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POLICY SCAN

2018

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Friends,

On behalf of Dentons' US public policy practice, we're delighted to present Policy Scan 2018, a comprehensive crystal ball for the new year's policy and political landscape.

Navigating this new year, like the new Washington, can be a fraught proposition, but our hope for this report is a simple but significant one: that it proves a useful resource to you in navigating the United States' complex and turbid legislative and regulatory climate.

The Policy Scan draws on the expertise and insights of a renowned, bipartisan public policy practice that includes a former Speaker of the US House, former members of Congress, state attorneys general, US diplomats, and senior federal and state political and policy advisors.

Our counsel is shaped by unparalleled reach and experience in Washington, 50 state legislative chambers, governors' mansions, and city halls across the country. Our counsel is what distinguishes us: read the report and, we think, you'll see why.

Dentons' US public policy practice includes federal policy and political professionals, a 50-state network of premiere state political professionals, and the nation's largest bipartisan attorneys general practice. This report is a reflection of their hard work last year, and readiness to take on the challenges of the next. We invite you to share Policy Scan 2018 with your colleagues and contacts and give us your feedback.

Sincerely,

Eric Tanenblatt
Chair, Public Policy

Michael Zolandz
Chair, Federal Regulatory
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Partner

A look ahead with former Speaker Newt Gingrich and former Governor Howard Dean

HOWARD DEAN

The year's Congressional activities came to a close with a massive tax reduction package passed without any Democratic input or support. The good news for corporate clients is that most will pay significantly less in taxes to the Federal Government. The bad news for the GOP is that 61% of the electorate believes the bill does little for them personally, making the signature GOP achievement of the first year with control of the House, the Senate and the White House a liability for November of 2018.

It is likely, given the past history of mid-terms, that the House will be Democratic 13 months from now, and there is a reasonable possibility, despite the difficult map, that the Senate and a number of State Legislatures and Governor's offices will also be controlled by the Democrats, in part aided by the outrage of young voters over the Trump administration's attacks on net neutrality, climate change and National Monuments. Voters under 30 voted 69% D in Virginia in November, and they turned out in unusually high numbers. That won't change the tax bill, but it will end the parade of conservative judges being confirmed by party-line votes, and will limit the attempts at changing regulations by executive orders.

Most economists, including conservatives, believe the deficit will be very negatively affected by the tax bill. Coupled with the unwinding of Quantitative Easing on both sides of the Atlantic and modestly rising interest rates, I would expect the economy to do well, but I think the soaring valuations in the stock market will be reined in by more wary investors.

NEWT GINGRICH

Historians will look on 2017 as the year in which President Trump began learning how to be an effective President.

Despite enormous and unending news media hostility, virtually unanimous opposition by Democrats and a "resistance" movement among mobilized left wing activists, Trump steadily consolidated his power and capabilities.

From naming a young conservative to the Supreme Court to the largest number of Appeals Court judges ever confirmed in the first year of a Presidency, Trump has begun to put his mark on the judiciary. Collaborating with Leonard Leo and the Federalist Society, President Trump has begun to nominate young conservatives who will shape the judiciary for the next 40 years. Senate Majority Leader McConnell has done a brilliant job of forcing through the nominations in the Senate.

Trump's second great achievement has been the most radical deregulatory process in modern times. Not since Calvin Coolidge in the 1920s has there been such a methodical effort to cut red tape and return power from Washington to the rest of the country.

Trump's third great achievement was learning the lesson of legislative leadership in the failure to repeal Obamacare and using a much more sophisticated approach that got the massive tax cut bill through Congress.



DEAN (CONTINUED)

The good news for the Pharmaceutical Industry is that Scott Gottlieb at FDA appears to be reducing approval times for a variety of new products. Not so good news for the industry is that even Republicans are vocal about the high cost of prescription drugs without yet fully internalizing the role that pharmacy benefit managers, hospitals, insurers and others play in those price levels . Expect more blockbuster mergers like CVS/Aetna. This consolidation is really a result of the ACA, and will likely accelerate in search of both profits and cost controls.

Finally, expect the continued dilution of American influence in the world. The America First platform has reduced our diplomatic clout and our ability to use soft power abroad. We are still important players in part because our military remains the strongest in the world.

Europe does not believe that they can rely on the US so they are recalibrating to a less dependent status re: economic and human rights. At the same time, our most important European ally, the UK, is rapidly taking itself out of the influential position they have long held in Europe and the rest of the world. Even our largest trading partner, Canada, has an extensive free trade agreement with the EU as an insurance policy against the failure of the NAFTA negotiations.

The one constant we can predict with accuracy about the Trump administration is that it is unpredictable. That may be helpful in real estate negotiations, but it is not a characteristic which creates confidence in diplomatic or economic ventures.

GINGRICH (CONTINUED)

Trump's fourth achievement was increasing mastery of international relationships, and the release of the National Security Strategy was notable both for how early it was completed (well before other administrations) and for how many profound changes in principle and in policy it contains.

Trump faces three challenges going into 2018.

First, will the economy grow rapidly enough that the American people identify "Trumpism" with more take home pay and more jobs? This is the key to Republicans winning in November.

Second, will the various scandals involving Trump associates, Clinton, Russia etc continue to grow or gradually fade away?

Third, will North Korea be managed without war?

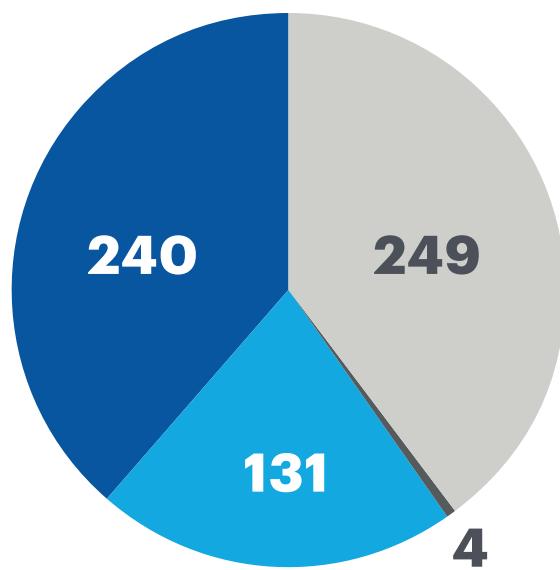
This will strike some as a remarkably positive view of 2017, but I would argue that the hatred of the elite media has distorted everything about how Washington elites think about Trump.

The emphasis among elites is on the noise—tweets that outrage, leaks about investigations, etc. Yet in the long run none of that will matter as much as substantive achievements.

Trump Administration Confirmations

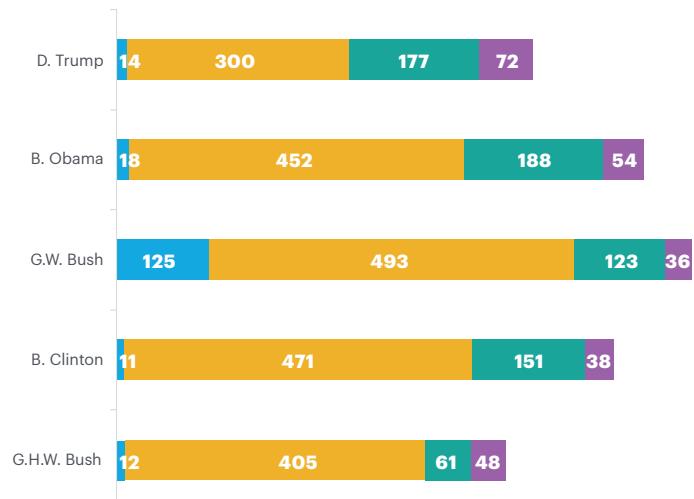
Despite the Senate's confirmation on December 21 of over two-dozen remaining Trump Administration nominees before adjourning for the year, President Trump, as a result of factors both within and outside of his Administration's control, ended his first year in office trailing his four immediate predecessors significantly in total number of confirmations and average time to confirmation per nominee.

