STATE OF THE UNION 2015: PRESIDENT OBAMA PURSUES MIDDLE CLASS ECONOMICS AND POLICIES THAT “MAKE A DIFFERENCE”

On Tuesday, January 20, 2015, President Barack Obama delivered the annual State of the Union Address in the presence of the first Republican controlled Congress of his presidency. He celebrated a declining unemployment rate, the growing number of insured, high graduation rates, less dependence on foreign oil, and the end to combat in Afghanistan. "The shadow of crisis has passed and the state of the union is strong," claimed the president from the podium. Additionally, he outlined an agenda framed around middle class economics, "the idea that this country does best when everyone gets a fair shot, everyone does their fair share, and everyone plays by the same rules."

In order to achieve the goals of middle class economics, President Obama described policies that benefit working families. He labeled childcare a "national economic priority" for...
dual income-earning families and supported equal pay for women. Additionally, he called for a raise of the national minimum wage and a bill to grant workers seven days of paid sick leave. He continued to support his proposal for free community college.

President Obama also proposed changes to the tax code, including an increase in capital gains tax and closing the "trust fund loophole," which allows heirs to inherit appreciated assets free of tax. The President also illustrated policies aimed directly at middle class families, such as tax credits, education taxes benefits, and child-care tax incentives. For a fact sheet released by the White House on tax proposals referenced in the State of the Union address, please visit: http://content.govdelivery.com/attachments/USEOPWHPO/2015/01/17/file_attachments/356770/FactSheet.pdf

The President explicitly requested from Congress Trade Promotion Authority to pursue the Trans-Pacific Partnership and authorization to use force against the Islamic State. Additionally, he expressed support for a free and open Internet and the closing of Guantanamo Bay. To those in Congress seeking to repeal the Affordable Care Act or his Executive Actions on Immigration and Cuba, he promised a presidential veto.

President Obama encouraged Congress to pursue "a better politics" free of partisanship in order to make "a meaningful difference in lives of millions of families."

**IMMIGRATION: HOUSE HOMELAND SECURITY MARKS UP BORDER BILL**

On January 21, 2015, the House Committee on Homeland Security marked up H.R. 399, the Secure our Borders First Act. The bill requires the Secretary of Homeland Security to gain and maintain operational control of the international borders of the United States. "The Government Accountability Office determined the Department of Homeland Security (DHS) had less than half of the southwest border and only two percent of the northern border under operational control. This is not security by any measure," stated Chairman Michael McCaul (TX) regarding the necessity of passing the legislation.

The bill defines operational control as stopping or turning back all attempted border crossers. It includes language to add fencing and technology to the northern and southern borders, as well as better identify those who overstay their visas.

The Secure our Borders First Act of 2015 was reported favorably by a party-line vote of 18-12. House floor consideration is expected next week.

ECONOMY: SENATE FINANCE DECLARES TAX REFORM AND TRADE KEY TO ECONOMIC GROWTH

On Thursday, January 22, 2014, the Senate Committee on Finance held a hearing entitled, "Jobs and a Healthy Economy." Chairman Orrin Hatch (UT) relayed the committee's legislative priorities, which include tax reform and the renewal of Trade Promotion Authority (TPA) for international trade negotiations. Ranking Member Ron Wyden (OR) identified wage stagnation as an important issue for the middle class and indicated wage growth as the key to bringing the economic recovery "from a walk to a run."

Witness included The Honorable John M. Engler, President, Business Roundtable, Washington, DC; Dr. Robert E. Hall, Senior Fellow, Stanford University's Hoover Institution, and Professor of Economics, Stanford University, Stanford, CA; and Dr. Justin Wolfers, Senior Fellow, Peterson Institute for International Economics and Professor of Public Policy, Gerald R. Ford School of Public Policy and Professor of Economics, College of Literature, University of Michigan, Ann Arbor, MI.

Governor Engler encouraged Congress and the Administration to work together to adopt pro-growth policies. "These policies include maintaining fiscal stability, enacting pro-growth tax reform, expanding U.S. trade, investing in physical and digital infrastructure, fixing our broken immigration system and adopting a smarter approach to regulation," he testified.

Although the unemployment rate has improved, Dr. Wolfers indicated that real wages have not risen and that inequality has grown. He stated, "If these are the outcomes that our current market system is delivering, it suggests a potential role for the tax system in ensuring that the fruits of economic growth are more broadly shared," most notably by placing higher taxes on those with "unusually high returns." In terms of trade policy, Dr. Hall stated that earnings should be measured in terms of purchasing power. Therefore, "we should welcome imports from countries that are providing products at low prices," thereby raising the real income of American workers.

