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## Inching towards the edge of the cliff?

As of the morning of Dec. 21, as *Actionline* went to press, it looked as though fiscal cliff negotiations had finally broken down. For the last several days, House Speaker John Boehner has been working to build support for his "Plan B" proposal, which would have prevented year-end tax increases for all but those earning more than \$1 million per year. Boehner's political maneuvering capped a week of apparent progress as both he and President Obama moved off their rigid negotiating positions.

Late on Dec. 20, Boehner announced that he was pulling the "Plan B" bill after it was clear he lacked the support of enough members of the House GOP caucus. Beyond the philosophical objection to raising taxes on anyone, many House Republicans questioned the value of voting for a bill the president was likely to veto and that had little chance of passing the Senate. Clearly frustrated, Boehner punted the ball back to President Obama and the Senate majority leader, saying, "Now it is up to the president to work with Sen. [Harry] Reid on legislation to avert the fiscal cliff." The House is now in recess until after Christmas, leaving both the nation's fiscal situation and the future of Boehner's speakership in limbo.

The scale of the challenge remains enormous. Here's a snapshot of the issues that are combining to create the fiscal cliff at the end of the year (the numbers in parentheses are the estimated costs of maintaining current law for one year and for 10 years):

- Expiration of the 2001 and 2003 tax cuts will expire (\$108 billion/\$2.74 trillion)
- Across-the-board budget "sequester" (\$97 billion/\$1.2 trillion)
- Steep reduction in Medicare physician payments (the so-called "doc fix") (\$10 billion/\$45 billion)
- Expiration of Alternative Minimum Tax patches (\$103 billion/\$864 billion)
- Expiration of payroll tax cut and extended unemployment insurance (\$89 billion/\$114 billion)

The total cost of extending current law in all of these areas for just one year is \$491 billion. The ten-year cost is \$6.1 trillion (more than a third of the value of the entire national debt).

As far as direct impact on construction material suppliers, the silver lining is that federal highway spending is exempt from the across the board budget cuts. However, water infrastructure investment is threatened as the Clean Water and Drinking Water State Revolving Funds could be targeted for reductions.

The conventional wisdom in Washington, D.C. as of Dec. 21 is that we're going over the cliff. On the off chance there is a deal, it'll almost certainly punt a lot of the tough decisions down the road to 2013.

Either way, ACPPA is gearing up for a major tax and budget debate in the next Congress. Our members should be too.

## **A year in review: A quick glance back before we move forward**

The past year proved to be a busy – but successful – year for ACPPA in Washington. Though it often felt like pulling teeth to get lawmakers to take charge or compromise on policy that would propel the country forward, the association's actions certainly were not in vain. Congress passed a long-delayed (if inadequate) highway bill and made progress on other infrastructure measures.

While several of ACPPA's priorities were caught up in the drama surrounding the fiscal cliff, the progress in 2012 provided the government affairs team a map indicating where the battles and opportunities may lie in 2013.

Here's a look at the year in review...

### ***Keeping water infrastructure from drying up***

Given the nation's budget crisis, securing adequate federal water infrastructure investment was a challenge in 2012. A steady decline in funding for the Clean Water and Drinking Water State Revolving Funds (SRFs) continued as the programs were cut by \$50 million and \$44 million, respectively (SRF programs have been reduced nearly 30 percent since 2010). Consequently, ACPPA turned to innovative financing proposals to secure much needed investments in our nation's water infrastructure network.

One of the top proposals for ensuring funding continues would lift the volume cap on private activity bonds (PABs) for water infrastructure projects. By removing the PAB cap, an estimated \$5 billion of private capital is expected to be invested to address our water infrastructure needs. ACPPA continued its leadership on the issue as a steering committee member of the Sustainable Water Infrastructure Coalition (SWIC).

In February, the association delivered letters to the [House Ways & Means Committee](#) and the [Senate Finance Committee](#) urging lawmakers to insert the PAB provision in the chambers' respective surface transportation reauthorization bills. While ACPPA and our allies succeeded in including the language in the Senate's highway bill, PABs were ultimately dropped during conference negotiations.

ACPPA, working with our colleagues in SWIC, continued to push lawmakers to lift the cap on PABs for water infrastructure projects through direct lobbying and urging support for the bipartisan Sustainable Water Infrastructure Investment Act (H.R. 1802/S. 939). H.R. 1802 ended the year with more than 100 cosponsors, while the Senate version had seven. This legislation will remain a top priority for the association in the coming year.

In June, appropriations season was heating up and ACPPA advocated for full funding of the Clean Water and Drinking Water SRFs for FY 2013. Additionally, ACPPA joined water and construction industry allies on a [letter](#) urging the House Appropriations Subcommittee on Interior, Environment & Related Agencies to oppose efforts mandating "Buy American" requirements for the SRF programs. Such requirements would

impose a burden on contractors, making it more difficult to complete projects on budget and in a timely manner.

As the year came to a close, Washington focused on the nation's looming fiscal crisis and the possibility of automatic budget cuts that would indiscriminately slice more than eight percent from most federal programs. The SRF programs, which have faced a series of reductions over the years, could be hit particularly hard by the sequestration process. As such, ACPPA's board delivered a [letter](#) to congressional leaders urging immediate action to thwart the harsh effects of sequestration on our water infrastructure.

