



February CEO Report

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If you have any questions or feedback on this newsletter, please feel free to contact me at (703) 558-3566 or jstewart@afia.org.

Warm regards,
John Stewart
AFIA's Manager of Government Affairs

By John Lauinger | 02/06/2017 07:00 AM EDT

Welcome to the February edition of the CEO Report, POLITICO Pro's high-level outlook on the policy issues driving the month ... and beyond.

An epic congressional debate around financial deregulation will kick off when House Financial Services Chairman Jeb Hensarling (R-Texas) unveils the text of a bill that would repeal and replace key pillars of the 2010 Dodd-Frank law. Hensarling's efforts got a big boost from President Donald Trump's executive order on Feb. 3 that opened the door to major changes in regulations. While the president will get to name nominees to key regulatory positions at independent agencies, it's up to Congress to actually change the landmark law. So all eyes are on how much support Hensarling gets for his legislation, not only in the House but also in the Senate, where Republicans would need some support from Democrats to make certain rollbacks. And though congressional Republicans generally back changes to Dodd-Frank, it's unclear how Senate GOP members will approach making significant revisions, Pro Financial Services' editor Mark McQuillan reports.

Fannie-Freddie countdown: Mortgage giants Fannie Mae and Freddie Mac are expected to announce 2016 earnings in mid-February. Since 2008, the companies have been wards of U.S. taxpayers, and by the end of this year they'll be devoid of capital. Congress and the Trump administration are tired of having two full-grown children living in the government's basement, and political momentum will start building to reform the companies. No one quite knows how this could be accomplished, but options range from recapitalizing them and setting them free from government control to abolishing them outright.

Derivatives deadline looms: Asset management companies are scrambling to delay the March 1 start date for derivatives collateral rules. That's the day businesses must post so-called variation margin - or the additional funds that they will demand from clients - for derivative swaps that don't go through clearing houses. The regulation, finalized in October 2015, was required by the 2010 Dodd-Frank Act as a means of curbing the risk posed by a product that has been blamed for fueling the financial crisis. The acting Republican chairman of the Commodity Futures Trading Commission, which regulates the securities, has said he's looking at options for a six-month transition period.

Yellen goes before lawmakers: Federal Reserve Chair Janet Yellen will face the Senate Banking and House Financial Services committees on back-to-back days - Feb. 14 and 15. She'll face questions on the expected course for monetary policy this year, the Fed's enormous balance sheet, and the central bank's plans for overseeing banks amid a

deregulatory push throughout the executive branch. The most interesting part, though, may be what can be gleaned from Yellen's views on the impact of the Trump administration's policies.

Beware, the flood: Congress is also expected to ramp up work on reauthorizing the National Flood Insurance Program, which expires at the end of September. The House has a head start, after the Financial Services Committee circulated a rough proposal last year.

HEALTH CARE

Where's the Obamacare replacement? Trump's first two weeks in office did little to provide an answer to perhaps the biggest outstanding policy question in Washington. Republican lawmakers will continue to work toward repealing the Affordable Care Act through a fast-track budget process as they struggle to reach consensus on how to replace the law.

Will the Price be right? Health care committees last week began to hold hearings on Medicaid and stabilizing the insurance marketplaces, but Republicans don't appear to be any closer to uniting around a replacement plan and some have increasingly been talking up the idea of "repairing" Obamacare - a rebranding of their effort. Trump has indicated that he could put forward his own plan once his pick for HHS secretary, Rep. Tom Price (R-Ga.), is confirmed - which could happen as soon as this week. And once Price is in place, we could see HHS quickly take some administrative steps to pare back Obamacare.

Tough road ahead: If the GOP needed a reminder of just how hard it will be to make good on their signature promise to voters, they got it over the weekend. On Saturday, a pair of Republican lawmakers representing reliably conservative districts on opposite ends of the country faced heated questions at town hall events from Obamacare supporters who insisted the GOP-led Congress rethink its push to deny millions of people their health insurance coverage. Things got so tough for Rep. Tom McClintock (R-Calif.) that police had to escort him out of a theater in Roseville, Calif., after the event, as the crowd shouted "Resist!" and "Shame!" Don't think that went unnoticed among the GOP rank-and-file.

