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Trump Administration Lays Out Tax Reform Objectives

In late April, the tax policy debate in the nation’s capital took another small step forward as the Trump administration unveiled the president’s reform objectives. While short on details, the proposal provides some guidance on where President Trump wants the debate to end up.

**Broad Brush Strokes**

Based on briefings by administration officials and an outline released by the White House, the president wants to lower taxes and simplify the code for individuals by reducing the current seven tax brackets to three: 10, 25 and 35 percent, doubling the standard deduction so that a married couple won’t pay any taxes on the first $24,000 of income they earn, and providing additional tax benefits for families with child and dependent care expenses.

For individuals, the president’s proposal would also repeal the estate and alternative minimum taxes, as well as the 3.8 percent Obamacare tax on passive income. The top tax rate on capital gains and dividends would be reduced to 20 percent. However, the administration is also proposing to eliminate all deductions other than those for mortgage interest, charitable donations, and 401k contributions.

For businesses, the administration is proposing a 15 percent tax rate for both corporations and pass-through entities and a territorial system to change the way U.S. companies operating internationally are taxed. However, the White House also wants to impose a one-time tax on “trillions of dollars held overseas” (rate not specified) and eliminating “tax breaks for special interests.”

Administration officials admit the proposal is short on details and that this is just the start of the tax reform conversation. “[W]e are in constant dialogue with the House and the Senate,”

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**Get Active, Get Involved:**

**2017 NACA Fly-In**

ACPPA is a leading member of the North American Concrete Alliance, a coalition managed by the Portland Cement Association that advocates broadly for infrastructure investment and policy positions favorable to the cement industry.

NACA is hosting a Washington Fly-In on Capitol Hill on May 9 and 10.

The Fly-In program officially begins on Tuesday, May 9 at 3:30 pm. That evening PCA will host a reception and dinner at the 101 Constitution Roof Terrace overlooking the Capitol, followed by a day of Hill meetings on Wednesday and a congressional reception on Wednesday evening.

ACPPA’s lobbying team will participating in the Fly-In and related Hill meetings. More information about the event can be found at [www.cement.org/flyin](http://www.cement.org/flyin). ACPPA members interested in participating should contact ACPPA Counsel Christian Klein at caklein@potomac-law.com.
National Economic Council Director Gary Cohn said. “We have outlines; we have a broad-brush view of where they’re going to be. We’re running an enormous amount of data on the proposals right now. We will be back to you with very firm details. We’re very confident to where they’re going to be, we just wanted to get out and give you a broad-brush overview where we are.”

“We are working with the House and Senate on all the details. And this is — everybody has an agreement we are going to move this as fast as we can. And when we have an agreement we will release the details and go through it with all of you,” Treasury Secretary Steve Mnuchin said.

**What’s Next?**

Unlike other recent Republican tax proposals, the president’s plan isn’t deficit neutral. The Committee for a Responsible Federal Budget estimated it would add between $3 trillion and $7 trillion to the national debt over the next ten years. Budget neutrality is an important issue because Republicans hope to use the budget reconciliation process to move tax legislation through Congress. That allows a lower vote threshold in the Senate (reconciliation legislation is privileged and not subject to the filibuster), but to qualify, the bill can’t have negative budget impact beyond a ten-year window.

Response from House Republicans was generally positive. House Speaker Paul Ryan (R-Wisc.) said it was evidence of progress and that Trump and Hill Republicans were “getting on the same page.” Ryan, Senate Majority Leader Mitch McConnell (R-Ky.), House Ways and Means Chairman Kevin Brady (R-Texas) and Senate Finance Committee Chairman Orrin Hatch (R-Utah) said in a joint statement that, “The principles outlined by the Trump Administration today will serve as critical guideposts for Congress and the administration as we work together to overhaul the American tax system and ensure middle-class families and job creators are better positioned for the 21st century economy.”

**What Does It Mean for ACPPA?**

For ACPPA, the president’s proposal is a mixed bag. The tax policy statement adopted by the association’s board calls for reducing the top corporate tax rate and updating international tax rules to improve the business environment both for U.S. companies operating internationally and for U.S. subsidiaries of foreign companies, goals the Trump administration apparently shares. However, the president’s plan is silent on using tax reform as a vehicle to raise new revenues for infrastructure investment (especially water). It’s uncertain how tax-exempt municipal bonds, a major source of infrastructure financing, would fare. Also uncertain is the tax treatment of capital investment, business interest and other deductions ACPPA members consider important.

In the coming days, ACPPA will continue to have conversations with lawmakers and allies about the president’s plan and continue to advocate for the industry’s interests. If you have questions or comments about ACPPA’s advocacy efforts, please send them to caklein@potomac-law.com.

