

February 9, 2018

Washington Update

This Week in Congress

Early this morning, the House and Senate passed the Bipartisan Budget Act of 2018. This is the budget deal, various other provisions, and Continuing Resolution funding the government until March 23.

House – The House passed H.R. 4547, the **Strengthening Protections for Social Security Beneficiaries Act of 2018**; H.R. 772, the **Common Sense Nutrition Disclosure Act of 2017**; H.R. 3851, the **War Crimes Rewards Expansion Act**; H.R. 1997, the **Ukraine Cybersecurity Cooperation Act of 2017**; H.R. 1153, the **Mortgage Choice Act of 2017**; and H.R. 4771, the **Small Bank Holding Company Relief Act of 2018**.

Senate – The Senate passed H.R. 582, **Kari’s Law**; confirmed **Andrei Iancu** to be Under Secretary of Commerce for Intellectual Property and Director of the U.S. Patent and Trademark Office; **Barbara Stewart** to be Chief Executive Officer of the Corporation for National and Community Service; and **Brett Giroir** to be Medical Director in the Regular Corps of the Public Health Service, and to be an Assistant Secretary of Health and Human Services.

Next Week in Congress

House – The House is expected to consider H.R. 3978, the **TRID Improvement Act of 2017**; H.R. 620, the **ADA Education and Reform Act of 2017**; and H.R. 3299, the **Protecting Consumers’ Access to Credit Act of 2017**.

Senate – The Senate is expected to consider H.R. 2579, the **Broader Options for Americans Act**.

TAX

Senate Leaders Reach Deal on Budget, Includes Temporary Tax Extensions and Technical Fixes

Key Points:

- *Congress passes two-year budget deal that temporarily extends 30 tax provisions for the 2017 tax year.*

Table of Contents

Taxes	1
Financial Services	3
Energy & Environment	9
Defense	11
Health	12
Transportation & Infrastructure	14
Technology	15
Trade	20

- *Budget bill provides technical fixes from the recently passed tax bill and gives \$90 million to the IRS to implement the new law.*

Early Friday morning, Congress passed a two-year bipartisan budget deal—the Bipartisan Budget Act of 2018. The Senate passed the measure by a vote of 71 to 28 and the House moved the legislation to the President’s desk with a vote of 224 to 186. The final budget bill increases spending caps by roughly \$300 billion over the next two years, including \$90 million for the IRS to implement the new tax law.

Also in the package is a temporary extension of more than 30 tax provisions that expired at the end of 2016. The bill provides relief for items ranging from the discharge of mortgage debt, a deduction for education expenses, railroad track maintenance, and a host of energy-related provisions. The specified tax credits and deductions are now extended for one year, providing relief retroactively for the 2017 tax year, and not the two-year fix sought by previously introduced Senate legislation.

The package also provides some technical fixes from the recently passed tax bill, and includes some new additions to the tax code such as calling for a new tax form for seniors. The bill provides relief for university endowments, craft brewers and private foundations with business holdings such as Newman’s Own. The Joint Committee on Taxation (JCT) estimates that the tax provisions would cost approximately \$17.4 billion over the next decade.

Treasury and IRS Release Tax Reform Guidance Plan

Key Point:

- *The IRS and Treasury released the second quarter update of the 2017-2018 Priority Guidance Plan that identifies new additional*

projects that have become “near term priorities.”

On February 7, the Treasury Department and the Internal Revenue Service (IRS) released the second quarter update of the [2017-2018 Priority Guidance Plan](#). The plan lists guidance projects that hope to be completed during the plan year which runs through June 30, 2018. The second quarter update includes many additional projects that have become “near term priorities” after the enactment of the Tax Cuts and Jobs Act (TCJA). The update does not indicate what form the guidance implementing the provisions will take, but Treasury Deputy Assistant Secretary for Tax Policy Dana L. Trier has previously indicated that his preference is to issue more regulations than notices to implement the tax bill.

One of the tax law projects will implement a new 20 percent deduction for passthrough businesses under section 199A by providing “computational, definitional, and anti-avoidance guidance.” Other business-related projects include “computational, definitional, and other guidance” to implement the new 30 percent limitation to business expense interest deductions under section 163(j) and “Guidance on new section 168(k)” dealing with the expanded bonus depreciation rules.

Upcoming Hearings and Events

February 14

Treasury Budget: The Senate Finance Committee will hold a hearing on President Trump’s Fiscal Year 2019 Budget Request for the Department of the Treasury. Secretary Mnuchin and Acting IRA Commissioner David Kautter will testify.

IRS Budget: The Senate Finance Committee will hold a hearing on President Trump’s Fiscal Year 2019 Budget Request for the Internal Revenue Service. Secretary Mnuchin and Acting IRS Commissioner David Kautter will testify.

February 15

Treasury Budget: The House Ways and Means Committee will hold a hearing on the President’s FY19 budget request for the Department of the Treasury. Secretary Mnuchin will testify.

For more information about tax issues you may [email](#) or call Christopher Hatcher at 202-659-8201. Nick Karellas, Henry Homans, and Ryan Schnepf contributed to this section.

FINANCIAL SERVICES

House Hearing on FSOC Annual Report

Key Points:

- *Secretary Mnuchin stated that maintaining the 30-year fixed mortgage is important in any housing finance reform effort, as is ensuring that the taxpayer is protected for any type of government guarantee.*
- *Secretary Mnuchin explained that FSOC is reviewing the SIFI designation process and will be issuing new guidelines to increase transparency.*

On February 6, the House Financial Services Committee held a [hearing](#) entitled “The Annual Report of the Financial Stability Oversight Council [FSOC].” Secretary of Treasury Steven Mnuchin testified on the [FSOC 2017 Annual Report](#), and discussion included issues such as market volatility, housing finance reform, the SIFI designation process, the Volcker Rule, and cybersecurity. Chairman Jeb Hensarling (R-TX), in a [statement](#), stated the underlying

economy is getting stronger and businesses are increasing wages and providing bonuses due to the tax reform bill, but he explained tax reform alone will not unleash the nation’s full economic potential because of regulatory “red tape.” He suggested FSOC can also harm the economy by its designation of SIFIs. Ranking Member Maxine Waters (D-CA), in a [statement](#), expressed concern that the Administration is attempting to remove all SIFIs from additional regulation. She explained as Ranking Member of the Committee with jurisdiction over FinCEN she has requested information on the Russia probe several times and she has yet to receive appropriate responses. Waters added her concern over the inaction of the Administration related to additional Russian sanctions.

Chairman Hensarling noted the need for a more sustainable housing finance system. When asked about priorities for housing finance reform, Secretary Mnuchin stated that maintaining the 30-year fixed mortgage is important as is ensuring that the taxpayer is protected for any type of government guarantee.