Of 624 key Trump administrations positions requiring Senate approval, 240 have been confirmed



With an even narrower Republican majority in the Senate during the 2nd Session of the 115th Congress in the wake of the Alabama special election, and as the White House and agency heads continue to spar over the selection of would-be nominees, in 2018 President Trump's total number of confirmations are expected to continue to lag behind those of the last four presidents during their respective second years in office.

Comparison of Presidential Nominees Requiring Senate Approval



Dates of Interest 2018

Event	Date	Event	Date
Federal Reserve Releases FOMC Minutes from December meeting	01/03	CHIP Reauthorization	03/2018
Transportation Research Board Annual Meeting	01/07	Raising the Debt Limit	03/2018
FERC decision on DOE Baseload-Reliability Proposal	01/10	DACA Visas Expire	03/05
President Trump must certify (or not) Iranian compliance with JCPOA	01/11	Pennsylvania Special Election - 18th District	03/13
Deadlines for USG's extension of temporary waivers of sanctions against Iran under terms of JCPOA	01/12-17	Illinois Primary Elections	03/20
Current CR expires	01/19	Federal Reserve - FOMC Meeting	03/20-21
FISA Section 702 Reauthorization expires	01/19	FAA Funding and Reauthorization	03/31
Solar ITC Case	01/26	Senate Budget Committee to Report Concurrent Resolution on the Budget	04/01
NAFTA Renegotiations Round 6	01/23-28	Federal Reserve - FOMC Meeting	05/1-2
State of the Union Address	01/30	House Appropriations Committee Starts Considering Annual Bills	05/15
Federal Reserve - FOMC Meeting	01/30-31	House Appropriations Committee Target for Reporting Last Annual Spending Bill	06/10
EPA Administrator Scott Pruitt testifies before Senate EPW Committee	01/31	House Target for Completing Action on Annual Spending Bills	06/30
President Trump Submits FY 2019 Budget Request	02/05	Federal Reserve - FOMC Meeting	06/12-13
NCAI Executive Council Winter Session February	2/12-15	Mexican Presidential Election	07/01
CBO Submits report to Budget Committees	02/15	Federal Reserve - FOMC Meeting	07/31-08/01
Republican Governors Association Meeting	02/22-25	Michigan Special Election - 13th District	08/07
Democratic Governors Association Meeting	02/23-25	U.N. General Assembly Meeting	09/18
National Governors Association Winter Meeting	02/23-26	Federal Reserve - FOMC Meeting	09/25-26
EPA CPP Replacement Rule Public Comment Period closes	02/26	FY 2019 begins	10/01
Arizona Special Election - 8th District	02/27	Federal Reserve - FOMC Meeting	11/07-08
National Association of Attorneys General Winter Meeting	02/26-28	2018 Midterm Elections	11/06
		Federal Reserve - FOMC Meeting	12/18-19

NEED THESE DATES IN OUTLOOK?

Download the entire 2018 US Policy Scan congressional calendar and key dates directly into your Microsoft Outlook calendar.

Visit www.dentons.com/en/policyscancalendar



Congressional Calendar 2018

Senate scheduled to be in session							House scheduled to be in session							House and Senate scheduled to be in session							
January							February							March							
Su	M	Tu	W	Th	F	Sa	Su	M	Tu	W	Th	F	Sa	Su	M	Tu	W	Th	F	Sa	
01	02	03	04	05	06			01	02	03				01	02	03					
07	08	09	10	11	12	13	04	05	06	07	08	09	10	04	05	06	07	08	09	10	
14	15	16	17	18	19	20	11	12	13	14	15	16	17	11	12	13	14	15	16	17	
21	22	23	24	25	26	27	18	19	20	21	22	23	24	18	19	20	21	22	23	24	
28	29	30	31				25	26	27	28				25	26	27	28	29	30	31	
April							May							June							
Su	M	Tu	W	Th	F	Sa	Su	M	Tu	W	Th	F	Sa	Su	M	Tu	W	Th	F	Sa	
01	02	03	04	05	06	07		01	02	03	04	05			01	02					
08	09	10	11	12	13	14	06	07	08	09	10	11	12	03	04	05	06	07	08	09	
15	16	17	18	19	20	21	13	14	15	16	17	18	19	10	11	12	13	14	15	16	
22	23	24	25	26	27	28	20	21	22	23	24	25	26	17	18	19	20	21	22	23	
29	30						27	28	29	30	31			24	25	26	27	28	29	30	
July							August							September							
Su	M	Tu	W	Th	F	Sa	Su	M	Tu	W	Th	F	Sa	Su	M	Tu	W	Th	F	Sa	
01	02	03	04	05	06	07		01	02	03	04	05			01						
08	09	10	11	12	13	14	05	06	07	08	09	10	11	02	03	04	05	06	07	08	
15	16	17	18	19	20	21	12	13	14	15	16	17	18	09	10	11	12	13	14	15	
22	23	24	25	26	27	28	19	20	21	22	23	24	25	16	17	18	19	20	21	22	
29	30	31					26	27	28	29	30	31		23/30	24	25	26	27	28	29	
October							November							December							
Su	M	Tu	W	Th	F	Sa	Su	M	Tu	W	Th	F	Sa	Su	M	Tu	W	Th	F	Sa	
01	02	03	04	05	06			01	02	03					01						
07	08	09	10	11	12	13	04	05	06	07	08	09	10	02	03	04	05	06	07	08	
14	15	16	17	18	19	20	11	12	13	14	15	16	17	09	10	11	12	13	14	15	
21	22	23	24	25	26	27	18	19	20	21	22	23	24	16	17	18	19	20	21	22	
28	29	30	31				25	26	27	28	29	30		23/30	24/31	25	26	27	28	29	

Congressional Retirements

Texas loses 8 Members that have served 73 terms (about 146 years) including the Chair of the House Financial Services Committee.

Pennsylvania loses 4 and Michigan and Tennessee each lose 3 Members.