For more information, please visit: http://www.finance.senate.gov/hearings/hearing/?id=626b3e14-5056-a032-52da-38f3dfeb77ba.

EDUCATION: SENATE COMMITTEE DISCUSSES PLAN TO FIX NO CHILD LEFT BEHIND

The Senate Health, Education, Labor and Pensions Committee held its first hearing of the new Congress entitled "Fixing No Child Left Behind: Testing and Accountability" on Wednesday, January 21, 2015. No Child Left Behind (NCLB) expired seven years ago and revision has since been pending. NCLB requires seventeen annual federal standardized tests: seven in math and seven in reading once each year in grades 3-8 and once in high school in addition to three tests in science offered once in grades 3-5, 6-9, and in high school. Students often take additional state and local tests.

"Are there too many tests? Are they the right tests? Are the stakes for failing them too high? What should Washington, D.C. have to do with all of this?" asked Chairman Lamar Alexander (TN) rhetorically in his opening statement. The hearing focused on the balance of federal testing and data collection with local decision-making on accountability.

Witnesses included Marty West, Associate Professor of Education at the Harvard Graduate School of Education; Paul Leather, Deputy Commissioner of the New Hampshire Department of Education; Tom Boasbery, Superintendent of Denver Public Schools; Jia Lee, Fourth and Fifth Grade Special Education Teacher at the Earth School in New York City; Wade Henderson, President and CEO of the Leadership Conference on Civil and Human Rights and the Leadership Conference Education
"The most important flaw of the No Child Left Behind accountability system is its reliance on the level at which students are performing at a single point in time as a measure of school performance. Achievement levels are a poor indicator of school quality as they are heavily influenced by factors outside of the school's control. This approach … judges schools by the students they serve, not how well they serve them," explained Dr. West. Instead, he recommended annual federal testing in order to measure the level of learning from year to year, coupled with reinstatement to local entities of control over accountability systems.

Senator Elizabeth Warren (MA) criticized the Republican draft bill proposal released by the Committee for allowing states to submit a plan to receive federal funding while the Department of Education would lose meaningful tools to ensure that the states follow through on their plan for the most at-risk students. Child poverty, racial and ethnic background, immigration status, disabilities, and English language proficiency continue to affect student achievement data, although achievement gaps have narrowed since the passage of NCLB.

Superintendent Boasbery noted that accountability should not be punitive, but rather provide the opportunity to adjust instances of ineffectiveness in order to better serve all students. Teacher Jia Lee, self-identified as a teacher of conscience, emphasized a focus on students rather than a focus on data, and argued for diversity in the metrics used to determine achievement.

For more information, go to: http://www.help.senate.gov/hearings/hearing/?id=1ad5f642-5056-a032-52f2-57297bf23f2b

TECHNOLOGY: HOUSE EXAMINES NET NEUTRALITY ISSUE

The House Energy and Commerce Subcommittee on Communications and Technology convened on Wednesday, January 21, 2015 for a hearing entitled, "Protecting the Internet and Consumers Through Congressional Action." Similar to the Senate hearing on the same topic (see below), the House Subcommittee discussed the roles of the Federal Communication Commission's (FCC) and Congress in determining Internet authority. The committee issued a Discussion Draft of a bill prioritizing the principles of an open Internet.

Witnesses included Meredith Atwell Baker, President and CEO, CTIA-The Wireless Association; Chad Dickerson, CEO, Etsy; Paul Misener, Vice President of Global Public Policy, Amazon.com; Michael Powell, President and CEO, National Cable and Telecommunication Association; and Nicol Turner-Lee, Vice President, Chief Researcher and Policy Officer, Minority Media and Telecom Council.

"I am concerned about the unintended consequences of the current Draft bill," stated Representative Doris Matsui (Sacramento), who outlined the benefits of a bill that she introduced over the majority’s version. Matsui's bill has two components: "it bans paid prioritization agreements and it does not take away from the Commission's (FCC) authority." She further explained that the Republican Draft includes an overly broad definition of specialized systems that could serve as a loophole for paid prioritization schemes.

While supportive of the principles of an open Internet, Mr. Powell argued any decision made by the FCC, including reclassification under Title II of the Telecommunications Act, would result in years of litigation. "Five unelected regulators should not have the final word on these serious questions. The institution that represents 320 million Americans should decide them."