Trump's health care lieutenants: Following Price's expected confirmation, it's also likely we'll see the president name his picks for other major health care agencies, including the FDA, NIH and CDC. Trump said last week that he already has a person in mind to head the FDA, promising that his selection will "streamline" the regulator to provide faster drug approvals. At NIH, Francis Collins, an Obama appointee, has stayed on as the research organization's director, but it leads to be seen whether Trump will look to keep him in the job permanently. - Jason Millman

TAX

Whither tax reform? We're expecting more developments on tax reform in February, and one of the things we'll be watching for is whether the House Ways and Means Committee will produce a bill after several months of jawboning and positioning on the issue. One of the most fraught elements is the "border adjustability" provision that keys the House plan, because it has split the GOP's corporate allies. Recall that importers, including big retailers, hate the provision, since it would tax the goods and materials they import. But exporters love it because it would mean a yuge tax break for them.

The division grew in January, when both sides forged coalitions to fight or promote border adjustability. It remains an open question whether House tax writers will be able to get importers and exporters on the same page so they can keep the provision, which is projected to be worth a cool \$1 trillion and will help to fund tax cuts included in the larger blueprint. Across the rotunda, Senate tax writers sound less than enamored of border adjustability. Senate Finance Chairman Orrin Hatch (R-Utah) said the Senate would be putting out its own proposal, not simply following the House's lead.

Tax Rx: With the dismantling of the Affordable Care Act slated to continue this month, lawmakers may decide the fate of the law's taxes. While Republicans have long reviled former President Barack Obama's health care law, not least for the raft of taxes it imposed, there's been talk of keeping some of those taxes to help ease the replacement part of the GOP's repeal-and-replace strategy. Not so fast, say Hatch and House Ways and Means Chairman Kevin Brady (R-Texas), who are united in their desire to scrap all Obamacare taxes.

Koskinen, again: Also on our radar is the fate of IRS Commissioner John Koskinen. After a post-election lull, a group of House Republicans is renewing a long-running campaign to get rid of Koskinen. (The GOP accuses him of obstructing the continuing investigation of the controversy that exploded in 2013 over the IRS's practice of giving extra scrutiny to conservative political groups that applied for tax-exempt status.) Before the election, impeaching Koskinen was a cause célèbre of a group of hardcore House conservatives, but the impeachment resolution fizzled on the House floor.

Now some GOP lawmakers are trying to take the effort mainstream. Members of the Republican Study Committee, which includes a majority of the House GOP caucus, started soliciting their colleagues' signatures for a letter to Trump calling on him to oust Koskinen "in the most expedient manner practicable." Senate Majority Leader Mitch McConnell also wants him gone. As the administration turns its attention to the next rung of presidential appointees this month, we may see action on Koskinen. Or maybe not. President Trump hasn't said or tweeted a cross word about Koskinen, though he's been no fan of the IRS in general - and Koskinen didn't do himself any favors by saying publicly during the campaign that there was nothing keeping someone from releasing his or her tax returns just because they're under audit. - Toby Eckert

ENERGY

Rollin' back those Obama regs: The deregulatory train is running at full steam through Congress. Two energy rules are ready to be axed as soon as President Trump signs a pair of Congressional Review Act resolutions lawmakers sent him last week - which would mark only the second and third times the obscure Clinton-era bill has been successfully utilized to undo regulation. More regulatory targets are on the agenda. "For the next 60 days around here, that's probably the most important legislative activity - moving these Congressional Review Act items through the chamber," said Rep. Tom Cole (R-Okla.). The Interior Department's stream protection rule, which aims to limit pollution from mountaintop coal mining, went into effect on the last day of the Obama administration and was the first regulation that Hill Republicans teed up for Trump using the CRA. Congress followed up by using the measure to mark for death an SEC rule requiring oil, gas and mining companies to disclose payments to foreign governments.

Next on the chopping block: Interior's venting and flaring rule, which is designed to limit methane emissions from oil and gas drilling. The House passed a resolution targeting that rule last week, and the Senate is expected to quickly follow suit. Anything finalized before last June is ineligible to be overturned via the CRA, so Republicans plan to encourage Trump's Cabinet to roll back older-vintage rules through the regulatory process. They are planning appropriations riders to block funding for less-recent rules they don't like, though spending bills - unlike CRA resolutions - are susceptible to Democratic filibusters in the Senate.

