

JUNE 2014 NEWSLETTER



MIDWEST COUNCIL

HEALTH CARE



The 8 million Obamacare signups was a huge boost for the president's health care law, a big enough number that the White House can breathe a big sigh of relief even if the tally falls when some people fail to pay their premiums. Whether or how it changes the political dynamic remains to be seen. But signups were strong in several red states with tight Senate races, and in states like Florida and Texas, where governors Rick Scott and Rick Perry had been hostile to the law. The next big thing to watch: costs. Health care spending is rising

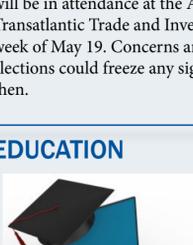
again. Some of that is because of expanded coverage — but the uptick began in late 2013, before the expansion began.

TAXES



Former IRS tax exempt chief Lois Lerner is likely to be officially held in contempt of Congress with the Republican-led House set to vote on the matter. The melee then moves to the courts, where Republicans could seek an order forcing her to testify. Meanwhile, final congressional reports on the controversy keep getting pushed back, and IRS chief John Koskinen has suggested there will be substantial changes to the proposed rule on political nonprofits that came out last November. There was a hearing with the House Ways and Means Committee May 29th to evaluate these rules.

TRADE



U.S. trade officials had another go at advancing the Trans-Pacific Partnership in a series of meetings in Asia. Chief negotiators from the 12 TPP countries met in Ho Chi Minh City, Vietnam, from May 12-15 for a round of talks on the deal, which aims to reduce tariffs and non-tariff barriers to trade while instituting high standards in such areas as the environment, labor and intellectual property rights protection. Following this, U.S. Trade Representative Michael Froman and his TPP counterparts talked on the margins of the Asia-Pacific Economic Cooperation ministers meeting in Qingdao, China, on May 17 and 18. Formal talks among the TPP ministers took place in Singapore afterwards, on May 19 and 20, such a meeting was convenient given that all the nations in the Asia-Pacific talks will be in attendance at the APEC conference. The fifth round of talks on the U.S.-EU Transatlantic Trade and Investment Partnership also took place this month, during the week of May 19. Concerns are growing, however, that the November congressional elections could freeze any significant new U.S. offers in the TTIP negotiations before then.

EDUCATION



The House of Representatives passed a bill that would reauthorize U.S. charter law. The bill has bipartisan backing from the chairman and ranking members of the House education committee, which passed it out of committee almost unanimously. This bipartisan success story shouldn't come as any surprise, however, the House overwhelmingly passed the same bill just a few years ago, in 2011, also with bipartisan support. But the Senate had no interest in taking up charter schools legislation — and Senate HELP Chairman Tom Harkin

has said he has no interest in it this year, either (though other Senators are expected to release a companion bill). Actual reform of charter school law will probably have to wait until Congress takes up a full ESEA reauthorization.

FINANCIAL SERVICES



The Federal Reserve Board is undergoing another makeover, with one governor on his way out, and two new members confirmed by the Senate. The turnover started earlier this year when Janet Yellen replaced Ben Bernanke as head of the central bank. Stanley Fischer was confirmed as a member earlier this month, the former head of the Bank of Israel is Yellen's hand-picked successor as Fed vice chairman. Both he and former Treasury Undersecretary for International Affairs Lael Brainard received confirmation earlier this month.

On the monetary policy front, Fischer has expressed skepticism in the past that the Fed can have a big impact on markets simply by how it communicates what factors will make it change policy directions.

Both Bernanke and Yellen have been advocates of providing and refining this type of forward guidance. On the regulatory front, the question is what new capital rules the Fed will put in place to further crackdown on Wall Street banks. Here the loss of Governor Jeremy Stein, who will go back to a teaching position at Harvard University at the end of the month, could be an issue.

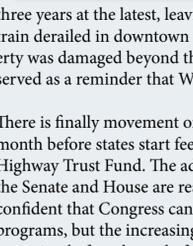
TECHNOLOGY



The Senate Judiciary Committee has continued to attempt to hold a markup of patent reform legislation. Negotiators are still working out a compromise on a number of key provisions. The overall aim is to combat so-called patent trolls, who use the threat of expensive patent lawsuits to extract licensing and settlement fees from tech companies, retailers and even grocers. The House passed its own measure last year, and much of the tech industry is eager to see the Senate move something through.

Senate Judiciary Chairman Patrick Leahy is working to incorporate proposals from committee Republicans who want to change the way patent infringement suits are handled by the courts, without going too far to weaken overall intellectual property rights or upset some of the committee's Democrats.