Several Republican Members expressed concerns over the current FSOC designation process for systemically important financial institutions (SIFIs) and what steps will be taken to make the process more transparent. Secretary Mnuchin stated that they are working on changing the criteria, but any changes will be subject to a notice and comment period. He added that the guidelines are being reconsidered to increase transparency. He agreed that if a company is designated they should know why and what they need to do to reduce those risks.

Representative Bill Huizenga (R-MI) stated the Volcker Rule has had a chilling effect on liquidity and he suggested the line between

market making and proprietary trading is not always clear. Secretary Mnuchin stated FSOC is working on clarifying the definitions within this rule. Representative French Hill (R-AR) noted his bill, [H.R. 4790](#), would seek to relieve banks under \$10 million in assets from the Volcker Rule. Secretary Mnuchin expressed support for the bill. Chairman Hensarling asked whether there should be a single lead regulator for the Volcker Rule. Secretary Mnuchin stated he would support a lead agency on the Volcker Rule with the other agencies playing a supporting role so that there could be better coordination.

SEC Announces 2018 Examination Priorities

Key Point:

- *SEC's Office of Compliance Inspections and Examinations announced priorities for 2018 that focus on market infrastructure, duties to retail investors, cryptocurrency and secondary market trading.*

On February 7, the SEC's Office of Compliance Inspections and Examinations (OCIE) [announced](#) their 2018 examinations priorities. OCIE will focus on a number of priorities this year including "market infrastructure, duties to retail investors, and developments in cryptocurrency, initial coin offerings, and secondary market trading." The 2018 examination priorities are broken down in to five categories: "(1) compliance and risks in critical market infrastructure; (2) matters of importance to retail investors, including seniors and those saving for retirement; (3) FINRA and MSRB; (4) cybersecurity; and (5) anti-money laundering programs." SEC Chairman Jay Clayton in the press release stated, "I appreciate OCIE's dedication to maximizing the effectiveness of their resources with a keen eye toward asset verification, market

infrastructure, and duties owed to retail investors."

Senate Judiciary Committee Holds Hearing on Beneficial Ownership

Key Point:

- *Chairman Chuck Grassley (R-IA) and Senator Sheldon Whitehouse (D-RI) spoke in support of legislation to combat money laundering that would require beneficial ownership transparency.*

On February 6, the Senate Judiciary Committee held a [hearing](#) entitled "Beneficial Ownership: Fighting Illicit International Financial Networks Through Transparency." Chairman Chuck Grassley (R-IA), in a [statement](#), noted that criminals must find ways to launder their money, which is often earned somewhere else but deposited in the U.S. He explained that he and Senator Dianne Feinstein (D-CA) introduced the Combating Money Laundering, Terrorist Financing, and Counterfeiting Act of 2017 ([S.1241](#)), which he described as a bill to address cross-border money laundering. He noted that experts have repeatedly lamented the lack of incorporation transparency. He argued money has been flowing into the U.S. because European countries have enacted laws and regulations that improve beneficial ownership transparency. He stressed the U.S. has fallen behind in beneficial ownership transparency and stated only Switzerland has a more secretive financial system.

Senator Sheldon Whitehouse (D-RI) expressed support for S.1241. He stated that criminals use shell companies to hide assets and illegal activities. He argued the U.S. is now a favorite destination for money laundering, and different agencies have called for increasing beneficial ownership transparency and reporting. He stated every member of the European Union

(EU) has agreed to improve beneficial ownership transparency.

Chairman Chuck Grassley (R-IA) asked about the specific investigation problems caused by a lack of beneficial ownership transparency and if beneficial ownership comes up in other investigations. Kendall Day (Acting Deputy Attorney General, U.S. Department of Justice) replied beneficial ownership comes up in all sorts of investigations because most illicit schemes are done for proceeds. He explained the difficulty is identifying the actual parties that purchased something like high-end real estate because shell companies can be owned by other shell companies with no real name attached. He noted law enforcement has to wait three to four weeks for each subpoena response, which makes uncovering the many layers of shell corporations a long process. He noted this process consumes many resources and makes it so law enforcement cannot bring other cases or use other investigative tools. He advocated for a centralized database that allows law enforcement to see who actually owns what.

Senate Banking Committee Holds Hearing on SEC/CFTC Oversight of Virtual Currency

Key Points:

- *The hearing focused on the regulatory regime for cryptocurrencies. Members of both parties stressed the need for a comprehensive response which avoids regulatory gaps.*
- *SEC Chairman Clayton stated that federal and state regulators should create a comprehensive plan for overseeing cryptocurrencies, and he suggested they may need additional authority.*

On February 6, the Senate Banking Committee held a [hearing](#) entitled “Virtual Currencies: The Oversight Role of the U.S. Securities and

Exchange Commission and the U.S. Commodity Futures Trading Commission.” Chairman Mike Crapo (R-ID) said virtual currencies are meant to act as money which can be traded on exchanges for conventional currencies or to purchase goods or services primarily online. He stated that there has been a rise of initial coin offerings (ICOs). He pointed to the volatility of Bitcoin over the past year, noting that it has gone from \$1,000 to \$20,000 to \$6,000 today. He stated that various regulators have expressed views on virtual currencies, noting that the SEC has released bulletins on ICOs, issued a report on what characteristics make an ICO a security, brought enforcement actions against fraudsters, and issued a joint statement with the CFTC on enforcement. Crapo said the CFTC has launched a dedicated virtual currency website, taken enforcement actions, and held hearings. He stressed the need for regulators to focus on their mission of investor protection as they oversee the market.

Ranking Member Sherrod Brown (D-OH), in a [statement](#), said it is critical for regulators to understand innovations in the market, while minimizing the risk for investors. He urged the regulators to identify regulatory gaps in this area. He said neither the SEC nor the CFTC has the authority to police all areas of the virtual currency market, but suggested that they must use all of the authorities available to them. Brown expressed concern that virtual currency is being used to fund illicit activity outside of the U.S., stressing the need for the U.S., particularly the Financial Crimes Enforcement Network (FinCEN), to lead in this area. He contended that the Committee should identify the regulatory gaps in this area. He said last week the CFTC imposed penalties on three big banks for market manipulation, but provided waivers from bad actor provisions under securities laws. He expressed concern that

recidivist violators have not faced serious consequences.

SEC Chairman Jay Clayton said ICOs raised nearly \$4 billion in 2017. He contended that ICOs are securities offerings under a new label. He stated that there are many problems with how cryptocurrencies operate, noting that the market is far less regulated than the securities market and many ICOs are being conducted illegally. He disputed claims that the laws around ICOs are unclear, contending that participants attempting to evade the laws around securities offerings will be targeted by the SEC. He stated that the SEC and the CFTC do not have direct jurisdiction over the popular markets which trade true cryptocurrencies. He stated that if asked the SEC will work closely with other regulators to oversee the market. He said the SEC has jurisdiction to the extent ICOs are securities, stating that they are working with the Department of Justice to enforce the law in this area.

