *Jason Millman*

## ENERGY

**CLEAN POWER PLAN ON THE BRINK:** With a federal court growing impatient, the EPA is expected to move in October to officially repeal the Obama administration's landmark Clean Power Plan, the regulation that would have curbed carbon dioxide emissions from the nation's power plants. But before the agency headed by Scott Pruitt can finalize the repeal, EPA will have to take public comment — and provide a legally defensible response to objections that are certain to pour in from environmentalists. That process will take well into next year, not quite the "boom, gone" that Trump boasted about at an Alabama rally last month.

In the meantime, EPA is also expected to seek public input on a potential replacement rule, since the agency isn't expected to immediately come out with a new, weaker version. Watch for growing tensions between conservative interests that want no regulation and utilities that are seeking a softened version of the CPP that could offer

them some regulatory certainty for the next few years. — *Alex Guillén*

## CYBERSECURITY

**I spy:** The Trump administration is accelerating its lobbying effort to convince lawmakers — and the public — that the country must keep controversial online surveillance tools, out of concern that losing these powers would leave America more exposed to terrorists, spies and criminals. The goal is to obtain a permanent reauthorization — with no alterations — of spying programs authorized under Section 702 of the Foreign Intelligence Surveillance Act, which expire at the end of this year without congressional action. The powerful tools collect foreigners' digital chatter — a vital instrument in the country's war on terror — but also incidentally gather personal data on an unknown number of Americans, concerning many privacy-minded Democrats and libertarian-leaning Republicans.

Capitol Hill is finally getting close to releasing its reauthorization proposals after months of closed-door negotiations. The House Judiciary Committee is preparing to unveil a bipartisan bill that could greatly revise the spying efforts, while a bipartisan group of four senators is working on a bill that would likely include fewer tweaks.

**Protecting Election Day:** Democrats are upping their campaign to get Republicans to move legislation they believe could help secure the nation's election infrastructure ahead of the 2018 midterms. National security officials are increasingly concerned that, almost a year out from last November, the country has not done nearly enough to harden its systems against an inevitable return of Russia's hackers. At the end of September, House Democrats held the first hearing of an election security task force aimed at producing policy recommendations for Congress. At the gathering, former Homeland Security Department leaders urged lawmakers to set nationwide standards for the digital defenses guarding elections, or at least pass legislation to force the federal government to assess the country's digital defenses ahead of Election Day. Democratic leaders have promised more on this front in the coming weeks.

Still, state officials aren't holding their collective breath. Although many wish Congress would authorize new funds for states to harden their election systems, most don't see Washington moving any time soon, according to a POLITICO survey of all 50 states' top election agencies. Absent such action, states are working within their limited budgets to make the upgrades recommended by tech experts. In Arizona, officials are updating training for election officers to include cybersecurity for the first time. In Nevada, the legislature voted to set up a cyber defense office. And in Virginia, election supervisors directed counties to ditch touchscreen voting machines before a gubernatorial election this November, saying the devices posed unacceptable digital risks.

**Report back:** October brings two more deadlines from Trump's cybersecurity executive order, signed earlier this year, which launched a sweeping review of the government's

digital protections. One directs the Pentagon to explain how it makes decisions when defending its networks from cyberattacks, and to assess which of its systems are most vulnerable to hackers. The other report requires senior Trump administration officials to evaluate U.S. efforts to stay ahead of other countries in developing offensive and defensive cyber capabilities. — *Cory Bennett*

## DEFENSE

**Defense policy bill heads to conference:** The House and Senate will soon launch a joint conference committee to hammer out the differences between their versions of the National Defense Authorization Act. The Senate passed its version in September; the House approved its annual defense policy bill in July. Key differences include a House provision to create a new Space Corps to oversee national security space operations, competing efforts to overhaul the defense acquisition system and organizational structure, and funding levels for personnel, major programs and weapons systems.

**More U.S. troops to Afghanistan:** Defense Secretary Jim Mattis, who just visited Afghanistan, is sending an additional 3,000 troops there, raising the total to about 14,000. His order follows Trump's announcement that the U.S. will step up its military campaign in Afghanistan without discussing timelines or specific troop levels.

**A second term for the Joint Chiefs chairman:** Marine Gen. Joe Dunford cruised through his Senate Armed Services confirmation hearing and has been confirmed by the Senate for a second term as the nation's top military officer. The four-star general was first tapped as chairman by then-President Barack Obama and was renominated for a second term in May by Trump — along with Air Force Gen. Paul Selva as vice chairman, who was confirmed in July.

A batch of civilian nominations is pending in Armed Services, including Mark Esper to be Army secretary, Robert Wilkie to be undersecretary for personnel and readiness and a handful of assistant secretaries for the military services. — *Connor O'Brien*

## TRANSPORTATION

**FAA scuffle continues:** The enactment of a six-month stopgap for FAA programs last month gives lawmakers through the end of March to work out a longer-term bill, and House Transportation Chairman Bill Shuster (R-Pa.) has vowed to continue fighting for his legislation. His controversial bill would remove air traffic control from the auspices of the FAA and house it inside a new nonprofit body. Shuster has said he expects his bill to come to the House floor in early October, but others have said he lacks the votes for it to be scheduled. The Senate will likely use that time to continue haggling over its version of an FAA bill. Though that bill does not contain an air traffic control overhaul, it

does have its own controversy - primarily, a provision that would change training requirements for co-pilots in commercial planes.