Cabinet waiting game: Trump's nominees to lead EPA and the Energy and Interior departments have all made it through committee, but it will be at least a week or more before the full Senate confirms them, because Democrats have slowed the confirmation process to a crawl. The Energy and Natural Resources Committee gave bipartisan support to Rep. Ryan Zinke (R-Mont.) to run Interior and former Texas Gov. Rick Perry to become Energy secretary - despite Senate Minority Leader Chuck Schumer declaring his opposition to both men last week. Oklahoma Attorney General Scott Pruitt's bid to run EPA has been more contentious, as Republicans on the Environment and Public Works Committee had to suspend procedural rules to muscle his nomination through Democratic boycotts. Floor time has not been scheduled for any of the three energy-related posts, and at least four other nominations are ahead of them in the queue. - Nick Juliano

TRADE

Lighthizer in the Senate spotlight: The short month of February promises a few important opportunities for President Trump and Congress to further shape the contours of their trade priorities. The Senate Finance Committee is expected this month to hold a confirmation hearing for U.S. Trade Representative-designate Robert Lighthizer now that lawmakers and staff have in hand a required ethics agreement and financial disclosure from the veteran trade attorney. The committee has not set a date for the hearing. The Senate this month is also likely to schedule a floor vote to confirm billionaire investor Wilbur Ross to serve as Commerce secretary. Also, the White House could begin to fill out key spots at the Office of the U.S. Trade Representative and the Commerce Department, where there are still many vacancies.

NAFTA news? The White House could formally notify Congress in February that it intends to renegotiate the North American Free Trade Agreement, which would allow talks to begin in May - though it's unclear how close the administration is to taking that step without its full trade team in place. In addition, on Feb. 9-10, House Democrats will hold their annual policy retreat, in Baltimore, where the caucus could discuss how to approach Trump's proposed trade policies, including possible renegotiation of NAFTA. And a next-month thing that's worthy of calendar inclusion: On March 1, USTR is due to release its annual report on the "president's trade agenda," giving the new administration an opportunity to outline its top priorities for 2017.

U.S.-Japan trade relationship will come into focus: Japanese Prime Minister Shinzo Abe visits the White House on Feb. 10. Japan is looking for a path forward after Trump's order formally withdrawing the U.S. from the Trans-Pacific Partnership. At the end of the month, the World Trade Organization will hold a General Council meeting on Feb. 27 in Geneva, where members will be eager to hear from any U.S. representative who might be able to shed light on the new administration's view of the global trading group. And Trump's favorite talking point on trade (how bad the TPP would have been for America) is also likely to come up in his Feb. 28 address to a joint session of Congress. - Adam Behsudi and Doug Palmer

BUDGET & APPROPRIATIONS

On deadline: The Trump administration could provide a few more details on its ambitious agenda when it rolls out its first budget, which could come later this month. The president was supposed to deliver his fiscal blueprint to Congress by today, but virtually all newly-elected presidents miss that first-Monday-in-February deadline, and Trump is no different. Still, Trump's budget, whenever it comes, will provide key information on his goals for defense and domestic spending, his tax reform plans and how he might like to replace Obamacare.

Waiting on Mick? The timing of Trump's budget may also depend on when Rep. Mick Mulvaney (R-S.C.), his nominee to head the Office of Management and Budget, is confirmed. Mulvaney's nomination has cleared two Senate committees and is ready for the floor - but a slew of other nominees are expected to get confirmation votes first. Senate Democrats are firmly opposed to Mulvaney, a founding member of the hard-line House Freedom Caucus, who backs controversial changes to Social Security and Medicare. Defense hawks are also wary of Mulvaney because of past votes to cut Pentagon spending, but he is expected to be confirmed on a largely party-line vote. - Ben Weyl

IMMIGRATION AND EMPLOYMENT

Trump and the Dreamers: Will the political and legal fallout surrounding President Trump's executive order banning U.S. entry to residents of seven majority-Muslim nations stay the president's hand on Dreamers? Candidate Trump vowed to eliminate the Deferred Action for Childhood Arrivals program, which President Obama created in 2012 to allow undocumented immigrants brought to the U.S. as children to apply for work permits without fear of deportation. But so far, the president hasn't touched the program; U.S. Citizenship and Immigration Services, which administers it, continues to accept and process applications. White House press secretary Sean Spicer and Homeland Security Secretary John Kelly say the administration will prioritize removal of criminals - sending an implicit message that Dreamers will be safe, even as a draft executive order, published by Vox, suggests the administration may soon end the program and halt renewal of work authorization documents.

