



30 ISSUES TO WATCH

5 APPROPRIATIONS ISSUES:



SPENDING CAPS/SEQUESTER

Unless Congress acts, strict spending caps will be back in effect for fiscal 2016 that could result in billions of dollars in across-the-board spending cuts to defense and non-defense programs, known as sequester. Both parties are eager to ease the caps, but for different reasons. Republicans would like to bolster the Pentagon coffers, while Democrats, including the White House, have domestic priorities. A budget deal in 2013 provided some sequester relief for fiscal 2014 and 2015. Is another short-term bipartisan accord on spending possible? Or is a broader deal possible on permanently ending the sequester that currently extends into the next decade?

DEBT LIMIT

As early as next March, the federal government is expected to hit its federal borrowing limit and will need to receive congressional approval to raise or suspend the debt ceiling. Over the past 30 years, an increase in the debt ceiling has sparked many deals on other fiscal and spending policy. Republicans are likely to use the debt ceiling to press for concessions on spending and other fiscal issues, including the sequester. So far, the White House has said it would resist linking the two.

BUDGET RECONCILIATION

Republicans are likely to use a streamlined legislative process, known as budget reconciliation, to force changes in federal entitlements, the largest long-term driver of the deficit. Under reconciliation rules, they need only a simple majority in the Senate to force significant cuts in mandatory spending or

taxes. Medicare and Medicaid would be the most likely targets, but Republicans also could explore ways to force changes in Obamacare, food stamps and energy programs. It's also possible the GOP could use reconciliation to move tax overhaul legislation.

TAX REFORM

The 114th Congress may finally be the one to push through what would be the first federal re-write of the tax code in three decades. This would have a major impact on the federal budget, as it would lead to changes in federal revenues. While the GOP is likely to push for a simpler tax code that would at minimum be revenue neutral and might even provide some tax cuts, Democrats are more likely to seek new revenues by closing tax code loopholes and redirecting those dollars to their spending priorities. Current House Budget Chairman Paul D. Ryan, (R-WI), is aiming to take the Ways and Means gavel in the new Congress, where he could write tax overhaul legislation.

POLICY RIDERS

A Republican-controlled Congress could seek to roll back administration policies by attaching policy riders to the annual spending bills. Such moves would likely force President Obama to wield his veto pen and could also raise the specter of a government shutdown if Congress can't agree on how to fund agencies.



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5 ENERGY ISSUES:

ENERGY EXPORTS

The U.S. oil and natural gas bonanza has pushed prices for both commodities downward, and while consumers and manufacturers may be happy with the current glut of resources, industry and economists warn the boom won't last unless federal agencies or Congress takes action to expedite exports. Expect a lot of discussion about the domestic impacts of more exports, as both sides of the debate sharpen their arguments in the coming months.

METHANE

Also threatening to rain on the energy parade is growing scrutiny over methane emissions from the energy sector. The Obama administration is in the process of implementing its strategy for curbing methane emissions, which may include new regulations on oil and gas production and refiners. Industry supporters on Capitol Hill will look to tamp down anything beyond voluntary measures, while pushing legislation to expedite the development of pipelines and other infrastructure that will reduce the flaring of methane from oil and gas production.

EPA REGULATIONS

Whether it's the proposed carbon rules for new and existing power plants, the upcoming updated ozone air quality standards, or its proposal to clarify the reach of the Clean Water Act, the EPA will remain at the forefront of Congress's agenda. Agency critics have already laid down legislative markers



addressing all of these regulations and expect to hear a great deal more as the EPA moves to finalize the rules in the coming months.

TAX REFORM

The stakes are high for all energy sectors in any discussions of a tax overhaul, with renewable and clean energy firms looking to “level the playing field” with incentives enjoyed by fossil-fuel producers. The oil and gas industry, meanwhile, will look to preserve its tax breaks. The lame-duck tax extenders debate will tee up the issue.

KEYSTONE XL

With control of the Senate, Republicans are already vowing to press legislation approving the pipeline, although they may choose to hold off a bit to see how the Nebraska Supreme Court rules in ongoing litigation that President Obama cited when he put the decision process on hold earlier this year.