- Michigan loses Members that have served 46 terms (over 92 years) including the Ranking Member of the Judiciary Committee
- Tennessee loses Members that have served 28 terms (56 years) including the Chairs of the House Budget Committee and Senate Foreign Relations Committee
- Pennsylvania loses Members that have served 28 terms (56 years)

HOUSE GOP RUNNING FOR HIGHER OFFICE

District	Member	2016%
TN-6	Black	Trump +48.9
IN-6	Messer	Trump +40.3
IN-4	Rokita	Trump +34.1
NM-2	Pearce	Trump +10
ID-1	Labrador	Trump +38.3
OH-16	Renacci	Trump +16.6
PA-11	Barletts	Trump +23.8
SD-AL	Noem	Trump +29.7
WV-3	Jenkins	Trump +49.2

HOUSE DEMS RUNNING FOR HIGHER OFFICE

District	Member	2016%
AZ-9	Sinema	Clinton +16.3
CO-2	Polis	Clinton +21.3
MN-1	Walz	Trump +14.9
TX-16	O'Rourke	Clinton +40.7
MD-6	Delaney	Clinton +15.1
NV-3	Rosen	Trump +1.0
HI-1	Hanabusa	Clinton +32.6
NM-1	Grisham	Clinton +16.5

HOUSE GOP RETIRING OUTRIGHT

District	Member	2016%
VA-6	Goodlatte	Trump +24.8
TX-5	Hensarling	Trump +28.4
TX-6	Barton	Trump +12.3
TX-21	Smith	Trump +10
FL-27	Ros-Lehtinen	Clinton +19.6
PA-15	Dent	Trump +7.6
WA-8	Reichert	Clinton +3
OH-12	Tiberi	Trump +11.3
NJ-2	LoBiondo	Trump +4.6
KS-2	Jenkins	Trump +18.4
TX-3	Johnson	Trump +14.2
TN-2	Duncan	Trump +35.4
TX-2	Poe	Trump +9.3
MI-11	Trott	Trump +4.4
PA-18	Murphy	Trump +19.6
AZ-8	Franks	Trump + 21.1
TX-27	Farenthold	Trump + 23.6
PA-9	Shuster	Trump + 19

SENATE DEMS RETIRING OUTRIGHT

State	Member	2016%
MN	Franken	Clinton + 1.5%

Arizona, Ohio, New Mexico, Kansas, and Indiana each lose 2 Members.

- Arizona loses Members that have served 15 terms (30 years) and one of its Senators
- Ohio loses Members that have served 13 terms (26 years)
- New Mexico loses Members that have served 10 terms (20 years)
- Kansas loses Members that have served 9 terms (18 years)
- Indiana loses Members that have served 7 terms (14 years)

20 States currently lose a single Member Including Virginia, which loses the Chair of the House Judiciary Committee who has served 13 terms (26 years)

SENATE GOP RETIRING OUTRIGHT

State	Member	2016%
TN	Corker	Trump + 26.15
AZ	Flake	Trump + 3.57%
UT	Hatch	Trump + 19

HOUSE DEMS RETIRING OUTRIGHT

District	Member	2016%
IL-4	Gutierrez	Clinton +68.9
MI-3	Conyers	Clinton +60.7
MI-9	Levin	Clinton +7.8
NH-1	Shea-Porter	Trump +1.6
MA-3	Tsongas	Clinton +22.8
TX-29	Green	Clinton +45.7
NV-4	Kihuen	Clinton +4.9

SPECIAL ELECTIONS

Arizona 8th District special election primary; 02/27
Texas primary elections; 3/06
Pennsylvania 18th District special election; 03/13
Illinois primary elections; 3/20
Michigan 13th District primary election; 8/07

Election 2018

History does not favor the GOP majorities in the House or Senate. And neither does the generic ballot. Or the current voter intensity. History tells us that the party with the White House loses seats in the midterms. Since 1946, the mean result for a president's party in midterms is a loss of 25 House seats. The median result is a loss of 22 seats. Democrats need to pick up 24 to take the majority. In 16 of 18 elections, the president's party has lost seats. The most recent three midterm elections — 2006, 2010, and 2014 —

have all been “wave” elections in which there was a backlash against the president’s party. The generic ballot shows a large Democratic lead. And we know the party out of power hungrily lusts for it back. Can the GOP defy the odds? The bright spots are that the Senate map favors the GOP and Democratic hopes for retaking the chamber in 2018 seems like a major stretch. The House map, with the help of redistricting and geography, is also tilted, ever so slightly in Republicans’ favor. But is it waterproof?

SENATE TOSS UP 4D - 3R

State	Democratic	District	Republican
IN	Joe Donnelly	AZ	Flake (open)
MO	Claire McCaskill	NV	Dean Heller
WV	Joe Manchin	TN	Corker (open)
MN	Tina Smith		

For Democrats, 10 of their seats at risk are in states Trump won, and five of those are in states Trump won by 18 points or more. In comparison, only one Republican senator in a state Clinton won, Dean Heller in Nevada, is on the ballot

HOUSE TOSS UP 4D - 17R

District	Democratic	District	Republican	District	Republican	District	Republican
MN-1	Walz (open)	AZ-2	Martha McSally	IA-1	Rodney Blum	NJ-11	Roden Frelinghuysen
MN-8	Richard Nolan	CA-25	Steve Knight	IL-6	Peter Roskam	NY-19	John Faso
NH-1	Shea Porter	CA-48	Dana Rohrabacher	MI-11	David Trott	TX-7	John Culberson
NV-3	Jacklyn Rosen	CA-49	Darrell Issa	MN-2	Jason Lewis	VA-10	Barbara Comstock
		CO-6	Mike Coffman	NE-2	Don Bacon	WA-8	Reichert (open)
		FL-26	Carlos Curbelo	NJ-2	LoBiondo (open)		

SENATE LEANER 4D - OR

State	Democratic	District	Republican
FL	Bill Nelson		
ME	Angus King (I)	NONE	
ND	Heidi Heitkamp		
OH	Sherrod Brown		

Hillary Clinton won the national popular vote by 2.1 percentage points. However, she lost the median House district by 3.4 percentage points.

HOUSE LEANER 6D - 22R

District	Democratic	District	Republican	District	Republican	District	Republican
AZ-1	Tom O'Halleran	FL-27	Ros-Lehtinen (open)	KS-2	Jenkins (open)	NY-22	Claudia Tenney
CA-7	Ami Bera	CA-10	Jeff Denham	KS-3	Kevin Yoder	PA-6	Ryan Costello
FL-7	Stephanie Murphy	CA-39	Ed Royce	KY-6	Andy Barr	PA-7	Patrick Meehan
NJ-5	Josh Gottheimer	CA-45	Mimi Walters	ME-2	Bruce Poliquin	PA-8	Brian Fitzpatrick
NV-4	Ruben Kihuen	GA-6	Karen Handel	MI-8	Michael Bishop	PA-15	Dent (open)
		IA-3	David Young	MN-3	Eric Paulsen	TX-23	Will Hurd
		IL-12	Mike Bost	NJ-7	Leonard Lance	TX-32	Pete Sessions
						UT-2	Mia Love

Election 2018 (continued)

SENATE LIKELY 5D - OR

State	Democratic	District	Republican
MT	John Tester		NONE
NJ	Robert Menendez		
PA	Robert Casey		
WI	Tammy Baldwin		
MI	Debbie Stabenow		

HOUSE LIKELY 10D - 16R

District	Democratic	District	Democratic
AZ-9	Sinema (open)	NH-2	Ann Kuster
CA-24	Calud Carbajal	NY-3	Thomas Souzzi
FL-13	Charles Crist	OR-5	Kurt Schrader
IA-2	Dave Loebssack	PA-17	Matthew Cartwright
MN-7	Colin Peterson	WI-3	Ron Kind

There are 23 House Republicans representing districts Clinton won, which provide solid pickup opportunities. However, there are also 12 Democrats representing districts Trump won who will have to play defense