**Shifting gears:** Meanwhile, in the Senate, work has begun in earnest on a bill to create a framework for enabling the testing and deployment of driverless cars. The bill is expected to be marked up in early October, after Commerce Chairman [John Thune](#) and Michigan Democrat [Gary Peters](#) decided not to include trucks in the measure over safety concerns about self-driving big rigs. However, considering that the trucking industry is widely believed to be an early adopter for the technology, expect the issue to crop up again as the bill works its way through the Senate. The House has already passed a driverless car bill. — *Kathryn A. Wolfe*

## EDUCATION

**States, education and tax reform:** Public school advocates are closely watching Hill action on tax reform after a proposal rolled out by Trump and Republican leadership called for eliminating the state and local tax deduction, known as SALT. The tax break allows individuals to deduct from their federally taxable income some or all of what they paid in state and local taxes on real estate, income and personal property. It acts as an incentive for people to pay state and local taxes to help fund public schools, since they know the investment will be offset by a federal tax break. Advocates say public schools across the board stand to lose crucial financial support if the tax break is substantially reduced or eliminated. But it's unclear if there's enough support in Congress to touch it — Republicans in blue states with high incomes and high taxes, like California and New York, are already opposed to the idea.

**Budget reconciliation:** The House and Senate are working on their budget resolutions, and higher education advocates believe Congress will eye previous GOP and Trump administration proposals on student aid as targets in reconciliation. That could include consolidating income-based repayment programs, eliminating subsidized loans, ending loan forgiveness for public servants, and shifting the mandatory funding component of the Pell grant program to the discretion of annual appropriators.

**Watching for higher education bill:** House Education and the Workforce Chairwoman [Virginia Foxx](#) is expected to release a rewrite of the Higher Education Act sometime this fall as Congress begins work on reauthorization. Alexander, the Senate HELP chairman, also indicated last week that the law will be tackled "this fall." — *Jane Norman*

## EHEALTH

**ONC'S week to shine:** This week will be dominated by "Health IT Week," a series of

events that provide the health IT world a chance to look under the hood at HHS' Office of the National Coordinator of Health IT, known as ONC. There will be particular interest in parsing a Sept. 21 blogpost from ONC chief Donald Rucker that signaled his agency's intention to at least partially loosen the reins on the certification of electronic health records. Industry officials like the direction ONC is taking; some critics of e-health record safety and usability have doubts. Also up this month, e-health watchers are waiting to see whether the House can pass a companion to the Senate's CHRONIC legislation, which would provide several new options for Medicare coverage of telemedicine —  
*Arthur Allen*

## AGRICULTURE

**Bring in the cavalry:** October could be the month Agriculture Secretary Sonny Perdue finally gets some help running USDA. The Senate Agriculture Committee held a confirmation hearing in late September on the nominations of Stephen Censky for deputy secretary and Ted McKinney for the newly created trade undersecretary — both of whom have solid support. Expect a vote early this month to send their nominations to the floor. The committee also seems poised to move quickly on two more nominations for USDA undersecretary posts: Bill Northey, to lead farm services, and Greg Ibach, to head regulatory and marketing programs. Both were nominated in September and will go in front of the committee for a hearing on Thursday.

**The Clovis factor:** While those four nominees are expected to face little opposition from the full Senate, the administration's pick of Sam Clovis to be USDA's chief scientist is opposed by key Democrats: Senate Agriculture ranking member [Debbie Stabenow](#) and Senate Minority Leader [Chuck Schumer](#). Clovis, a former Iowa business professor and Trump campaign co-chair, doesn't appear to meet the statutory requirement that the position be filled by someone with a background in natural sciences. Clovis has also been dogged by criticism of inflammatory comments he's made disparaging progressives, women, African Americans and members of the LGBT community. Senate Agriculture continues to vet his nomination.

**Tick tock, taskforce:** Back in April, [Trump assigned Perdue](#) to lead a government-wide review of regulations and programs affecting rural America to identify those that could be scrapped to promote economic growth. Perdue was given 180 days to report back, creating a deadline of Oct. 21. Perdue hosted at least two Cabinet-level meetings of the taskforce over the summer and a pair of listening sessions with farmers — one in Georgia and one in New Hampshire — but the department has been mum on its progress. The review, which spans 23 departments and offices, is no small task, and was assigned before any agency, USDA included, was fully staffed.

**Perdue's first GIPSA test:** The Obama administration's controversial interim final rule that lowers the bar for contract poultry growers to sue under Grain Inspection, Packers and Stockyards Administration guidelines is set to go into effect Oct. 19, setting up a

test of how Perdue plans to deal with the measure and a pair of related draft proposals also aimed at protecting growers. The interim final rule's effective date was delayed by the Trump administration first in February and again in April — before Perdue was confirmed — to allow time for review.

The GIPSA rules are a lose-lose situation for Perdue. Scrapping the interim final rule and the two proposals would draw the ire of poultry producers, of whom there are many in Perdue's home state of Georgia and who now have little recourse against unfair treatment from companies they contract with. But implementing the measures would lead to outcry from some Republican lawmakers and meat industry groups who supported his nomination. It is not clear which way Perdue will go. — *Jenny Hopkinson*

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