Two takes on DACA : Leon Fresco, a partner at law firm Holland & Knight, spent three years working on immigration issues as a deputy assistant attorney general at the Obama Justice Department, and more than five years on the Democratic staff of the Senate Judiciary Committee, where he worked on a 2013 bipartisan immigration reform bill. Fresco says reverberations from the immigration order give Trump a powerful incentive to leave DACA alone. "I wouldn't bet the kids' college fund on it, but I do think that would [prompt] an instantaneous lowering of the temperature," he said. Mark Krikorian seems to agree. He's executive director of the Center for Immigration Studies, a group that favors lower levels of immigration, both legal and undocumented. He said he was surprised and displeased that Trump didn't end DACA on the first day of his administration. "It's not clear at all to me that they're going to end it," Krikorian told POLITICO. "The fact is every day that goes by, it becomes as much his program as Obama's." - Ted Hesson

CYBERSECURITY

Waiting on POTUS: Cyber watchers are waiting on President Trump to sign a long-anticipated executive order pertaining to the cyber realm. The administration was ready to sign it in the waning days of January, even scheduling a briefing with reporters ahead of an expected signing ceremony. But the White House held off at the final moment, sparking speculation about whether the order was still going through additional edits (it had already changed considerably from an unconfirmed early draft that was circulated). If it goes official, the order will give a high-level view of how the Trump administration wants to approach cybersecurity. It's an order that cyber specialists say breaks little new ground, but appropriately continues slowly following the cyber path blazed by the past two administrations. The topline is that Trump wants to hold agency heads more accountable for digital security at their respective agencies, but how he intends to do that is the big question.

Let's dig in on Russia: On Capitol Hill, Congress is finally forging ahead on a bevy of investigations into Russia's alleged digital meddling in the 2016 presidential race. There are now five total probes into Moscow's suspected activities - four in the Senate and one in the House. Senate lawmakers heading the upper chamber's probes are trying to coordinate efforts, meeting intermittently to make sure everyone stays in their own lanes. Some lawmakers still want to consolidate the various Hill investigations, pushing for a select congressional committee or independent, outside commission to be formed. A group of Democrats and GOP lawmakers who are hawkish on Russia is also continuing a parallel push to levy additional penalties against Russia, as Trump weighs his approach to the sanctions the Obama administration slapped on the Kremlin. An early February tweak to the sanctions - meant to fix possible unintended consequences from the penalties - gave an example of the type of outrage a full rollback might engender.

Empty posts: Several weeks into Trump's presidency, many key cyber posts remain unfilled across the government. It's still not known, for instance, who will take on the top cyber positions at the White House's National Security Council. Joshua Steinman is expected to inherit one of those roles, but his portfolio has not been officially determined. The Department of Homeland Security is also waiting for permanent replacements for critical cyber officials, such as Andy Ozment, the department's recently departed assistant secretary for cybersecurity and communication. - Cory Bennett

DEFENSE

Mattis takes over: We're still awaiting word on when Defense Secretary Jim Mattis will visit Capitol Hill, though leaders of the House and Senate Armed Services committees hope to have him testify before their panels soon. Mattis got to work quickly after the Senate confirmed him on Inauguration Day, launching reviews of the Pentagon budget and programs to develop the F-35 fighter and a new Air Force One - both have been targeted by President Trump for high costs. The retired four-star Marine general also embarked on his first trip abroad, visiting South Korea and Japan as tensions rise in the Asia-Pacific.

More nominees on the way: The Senate Armed Services Committee hasn't taken up any other Defense nominations after giving Mattis a quick approval. Chairman John McCain (R-Ariz.) says he'd like to see the Pentagon posts of deputy secretary, chief weapons buyer and the civilian service secretaries filled as soon as possible. "We have no inclination ... to hold them up," he said. The president had named all three service secretaries, but on Friday, billionaire financier Vincent Viola withdrew as Trump's choice for Army secretary because of the difficulty he faced in separating himself from his vast business dealings to avoid conflicts of interest.

Follow the money: Mattis has ordered Deputy Defense Secretary Bob Work, who is holding over from the Obama administration for a while, to review the current fiscal year budget in order to craft a supplemental spending proposal as well as a new budget request for fiscal 2018. The supplemental request will result in a higher topline, Mattis said, adding that some "lower-priority programs" could be cut. It's due at OMB by March 1, and the full fiscal 2018 budget proposal by May 1. - Connor O'Brien

TECHNOLOGY

Trump and Silicon Valley: The quickly evolving relationship between tech companies and the Trump administration is front of mind. Tech, a Democratic-leaning industry, made overtures to President Trump after the election, in the hopes of shaping policy to its liking. But after a well-received meeting in December at Trump Tower brokered by Trump adviser and venture capitalist Peter Thiel, the relationship has gone south. CEOs who have signed on to advise the White House are under pressure from employees and customers to speak out against potential changes to policies on immigration and LGBT rights.