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5 HEALTH CARE ISSUES:

HEALTH LAW REPEAL/ MODIFICATIONS

With Republicans controlling the Senate, expect votes on full replacement plans, such as those put forth by the Republican Study Committee and Sens. Coburn (R-OK), Hatch (R-UT), and Burr (R-NC). After that, Republicans could push narrower measures aimed at repealing the medical device tax, re-defining full-time work as 40 hours per week, repealing the Independent Payment Advisory Board, and possibly delaying the employer mandate. The device tax could become a bargaining chip in bigger talks, perhaps over the debt limit.

THE “DOC FIX”

Look for another short-term patch likely before the current one expires March 31, unless there is some agreement on how to pay for the 10-year patch floated by three committees last year. If it's a short-term fix, hospitals and other providers likely will take a hit in the form of offsetting Medicare payment cuts. Drug companies will probably escape unscathed again.

CHILDREN'S HEALTH INSURANCE PROGRAM

Funding expires Sept. 30 and states are getting anxious because they have to balance costs with spending on highways, schools, and prisons. The debate here is less about whether to renew the program than whether to do a clean reauthorization or seek program changes. The outcome and complexity of debate depend on whether Democrats retain the Senate.



EBOLA RESPONSE

Tens of millions of dollars could be shifted among accounts in the Defense and Labor-HHS spending titles. Watch for new efforts to subsidize big pharma development of vaccines and to funnel money to local health response. The administration is also likely to boost its request for the CDC and the NIH in the lame duck.

21ST CENTURY CURES

Watch for a possible overhaul of some FDA approval processes, portrayed as a way of delivering new, personalized drugs more quickly. House Energy and Commerce Chairman Fred Upton, (R-MI), is spearheading this effort with some Democratic support. Any bill's long-term prospects depend on finding supporters in the Senate.



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5 DEFENSE ISSUES:



BUDGET CAPS

The 114th Congress will be more Republican than the 113th. And America will still be at war. But will lawmakers therefore be more likely to provide the Pentagon with major relief from the spending caps in the budget control law? Not necessarily. Plenty of Republicans are happy with the caps on defense and domestic spending, because they have helped reduce annual budget deficits as a share of the nation's wealth. These Republicans won't easily drop what has worked. Democrats, for their part, are not likely to agree to release the reins on Pentagon spending without demanding concessions for the domestic agencies — concessions that Republicans will be wary of granting. Democrats' views still matter, because the GOP will lack a filibuster-proof Senate majority.

PRIORITIZING PROGRAMS

If Republicans are unable to raise defense spending caps substantially, something will have to give in the Pentagon budget. Will Congress finally require armed forces personnel and relatively wealthy military retirees to pay more for health care and other benefits? Will the Army shrink more than planned? Will the Navy's carrier fleet be downsized? And which new weapons will be eliminated or see their inventories bobbled — the F-35 fighter jet? Nuclear missile subs? The future bomber? The answer is likely to be some mix of all of the above, combined with an increase in the caps of at least several billion dollars a year, as has happened the last few fiscal years.

TERRORISM

Despite President Obama's insistence he won't involve large numbers of U.S. ground combat troops in the fight against the group known as Islamic State, wars, once launched, have a way of forcing leaders in unanticipated

directions. There's a decent chance America will find itself ensnared ever more deeply in the conflict against these jihadists. And the threat itself could change, or a new and more pressing threat could emerge elsewhere. Indeed, most of America's conflicts in recent years — from Bosnia to Haiti to Somalia to Afghanistan — have erupted in places no one was talking about the year before. Other war-related questions include: Will Congress write a new authorization for use of military force to cover wars after Iraq and Afghanistan, including the Islamic State conflict?

IRAN

Western powers are negotiating a deal to curtail Iran's nuclear program in exchange for sanctions relief. There's a chance the negotiations could be further extended for months, though that's already happened repeatedly and can't keep happening indefinitely. There are two other possibilities: a deal or no deal. If an agreement is reached, President Obama says it won't require congressional approval. But a more conservative Congress is likely to disapprove of whatever Tehran and western powers agree to and would in all likelihood clear legislation to force the president back to the drawing board with Iran.

CYBERSECURITY

Will Congress be able to clear legislation to provide legal authorities for new regimes to protect public and private computers from hackers, including cyber-warriors of other nations? The top imperatives driving such a bill are threefold: enabling U.S. companies to share threat information with the government without fear it could harm them competitively or through legal liability; augmenting and enhancing the federal cybersecurity workforce; and sharpening America's offensive and defensive capabilities in this realm.