CFTC Chairman J. Christopher Giancarlo stressed the need to craft a thoughtful response, while cracking down on fraud and manipulation. He said the CFTC will exercise its authority over derivatives involving virtual currencies, while clarifying its statutory limitations. He said the CFTC does not regulate virtual currency trading platforms and cannot impose the same regulations imposed on U.S. futures platforms. However, he explained that through their authorities over commodity derivatives they have enforcement power over spot coin markets. He said the CFTC can now obtain trading data in five underlying spot markets. He noted that the CFTC has launched several civil actions to crack down on fraud and manipulation, and will continue to engage in enforcement.

Chairman Mike Crapo (R-ID) said neither the CFTC nor the SEC has full authority over

cryptocurrencies. He asked if they have “adequate” authority or if Congress should change the law in this area to clarify regulatory jurisdiction. Clayton said the banking regulators, the CFTC, the SEC, and the state regulators should come together to create a comprehensive plan for overseeing cryptocurrencies. He expressed concern that Main Street investors view cryptocurrencies as being regulated the same as stocks, which is not the case. Crapo asked if regulators need additional authorities. Clayton stated, “I think we may.” Giancarlo agreed with Clayton’s statement. He said the spot market for Bitcoin is not a regulated marketplace, so there is a gap in this area. He stated that there is a patchwork of state regulation, with some states being more aggressive than others. He said there is a patchwork of regulation, rather than a comprehensive framework. Crapo urged the CFTC and the SEC to work with state and federal regulators to discuss a framework for the oversight of cryptocurrencies.

CFPB Issues Request for Information on Enforcement

Key Point:

- *The CFPB issued a request for comment on the efficiency and effectiveness of their enforcement processes.*

On February 7, the Consumer Financial Protection Bureau (CFPB) issued a [Request for Information](#) (RFI) about the Bureau’s enforcement processes. The RFI requests comments “to assist the Bureau in assessing the overall efficiency and effectiveness of its processes related to the enforcement of Federal consumer financial law, and, consistent with the law, considering whether any changes to these processes would be appropriate.”

The RFI is the third in a series issued by the Bureau since Acting Director Mick Mulvaney

took office. The first two RFIs focused on the Bureau's administrative adjudications and the Civil Investigative Demands (CIDs). A CFPB [press release](#) indicated that the Bureau will be issuing an additional RFI next week focusing on supervisory processes.

Senate Banking Committee Approves FDIC, Federal Reserve and FSOC Nominees

Key Point:

- *The Committee approved the nominations of Jelena McWilliams to be FDIC Chair, Marvin Goodfriend to be a member of the Federal Reserve Board, and Thomas Workman to be a member of FSOC.*

On February 8, the Senate Banking Committee held an [executive session](#) and approved the following nominations:

- Ms. Jelena McWilliams, to be Chairperson and a Member of the Board of Directors of the Federal Deposit Insurance Corporation (FDIC), by voice vote, with Senator Elizabeth Warren (D-MA) voting nay.
- Dr. Marvin Goodfriend, to be a Member of the Board of Governors of the Federal Reserve System, by a vote of 13-12 along party lines.
- Mr. Thomas E. Workman, to be a Member of the Financial Stability Oversight Council (FSOC), by voice vote.

Chairman Mike Crapo (R-ID) spoke in support of the nominees, commending their knowledge and commitment.

Ranking Member Sherrod Brown (D-OH) said the FDIC guards \$7 trillion worth of deposits. He urged the next FDIC chair not to deviate

from the path towards a stable banking system which has emerged over the past ten years. He expressed opposition to Goodfriend's nomination to the Federal Reserve Board, citing his prior statements on the Federal Reserve's dual mandate. He noted that Goodfriend has expressed support for "gutting" the Dodd-Frank Act (DFA) and the Consumer Financial Protection Bureau (CFPB). Brown stated that he would support Workman's nomination to the FSOC, urging Workman to be an independent voice on the Council.

Senate Panel Holds Hearing on Retirement Savings

Key Point:

- *The hearing examined the impact of the growth of the gig economy and ways to expand retirement savings.*

On February 6, the Senate Health, Education, Labor and Pensions (HELP) Committee held a [hearing](#) entitled "Exploring the 'Gig Economy' and the Future of Retirement Savings." Chairman Mike Enzi (R-WY) noted the rapid growth of the "gig economy." He explained gig economy is a reference to project-based or temporary work arrangements that individuals rely on for earnings. He stated there is a growth in the app-based economy as well. He added that a key characteristic is that cash does not change hands and those providing the service are third parties that do not get all of the benefits of full employees. He stated one question is whether they should be considered full employees or contractors. Enzi suggested imposing a traditional employee relation on these workers would limit the flexibility. He explained there is a lack of consensus on how to treat this new workforce.

Senator Patty Murray (D-WA) stated the hype of the gig economy has put a new face on the

erosion of retirement security. She stated all workers need to be fairly protected and compensated. Murray expressed optimism that they can work toward bipartisan solutions. Murray explained many employers still do not provide part-time workers the ability to participate in retirement plans. She stated portability is needed and the pension crisis needs to be addressed. She noted the need to address Social Security and the issue of equal pay for equal work. She stated her Women's Pension Protection Act of 2015 (S. 2110) would provide retirement access to many low wage and part time workers. She stated she is also looking at making the small business marketplace scaled up to a federal program.

Upcoming Hearings and Events

February 14

Technology Advisory Committee: The Committee Futures Trading Commission (CFTC) will hold a meeting of its Technology Advisory Committee (TAC). The agenda for the meeting includes: (1) the scope, plan, and approach for the Committee's efforts in 2018; (2) exploring timely topics and issues involving financial technology in CFTC regulated markets, potentially including blockchain/DLT, data standardization and analytics, algorithmic trading, virtual currencies, cybersecurity, and RegTech; and (3) identifying work streams and/or subcommittee groups that can help generate actionable recommendations to the Commission on select issues.

Data Security: The House Financial Services Committee's Subcommittee on Financial Institutions and Consumer Credit will hold a hearing entitled "Examining the Current Data Security and Breach Notification Regulatory Regime."

Derivatives: The House Financial Services Committee's Subcommittee on Capital Markets, Securities, and Investment will hold a hearing entitled "Legislative Proposals Regarding Derivatives."

Treasury Budget: The Senate Finance Committee will hold a hearing to discuss the FY2019 budget request for the Treasury Department. Treasury Secretary Steven Mnuchin is scheduled to testify.

Blockchain: The House Science, Space and Technology Committee's Subcommittee on Oversight and Subcommittee on Research and Technology will hold a joint hearing entitled "Beyond Bitcoin: Emerging Applications for Blockchain Technology."

