

JULY 2014 NEWSLETTER



MIDWEST COUNCIL

ENERGY



EPA's unveiling of its landmark greenhouse gas restrictions for existing power plants put Democrats on the defensive in coal- and energy-intensive states, as well as those Republican-leaning enclaves generally wary of big government intervention. Expect ads from Republican and conservative groups trying to tie West Virginia Democrat Nick Rahall to the rule, as well as possible media buys against incumbent Senate Democrats in tough bids in Alaska, Colorado, Kentucky and elsewhere. Democrats say they have a

powerful message to counter Republicans in touting the need to tackle climate change, while candidates like Rahall have had plenty of time to try to distance themselves from the administration's anti-coal policies.

HEALTH



Don't be fooled by a slow ebb in the intensity of Obamacare politics since enrollment closed in April. Campaigns are just revving their engines for the summer battles, some still awaiting the outcomes of closely fought primaries before clearer narratives emerge. The health law will still be at the center of these storylines, and that's even without the prospect of additional rules, changes and delays constantly threatening to intensify the debate. In fact, a few badly broken state health insurance exchanges are expected to

decide by this month whether, like Oregon and Nevada, to give up on their dysfunctional systems and join HealthCare.gov, the federal enrollment portal. Massachusetts, Hawaii and Minnesota are the states to watch here. States that haven't expanded Medicaid, too, will get a lot of attention.

eHEALTH



Health technology watchers are focused on a House bill to get Medicare to pay for hundreds of millions more in telemedicine. Industry leaders are also watching for the latest interpretation of "meaningful use," the incentive program CMS is using to get providers to switch to effective electronic medical records.

DEFENSE



President Barack Obama has answered the big question about the future of Afghanistan — how many U.S. troops will stay there — and for how long. But the Pentagon still must fill in a lot of blanks. With new orders about its post-2014 force posture, it must finish up its Overseas Contingency Operations account request and send it to Congress, having sent only a "placeholder" to Capitol Hill along with its standard budget submission earlier this year. Defense officials say they expect this year's war funding request to be somewhat smaller than last year's \$79 billion, but not to shrink by the same proportion as the drop from this year's peak of 33,000 troops in Afghanistan to next year's roughly 9,800. The Army and the other services are counting on a few more years' worth of war-funding support to repair and recapitalize their war-battered fleets. Plus, the Defense Department doesn't know in detail yet precisely which forces it will send in terms of special operators, advise-and-assist troops and support personnel. Department spokesman Col. Steve Warren said those decisions might not be final until a NATO "force generation" conference, which will also let European allies detail their troop commitments.

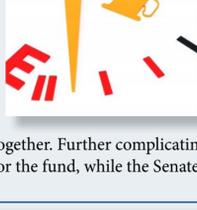
TRADE



The long-smoldering dispute between the United States and Brazil over Washington's support for cotton farmers reignited in mid-June, the South America agricultural titan could once again take the case to the World Trade Organization for what would be a fateful decision. The WTO has already ruled that direct cotton subsidies are a trade-distorting violation of its rules, prompting the U.S. to pay Brazil's cotton farmers nearly \$150 million a year as compensation for damages until the direct payments could be supplanted by new farm insurance provisions

of the 2014 farm bill. But Brasilia says those provisions are also market-distorting, prompting further haggling that reportedly has resulted in a U.S. offer of a one-time payment to end the dispute. It's unclear if Brazilian officials met with U.S. officials on June 11 for further discussion in the effort to avert a trade war.

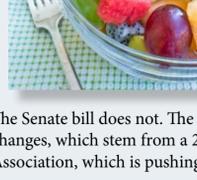
TRANSPORTATION



On the Hill, attention will now turn in earnest to the sticky problem of what to do about the looming insolvency in the Highway Trust Fund, the gas tax-fueled pot of money that funds federal transportation projects. Though the fund doesn't technically have to be reauthorized until the end of September, revenues are slow enough that states will start feeling the pinch sooner, and coming to some resolution will continue to be top of the mind for transportation lawmakers in the House and Senate as they work toward piecing a bill

together. Further complicating matters, the House is leaning toward a short-term patch for the fund, while the Senate wants a multi-year transportation bill.

AGRICULTURE



Both sides of a school nutrition debate tried to force a turnover on the issue. The lobbying only intensified in June as both the fiscal 2015 agriculture spending bill passed by the House Appropriations Committee moves toward a heated conference clash with a companion measure passed by Senate Appropriations. The House bill, which is expected to receive the support of its full chamber, includes a rider that gives school districts a one-year waiver to put off complying with new, stricter lunch standards supported by first lady Michelle Obama.