**A Blurring Political Divide: Buy American**

On Apr. 18, President Trump signed an executive order aiming to curb abuses of the skilled-worker program and strengthen federal procurement rules requiring the use of U.S. contractors and American-made goods. The president announced the executive order while speaking at a tooling manufacturer in Wisconsin, declaring the government’s policy to “aggressively promote and use American-made goods and that
American labor is hired to do the job.” Reinvesting in America was a key campaign promise but its execution may test traditional ideological boundaries.

Last December Congress struggled to pass a water infrastructure bill because of partisan disagreement on domestic-preference requirements. The Water Resources Development Act (WRDA) is regularly reauthorized to fund water infrastructure projects nationwide. Congress typically uses WRDA as an opportunity to revise requirements for projects assisted by the State Revolving Funds (SRF). Last year was no different.

The 2016 Senate-passed version of WRDA required all future SRF-funded projects to use American iron and steel products, but there was no such requirement in the bill passed by the House. During conference negotiations, committee leaders reportedly reached a consensus when Rep. Paul Ryan (R-WI) pulled the “Buy America” provisions. This sparked outrage from Democratic members in both chambers and coincided with then-President-elect Trump’s announcement at a victory rally in Iowa that his administration “will follow two simple rules: Buy American and hire American.” Instead of including a permanent Buy America requirement for Drinking Water SRF projects, the compromise bill signed into law, the Water Infrastructure Improvements for the Nation Act, extended the traditional one-year WRDA domestic-preference requirement through fiscal year 2017.

Traditional Republican orthodoxy is rooted in the success of free trade and market-driven solutions. Conservative members of Congress traditionally oppose domestic-preference requirements saying they create market distortions, increase costs and artificially inflate the competitiveness of U.S. companies. As Rep. Mark Sanford (R-SC) told the Wall Street Journal, Buy American Requirements “are a form of protectionism, plain and simple” and “[q]uotas in any form and in any sort ultimately hurt the consumer.”

Elaine Chao, Trump’s Secretary of Transportation, voiced the similar concerns in an article criticizing President Obama’s 2009 stimulus package. She explained the Buy American provisions in the American Recovery and Investment Act of 2009 “squandered America’s credibility on international trade” and repeated many of the mistakes that protectionist democratic administrations made during the New Deal era. The Buy American provisions also created complicated “bureaucratic hoops”.

The success of Trumpian nationalism in last November’s election blurred the line between traditional Republican and Democratic policy positions on trade; the distinction continues to dissipate with the recent executive order. The order directs federal agencies to strictly enforce and comply with Buy American provisions and to judiciously review any waiver from domestic procurement requirements only after considering potential unfair advantage over American products.

The executive order further casts doubt on the status of the United States’ agreements with its trading partners. According to a report by the Government Accountability Office, current trading agreements may be eroding the effectiveness of Buy American legislation because U.S. and foreign companies are treated equally under the World Trade Organization (WTO) Agreement on Government Procurement (GPA). While
the United States has opened federal procurement to more foreign companies, five of the largest GPA signatories have not done so in return. To remedy this inequity, the president’s order calls on the Secretary of Commerce and the U.S. Trade Representative to analyze and consider renegotiating current trade agreements.

Republicans appear to be abandoning their fears about government-created markets and Keynesian economics to embrace Trump’s views on trade and spending. Democratic leadership is calling on the president to rise above rhetoric and back their efforts to pass permanent Buy America legislation. Senators Sherrod Brown (D-Ohio) introduced a bill in the Senate and has asked for the president’s support. Similar efforts are underway in the House by Democratic members.

President Trump broke through ideological barriers in the 2016 election and it looks like he might be doing the same thing with at least some of his policies. Only time will tell how much the Buy American lines will blur.

**View from the Hill:**

**Cleaning Water and Cutting Budgets: A Case for the Water Infrastructure Finance and Innovation Act**

*By G. Tracy Mehan, III and Ian D. Gansler, American Water Works Association*

We expect that when we make our morning coffee or mix a baby’s formula, we’re using water that is safe to drink. In reality, our nation is facing an investment crisis, with $1 trillion needed over the next 25 years if we are to maintain current levels of service for a growing population. The longer this investment is delayed, the more expensive it will become.

This is truly a bipartisan issue, with Democrats and Republicans alike admitting it is time to find a solution. On the campaign trail President Donald Trump called attention to the issue, promising to “refocus the EPA on its core mission of ensuring clean air and clean, safe drinking water for all Americans” at a speech in Pittsburgh. In his first address to Congress, President Trump reiterated his call for a $1 trillion infrastructure investment package.