February 15

CFTC Oversight: The Senate Agriculture Committee will hold a hearing entitled "State of the CFTC: Examining Pending Rules, Cryptocurrency Regulation, and Cross-Border Agreements." CFTC Chairman J. Christopher Giancarlo will testify at the hearing.

De-Risking: The House Financial Services Committee's Subcommittee on Financial Institutions and Consumer Credit will hold a hearing entitled "Examining De-risking and its Effect on Access to Financial Services."

Terrorism Financing: The House Financial Services Committee's Subcommittee on Terrorism and Illicit Finance will hold a hearing entitled "Exploring the Financial Nexus of Terrorism, Drug Trafficking, and Organized Crime."

February 20

Covered Agreement: The National Association of Insurance Commissioners

(NAIC) will hold a public hearing to address the reinsurance collateral provisions of Article 3 of the Covered Agreement.

February 22

Federal Advisory Committee on Insurance:

The Treasury Department's Federal Insurance Office (FIO) will hold a meeting of the Federal Advisory Committee on Insurance (FACI). The agenda for the meeting includes discussions of efforts to promote loss mitigation, long-term care insurance, and an update on the activities of the FIO.

February 28

Monetary Policy Report: The House Financial Services Committee will hold a hearing on the Federal Reserve's semi-annual Monetary Policy Report to Congress. Federal Reserve Chairman Jerome Powell will testify.

March 1

Monetary Policy Report: The Senate Banking Committee may hold a hearing on the Federal Reserve's semi-annual Monetary Policy Report to Congress. Federal Reserve Chairman Jerome Powell will testify.

March 8

Investor Advisory Committee: The SEC will hold a meeting of its Investor Advisory Committee (IAC). The agenda for the meeting includes discussions on: (1) Regulatory Approaches to Combat Retail Investor Fraud; (2) Cybersecurity Risk Disclosures (which may include a Recommendation of the Investor as Owner Subcommittee); (3) Financial Support for Law School Clinics that Support Investors (which may include a Recommendation of the Committee as a Whole); (4) Dual-Class Share Structures (which may include a

Recommendation of the Investor as Owner Subcommittee); and (5) Efforts to Combat the Financial Exploitation of Vulnerable Adults.

For more information about financial services issues you may [email](#) or call Joel Oswald at 202-659-8201. Alex Barcham and Rebecca Konst contributed to the articles.

ENERGY & ENVIRONMENT

Senate Hearing on Energy Infrastructure

Key Point:

- *The Senate Energy and Natural Resources Committee held a hearing on Thursday focusing on electric and natural gas pipeline infrastructure.*

On February 7, the Senate Energy and Natural Resources Committee held a [hearing](#) on energy infrastructure, with a focus on the “evolution of energy infrastructure in the United States and how lessons learned from the past can inform future opportunities.”

In her opening statement, Chairman Lisa Murkowski (R-AK) said the hearing would “put current infrastructure opportunities into perspective by examining how America’s energy—from production to generation to distribution—has evolved over time.” She discussed the development of the Trans-Alaska Pipeline, which she called “an engineering marvel” and “a critical national security asset.” Murkowski emphasized the importance of pipelines in transporting oil and natural gas, but noted the increased difficulty in permitting these assets.

Ranking Member Maria Cantwell (D-WA) emphasized the development of smart grid technologies in her opening statement. She remarked that “consumers and businesses are demanding new services [and] new

technologies and our electric grid needs to keep pace with that.” Cantwell suggested that smart grid technology and energy efficiency can reduce the need for expensive peak power. She also noted the threat of cyber-attacks targeting critical energy infrastructure and discussed the need for energy workforce development.

Senator Shelley Moore Capito (R-WV) recalled Independent System Operator (ISO) New England (ISO-NE) imported Russian liquefied natural gas (LNG) during the recent extreme cold weather. She said this led to higher costs for consumers and noted the U.S. was exporting LNG at the same time. Interstate Natural Gas Association of America (INGAA) President and CEO Don Santa recalled that during the “bomb cyclone,” the price of natural gas going into Boston was \$78.80/MBTU while the price of natural gas in Pennsylvania was roughly \$4/MBTU. He argued that without pipeline constraints, the difference in price would not be more than the cost of transportation. He asserted that in New England, the wholesale electricity markets are structured in a way that does not incentivize generators to contract for pipeline capacity. Capito asked if there is a way to improve natural gas infrastructure. Santa discussed state efforts to block pipelines. He noted New York is using its authority under the Clean Water Act to effectively veto FERC’s approval of a pipeline. He suggested Congress could clarify states’ authority under the Clean Water Act and establish effective recourse should a state overstep its authority.

Senator John Barrasso (R-WY) argued that Congress should improve the siting and permitting processes for energy infrastructure. He asked what Congress should do to improve these processes. Edison Electric Institute (EEI) Executive Vice President Phillip Moeller observed there is legislation addressing these issues in the Senate and House. He said

resource agencies must be accountable, have reasonable timelines, and be open to appeals.

Upcoming Hearings and Events

February 14

Water and Power Infrastructure: The House Natural Resources Committee’s Water, Power and Oceans Subcommittee will hold a [hearing](#) entitled “The State of the Nation’s Water and Power Infrastructure”.

Clean Air Act New Source Review: The House Energy and Commerce Committee’s Environment Subcommittee will hold a [hearing](#) titled “New Source Review Permitting Challenges for Manufacturing and Infrastructure.”

February 15

FERC Open Meeting: The Federal Energy Regulatory Commission (FERC) will hold its monthly [open meeting](#).

February 28

Pipeline Safety Information-Sharing: The Pipeline and Hazardous Materials Safety Administration’s (PHMSA) Voluntary Information-Sharing Working Group will hold a [meeting](#) “to discuss and identify recommendations to establish a voluntary information-sharing system.” The “agenda will include briefings on topics such as mandate requirements, integrity management, data types and tools, in-line inspection repair and other direct assessment methods, subcommittee considerations, geographic information system implementation, lessons learned, examples of existing information-sharing systems, safety management systems, and more.”

March 1

FERC Budget: The House Energy and Commerce Committee’s Energy Subcommittee will hold a hearing on the President’s Fiscal Year 2019 budget proposal for the Federal Energy Regulatory Commission.

March 2

Gas Pipeline Safety Rulemaking: The Pipeline and Hazardous Materials Safety Administration (PHMSA) will convene a [meeting](#) of its Gas Pipeline Advisory Committee (GPAC). The GPAC “will be considering the proposed rule titled, ‘Safety of Gas Transmission and Gathering Pipelines,’ which was published in the Federal Register on April 8, 2016, (81 FR 20722) and on the associated regulatory analysis.”

For more information about energy and environment issues you may [email](#) or call Frank Vlossak at 202-659-8201. Updates on energy and environment issues are also available on [twitter](#).