District	Republican
CA-21	David Valadao
CA-50	Duncan Hunter
FL-18	Brian Mast
GA-7	Rob Woodall
IL-13	Rodney Davis
IL-14	Randy Hultgren
MI-7	Tim Walberg

District	Republican
MT-AL	Greg Gianforte
NC-2	George Holding
NC-3	Robert Pettenger
NC-13	Ted Budd
NJ-3	Tom MacArthur
NM-2	Pearce (open)
NY-1	Lee Zeldin

District	Republican
NY-11	Daniel Donovan
NY-24	John Katko
OH-1	Steve Chabot
OH-15	Steve Stivers
OH-16	Renacci (open)
PA-16	Lloyd Smucker
VA-2	Scott Taylor
VA-5	Thomas Garrett
WI-6	Glenn Grothman

SENATE SOLID 18D - 5R

State	Democratic
CA	Dianne Feinstein
CT	Chris Murphy
DE	Tom Carper
HI	Mazie Hirono
MD	Benjamin Cardin

State	Democratic
MA	Elizabeth Warren
NM	Martin Heinrich
NY	Kristen Gillibrand
RI	Sheldon Whitehouse
VT	Bernie Sanders (I)

State	Democratic
VA	Tim Kaine
WA	Maria Cantwell
MN	Amy Klobuchar

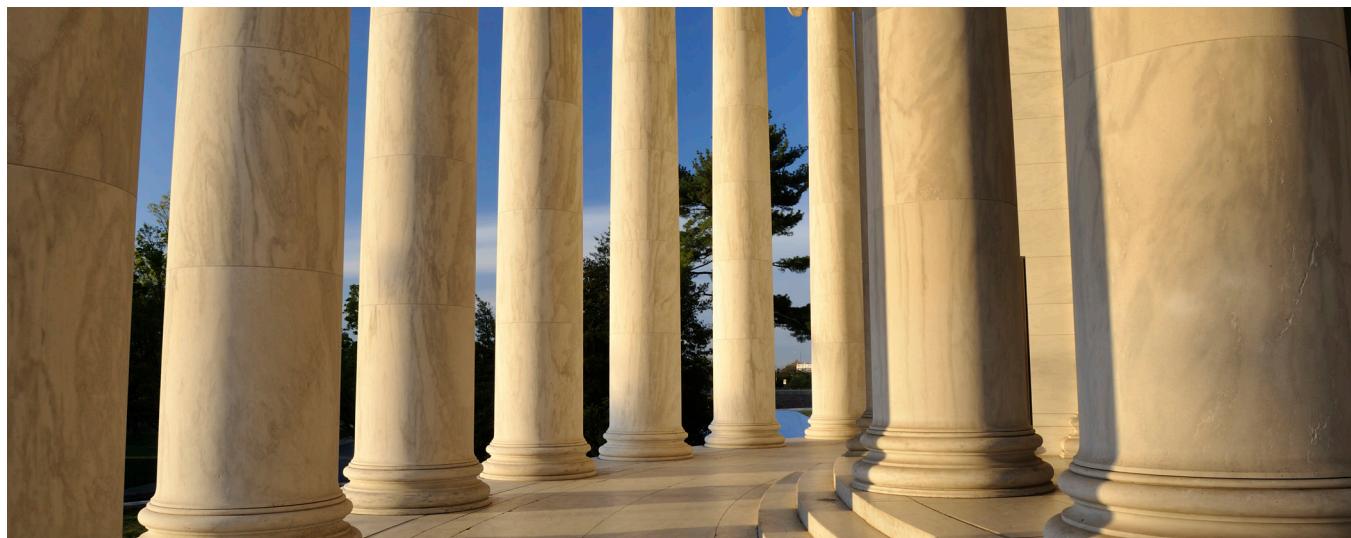
State	Republican
TX	Ted Cruz
MS	Roger Wicker
NE	Deb Fischer
UT	Orrin Hatch
WY	John Barrasso

**GENERIC BALLOT ONE YEAR OUT
AND ELECTION RESULT**

Year	Average	Seat gain
Dec '93	Republican + 2.5	Gop + 54 House / Gop + 9 Senate
Dec '95	Democrats + 1.5	Dem + 2 House / Gop + 2 Senate
Dec '97	Democrats + 3	Dem + 4 House / Senate even
Dec '99	Democrats + 4	Dem + 1 House / Dem + 4 Senate
Dec '01	Republican + 4.6	Gop + 8 House / Gop + 2 Senate
Dec '03	Republican + 2.6	Gop + 3 House / Gop + 4 Senate
Dec '05	Democrats + 79	Dem + 31 House / Dem + 5 Senate
Dec '07	Democrats + 10	Dem +21 House / Dem + 8 Senate
Dec '09	Republican + 2	Gop +63 House / Gop + 6 Senate
Dec '11	Republican + 9.4	Dem + 8 House / Dem + 2 Senate
Dec '13	Republican + 2.4	Gop + 13 House / Gop + 9 Senate
Dec '15	Republican + 1.1	Dem + 6 House / Dem + 2 Senate
Dec '17	Democrats + 8	???????

HISTORICAL RECORD OF MIDTERM ELECTIONS

Year	President	Party	House Seats	Senate Seats
1966	Lyndon B. Johnson	Democratic	D - 47	D - 3
1970	Richard Nixon	Republican	R - 12	R +1
1974	Gerald Ford	Republican	R - 48	R - 4
1978	Jimmy Carter	Democratic	D - 15	D - 3
1982	Ronald Reagan	Republican	R - 26	0
1986	Ronald Reagan	Republican	R - 5	R - 8
1990	George H. W. Bush	Republican	R - 8	R - 1
1994	Bill Clinton	Democratic	D - 54	D - 8
1998	Bill Clinton	Democratic	D + 5	0
2002	George W. Bush	Republican	R + 8	R +2
2006	George W. Bush	Republican	R - 30	R - 6
2010	Barack Obama	Democratic	D - 63	D - 6
2014	Barack Obama	Democratic	D - 13	D - 9



POLICY ISSUES IN THE 2ND SESSION OF THE 115TH CONGRESS

It's often said that elections have consequences. When it comes to passing major legislation, so do election years and 2018 is not expected to be the exception! Lawmakers engaged in tough re-election campaigns are often reluctant to support controversial pieces of legislation that could damage them with voters in their districts and states.

Further complicating this scenario is the fact that Majority Leader Mitch McConnell and House Speaker Paul Ryan have very clear and substantial differences about what issues to pursue in 2018. Speaker Ryan wants to swing for the fences in 2018 by pursuing such issues as welfare entitlements reform — subjects that are poison pills for most Congressional Democrats. Speaker Ryan also wants to pursue deficit reduction legislation and a balanced budget amendment, issues that are clearly non-starters with most Democrats in the Senate.

In contrast, given his need for 60 votes to pass legislation, Leader McConnell envisions 2018 as a year of more limited initiatives such as a potential DACA fix, a regulatory relief bill important to community banks and credit unions reforming the Dodd-Frank Act, and perhaps even an infrastructure bill. Leader McConnell has explicitly rejected making welfare reform and entitlement curbs a part of the 2018 agenda given what he sees as the impossibility of pursuing these proposals on a bipartisan basis.