The Senate bill does not. The first lady has pulled out all of the stops in defense of the changes, which stem from a 2010 law she championed, and so has the School Nutrition Association, which is pushing hard for the waiver.

EDUCATION



The Obama administration released a draft regulation aimed at driving low-quality teacher training programs out of business this summer. The U.S. has more than 1,500 teacher prep programs of all stripes, ranging from master's degree programs at Ivy League universities to online training run by for-profit companies. The president wants to prod states to rate the programs by several key metrics, such as how many graduates land teaching jobs, how long they stay in the profession and — most controversially — whether they boost their

students' scores on standardized tests. The Education Department would then use federal grants and financial aid as leverage to reward programs that rate highly — and to effectively shut down the rest. Many university administrators and education professors are deeply unhappy about the crackdown. They agree that teacher prep needs improvement but say the proposed metrics are unfair. Obama, however, is committed to going forward. Some of his admirers think this regulation could be his most important legacy in reforming education.

FINANCIAL SERVICES



The biggest fight in Congress this year where lawmakers will have to find a compromise is over how much money to give the agencies that police stock and derivatives markets. Both the Securities and Exchange Commission and the Commodity Futures Trading Commission are pushing to get more funding arguing they can't keep pace with the new responsibilities given to them by the 2010 Dodd-Frank law without bigger budgets. The issue has been particularly acute at the CFTC where officials warn of low morale and

experienced staff leaving the agency as it begins to enforce new rules for the derivatives markets that helped contribute to the 2008 financial crisis. House Republicans aren't showing much sympathy and are once again promising only small budget boosts. For instance, the House Appropriations Committee agreed to boost the CFTC's fiscal 2015 budget by \$3 million up to \$218 million — around \$60 million shy of President Barack Obama's budget request. The tensions between Democrats and Republicans over funding market watchdogs will play out in the coming months and will have a direct impact on how the agencies do their jobs.

TAXES



The fate of the tax extenders package — a host of expired tax benefits, including the corporate research credit and another tax break for offshore income, is unlikely to be decided until after the November elections. After a Senate panel approved a two-year extension of the package, it is held up in that body in a fight with Republicans over amendments. The House is taking a different approach, looking at the measures in smaller batches, a process expected to continue throughout the summer. A key question is how to move the measure

multibillion dollar cost. In prior years, the extenders were attached to major tax legislation. Some see a looming highway bill as a potential vehicle.

TECH



Comcast is vying for Time Warner Cable, AT&T is now looking to gobble up DirecTV, and SoftBank, the owner of Sprint, still could make a play for T-Mobile. Telecom consolidation continues to unfold, with a huge impact on consumers — and the Federal Communications Commission. The agency will be tasked with reviewing the multiple transactions — but with an opportunity to advance policy goals. The telecom regulator can impose conditions on Comcast, AT&T and other merging industry giants, like new requirements that they

expand low-income broadband programs or build out their services to rural communities. (Both Comcast and AT&T already have made pledges to that effect, hoping to entice FCC Chairman Tom Wheeler.)

MARK YOUR CALENDARS



SAVE THE DATE

WASHINGTON, DC SEPTEMBER 16th & 17th

Board Meeting and Issue Briefings

SEPTEMBER 16TH

Afternoon issue brief
Late afternoon board meeting
Night reception at Diageo House

SEPTEMBER 17TH

Morning issue brief

*All members invited to issue briefings.
Board members only for board meeting.

If you have questions please contact
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- WI Insurance Alliance*
- Wisconsin Association of Independent Colleges and Universities*
- Wisconsin Petroleum Marketers and Convenience Store Association*
- Wisconsin State Telecommunications Association*
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MIDWEST COUNCIL

MIDWESTERN STRONG

Members of the Midwest Council include businesses and organizations large and small from throughout 12 Midwestern states.

WASHINGTON CONNECTION

We maintain a location in Washington and our DC staff will assist meetings with congressional offices.

NON-PARTISAN ORGANIZATION

The Council has forged strong relationships with leaders on both sides of the aisle, winning the respect of Democrats and Republicans alike.

PROMOTING ECONOMY

We are an alliance of businesses, academic and health institutions & public and private organizations promoting economic growth and a high quality of life in the Midwest region.

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