Representing a difference of opinion, Mr. Dickerson stated in his testimony, "We encourage the government to establish clear, bright line rules that ban paid prioritization, application-specific
discrimination, access fees, and blocking online, and to apply those rules equally to fixed and mobile broadband, and at the point of interconnection with last mile providers. We believe the FCC has all the authority it needs to implement such rules.” Ms. Gonzalez asked Congress not to interfere with the FCC, stating that Title II offers the strongest consumer protections possible. Echoing concerns raised by Representative Matsui, Mr. Misener suggested amendments that rectify paid prioritization loopholes and include the FCC.

For more information, please visit:

TECHNOLOGY: SENATE COMMITTEE SUPPORTS BASIC NET NEUTRALITY PRINCIPLES, DRAFTS LEGISLATIVE SOLUTION

In a hearing conducted on Wednesday, January 21, 2015 entitled "Protecting the Internet and Consumers Through Congressional Action," the Senate Commerce, Science and Transportation Committee discussed questions concerning the preservation of the open Internet. Chairman Tom Wheeler of the Federal Communications Commission (FCC) is expected to release a proposal next month in favor of net neutrality. However, the legal approach remains unclear, causing speculation as to whether the FCC will reclassify Internet service providers (ISPs) as common carriers under Title II of the Communications Act of 1934. Title II regulates common carriers to ensure that they act in the public interest.

Witnesses included The Honorable Meredith Attwell Baker, President and CEO of the CTIA-The Wireless Association; Mr. Gene Kimmelman, President and CEO of Public Knowledge; The Honorable Robert McDowell, Senior Fellow at the Hudson Institute; Mr. Paul Misener; Vice President of Global Public Policy at Amazon.com, Inc.; Mr. Tom Simmons, Senior Vice President of Public Policy at Midcontinent Communications; and Dr. Nicol Turner-Lee, Vice President & Chief Research and Policy Officer at Minority Media & Telecommunications Council.

Chairman John Thune (SD) described the current predicament: "The Federal Communications Commission believes it already has the answer - impose public utility regulations on the Internet. But there is well-founded fear that regulating the Internet like a public utility monopoly will harm its entrepreneurial nature, chill investment, and lead to prolonged litigation." The Discussion Draft released by the Committee supports the following principles of net neutrality: the ban of throttling and paid prioritization, net neutrality applicability to wireless services, and disclosure of practices by providers. The Chairman expressed a preference for providing rules for ISPs through the legislative process instead of supporting reclassification by the FCC under Title II.

The witnesses disagreed about the legal authority of the FCC. Ms. Baker argued that Congress defined broadband as an information service, even if its usage has expanded, and that the FCC does not have the legal authority to reclassify it. "If there is more regulation, there is less investment," Ms. Baker explained as to the implications of reclassification. In response, Mr. Kimmelman argued that Congress authorized the FCC to reclassify services according to its expertise. Mr. Misener stated that the inability to block consumer access to information is not detrimental to investment, thereby supporting the basic principles of net neutrality taken in the Draft Bill.

For more information, please visit:
http://www.commerce.senate.gov/public/index.cfm?p=Hearings&ContentRecord_id=7ba9cc4e-3cd8-44dd-bb84-fed5f6309ab2&ContentType_id=14f995b9-dfa5-407a-9d35-56cc7152a7ed&Group_id=b06c39af-e033-4cba-9221-de668ca1978a
HEALTH: HOUSE HEALTH SUBCOMMITTEE BUDGETS FOR MEDICARE REFORM

The Health Subcommittee of the House Energy and Commerce Committee convened its first meeting of the new session beginning on Wednesday, January 21, 2015 and reconvening on Thursday, January 22 for a hearing entitled, "A Permanent Solution to the SGR: The Time is Now." The Medicare Sustainable Growth Rate (SGR) restrains the growth of Medicare's reimbursements to physicians in order to curb federal spending, which can threaten the quality of care received by seniors. The primary question addressed by the Committee is how to responsibly pay for reform, particularly whether to include offsets.

In his opening statement, Chairman Joseph Pitts (PA) of the full committee stated, "Coming up with approximately $140 billion in offsets will not be easy, but it is a task we must embrace. Some argue that SGR reform does not need to be paid for. I respectfully disagree."

Representative Doris Matsui (D-CA) recommended rewarding value rather than volume through continuous funding: "More than half of Medicare beneficiaries live on incomes of $23,500 or less and cannot afford to pay more for their healthcare. We owe it to our doctors and their patients to provide much needed stability in the Medicare program."