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5 TECHNOLOGY ISSUES:

PRIVACY

The post-Snowden fallout has strained the relationship between the tech sector and the government in some important areas — notably, officials at Justice, the FBI and the White House have roundly condemned new encryption protocols from Apple and Google that they say could interfere with law enforcement's ability to collect evidence. The FBI's James Comey has said he wants Congress, or a government regulator, to consider forcing a single encryption standard for the private sector, but he's unlikely to find many fans of that idea in Congress.

NET NEUTRALITY

As the FCC continues its rulemaking process for an open Internet rule, the issue of how the commission can maintain net neutrality while getting around federal court precedent limiting its ability to act has gotten more complex, not less. The commission is now contemplating exactly which of its powers it would exercise to regulate broadband providers, and is considering viewing those Internet service providers wholly or partially as common carriers — a major change that Republican lawmakers oppose.

PATENT OVERHAUL

Some of the biggest players in the technology world have been calling on Congress for years to change the patent system in ways that they say would better suit the modern world. One major focus: making it harder for so-called "patent trolls" to file lawsuits. While nothing's going to pass in the lame duck, those looking for an overhaul will have a coalition of the willing next year: Bipartisan members in the House

and Senate who sponsored legislation this session are staying put and Orrin G. Hatch (R-UT), the heir apparent to the chairman's seat on the Senate Finance Committee, has already called patent legislation one of his top priorities for the 114th Congress.



DATA BREACHES

A rash of recent high-profile data breaches at big names like Target, Home Depot and J.P. Morgan Chase have shown that the data breach problem is only growing. Expect legislation next year that would create a single, nationwide standard for when and how companies would have to disclose data breaches to the government and the public, as almost everyone agrees that the current mishmash where almost all states have their own requirements isn't working well.

DRONES

The FAA's 2015 deadline to develop the means to integrate commercial drones into U.S. airspace is coming up fast. While the agency doesn't appear to be in any condition to meet that deadline — or even come close — applications for drone permits keep piling up from all corners of the private sector. That means the pressure on Capitol Hill to stop worrying and learn to love the drone won't just be coming from the aviation sector, but potentially from many other lobbying groups.



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5 TRANSPORTATION ISSUES:

SURFACE TRANSPORTATION REAUTHORIZATION

Speaker John A. Boehner, (R-OH), called a highway bill one of two things Congress and the White House can accomplish next year. Highway funding ends in May, so the clock is ticking. Meanwhile, there could be movement on Treasury Secretary Jacob J. Lew's proposal to dedicate more than \$100 billion in revenue gained from corporate tax reform to transportation funding now that the idea has won the support of Paul D. Ryan, (R-WI), likely chairman of the House Ways and Means Committee.

FAA REAUTHORIZATION

House Transportation and Infrastructure Committee Chairman Bill Shuster, (R-PA), wants the next FAA reauthorization to be "transformational." Among the issues to be considered: implementation of the NextGen air traffic control modernization project. The nation's airports are lobbying for an increase to the Passenger Facility Charge, from \$4.50 per travel segment to \$8.50, in order to pay for airport modernization and expansion. The airlines oppose this idea, arguing it might deter travel.

VACANCIES & SENATE CONFIRMATIONS

There are three high-level vacancies in agencies regulating transportation, including the head of the Pipeline and Hazardous Materials Administration, the chief of the National Highway Traffic Safety Administration, and the leader of the Federal Motor Carrier Safety Administration.



RAIL CONGESTION AND THE PRICE OF ENERGY

Members of Congress have been complaining loudly that freight rail delays — caused in part by the boom in rail shipments of oil — are hurting not only farmers trying to get their grain to market, but Minnesota taconite miners with inventories they can't ship, automobile manufacturers, and apple and cherry marketers in Washington state. Meanwhile, a continued decline in the price of oil would at some point make Bakken and other shale plays less economically viable — and would have ripple effects on energy consumers such as the airlines and on railroads such as Union Pacific which is a big shipper of sand for hydraulic fracturing.

EXPORT-IMPORT BANK

As part of the continuing resolution in September, Congress extended the Export-Import Bank's authority only through June 30. Conservatives such as House Financial Services Committee Chairman Jeb Hensarling, (R-TX), have been trying to scuttle the agency. And a battle has been underway between Boeing, some of whose customers use Ex-Im Bank loan guarantees to help buy airplanes.