DEFENSE

Budget Deal Raises Defense Caps

Key Points:

- *Defense funding will increase over the next two years by \$80 and \$85 billion.*
- *The budget deal may clear the way for FY 2018 appropriations and ease the path for FY 2019 appropriations.*

This week, Congress sent another short-term continuing resolution (CR) to the White House to extend funding for the federal government through March 23. However, the package contained a long-negotiated deal to once again raise the caps on discretionary spending imposed by the “Budget Control Act of 2011” (BCA) (P.L. 112-25). The “Bipartisan Budget

Act of 2018” ([H.R. 1892](#)) would raise defense funding caps by \$80 billion and \$85 billion in FY 2018 and 2019 respectively to \$629 billion for the current fiscal year and \$647 billion for the next year. The agreement includes funding for Overseas Contingency Operations (OCO) accounts at \$71 billion and \$69 billion over the two fiscal years. The total defense funding for FY 2018 would allow for even more defense funding than the Trump Administration requested or the House Appropriations Committee’s bills would appropriate. The deal also raises the cap non-defense funding, includes supplemental funding for areas hit last fall by hurricanes, suspends the debt limit until March 2019, extends the Children’s Health Insurance Program (CHIP) for an additional four years, and includes other provisions.

With increased caps on defense and non-defense funding, it appears Congress will be able to pass a FY 2018 Department of Defense (DOD) Appropriations Act, and appropriators will have extra funding to allocate if they choose. In its January [press release](#) on the third FY 2018 DOD Appropriations Act considered by the House, the House Appropriations Committee stated that “[t]he bill contains \$659.2 billion in full-year, FY 2018 funding for the DOD...[which] includes \$584 billion for base funding and \$75.1 billion for OCO funding.” Under the “Bipartisan Budget Act of 2018,” the DOD could now be appropriated approximately \$600 billion for its base budget and an additional \$71 billion for OCO, meaning a ceiling of \$672 billion.

Congress has raised the BCA caps on discretionary spending three previous times: the “American Taxpayer Relief Act of 2012” (P.L. 112-240); the “Bipartisan Budget Act of 2013” (P.L. 113-67); and, the “Bipartisan Budget Act of 2015” (P.L. 114-74). Caps on discretionary spending were set under the BCA through FY 2021, and it appears a strong possibility that

Congress will revisit the caps for FY 2020 and 2021 before they take effect.

Upcoming Hearings and Events

February 13

DOD and Democratic Elections: The Senate Armed Services Committee's Cybersecurity Subcommittee will hold a [hearing](#) titled "Department of Defense's role in Protecting Democratic Elections."

Worldwide Threats: The Senate Intelligence Committee will hold a [hearing](#) on "Worldwide Threats."

February 14

Readiness: The Senate Armed Services Committee's Readiness and Management Support Subcommittee will hold a [hearing](#) titled "Current Readiness of U.S. Forces."

Personnel Programs: The Senate Armed Services Committee's Personnel Subcommittee will hold a [hearing](#) titled "Military and Civilian Personnel Programs and Military Family Readiness."

NORTHCOM/SOUTHCOM: The Senate Armed Services Committee will hold a [hearing](#) titled "United States Northern Command and United States Southern Command."

Indo-Pacific: The House Armed Services Committee will hold a [hearing](#) titled "The Military and Security Challenges and Posture in the Indo-Pacific Region."

Air Force Readiness: The House Armed Services Committee's Readiness Subcommittee will hold a [hearing](#) titled "Air Force Readiness Posture."

February 15

China: The House Armed Services Committee will hold a [hearing](#) titled "Strategic Competition with China."

FY 2019 Special Command Budget Request: The House Armed Services Committee's Emerging Threats and Capabilities Subcommittee will hold a [hearing](#) titled "Evolution, Transformation, and Sustainment: A Review and Assessment of the Fiscal Year 2019 Budget Request for U.S. Special Operations Forces and Command."

For more information on defense issues you may [email](#) or call Michael Kans at 202-659-8201.

HEALTH

President Signs Budget Agreement Containing Health Care Provisions

Key Points:

- On February 9, President Donald Trump signed the Bipartisan Budget Act.
- The legislation included a number of health care provisions including extension of the Children's Health Insurance Program, funding for community health centers, and Medicare reforms.

On February 9, President Donald Trump signed the Bipartisan Budget Act which included funding for the government through March 23, 2018 and set budget caps for FY 2018 and FY 2019. In addition, the bill also contained a number of health care provisions.

The bill includes a 10-year extension of the Children's Health Insurance Program to September 30 2027. It provides a \$2 billion increase for the National Institutes of Health and \$6 billion for the opioid epidemic, divided between FY 2019 and FY 2020. It also

provides \$7.8 billion to fully fund Community Health Centers for two years.

The bill included a Medicare extenders package:

- Repeal of the Medicare payment cap for therapy services.
- Removal of the rental cap for durable medical equipment under Medicare for speech generating devices.
- Extension of Special Needs Plans in Medicare Advantage.
- Two-year extension for funding quality measure endorsement, input, and selection as well as funding for outreach, counseling, and information assistance programs and the Work Geographic Practice Cost Index floor.
- Five-year extension of the home health rural add-on payment and home health reforms.

The bill repeals the Independent Payment Advisory Board (IPAB) and an increase in premiums for wealthier individuals in Medicare. The bill continues the closure of the Medicare Part D “donut hole” through increased mandated discounts from drug manufacturers. It also ends a ban on offering discounts to Medicare beneficiaries for biosimilars once they enter the Medicare Part D coverage gap.

Upcoming Hearings and Meetings

February 13

Animal Drugs: The Senate Health, Education, Labor and Pensions Committee will hold a hearing on “Improving Animal Health: Reauthorization of FDA Animal Drug User Fees.”

Dementia: The Kaiser Family Foundation will hold a discussion on improving care and services for people with dementia.

Opioids: The National Institute for Health Care Management will hold a webinar on “The Opioid Crisis: Understanding Pain and Preventing Opioid Misuse.”

February 14

Opioids: The Hill will hold a discussion on “America's Opioid Epidemic: Supporting Recovery.”

Biodefense: The Bipartisan Policy Center will hold a discussion on “Budgeting for Biodefense: Are We Prepared?”

HHS Budget: The House Ways and Means Committee will hold a hearing on the FY 2019 budget proposal for the Department of Health and Human Services.

Consolidation: The House Energy and Commerce Committee will hold a hearing on “Examining the Impact of Health Care Consolidation.”

February 15

HHS Budget: The Senate Finance Committee will hold a hearing on the FY 2019 budget proposal for the Department of Health and Human Services.

Opioids: The House Education and the Workforce Committee will hold a hearing on “The Opioids Epidemic: Implications for America's Workplaces.”

Opioids: The House Judiciary Committee will hold a hearing on “The Effect of Sanctuary City Policies on the Ability to Combat the Opioid Epidemic.”