TRANSPORTATION

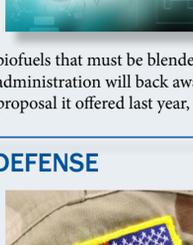


Pressure is building on regulators to address the risks of transporting crude oil by rail, an increasingly common practice as oil producers use tanker cars and railroads to move their fuel to refineries and export facilities. DOT has been trying to push a new rule strengthening standards for tank cars, and submitted a still undisclosed regulatory package to the White House Office of Management and Budget on April 30. But the department has other matters at hand. First, Canadian regulators moved unilaterally to phase out older tank cars within

three years at the latest, leaving their U.S. counterparts in their dust. And second, an oil train derailed in downtown Lynchburg, Virginia. Though no one was hurt and no property was damaged by the train and tracks, it could have been much worse — and it served as a reminder that Washington has been slow to address the problem.

There is finally movement on a surface transportation reauthorization bill, with just a month before states start feeling real impacts from the uncertain status of the Highway Trust Fund. The administration has released its draft transportation bill, while the Senate and House are readying to follow suit. Publicly, lawmakers are still sounding confident that Congress can head off a looming insolvency in federal transportation programs, but the increasingly common bet is that they'll have to settle for a short-term extension before the end of the fiscal year. Lawmakers are also expected to make progress on finishing up a much-awaited — and much-delayed — conference report on the Water Resources Development Act.

ENERGY



Big things are on the horizon for EPA as the agency prepares to move forward with two major regulatory actions. The first is due on June 1: proposed regulations that will require carbon cuts from the nation's thousands of power plants. The complicated and controversial rule is the centerpiece of President Barack Obama's climate agenda, and you can expect plenty of lobbying over the rule aimed at the White House in May. The second regulation will also be a focus of intense last-minute lobbying — the 2014 mandates for the amount of

biofuels that must be blended into gasoline. The widespread expectation is that the administration will back away from the oil-industry-friendly Renewable Fuel Standard proposal it offered last year, which would have lowered the required volume of ethanol.

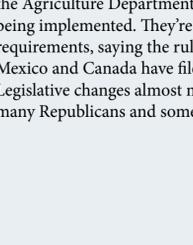
DEFENSE



Washington's defense establishment has its eyes on Capitol Hill as Congress begins marking up its defense authorization and appropriations bills. The annual budget review started with the House Armed Services Committee's markup, where the panel will make decisions on a host of controversial budget cuts proposed by the Pentagon as it grapples with spending caps under sequestration and the bipartisan, House-Senate budget deal struck late last year. This is the first year that both the Pentagon and Congress are facing the

budgets adhering to the spending caps, which means a host of programs are facing the ax, from the A-10 "Warthog" to the U-2 spy plane to new EA-18G Growlers stuck on the Navy's "unfunded priorities" list. Many in Congress would like to fund all of the programs, while also rolling back proposed reductions to military benefits. But something will have to give. The question is what.

AGRICULTURE



Two big food labeling-related events will unfold. Vermont is the first state in the nation to enact a GMO labeling bill without strings attached. Gov. Peter Shumlin (D) signed the measure already passed by both his House and Senate. The bill will go into effect in July of 2016. We'll begin to watch for other states to follow suit — New York is the largest that seems to be on the cusp of passing a GMO labeling requirement — and also for a lawsuit to be filed by the food and/or agriculture industries to block Vermont. On another front, however,

the livestock and meat processing industries have more urgent concerns with regard to the Agriculture Department's new Country of Origin Labeling regulations, which are being implemented. They're lobbying Congress for legislation that will block the USDA's requirements, saying the rules will blow up at the World Trade Organization, where Mexico and Canada have filed complaints. A ruling is expected sometime this summer. Legislative changes almost made it into the 2014 farm bill, and it's an issue that unites many Republicans and some Democrats.

BOARD MEETING & STRATEGIC PLANNING



May 20th marked the Midwest Council's, first of many, strategic planning and board meeting. Co-chairs Tommy Thompson and Senator Ben Nelson joined our eager board members for a morning of conversation, business development, and tactics for growth. The afternoon was greeted with member dedication to executing the strong initiatives and objectives for advancement of the Midwest Council.

Over half the Midwest Council board members attended. The 2014-2015 budget was passed, along with the Midwest Council bylaws. An agenda is set for our next board meeting and issue briefs in September. Mark your calendars for September 16th and 17th in Washington DC. More details to come.

Thank you Marcus & Millichap, commercial investment real estate and Midwest Council member, for providing office space in Chicago, IL. We are looking forward to seeing you all again in September, if not sooner.

If you have questions or would like minutes from the meeting please contact Tyler Foti. TFoti@themidwestcouncil.com

MIDWEST COUNCIL MEMBERS

- Alliance of Automobile Manufacturers*
- Alliant Energy*
- Altria Client Services*
- American Lending Solutions*
- Century Link*
- Coca-Cola*
- Diageo*
- LKQ*
- Marcus & Millichap Real Estate*
- Medical College of WI*
- PhRMA*
- River Valley Ford*
- University of Wisconsin-Madison*
- University of Wisconsin-Whitewater*
- WI Insurance Alliance*
- Wisconsin Association of Independent Colleges and Universities*
- Wisconsin Petroleum Marketers and Convenience Store Association*
- Wisconsin State Telecommunications Association*
- Xcel Energy*

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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 members in arranging 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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