While both parties will speak of the need for bipartisanship and frequently bemoan its absence, Congressional Democrats are unlikely to provide President Trump and Congressional Republicans with much support for major legislative initiatives unless these proposals strongly reflect Democratic priorities. Simply put, it is not too cynical to say, when considering potential legislation in 2018, going into the election, Senators and Members of both parties will often be asking the question: would they rather pass the bill or have the issue that stems from the failure to pass such legislation?

Recently, President Trump outlined his 2018 legislative goals as including a health care fix to replace what he sees as the failures of Obamacare, an infrastructure plan that he hopes will be bipartisan (although providing only \$200 billion in direct government funding over 10 years is not likely to attract Democratic support) and various legislative proposals to reform the welfare system through more work requirements and to reduce the social safety net.

Most, if not all of these proposals involve substantive changes that cannot be achieved through the reconciliation process that was used in December to pass the tax cut bill. Thus, to move these bills forward, 60 Senate votes, not 50 will be required. Even where the reconciliation process can be employed in 2018, getting 50 Republican votes for these proposals in an election year will be difficult, and thus, some support from Senate Democrats is likely to be required.

While it is difficult to pass legislation in an election year, Republicans will face pressure to deliver on campaign pledges ahead of the November mid-terms. Moreover, recent Presidents have achieved significant legislative victories in their second year in office. In 2002, President Bush secured trade promotion authority and received Congressional approval for the use of military force in Iraq. In 2010, Congress passed the Affordable Care Act and the Dodd-Frank Wall Street Reform and Consumer Protection Act, two of President Obama's largest legislative achievements.

First session holdovers

Government Funding

- Congress passed, and the President signed, another stopgap continuing resolution (CR) extending federal government funding through January 19, 2018
- Enactment of another CR is likely to be required by January 19th to give Congressional negotiators enough time to negotiate an omnibus spending bill, funding the government through the end of the FY 18 fiscal year (9/30/18)

Sequester spending caps

- Must be raised in January 2018 by Congress if Members and Senators want to pass the spending hike approved by Senate and House DOD Appropriations bills and avoid automatic cuts to programs such as Medicare (including \$26 billion in 2018 alone) and domestic spending. Exceeding the spending caps will take 60 votes in the Senate thus giving Senate Democrats considerable leverage in spending negotiations.
- Congressional Democrats are unlikely to support any bill that raises defense spending caps without a corresponding increase in the caps on non-defense spending.

Deferred Action for Childhood Arrivals (DACA) deal

- President Trump deferred implementation of his order ending the program until March 5, 2018 in order to give the Congress time to pass DACA fix legislation protecting these children from deportation if it elected to do so.
- Majority Leader Mitch McConnell (R-KY) has promised to take up a DACA fix bill in January 2018 if a bipartisan deal can be reached, but it's not clear that such a deal can come together, especially since House Speaker Paul Ryan (R-WI) is said to have promised House conservatives not to take up any DACA fix bill that does not have the support of a majority of House Republicans.

Senate "PAYGO" waiver

- Concurrently with the passage of the most recent CR in December 2017, Congress waived certain "PAYGO"

requirements triggered by the tax cut bill in order to avoid immediate cuts to mandatory spending programs

Federal Debt Limit

- In November 2017, the Congressional Budget Office (CBO) estimated that unless the debt limit is increased or suspended, by using all available extraordinary measures such as temporarily borrowing from such accounts as the Thrift Savings Plan's G fund, the Treasury will probably have enough cash to make its usual payments until late March or early April 2018.

Disaster aid

- The Senate is expected to take up disaster aid early in January after leaving Washington without acting on an \$81 billion disaster aid bill that the House passed in December. The bill had a funding level that Senators from Texas, Florida and California, among others, and those interested in aid to Puerto Rico consider to be grossly inadequate.

Health Insurance Market Stabilization Legislation

- Senator Susan Collins (R-ME) made a deal with Republican Congressional leadership to have the Senate take up and pass in December 2017 two health insurance Obamacare market stabilization bills — one providing two years of cost-sharing reduction payments and a second funding "reinsurance" programs — in exchange for her support in December of the tax cut bill and the current CR. When many House Freedom Caucus balked at consideration of these bills in connection with either the CR or the tax cut bill, Senator Collins agreed to defer consideration of these measures until January. Notwithstanding the resistance of many House conservatives to these bills, Majority Leader McConnell is still expected to have the Senate take up these measures early in 2018.

Longer-Term Reauthorizations for Surveillance reform, CHIP and Flood Insurance

- The current CR that became law in December included short-term extensions of a Foreign Intelligence

Surveillance Act (FISA) electronic surveillance program and the current flood insurance authorization through January 19, 2018. It also provided temporary funding for the Children's Health Insurance Program (CHIP) through March 31, 2018 although many believe this funding could well be exhausted in February.

- In the negotiations to pass either further CRs or ultimately an “omnibus” funding the federal government for the rest of FY 18, a number of Senators and Members are likely to make a long-term reauthorization of each of these programs the price for their support of either further CRs or an omnibus spending bill.

Tax Extenders legislation

- In late December 2017, Senate Finance Committee Chairman Orrin Hatch (R-UT) released what’s known as a “tax extenders” bill that would continue a long list of tax breaks, many of which expired at the end of 2016.

- They were not included in the Republican tax cut bill that became law in December. Congress could end up spending time early in the first quarter of 2018 considering whether to pass this extenders package.

DSH Cuts

- The ACA’s disproportionate share hospital (DSH) payment allotment reductions for Medicaid technically went into effect on October 1, 2017, and the hospital industry is lobbying hard for the cuts to be postponed. If CHIP is reauthorized, it is expected that the DSH cuts will be postponed as part of that package. States can use Medicaid DSH to reimburse hospitals for the unreimbursed cost of providing hospital care to Medicaid and uninsured patients.

2017 OUTCOMES



TAX

With the Tax Cuts and Jobs Act signed into law by President Trump on December 22nd, many affected businesses and organizations will shift their focus from Congress to the Treasury Department.

[Here](#) is the Dentons report on the new law.

The speed with which the Tax Cuts and Jobs Act was drafted and its enactment so late in 2017 mean that the Treasury Department—especially the IRS—will be spending much of 2018 developing rules, forms, and guidance to interpret and implement the new rules.

The changes made by the Tax Cuts and Jobs Act are wide-ranging and, in many cases, almost immediately effective. So, taxpayers have the standard questions that follow enactment of any tax bill: how the IRS intends to interpret particular provisions, how taxpayers make elections or obtain other relief, etc.? Only this time the questions are voluminous and the need for answers urgent. Further, the Tax Cuts and Jobs Act includes provisions with which neither taxpayers nor the IRS has any experience, particularly the new deduction for pass-through entities and the new rules for taxpayers that engage in cross-border activities.

These provisions will force taxpayers to revisit their structure, arrangements, and activities, often in fundamental ways, putting intense pressure on the Treasury Department to issue quick and comprehensive guidance to taxpayers in those areas in particular.

BUDGET

Unless an omnibus spending deal becomes law in short order which seems highly unlikely, the Trump Administration will release its FY19 budget proposal in early February 2018 without even knowing how much money Congress will be spending in 2018.

Depending on when and whether an omnibus spending deal is reached, the Congressional Budget Committees could also be required to prepare and adopt an FY19 budget resolution covering the period through at least September 30, 2019 without even knowing how much money Congress will be spending in 2018.