HHS Oversight: The House Energy and Commerce Committee will hold a hearing on

“Oversight of the Department of Health and Human Services.”

February 16

Drug Pricing: The Brookings Institution will hold a hearing on “Patient Cost Sharing for Prescription Drugs: Policy Issues.”

For more information about healthcare issues you may [email](#) or call Nicole Ruzinski Bertsch or George Olsen at 202-659-8201.

TRANSPORTATION and INFRASTRUCTURE

Budget Deal Raises Caps; \$20 Billion Pledged For Infrastructure

Key Points:

- *Non-defense discretionary funding increased with \$20 billion pledged for infrastructure.*
- *There was also emergency funding, a good portion of which is also for infrastructure programs.*

This week, Congress sent another short-term continuing resolution (CR) to the White House to extend funding for the federal government through March 23. However, the package contained a long-negotiated deal to once again raise the caps on discretionary spending imposed by the “Budget Control Act of 2011” (BCA) (P.L. 112-25). The “Bipartisan Budget Act of 2018” ([H.R. 1892](#)) raises the caps on non-defense discretionary funding by \$63 billion in FY 2018 and \$68 billion in FY 2019 to totals of \$579 billion for FY 2018 and \$597 billion for FY 2019. Moreover, part of the agreement includes pledges from Republican and Democratic leadership in both chambers to include \$20 billion in “infrastructure” funding including “surface transportation, rural water and wastewater, clean and safe drinking water, rural broadband, and energy infrastructure.”

Additionally, the package includes \$89.3 billion in emergency funding, some of which would be provided for infrastructure programs.

Additionally, H.R. 1892 raises defense funding caps by \$80 billion and \$85 billion in FY 2018 and 2019 respectively to \$629 billion for the current fiscal year and \$647 billion for the next year. The agreement includes funding for Overseas Contingency Operations (OCO) accounts at \$71 billion and \$69 billion over the two fiscal years. The deal also suspends the debt limit until March 2019, extends the Children’s Health Insurance Program (CHIP) for an additional four years, and includes other provisions.

In terms of emergency funding, through the Emergency Relief Program, the Federal Highway Administration would receive \$1.374 billion for areas recovering from natural disasters. Additionally, the Federal Transit Administration would receive \$330 million under the “Public Transportation Emergency Relief Program” “for transit systems affected by Hurricanes Harvey, Irma, and Maria with major disaster declarations in 2017.” According to a Senate Democratic summary, additional emergency infrastructure funding would be provided:

- \$23.5 billion for the FEMA Disaster Relief Fund for recovery, repairs and future mitigation,
- \$28 billion in Community Development Block Grants (CDBG) for housing, infrastructure repairs, economic revitalization, and other needs, including \$12 billion for mitigation,
- Includes \$2 billion directed to help Puerto Rico and the U.S. Virgin Islands rebuild and improve their electric grids in a more resilient and energy efficient way, and flexibility in FEMA funding

for the territories to build their grids and other critical infrastructure back better, and

- \$15 billion for Army Corps mitigation and resiliency projects.

Upcoming Hearings and Events

February 14

NHTSA Oversight: The House Energy & Commerce Committee’s Digital Commerce and Consumer Protection Subcommittee will hold a [hearing](#) titled “Oversight of the National Highway Traffic Safety Administration.”

February 15

PTC: The House Transportation & Infrastructure Committee’s Railroads, Pipelines, and Hazardous Materials Subcommittee will hold a hearing titled “Oversight of Positive Train Control Implementation in the United States.”

For more information on transportation issues you may [email](#) or call Michael Kans at 202-659-8201.

TECHNOLOGY

Uber Breach/Bug Bounty Hearing

Key Point:

- *In the context of Uber’s difficulties in using a bug bounty program and the resulting data breach, a subcommittee considers the value and incentives of public and private sector entities paying hackers to find vulnerabilities.*

On February 6, the Senate Commerce, Science, and Transportation Committee’s Consumer Protection, Product Safety, Insurance, and Data Security Subcommittee held a [hearing](#) entitled “Data Security and Bug Bounty Programs: Lessons Learned from the Uber

Breach and Security Researchers.” Topics discussed during the hearing include, but were not limited to: (1) Uber Breach; (2) Bug Bounty Programs; (3) Data Breach Notification; (4) Vulnerability Disclosure; (5) Data Minimization; and (6) Small Businesses.

Chairman Jerry Moran (R-KS) said a bug bounty is a reward offered to someone outside a company in order to find any cyber vulnerabilities. He noted that in late 2016, Uber received notice that their system was compromised but did not report the hack until a year later. He argued that cyber threats are continuously evolving and said his hope is to understand what Uber is doing to improve its protocols. He also expressed interest in the potential use of bug bounties to help find vulnerabilities without illegally compromising sensitive information.

Ranking Member Richard Blumenthal (D-CT) said the hearing is of paramount importance for American consumers. He argued that Uber’s payment of cyber blackmail was morally wrong and legally reprehensible. He stated that drivers and riders were not informed on the details of the cyber breach. He noted the recent hearings on cyber threats and asserted that more action needs to be taken. He mentioned the “Data Security and Breach Notification Act” (S.2179), which would direct the Federal Trade Commission (FTC) to create strong breach protocols. He said individuals expect companies to protect their data, privacy, and safety, suggesting that they also have an expectation that they will be notified should their information ever be compromised.

Full Committee Ranking Member Bill Nelson (D-FL) echoed comments on the legislation and asserted that any bill should not cater to corporate interests. He said the FTC is the key federal agency bringing enforcement action against companies with lax security standards.

He stated that federal legislation needs to provide stronger protection than the existing law.

Uber Technologies, Inc., Chief Information Technology Officer John Flynn said bug bounty programs are critically important tools as they are widely used to search for vulnerabilities and to report them. He noted that many companies use bug bounty programs, including the Department of Defense. He explained that since 2016, bug bounties have addressed thousands of bugs within Uber's systems. He addressed the 2016 incident and said it was determined that an intruder gained access through credentials; an attribution team used various methods to gain additional information on the intruders, and the intruders were later contacted in order to limit the damage done. He reiterated that it was wrong to not disclose the information at an earlier date and asserted that it is a core value of Uber to be more transparent.

HackerOne, Inc. Chief Executive Officer, Mårten Mickos said HackerOne aims to find cyber vulnerabilities before hackers can exploit any weaknesses. He explained that bug bounty programs are useful for various companies of all sizes. He also added that HackerOne is exclusively a preventative company, noting that the federal government was an innovator in this area with its "Hack the Pentagon" program. He stressed that the goal is to provide an internet that protects consumers and argued that in order to find vulnerabilities: (1) Congress must support cybersecurity legislation that protects good-faith individuals; (2) support a breach notification law; and (3) encourage data security best practices that requires all companies to implement a vulnerability disclosure program.