One item that saw some positive traction toward the end of the year were efforts to reauthorize the Water Resources Development Act (WRDA), which supports Army Corp of Engineers programs aimed at improving water networks. The legislation enjoyed strong bipartisan support in both chambers, but a crowded congressional calendar postponed action until next Congress. However, with Senate Environment & Public Works Chairman Barbara Boxer (D-Calif.) and Transportation & Infrastructure Committee Chairman Bill Shuster (R-Pa.) committed to making its passage a priority, ACPPA is optimistic that WRDA will be considered early in the 113th Congress.

#### ***Highway reauthorization lands in the "W" column***

ACPPA checked-off one of its top legislative priorities on July 6, as President Obama signed a new surface transportation law, [Moving Ahead for Progress in the 21st Century](#) (MAP-21). The law ended nearly three years and ten short-term extensions of the nation's previous authorization program, SAFETEA-LU while providing for continued funding at FY 2012 levels, adjusted for inflation.

This victory provides the construction sector with a clearer sense of the resources available for future investment, speeds up the environmental review process, and offers contractors near-term certainty to hire new workers and make capital investments. It also expanded the highly successful TIFIA program, which should provide more private funding for infrastructure investment.

During the highway reauthorization debate, several matters important to the association were a part of different drafts of the bill. ACPPA actively sought to include provisions that would prohibit the Environmental Protection Agency from regulating fly-ash as a hazardous material, lift the volume cap on PABs (discussed above), and grant approval to the Keystone XL pipeline project. Unfortunately, in an effort to reach a compromise solution to approve the highway legislation, these provisions were dropped in the final conference report, despite being included in either the House or Senate versions of the bill.

#### ***ACPPA charged to make energy a priority***

An important issue emerging in Washington concerns regulation of domestic energy production. The boom in nontraditional oil and gas extraction is rapidly catapulting the United States and Canada to the top of the world's energy producers. As such, ACPPA believes that it is important the energy sector is free of regulatory burdens and that the administration approves the Keystone XL pipeline.

The [association joined industry colleagues](#) in urging the president to permit the construction of the Keystone XL pipeline, a project estimated to create up to 13,000 construction jobs and bring 830,000 barrels of oil per day to U.S. refineries.

## ACPPA chats with NUCA CEO about 2013 industry outlook

*Actionline* recently sat down with ACPPA's long-time water infrastructure ally, Bill Hillman, chief executive officer of the National Utility Contractors Association (NUCA), to capture his insights on the industry in 2012 and what to expect in the coming year.

**Actionline:** Bill, can you give us a few brief thoughts on 2012?

**Hillman:** It was a tough year for water infrastructure advocates, as it was for everyone else. Appropriations were either cut or stayed the same. Most water legislation never made it to the House or Senate floor. There's been divisiveness in Congress, and regulators have been hostile. I don't mean to sound so negative, but I expect the same for next year. Despite huge, industry-wide efforts to increase funding for surface and drinking water infrastructure, there doesn't seem to be much of a commitment on the Hill.

**Actionline:** So it's more of the same in 2013? What are NUCA's legislative priorities for the new year?

**Hillman:** I don't see many big improvements in 2013, though we may see pockets of economic expansion in certain sectors.

NUCA is still analyzing member feedback to determine next year's priorities. Last year, they were highway reauthorization [MAP-21] and lifting the volume cap on state private activity bonds [PABs]. We probably spent 90 percent of our time on those efforts and a little bit on issues like taxes. NUCA's focus will probably be similar in 2013 regarding transportation, and may include a WRDA [Water Resources Development Act] bill and other market building issues.

There are other concerns that affect our members – immigration is becoming important again. But many of our members are focused on the fiscal cliff, so they're not following anything else quite yet. There's a lot of wait and see.

**Actionline:** How have NUCA and ACPPA worked together in the past and what do you see as the value of the relationship?



**NUCA CEO  
Bill Hillman**

**Hillman:** ACPPA has been very helpful to us, from advocacy to supplementing our study, "Sudden Impact: An Assessment of Short-Term Economic Impacts of Water and Wastewater Construction Projects in the United States." I would really like to work more with ACPPA going forward.

**Actionline:** Tell us about your involvement with the [Clean Water Council](#) (CWC).

**Hillman:** NUCA takes care of the administration for the coalition. Recently, we've done some new things to revamp the group. We've significantly refreshed the website, which now includes a free weekly newsletter called [Clean Water Weekly](#) (sign up on CWC's website to keep up-to-date), and we're always looking for input, including from associations relevant to water and sewer development. The CWC's new site should ultimately become a place where people can find studies and reports in order to educate lawmakers and the public about water infrastructure funding needs.

**Actionline:** What does CWC hope to accomplish in 2013?

**Hillman:** If the PAB issues aren't resolved in the fiscal cliff negotiations, we'll be going directly after them in the new year, and we will continue to go after the regulatory issues. Water infrastructure programs and investments are under attack and we, as an industry, need to prove that they're worthwhile investments, not frivolous government spending. The CWC will be fighting tooth and nail to keep funding.

### **ACPPA urges bonus depreciation extension**

On a Dec. 5 [letter](#), ACPPA joined a coalition of 78 business organizations and companies calling on congressional leaders to extend 50 percent bonus depreciation through at least 2013.

"[Bonus depreciation] will provide some certainty to U.S. businesses to allow them to continue to make capital investments, which in turn will create more jobs and help ward off a possible recession in 2013," the coalition stated. "Enactment of this provision is even more important given the other uncertainties that continue to linger with our U.S. tax code, while at the same time is one of the most cost effective measures that Congress can enact to spur economic growth."

If lawmakers don't act, bonus depreciation is set to expire at the end of the year. To urge your lawmaker to support 50 percent bonus depreciation extension, visit [ACPPA-Action.org](http://ACPPA-Action.org).