TRADE

Enforcement actions are a high priority of the Trump Administration, and enjoy political support in Congress. Outside of high profile (but routine) antidumping and countervailing duty investigations on newsprint, large civil aircraft and aluminum sheet, the enforcement agenda has been driven by novel cases including Section 232 national security investigations on aluminum and steel imports and safeguard investigations on solar products and washing machines. Consistent with the recently released National Security Strategy, which stated that the US “will no longer turn a blind eye to violations, cheating, or economic aggression,” the Trump administration may take further action against Chinese trading practices, as well as other countries viewed as threats to US economic and/or national security.

NAFTA 2.0

NAFTA is still being renegotiated, with Round VI scheduled for the end of January in Montreal. The prospects of modernizing this 24-year old agreement have mobilized various sectors in the economy that are seeking amendments to existing elements of NAFTA and entirely new chapters to reflect digital commerce, new practices in agriculture and regulatory cohesion, to name just three. The Trump administration has stated that the three countries need to reach an agreement on an updated NAFTA by next March, well ahead of the July 2018 Mexican Presidential election, the November 2018 US midterm elections, and next year's Canadian provincial elections. Many Governors, business and agriculture groups in the US are hoping that the Trump Administration doesn't follow through on its threat to tear up NAFTA, and instead remains at the negotiating table long enough to update the agreement, or at least preserve the status quo.

Multilateral Trade agreements with the US are unlikely to move forward, as withdrawal from the Trans-Pacific Partnership shows, but the Trump administration could make progress on a number of bilateral trade agreements with Japan and the United Kingdom, albeit moving at a snail's pace.

The US trade policy conversation has been dominated by the NAFTA renegotiations, the Trump administration's resurrection of Section 232 national security investigations on aluminum and steel, Section 201 safeguard investigations on solar panels and washing machines and high-profile dumping and subsidy cases involving softwood lumber,

aircraft and newsprint. While these contentious issues garner much of the attention, Congress will also have renewal of the Generalized System of Preferences (GSP) and a Miscellaneous Tariff Bill (MTB) on its radar in 2018.

IMMIGRATION

An ad hoc House GOP working group has finished developing a list of immigration reforms Republicans would want addressed in exchange for allowing people brought illegally into the US as children to remain here. House Speaker Paul Ryan charged the group in September 2017 with finding a way to solve the latter problem that the broader GOP could support. Its members presented their plan the Tuesday before Christmas to President Donald Trump.

The proposal has three components:

- Reform of legal immigration policies: End chain migration, in which immigrants are allowed to bring additional family members into the country, and the diversity visa program, an immigrant visa awarded by lottery. Create an agricultural guest worker program, a measure long sought by the agricultural industry. Improve the visa security program, including additional ICE agents at high-risk embassies overseas to ensure thorough vetting of people coming to the US
- Border security: Funding for Trump's border wall. Make other improvements to border security, and further secure US ports of entry. Increase border security personnel and the use of the National Guard.
- Interior enforcement: Require all employers to use the federal E-Verify system when hiring workers. (E-Verify lets employers compare workers' employment eligibility forms with Social Security and other records to make sure the information matches. Crack down on "sanctuary" cities that refuse to work with federal immigration law enforcement. Reduce asylum fraud, in which applicants lie about being persecuted in their homeland. Criminalize overstaying one's visa, and no longer take in unaccompanied minors who cross the border.

Visa Reform

Senators Chuck Grassley (R-IA) and Dick Durbin (D-IL), both long-time H-1B reform advocates, reintroduced their bill for revamping the program early in 2017. The bill was first introduced in 2007. H-1B visas are in high demand,

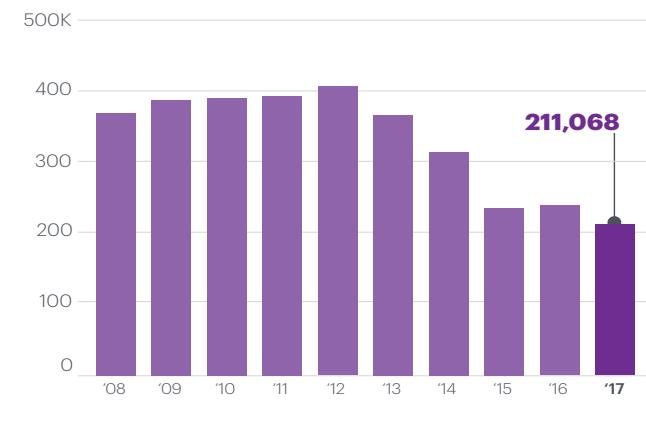
with three times more applications filed in 2016 than the annual limit of 85,000. But the program has also been highly contentious.

The proposed bill would eliminate the visa lottery system and task the US Citizenship and Immigration Services with creating a "preference system" so that foreign students educated in the US get priority on visas. It would give a "leg up" to advanced degree holders, those being paid a high wage, and those with valuable skills.

Other elements of the bill, called the H-1B and L-1 Visa Reform Act, include giving the Department of Labor "enhanced authority" to review, investigate and audit employers sponsoring H-1B visas and L-1 visas (for foreigners who've worked in an overseas branch of the company and request transfer to the US). It would also establish wage floors for L-1 workers.

In the House, Representative Darrell Issa, a California Republican, introduced a bill that aims to make it more expensive and complicated for companies to use H-1B visas. Rep. Zoe Lofgren, a Democrat who represents Silicon Valley, has a more comprehensive bill that would award visas based on which employers offer the highest salaries.

Number of deportations by fiscal year



CLIMATE

The Trump administration will continue its efforts to unwind Obama-era climate change regulations and begin a formal process of reviewing, critiquing and possibly seeking to debunk the underlying science of man-made climate change. In late December, EPA released an Advanced Notice of Proposed Rulemaking seeking comments on a potential

replacement rule to the Clean Power Plan, the centerpiece of the Obama administration's climate change efforts that established standards for CO₂ emissions on existing power plants. In 2018, EPA may move forward on proposing a much narrower rule that focuses merely on reducing CO₂ emissions by increasing efficiency at existing power plants.

On the international stage, while the administration is intent on withdrawing the US from the Paris climate accord under the United Nations Framework Convention on Climate Change (UNFCCC), the trend of "subnational" actors, such as cities and states, filling that void continues to grow through, e.g., cities' embrace of smart growth planning principles—environmentally sustainable policies to reduce carbon emissions across transportation, power and other sectors. When the US completes the lengthy withdrawal process in 2020, it will be the only country in the world not signed on to the accord. Former New York City Mayor Michael Bloomberg and California Governor Jerry Brown founded, and are leading ongoing subnational engagement efforts under, "America's Pledge"—an initiative that aims to bring together states, cities, businesses, universities and citizens to ensure that the US delivers on its pledge under the Paris Agreement.

ENERGY

Executive Action

Early 2018 could see executive branch actions that could have significant impacts on the energy sector. First, the Federal Energy Regulatory Commission (FERC) faces a January 10, 2018 deadline to respond to the Department of Energy's (DOE) Notice of Proposed Rulemaking on grid resiliency pricing, which would allow certain coal and nuclear power plants to recover their costs of service. DOE's NOPR is opposed by a diverse group of stakeholders, including the renewable energy and natural gas sectors, and it remains to be seen as to whether FERC can come together on either a temporary or long-term measure that would provide support for coal and nuclear power plants in organized electricity markets. In addition, President Trump, who has advocated taking a more aggressive approach in tackling allegedly abusive trade practices, must make a decision by late January 2018 on whether to impose tariffs on imports of solar cells and modules. Utilities and solar companies have argued that the imposition of tariffs and quotas on solar imports would significantly raise the cost of solar installation and production, thereby undermining an industry that has grown substantially over the last several years. The Trump administration is

also expected to forge ahead with lease sales that would open up additional offshore and onshore areas for oil and gas development.