Luta Security, Inc. Chief Executive Officer Katie Moussouris said there is a fear across

many companies that cooperating with hackers will encourage data breaches. She stated the Department of Justice (DOJ) recently issued a framework for disclosing vulnerable online systems that is meant to help organizations think through important scoping issues around protected classes and systems. She added that the ecosystem for rewarding bug hunters has skewed the market towards more bug hunters and not bug fixers. She argued that there is a severe lack of cyber security workers in the U.S. and said the defense market for bugs needs to be addressed. She suggested: (1) additional funding for educational programs; (2) to set forth requirements that all majors in computer science understand coding and organizational cyber risk management; and (3) a reflection on fewer "hack the X" bills being introduced without proper assessment of sustainable defensible capabilities.

Consumers Union Consumer Privacy and Technology Policy Director Justin Brookman argued that bug bounties play a crucial role in protecting consumers but noted that there are still questions on how the programs should work. He said that in order to fix the poor state of cyber security, incentives need to be in place and bad practices need to be punished. He explained that bug bounty programs have been identified as a best practice but stated that the Uber incident offers several issues with how bug bounty programs should be used. He asserted that companies need to have a legal responsibility to handle private information. He suggested: (1) that the FTC should be empowered to quickly take action against cyber threats; (2) legislation should be passed that requires companies to have reasonable data security; and (3) and states should not be restricted from passing additional cyber laws.

Cyber Diplomacy Hearing

Key Point:

- *Members examined the State Department's decision to shutter and reorganize a cyber position and broader cybersecurity issues in foreign policy.*

On February 6, 2018 the House Foreign Affairs Committee held a [hearing](#) on “U.S. Cyber Diplomacy in an Era of Growing Threats.” Topics discussed in the hearing included but were not limited to: (1) China, India, and Intellectual Property Theft; (2) Russian Election Interference; (3) Office of Cyber Diplomacy; and (4) U.S. responses to Cyber Attacks.

Chairman Ed Royce (R-CA) stated that according to the Director of National Intelligence's 2017 Worldwide Threat Assessment the adversaries of the U.S. “are becoming more adept at using cyberspace to threaten our interests and advance their own; and despite improving cyber defenses nearly all information, communication networks and systems will be at risk for years.” He noted that in 2015 Chinese hackers stole the personnel files of 20 million current federal employees in a massive data breach, and last year hackers from North Korea crippled hospitals in the United Kingdom (U.K). He added that Russia exploits cyberspace to attack its neighbors, including Estonia and Ukraine; and attempts to undermine western democracies, including the U.S. He stated that the military and intelligence agencies have unique offensive and defensive tools to respond to cyber threats, but diplomats are responsible for working with allies to develop a common response to cyber threats. He said cyber-attacks resulting in real world consequences will be viewed by the U.S. government as a use of force. He asserted that the free and open nature of the internet is under assault by certain authoritarian regimes,

like China, that aggressively promote a vision of “cyber sovereignty”, or state-control over cyber space. He asserted that state control over cyber space could easily lead to a totalitarian dystopia, and obviously runs counter to American values. He noted that the government of Iran recently shut down mobile internet access in order to limit access to social media tools that were being used by protesters. He stated that last month the House passed the “Cyber Diplomacy Act” ([H.R. 3776](#)), which ensures that the State Department has a senior diplomat charged with bringing together the U.S. security, human rights, and economic priorities.

Ranking Member Eliot Engel (D-NY) asserted that America's adversaries are becoming bolder and more sophisticated; and this is a challenge for the U.S. technological community, a new frontier for diplomats, and a threat to national security. He stated that Iran's attacks on American infrastructure, including a dam in New York, and North Korea's attack on the entertainment sector underscore troubling vulnerabilities to state-sponsored cyberattacks. He noted that an agreement on Intellectual Property cyber theft was reached with China in 2015, yet Beijing continues to exert more and more state control over the internet. He added that he does not believe the U.S. is working closely enough with like-minded governments to deter adversaries from stealing secrets or undermining an open internet. He stated that he is stunned by the Trump Administration's refusal to respond to “blatant” attacks on American democracy by the Russian government. He said the Trump Administration has not imposed a single sanction on Russia related to election interference. He asserted that the Trump Administration seems intent on signaling to foreign adversaries that American elections are “open season.” He said he believes at this point it is reasonable to assume that President

Donald Trump would be fine with a repeat of what was seen in 2016. He stated that if Trump will not take steps to protect American democracy then it falls to Congress. He added that the Trump Administration is conducting a “relentless assault on our diplomacy and development.” He asserted that America needs to radically expand its cyber diplomacy program, not scale it back.

Former Department of State Coordinator for Cyber Issues Christopher Painter asserted that for the U.S. to continue to lead, as it must, cyber issues must be re-prioritized and appropriately resourced at the State Department. He said effective cyber diplomacy involves: (1) building strategic partnerships with other countries; (2) using diplomacy and diplomatic tools to directly respond to cyber threats; and (3) working with other agencies to facilitate law enforcement and technical cooperation and provide capacity-building so other countries can more easily work with the U.S. He stated that norms of behavior are irrelevant if there are no consequences for those who violate the norms. He said the lack of a sufficient, timely, and continuing response to Russian interference in the 2016 election will virtually guarantee that they will attempt to interfere again. He concluded that cyber diplomacy involves promoting core values, such as internet freedom and fair market access, and he supports the “Cyber Diplomacy Act.”

Information Technology Industry Council Vice President John Miller said he believes there are four disturbing trends in cyber diplomacy: (1) Forced localization, which refers to a broad set of policies that are designed to compel companies to relocate all or part of their global business operations within a country’s borders; (2) Siloed or Country-specific Standards and Regulations; (3) Efforts by policymakers to “measure,” “certify,” “test” or “label” for

cybersecurity – e.g., the EU’s proposed European Union Agency for Network and Information Security (ENISA) Regulation urging the development of a security certification Framework, or India’s Department of Telecommunications proposed implementation of local security certification and testing requirements for telecommunications equipment – show no signs of abating; and (4) Application of legacy regulations to technology and services innovations. He concluded that he fully supports the “Cyber Diplomacy Act.”

DHS Reauthorization Hearing

Key Point:

- *A Senate committee of jurisdiction turns to the first reauthorization of DHS since its inception.*

On February 7, the Senate Homeland Security & Governmental Affairs Committee held a [hearing](#) entitled: “Reauthorizing DHS: Positioning DHS to Address New and Emerging Threats to the Homeland.” Topics discussed during the hearing included: (1) DHS Recruiting Contract; (2) DHS Oversight; (3) Cybersecurity; (4) OIG Report; (5) Government Shutdowns; (6) Election Protection; (7) FEMA Grants; (8) GAO Recommendations; (9) Opioids; (10) Suspension and Debarment List; and (11) DHS Data Framework.