At the same time, the federal government faces immense budgetary constraints. According to the Congressional Budget Office’s report, “*The Budget and Economic Outlook: 2017-2027.*” federal debt is projected to rise from 77 percent of GDP today to an all-time high of 145 percent of GDP by 2047, exceeding record post-WWII levels of 106 percent of GDP. Entitlement spending programs like Social Security, Medicare and Medicaid also loom in the future as crippling budgetary outlays, dwarfing the current levels of federal debt. Lawmakers face twin pressures to solve problems and save money.

The *Water Infrastructure Finance and Innovation Act (WIFIA)* is one solution that could strike that balance. WIFIA is a financing program, meaning its assistance comes in the form of loans. Any money paid out for projects comes back to the government as the loan is repaid. Towns and cities undergoing infrastructure projects often do not have the cash on hand to pay for the work, so they look to loans and bonds to raise
funds, paying it back over the years. Rather than taking out a high-interest loan, WIFIA allows borrowers to take out a loan from the U.S. Treasury, which offers the lowest-interest loans on the market.

The current appropriation for WIFIA is $20 million. While this is a drop in the bucket when it comes to the federal budget, that drop will go a long way. The $20 million is only the “subsidy cost” of WIFIA, meaning it covers infrastructure projects that will default and never pay back the loan. The Fitch Rating Agency estimates that only about 0.04 percent of water infrastructure projects end in default, an extremely reliable rate. That means every dollar appropriated to WIFIA can leverage $67 in investment. If Congress appropriates WIFIA the full $45 million that it authorized for FY2018, the program could leverage in excess of $2 billion in credit assistance.

WIFIA is set up to complement the State Revolving Funds (SRF), a long-standing federal grant program that gives funding to the states to distribute for water infrastructure projects. President Trump, on his campaign website under the “infrastructure” heading, promised to “[t]riple funding for state revolving loan fund programs.” Only 49 percent of a project can be funded through WIFIA; the other 51 percent must come from other sources, allowing space for the SRF and private equity investments.

SRF’s have a right of first refusal over WIFIA applications, allowing them to elect to fund a WIFIA project themselves if they prefer to do so at the same interest rate as WIFIA. SRF’s can also apply for WIFIA loans themselves, bolstering their funds to finance one or a group of projects. Many state SRF’s just don’t have the capacity to fund some larger infrastructure projects. The minimum project cost for a WIFIA loan is $20 million (or $5 million for a small community), which allows SRF to focus on a greater number of smaller projects.

In a budget climate that puts every penny of taxpayer money under a magnifying glass, WIFIA makes a big impact at a small price, creating more than $2 billion in capital with only a $45 million expenditure. In a November New York Times interview, then-President-elect Trump said, “Crystal-clean water is vitally important.” Too often we take this for granted. When we turn on the tap, the water that comes out safe to drink. President Trump believes in the importance of clean water. WIFIA would be a powerful tool to make it a reality for every American. It is a program he can build upon to achieve his infrastructure renewal goal.

G. Tracy Mehan, III, is former Assistant Administrator for Water at U.S. EPA in the administration of President George W. Bush. He is now executive director for government affairs at the American Water Works Association, the world’s oldest and largest water association with 50,000 members. Ian Gansler is the legislative affairs intern for the American Water Works Association. Editor’s note: ACPPA periodically invites policy leaders to provide commentary in Actionline. The views expressed are those of commentators, not necessarily ACPPA.

**Senate Bill Would Enhance Water Quality Compliance Flexibility**

On April 5, the Senate Committee on Environment and Public Works considered the Water Infrastructure Flexibility Act of 2017 (S. 692), which was introduced in March by Sen. Deb Fischer (R-Neb.). The bill would increase flexibility given to local communities to manage wastewater and storm water infrastructure projects.

During the hearing, Sen. Tom Carper (D-Del.) used his opening statement to underscore the need to give local authorities leeway in meeting statutory requirements for water projects. “With regard to the three water bills we are considering [S. 692 in addition to S. 518 and S. 675] – two of them [S. 692 and S. 518] are
extremely important tools in helping communities across our country comply with the Clean Water Act…Small and rural communities often have a difficult time providing sanitation and clean water in compliance with federal regulation. While these communities have fewer financial resources to spend on improving their wastewater systems, they are regulated to the exact same standards as large metropolitan water systems.”

The bill would also change how the Environmental Protection Agency regulates and assists local communities and cities by establishing an Office of Municipal Ombudsman within the agency. The new office would be responsible for providing compliance assistance and information, and would give priority to any municipality that demonstrates affordability concerns regarding compliance with the Federal Water Pollution Control Act and/or the Safe Drinking Water Act.