Comprehensive Energy Legislation

On the legislative side, Congress could consider an infrastructure package that could include energy provisions, such as reforms of permitting processes for pipelines, transmission lines and hydropower projects. Senate Energy and Natural Resources Committee Chairwoman Lisa Murkowski (R-AK) and Ranking Member Maria Cantwell (D-WA) re-introduced last year their bipartisan comprehensive energy bill, which includes infrastructure, efficiency and supply titles, but their House colleagues have yet to express an interest in moving a large energy package.

WATER RESOURCES

In the coming year, we expect the Trump administration to take a hard look at water operations West-wide to determine whether additional water supplies can be developed by revisiting how environmental standards are applied. We also believe there will be a renewed emphasis on drought resiliency projects to help communities prepare for and respond to prolonged periods of abnormally low rainfall, albeit with the administration looking for state, local and private partners to assume more of the costs for these infrastructure improvements than traditionally has been the norm. Legislatively, Senator Jeff Flake (R-AZ) is expected to introduce, early next year, comprehensive, West-wide water legislation that is expected to build off of the recently enacted Water Infrastructure Improvements for the Nation Act (the WIIN Act), which, in large measure, was intended to address water issues in California. We expect Flake's bill to focus on streamlining the permitting process, address groundwater depletions, provide new financing tools and possibly authorize the transfer of federal water resources infrastructure to state and local governments and in some cases, private interests. We anticipate that this effort will be coordinated with the administration's pursuit of a more general infrastructure package.

Water Resource Development Act

The Water Resource Development Act (WRDA), which authorizes the US Army Corps of Engineers' civil works program, is expected to be taken up by Congress in early 2018. Such works programs are important for maritime commerce and port operations, as well as for flood damage

reduction and environmental restoration. Congress has had recent success with the reauthorizations of these programs, passing legislation in both 2014 and 2016, and is expected to stay on its two-year cycle with this bill.

HEALTH CARE

Health care policy will continue to require congressional attention as members address the ailing Obamacare insurance exchange marketplaces, funding for the children's health insurance program (CHIP), potential entitlement reforms that could impact both the Medicare and Medicaid programs, and maneuvers to rein in drug costs.

Obamacare

In 2017, Republican factions found themselves unable to reconcile differences between senators wanting complete Obamacare repeal and those favoring a more measured approach to fixing the current healthcare law. Four separate Senate Obamacare repeal bills failed in 2017. However, the tax legislation signed into law by President Trump removed one of its most major features—health insurance mandate penalties—despite the fears of many moderate Republicans and Democrats that eliminating the penalty, in combination with the administration's October 12 decision to end cost-sharing subsidy payments, will further destabilize the exchange marketplaces and raise premium rates.

Market Stabilization

The 39 states using healthcare.gov saw Obamacare enrollments for 2018 outpace sign-ups for 2017, but fall short of expectations due to the shortened enrollment season (see attached chart). On November 28, the President reached an agreement with Senate leaders to consider the Alexander-Murray stabilization bill early in 2018.

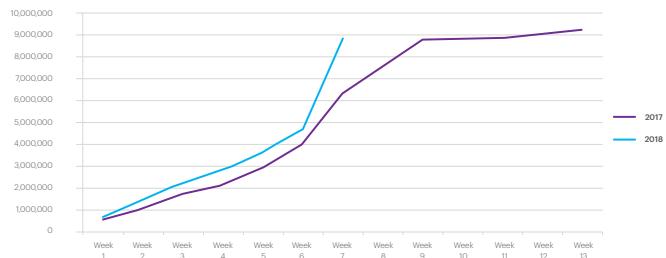
While Senator Susan Collins (R-ME) supported the Senate Republican tax cut bill in November in exchange for what she said was a promise by the leadership to take up and pass the so-called Alexander-Murray bill and other proposals to stabilize the health insurance exchange markets under Obamacare, Speaker Paul Ryan said that he was not a party to such an agreement and did not support such a commitment. Given the Speaker's refusal to honor the alleged promise to Senator Collins, it remains to be seen what steps, if any, Congressional Republicans are prepared to take to stabilize the finances of the existing ACA health insurance exchanges and thereby control the costs to consumers.

CHIP/Medicare Cuts

CHIP funding remains a priority. A deal to fund the program for five years is expected later this month. Under the 2010 "pay-as-you-go" law known as PAYGO, the \$1.5 trillion tax cut bill deficit would have triggered automatic spending cuts to programs, including a \$25 billion cut to Medicare in 2018 alone. But the House and Senate waived the required cuts as part of the CR that became law in December 2017 preventing a government shutdown.

House Speaker Paul Ryan has signaled Republican plans to cut spending on Medicare, Medicaid and welfare programs as a way to trim the federal deficit, but supporters of such plans do so at their peril in an election year. Several members of Congress and the administration are also looking closely at prescription drug costs. Uncertainty is the watchword in Congress as members debate the level of government control over health care and the impact of a pullback on insured populations.

2017 vs. 2018 Obamacare Enrollments (healthcare.gov)



Medicaid

Medicaid reform was one of the most substantial initiatives included in the recent Affordable Care Act (ACA) repeal-and-replace legislative efforts; bills would have impacted not just ACA Medicaid expansion, but would have also imposed per capita caps on states and created block grant options. However, since Medicaid reform turned out to be controversial, it seems unlikely, given the looming midterm elections, that Congress will enact substantial Medicaid reform in 2018. That being said, Medicaid reform may well make another appearance in entitlement reform efforts. On the administrative side, changes to the Medicaid program may come through approval of state requests for waivers from statutory requirements. Such requests may be made under Section 1115 of the Social Security Act. CMS Administrator Seema Verma advised states on Medicaid

waivers in the past, and a number of states have pending waiver requests to impose work requirements on many Medicaid recipients. Approval of these requests (which is expected) may result in litigation by Medicaid beneficiary advocates.

Why Obamacare repeal is hard

- 1. Politics meets reality.** Trump's stated goal of better coverage at a lower cost is nearly impossible.
- 2. The math is tough.** No Democratic support for repeal and Senate procedural rules limited the scope of what could be changed.
- 3. Entitlements politically challenging.** ACA provided insurance exchange coverage and expanded Medicaid. Entitlements are relatively easy to give and hard to take away.
- 4. Divided GOP.** Conservatives sought full repeal; most moderates and GOP governors with Medicaid expansion wanted to keep it.
- 5. Bully Pulpit Limitations.** Obama's approval during ACA was 64%. Trump's approval during the repeal debate was around 40% and many Republicans see limited downside to bucking the president.

Many Medicaid stakeholders are also waiting to see whether the Trump administration revisits a Medicaid managed care rule issued by the Obama administration in May 2016. The rule imposed strict new requirements on states moving their delivery system to managed care, which is now the predominant delivery system in Medicaid.