Wednesday's witnesses included Joseph I. Lieberman, former United States Senator; Alice Rivlin, Co-Chair, Bipartisan Policy Center, Delivery System Reform Initiative and Director, Engelberg Center for Health Reform, The Brookings Institution; and Marilyn Moon, Institute Fellow, American Institutes for Research. Witnesses on Thursday included Richard Umbdenstock, President and CEO, American Hospital Association; Alan Speir, Medical Director, Cardiac Surgical Services for Inova Health System, and Chairman, Workforce on Health Policy, Reform and Advocacy, Society of Thoracic Surgeons; Eric Schneidewind, President-elect, AARP; Geraldine O'Shea, First Vice President, American Osteopathic Association Board of Trustees, and medical director, Foothills Women's Medical Center, Calif.; Barbara McAneny, Chairwoman, American Medical Association Board of Trustees, and CEO, New Mexico Oncology Hematology Consultants, Ltd.; and Ken P. Miller, Board President, American Association of Nurse Practitioners.

Dr. Moon indicated that paying for reform should not include cutting benefits to beneficiaries, such as increasing the qualifying age or premium rates. Dr. Rivlin testified to the importance of finding offsets that also demonstrate good health policy by eliminating inefficiencies within Medicare. Yet, she also noted, "Finding sufficient offsets will be a heavy lift and it may prove impossible to find enough. In that situation, a semi-permanent fix … would be far better than another one-year patch."

"In light of current and future savings in the Medicare program, Congress would be justified in not fully offsetting the costs of a permanent repeal at this time. Other bills are being discussed without offsets. SGR repeal is of equal or greater necessity, and should not be delayed due to budget rules," testified Eric Schneidewind on Tuesday.

Dr. O'Shea discussed the burdens of the current system and warned that if it is not resolved some physicians will have to stop practicing. She applauded the bipartisan, bicameral policy framework that was developed last year and, on behalf of the American Osteopathic Association, supported that legislative package. It would stabilize physician payments while transitioning from fee-for-service into a system that not only incentivizes the delivery of high-quality patient care, but also works to align the current quality reporting programs to ease the administrative burden placed upon physicians, allowing for more time to spend with patients, she testified.

For more information, please visit: http://energycommerce.house.gov/hearing/permanent-solution-sgr-time-now.
Criminal Justice: House Judiciary Committee Addresses Human Trafficking

The House Judiciary Committee convened on Wednesday, January 21, 2015 to consider committee rules, subcommittee assignments, and pending legislation. The committee also conducted a markup of four bills regarding human sex trafficking, the fastest-growing business of organized crime according to the FBI.

The bills considered were:

HR 350 - Human Trafficking Prevention, Intervention, and Recovery Act. A bill to direct the Interagency Task Force to Monitor and Combat Trafficking to identify strategies to prevent children from becoming victims of trafficking and review trafficking prevention efforts, to protect and assist in the recovery of victims of trafficking, and for other purposes.

HR 159 - Stop Exploitation Through Trafficking Act. A bill to provide incentives to states to adopt safe harbor laws that treat trafficked children as victims, rather than as criminals or delinquents.

HR 181 - Justice for Victims of Trafficking Act. A bill to support and protect domestic human trafficking victims by increasing and streamlining law enforcement resources, enhancing victims' services, and strengthening U.S. laws to ensure that both buyers and sellers engaged in sex trafficking are held accountable for their crimes.

HR 285 - Stop Advertising Victims of Exploitation (SAVE) Act. A bill to amend title 18, United States Code, to provide a penalty on those who knowingly advertise or profit from advertisements that offer the commercial exploitation of children and trafficking victims.

The Committee unanimously approved all four bills combating human trafficking. No amendments were adopted.

For more information, please visit:

Resources: LAO Releases Report on Delta


The report notes that the Delta faces several significant problems, including: (1) a decline in key native fish species, (2) reductions in the amount of Delta water available for use elsewhere, (3) water pollutants that cause harm to species and increase treatment costs, and (4) levees at significant risk of failure.

The state has engaged in numerous efforts to address these problems and achieve its "coequal goals" for the Delta: water supply reliability and ecosystem restoration. There are many opportunities for the Legislature to improve the success of these efforts, the report finds. LAO identified several issues for the Legislatures consideration, including (1) demands for Delta water, (2) uncertain funding sources and slow implementation of some key activities, (3) limits on the effectiveness of governance in the Delta, and (4) challenges to restoring the Delta ecosystem. By addressing some of these issues, LAO concludes, the Legislature can improve the likelihood that its goals and objectives for the Delta will be realized.

To obtain the report, go to: http://www.lao.ca.gov/Publications/Detail/3158