S. 692 also compels the EPA to promote “green infrastructure” which uses or mimics natural processes to beneficially reuse storm water runoff where it is generated. To further assist local funding issues, it requires the EPA to revise and review its guidance for affordability standards and criteria.

“We all want clean water; our bill helps us work for that important goal without unnecessarily burdening families along the way,” Fischer said in her weekly column after introducing the bill. The size of that burden was described by the U.S. Conference of Mayors in its letter of endorsement for the bill, which was co-signed by the National Association of Counties and the National League of Cities. According to the letter, cities and counties spend more than $115 billion each year on water and sewer services without adequate resources through federal State Revolving Fund programs.

Considering these heavy costs, Fisher concluded that S. 692 would produce a state in which “government respects its citizens and recognizes that regulations have consequences far beyond what bureaucrats plan or expect.” Proponents of the bill hope it will help control those consequences, limiting local costs while helping ensure clean and safe drinking water.

Now that the committee has considered the legislation and will report it favorably to the full Senate, stay tuned to Actionline as the legislative process continues.
To keep members aware of the activities of government and standards organizations, we regularly sweep public databases and publications for the industry-specific terms indicated below. We then provide our members with links to documents identified in the search. Please note that in some cases the URLs may link to subscription-only databases. The purpose of this service is to identify emerging threats and trends as well as opportunities for collective action by ACPPA.

**NEWS RESULTS**

**Clean Water**

LA Tap Water as Clean as Bottled Water; LADWP Report Finds
City residents can stop paying for bottles and home water filters, according to the Los Angeles Department of Water and Power.

**National Infrastructure Policy**

President Talks Rebuilding Nation In Address to Trade Union
“Together, we are going to rebuild our nation,” Trump said at the North America's Building Trades Union legislative conference. “America’s labor leaders will always find an open door with Donald Trump.”

Cheap Pipes Will Cost Communities Over Time
Water and wastewater systems are too often overlooked because they're buried and not something we see every day. Most people probably only think of their pipes or their community's pipes when one breaks.

**Local Investment**

[Michigan] Study Shows Spending Gap for Water Infrastructure
City spending isn't keeping up with the fight against time to maintain and replace aging stormwater and wastewater infrastructure.
[Florida] Sewer Improvements Slated for Clearwater Neighborhood
This city is starting a stormwater and sanitary sewer improvement project in the East Gateway neighborhood.

[Nebraska] HU to Replace Century Old Water Main
04/19/2017 http://www.hastingstribune.com/news/hu-to-replace-century-old-water-main/article_bffe0024-236b-11e7-b1f0-cfb08c33f67e.html
Hastings Utilities is looking to upgrade a water main in the Heartwell Park area that is nearly 100 years old.

[Alabama] 'Funding Constraints' Limit Fix for Causeway Water Main
Mobile’s water system has settled on a permanent fix for a Causeway water main that broke on New Year’s Day, though it’s a far cry from the comprehensive overhaul that some would have liked for a line that could be increasingly vital to Baldwin County’s growing needs.

[Arizona] Work Starts on 115th Avenue Drainage Project
Construction has begun on the Flood Control District of Maricopa County 115th Avenue and Union Hills Drive Drainage Improvement Project that will construct approximately two miles of drainage improvements along 115th Avenue from Union Hills Drive to the Agua Fria River south of Bell Road.

Materials & Construction

Green Concrete and Other Sustainable Construction Solutions
04/24/2017 https://thebossmagazine.com/twining-inc-green-concrete/
Not that interested in the inner workings of concrete? Check this out.

Coal Ash has been Recycled in the Past
04/18/2017 http://www.greensboro.com/opinion/letters_to_editor/coal-ash-has-been-recycled-in-the-past/article_5b710bf8-438d-56ab-acb0-21ad781dc565.html
Duke Energy’s predecessor, Carolina Power & Light, decades ago pioneered in the beneficial uses of the main ingredient in coal ash, fly ash.

State Politics

[Illinois] 'Salvation is Not in Springfield'
On the same day that American Coal Company laid off nearly 300 area coal miners, the state of coal in Southern Illinois was the topic of discussion at a forum in downtown Murphysboro Monday.
[Maryland] Local Lawmakers Say Federal Money Is Needed To Repair Aging Water Systems
Out of sight but now out of mind. At least not for those trying to keep old water systems like Baltimore’s running.

[New York] Not All Water Issues Addressed In Budget Deal
Amid ongoing concerns over water quality and water infrastructure, state lawmakers and Gov. Andrew Cuomo agreed to spend $2.5 billion aimed at improving drinking water needs in New York.