The furor over Trump's immigration order, for example, led Uber to face customer backlash and a trending Twitter hashtag to delete the app. That prompted its CEO, Travis Kalanick, to drop out of a business advisory group to the president, which met with Trump on Feb. 3. And several companies, including Google and Apple, haven't been shy about criticizing the part of Trump's immigration order that places restrictions on travelers from seven majority-Muslim countries. Much attention is being paid to tech's next moves. Those could include additional executives opposing Trump's actions and tech intensifying its efforts to influence the conversation on immigration, especially as it relates to changes pertaining to H-1B visas for high-skilled foreign workers.

Regulations and the FCC: The commission, now under the leadership of GOP Chairman Ajit Pai, will this month hold its second meeting since Pai took on the top post. He's taken steps to set the stage for rolling back the Obama-era net neutrality rules, which govern whether wireless providers can give preference to certain content. - Angela Greiling Keane

AGRICULTURE

USDA needs a leader: The Senate Agriculture Committee this month is expected to take up the nomination of former Georgia Gov. Sonny Perdue to serve as Agriculture secretary, though a date for a confirmation hearing has not been set. Perdue is expected to sail through confirmation, but sources familiar with the process say they expect it to take a few weeks for his financial disclosures, including for his business holdings, debt and income sources, to be thoroughly analyzed for any conflicts of interest and for his FBI background check to be completed. Confirming Perdue would give USDA the leadership it needs to start crafting and advancing the Trump administration's agricultural agenda, much of which remains a mystery in food and agriculture circles.

Farm bill kickoff: Buckle up, because the long road to crafting the 2018 farm bill is about to kick into gear. The Senate Agriculture Committee announced it will hold its first hearing on the omnibus farm legislation on Feb. 23 at Kansas State University, in Manhattan, Kan. That's Chairman Pat Roberts' home turf. Roberts said the meeting will give him and Ranking Member Debbie Stabenow (D-Mich.) a chance to hear what's working and what's not. - Helena Bottemiller Evich

TRANSPORTATION

The 'I' word: Like the rest of Washington, transportation watchers will spend much of February trying to figure out which way the wind will blow under the new administration. There are two big things on the radar: Whether the big infrastructure package that President Trump has talked up will become reality, and what position 1600 Pennsylvania Avenue will take on whether to separate air-traffic control from the FAA.

Reality check: Both items will be hotly discussed, but it's unlikely either will see significant movement until spring. Leaders in the House have indicated they won't know how much money they have for any infrastructure package until they finish the budget in the spring. When it comes to the FAA bill, the House has announced that a series of about five hearings will be held on various aspects of the bill. That will take some time to plow through logistically - in part, so the proper due diligence is performed, but also because it's likely to give the new administration time to decide where it stands on the air-traffic control issue. All of that means it's unlikely that House Transportation Chairman Bill Shuster (R-Pa.) will even introduce his bill until spring. - Kathryn A. Wolfe

EDUCATION

GOP looks to rip up Obama's Education regs: Republicans in Congress are moving ahead on plans to erase some of the Education Department regulations finalized during the Obama administration. House Republicans have filed Congressional Review Act resolutions to stop the Obama administration's teacher preparation regulations and its accountability rule under the Every Student Succeeds Act. Other education regulations that also could be on the chopping block under the Congressional Review Act include the borrower defense-to-repayment rules and a set of regulations governing state oversight of colleges and universities. If the CRA resolutions pass in coming weeks, the regulations would be blocked and the department, under the law, would also be prohibited from writing new, similar rules unless Congress grants them power to do so. - Michael Stratford

E-HEALTH

Conference, yes; big headlines, probably not: With the annual HIMSS conference coming Feb. 19-23, the eHealth world is wondering whether President Trump's health team will be settled enough by then to provide a sense of where things are going. HIMSS is traditionally an opportunity for HHS, CMS and ONC to enlighten the health IT world about their work, which is of great interest this year with implementation of payment reform and the 21st Century Cures Act on the docket. Telemedicine expansion and the EHR incentive program, meaningful use, are also matters of great moment, at the moment. Rep. Price may not be sworn in as HHS secretary until the week of Feb. 13, with CMS nominee Seema Verma cooling her heels behind him, and that could mean that HIMSS won't be the source of headlines we might hope for.

New direction on meaningful use: Once the HHS team gets settled, however, expect some prompt signs of new direction for the meaningful use program and for the Office of the National Coordinator for Health Information Technology (ONC). HHS may end up canceling the expanded electronic health record oversight program that ONC released last fall, and if Price and Verma were to decide to cancel Stage 3 of meaningful use, ONC's very existence could come into question. - Arthur Allen.

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