Chairman Ron Johnson (R-WI) said the House has passed its bill to reauthorize the Department of Homeland Security (DHS), the “Department of Homeland Security Authorization Act of 2017” ([H.R.2825](#)). He noted the process of passing a DHS reauthorization bill is more complicated in the Senate. He said the Committee is responsible for 40 to 50 percent of DHS authorization. He explained the difficulty of having a functioning

DHS given the many different agencies “cobbled together” through unitive effort. He expressed support for codifying the Office of Countering Weapons of Mass Destruction and reorganizing and renaming the National Protection and Programs Directorate (NPPD). He said the Committee must authorize Federal Emergency Management Agency (FEMA) grants and decide what to do with The Federal Protective Service (FPS). He expressed disappointment the House authorization omitted a “serious look” at how many Committees DHS must to report to. He argued the reporting process needs to be streamlined and suggested establishing a commission to work with House and Senate committees to reduce DHS’s reporting burden.

Ranking Member Claire McCaskill (D-MO) expressed confusion about why the Committee was holding a roundtable rather than a hearing. She argued DHS authorization is important enough for a hearing. She expressed concern about acquisition inefficiency and accountability in DHS. She also expressed concern about DHS’s “privileged dispute” of the Office of the Inspector General (OIG) report. She called it “ground-breaking, unprecedented, and very, very bad.”

Deputy Secretary of Homeland Security Elaine Duke expressed support for a reauthorization bill that updates authorities, support, and accountability for DHS. She noted DHS has 240,000 employees. She said she has been working on “unity of effort,” which examines how the headquarters operate to support other agencies. She identified three roles for headquarters: (1) leading a community of practice; (2) being subject matter experts; and (3) servicing the headquarters. She advocated for consolidating the committees DHS has to report to. She asked for a reauthorization that codifies leadership commitment but does not dictate or legislate areas that would be difficult

to change or take away flexibility from leadership. She expressed support for updates that improve hiring retention and separation flexibility. She said DHS has to improve its cybersecurity and NPPD.

Department of Homeland Security Acting Inspector General John Kelly said DHS has had challenges with leadership not running DHS as a single entity and not creating a strong internal control environment. He argued the current internal control environment is relatively weak and hampers DHS’s effectiveness. He stated the [H.R.2825](#) reinforces the need for department unity by streamlining oversight and accountability while reducing redundancy. He suggested DHS should fix its acquisition management system. He noted the broad range of systems and technologies DHS must acquire each year. He said H.R.2825 strengthens the role of the Under Secretary of Management and creates efficiencies across components while improving oversight and accountability. He said aviation security must be improved and recommended improving the Transportation Security Administration (TSA). He stated his work has identified various vulnerabilities and said he could not expose them in a public setting but characterized them as “troubling and disappointing.” He recalled these failures were caused by a combination of technological and human error. He expressed support for TSA addressing these findings and strengthening its inspections. He stated much of OIG’s investigative caseload involved allegations of corruption by DHS law enforcement personnel and government contractors. He recommended that a reauthorization explicitly grant the right of first refusal to OIG.

Upcoming Hearings and Events

February 14

DHS Reauthorization: The Senate Homeland Security and Governmental Affairs Committee will hold a [markup](#) of the “Department of Homeland Security Authorization Act of 2017” ([H.R.2825](#)) among other bills and nominations.

FTC Nominations: The Senate Commerce, Science & Transportation Committee will hold a [hearing](#) on the nominations of

- Mr. Joseph Simons to be a Federal Trade Commissioner, Chairman Designate
- Mr. Rohit Chopra to be a Federal Trade Commissioner
- Mr. Noah Joshua Phillips to be a Federal Trade Commissioner
- Ms. Christine S. Wilson to be a Federal Trade Commissioner

Data Security Regulation: The House Financial Services Committee’s Financial Institutions and Consumer Credit Subcommittee will hold a [hearing](#) titled “Examining the Current Data Security And Breach Notification Regulatory Regime.”

AI: The House Oversight & Government Reform Committee’s Information Technology Subcommittee will hold a [hearing](#) titled “Game Changers: Artificial Intelligence Part I.”

Blockchain: The House Science, Space & Technology Committee’s Research and Technology and Oversight Subcommittees will hold a [joint hearing](#) titled “Beyond Bitcoin: Emerging Applications for Blockchain Technology.”

For more information on technology issues you may [email](#) or call Michael Kans at 202-659-8201. Cullen

Neely, Riyad Carey, Alex Barcham, Rebecca Konst, and Henry Homans contributed to this section.

TRADE

USTR Lighthizer Meets with Congressional Committees, Defends Trade Strategy

Key Points:

- USTR Lighthizer met with the House Ways & Means Committee and defended USTR’s communication with Congress.
- After Lighthizer and President Trump met with Senate Finance Committee Republicans, Chairman Orrin Hatch (R-UT) expressed support for USTR’s NAFTA approach.
- Senator Tim Scott (R-SC) released his hold on two USTR nominees after the meeting.

This week U.S. Trade Representative (USTR) Lighthizer met with the House Ways & Means Committee and accompanied President Trump in a meeting with Senate Finance Committee Republicans at the White House on Wednesday. The outreach to Capitol Hill was an effort by the Administration to build support for President Trump’s trade strategy and to counter criticism from Congress that USTR was not fulfilling their obligations under Trade Promotion Authority to update them on the progress of trade negotiations. Following the meeting, Senator Orrin Hatch (R-UT) commended President Trump for his “bold vision that will help America move forward.” Senator Tim Scott (R-SC) said his “concerns regarding a lack of communication have been addressed,” and ultimately released the holds he placed on two USTR nominees. After the meeting, Senator Chuck Grassley (R-IA) suggested that a North American Free Trade Agreement (NAFTA) withdrawal “isn’t going to happen.” Senator Pat Toomey (R-PA) was

less enthused, saying automobile rules of origin “did not get as much discussion as some of the other provisions,” and arguing USTR’s sunset provision is “a very bad idea.”

In a meeting with House Ways & Means, USTR Lighthizer spent “the first 20 minutes... defending his degree of engagement with Congress... he also complained about not having enough staff and how that’s difficult for him,” according to reports. Representative Ron Kind (D-WI) suggested Lighthizer is “inordinately fixated on GDP, relative GDP strength between the countries... Since we’re the biggest dog on the block, everyone should just come to all our wishes. I think that’s a lousy negotiating tactic.” Representative Sandy Levin (D-MI) stressed Democrats’ insistence on a labor chapter in NAFTA and argued Mexico is “moving backwards” on labor.

For more information about tax issues you may [email](#) or call Christopher Hatcher at 202-659-8201. Riyad Carey contributed to this section.

This Week in Congress was written by Ryan Schnepf.