[New York] April is 'Safe Digging Month'
04/05/2017  http://www.wnypapers.com/news/article/current/2017/04/05/128058/april-is-safe-digging-month
Amid ongoing concerns over water quality and water infrastructure, state lawmakers and Gov. Andrew Cuomo agreed to spend $2.5 billion aimed at improving drinking water needs in New York.

**Workforce Development**

**Bright Opportunities in Workforce**
04/08/2017  http://www.srqmagazine.com/srq-daily/2017-04-08/6023_Bright-Opportunities-in-Workforce
It’s that time of year when many local high school students (and their parents) are starting to prepare for graduation. While some teens may already have their next steps firmly locked in place, others might be unsure about what happens after high school or feel pressured to head down a path that’s just not right for them.

**REGULATORY RESULTS**

**Cement**

**The White House | Executive Order | Buy American and Hire American**
“Buy American Laws” means all statutes, regulations, rules, and Executive Orders relating to Federal procurement or Federal grants—including those that refer to “Buy America” or “Buy American”—that require, or provide a preference for, the purchase or acquisition of goods, products, or materials produced in the United States, including iron, steel, and manufactured goods.
Fly Ash

Environmental Protection Agency | Notification | Postponement of Certain Compliance Dates for Effluent Limitations Guidelines and Standards for the Steam Electric Power Generating Point Source Category
The earliest compliance dates for the new, and more stringent, best available technology economically achievable effluent limitations and pretreatment standards is November 1, 2018, for each of the following wastestreams: Fly ash transport water, bottom ash transport water, flue gas desulfurization wastewater, flue gas mercury control wastewater, and gasification wastewater.

Pressure Pipe

International Trade Commission | Notice | Carbon and Alloy Seamless Standard, Line, and Pressure Pipe from Japan and Romania; Scheduling of Full Five-Year Reviews
The Commission hereby gives notice of the scheduling of full reviews pursuant to the Tariff Act of 1930 ("the Act") to determine whether revocation of the antidumping duty orders on carbon and alloy seamless standard, line, and pressure pipe from Japan and Romania would be likely to lead to continuation or recurrence of material injury within a reasonably foreseeable time.

PVC Pipe

Department of Energy | Notice | Wells Rural Electric Company; Notice Soliciting Scoping Comments
Take notice that the following hydroelectric application has been filed with the Commission and is available for public inspection. On Trout Creek, near the town of Wells, Elko County, Nevada. The project’s intake structure, pipeline, debris collection box, surge tank, and approximately 1,500 feet of penstock are located on federal land managed by the U.S. Forest Service.

Water Supply

Army Corps of Engineers | Notice | Proposals by Non-Federal Interests, for Feasibility Studies and for Modifications to an Authorized Water Resources Development Project or Feasibility Study, for Inclusion in the Annual Report to Congress on Future Water Resources Development
Section 7001 of Water Resources Reform and Development Act (WRRDA) 2014 requires that the Secretary of the Army annually submit to the Congress a report (Annual Report) that identifies feasibility reports, proposed feasibility studies submitted by non-Federal interests, and proposed modifications to an authorized water resources development project or feasibility study that meet certain criteria. The Annual Report is to be based, in part, upon requests for proposals submitted by non-Federal interests.
Department of the Interior | Notice | Quarterly Status Report of Water Service, Repayment, and Other Water-Related Contract Actions

Consistent with section 9(f) of the Reclamation Project Act of 1939, and the rules and regulations published in 52 FR 11954, April 13, 1987 (43 CFR 426.22), Reclamation will publish notice of proposed or amendatory contract actions for any contract for the delivery of project water for authorized uses in newspapers of general circulation in the affected area at least 60 days prior to contract execution.

LEGISLATIVE RESULTS

Water Infrastructure

H.R. 1971 | Introduced by Rep. Smucker, Lloyd (R-Pa.) | Water Infrastructure Flexibility Act
To provide for integrated plan permits, to establish an Office of the Municipal Ombudsman, to promote green infrastructure, and to require the revision of financial capability guidance.

S. 880 | Introduced by Sen. Baldwin, Tammy (D-Wis.) | Made in America Water Infrastructure Act
To ensure the use of American iron and steel in public water systems, and for other purposes.

Water Supply

H.R. 2116 | Introduced by Rep. Knight, Stephen (R-Calif.) | Perchlorate Reclamation and Water Replenishment Act
To provide for integrated plan permits, to establish an Office of the Municipal Ombudsman, to promote green infrastructure, and to require the revision of financial capability guidance.