340B Drug Discounts

Pharmaceutical companies are concerned about the growth of the 340B Drug Pricing Program that mandates the sale of outpatient drugs to hospitals and other covered entities at reduced prices saving hospitals between 25 and 50 percent. Hospitals respond that 340B program savings empower them to meet HRSA's broad goal of helping the nation's most vulnerable patients and providing comprehensive health services. Congress held hearings in 2017 examining the lack of program oversight. Then the Centers for Medicare & Medicaid Services (CMS) issued a regulation last fall that slashes many 340B hospitals' Medicare Part B drug reimbursement by \$1.6 billion (almost 30 percent). Hospitals

filed a legal challenge and legislation was introduced in November that the regulation's changes to payment for drugs and biologicals purchased under the 340B drug discount program "shall have no force or effect." We expect drug pricing and the 340B program to be a source of continued legislative and regulatory activity in 2018.

TRANSPORTATION AND INFRASTRUCTURE

The Trump administration has indicated that it will release its long awaited infrastructure plan in January. The plan is expected to lay out principles intended to spur \$1 trillion in infrastructure investment from \$200 billion in federal funding. Early indications are that the administration plans to divide the \$200 billion among four programs: (i) a program for states and cities with a focus on local matching funds; (ii) block grants for rural America; (iii) existing federal loan programs, and (iv) what is being described as "transformational" projects.

Federal Aviation Administration Reauthorization

The six-month extension to keep funding the Federal Aviation Administration (FAA) is set to expire on March 31, 2018, which means that unless an agreement is reached on a long-term reauthorization, another short-term extension will be required. Both the House and Senate reauthorization bills have been reported out of committee but have yet to be considered by the full House and Senate, respectively. The House bill remains stalled over Chairman Bill Shuster's (R-PA) plan to overhaul the nation's air traffic control system, while the Senate bill has been held up over a provision to change training requirements for pilots.

Autonomous Vehicles

In 2017, the US House of Representatives passed H.R. 3388, the Safely Ensuring Lives Future Development and Research in Vehicle Evolution Act, or the SELF Drive Act.

The Senate Commerce, Science and Transportation Committee has since made progress on its own AV legislation. While mirroring the House bill in many ways, it also differs from the lower chamber's measure in some key respects. The Senate will need to iron out details surrounding cybersecurity, privacy, safety and the exclusion of the trucking industry, all of which have temporarily stalled their version. If bipartisan solutions to these issues can be found, AV legislation should be able to get to the President's desk in 2018.

DEFENSE

Sequestration of FY18 defense spending under the Budget Control Act of 2011 (BCA) could be triggered on January 15, 2018, if congressional Republicans and Democrats are unable to reach a global deal on increases to existing FY18 defense and domestic spending caps. President Trump signed the FY18 National Defense Authorization Act (NDAA) into law on December 12, 2017. The FY18 NDAA authorizes \$626.4 billion in base defense spending, compared to the BCA-imposed cap on FY18 base defense spending of \$549 billion.

Work on the FY19 NDAA and Defense Appropriations legislation will begin in earnest in Spring 2018. Congressional defense lawmakers will continue to: (i) develop and drive policies that best position US and coalition forces to effectively and efficiently wage hot and cyber wars against multiple global terrorist groups; (ii) address ongoing threats to US national security interests posed by multiple state actors; and (iii) promote and push Department of Defense (DOD) acquisition reform and innovation initiatives.

Modernization and optimization of the DoD's antiquated information technology infrastructure, and improvement of the agency's offensive cyber capabilities, both supported in part by relaxed recruiting requirements for US military cyber billets, will be two policy focal points on which the Trump administration and congressional lawmakers on both sides of the aisle can work together in (near) seamless harmony in 2018.

Outline of key change to defense procurement

	Currently, the DoD has two options for purchasing commercial off-the-shelf (COTS) products: <ol style="list-style-type: none">Through the DoD contracting processes (subject to DFARS)Through the General Services Administration (GSA) at prices set by the agency
	The purpose of using online commercial sites is to ensure the DoD gets the best price without bureaucratic slowdowns. Online purchasing would allow DoD to track and analyze procurement data, including spending, which is critical to operational efficiency, transparency and accountability.
	OMB and GSA will collectively be responsible for developing a plan of implementation and scheduling, and determining which commercial items will be available for purchase. This plan will be carried out over the next few years.
	Federal procurement of commercial off-the-shelf items is a \$53 billion market.

On the heels of the publication of the White House's National Security Strategy in December 2017, DOD is likely to release its National Defense Strategy in January, followed by both its Nuclear Posture Review and Ballistic Missile Defense Review in February. All four documents will drive considerable discussion and debate among defense and national security thought leaders in the public, private, and think tank/nonprofit sectors throughout 2018.

HOMELAND SECURITY/ CYBERSECURITY

Homeland

Kirjsten Nielsen was sworn in as the sixth Secretary of Homeland Security on December 6, 2017. A former deputy to retired General John Kelly in his former role as Secretary of the Department of Homeland Security (DHS) and his current role as White House Chief of Staff, Nielsen, a cybersecurity expert, has been a leading proponent of reorganizing and elevating the DHS's cybersecurity mission. Although the House, on December 11, 2017, passed legislation calling for such a change at DHS, the Senate has yet to focus on the issue and corresponding legislation, but is expected to in 2018. Whether Congress formally mandates the reorganization and elevation of DHS via legislation, the agency's cybersecurity mission will very likely become more robust under Nielsen's stewardship.

In his FY19 budget proposal, the President will again request full funding from Congress for the construction of a physical wall on our southern border. And on Capitol Hill, defense, homeland security and intelligence policymakers in both parties will continue to explore and promote the security and economic advantages of technological or other alternatives to a physical barrier. Meanwhile, congressional lawmakers are likely to address at least one hot-button-issue wrapped up in the broader border security debate in early 2018—immigration, specifically legislation that would make permanent some form of President Obama's Deferred Action for Childhood Arrivals (DACA) policy.

Cybersecurity

With the midterm elections on the near horizon, the security and reliability of voting systems throughout the US will be at the epicenter of cybersecurity policy debates on Capitol Hill and in state legislatures throughout 2018.

In December 2017, the Jared Kushner-led White House Office of American Innovation released its final “Report to the President on Federal IT Modernization.” The overarching goal of the report is to identify efforts required of the federal government to “enhance its cybersecurity posture, modernize the Federal IT enterprise, and create a more robust partnership” between industry stakeholders and the federal government. One of the chief focal points of the report is the need for federal agencies to migrate to, and optimize, secure cloud platforms and technologies.

Data breach/privacy and consumer protection issues will be among the leading legislative priorities in the cybersecurity realm in 2018 for key Capitol Hill policymakers. Congress is expected to focus on a variety of cybersecurity legislation this year, including key bills that would: (i) establish threshold security requirements for Internet of Things (IoT) devices procured by the federal government; (ii) require automobile manufacturers to develop cybersecurity plans for self-driving vehicles; and (iii) create a national data breach notification standard.

TECHNOLOGY

Social Media Platforms

The investigations into Russian meddling in the 2016 election have highlighted the lack of regulation on social media platforms. Representatives from Facebook, Google and Twitter all testified before the House and Senate committees looking into the Russian influence campaign. Congress appears poised to consider requiring increased disclosure of who's purchasing online political ads.

Additionally, Congressional lawmakers, in particular those on the Judiciary and Intelligence committees, will continue to explore potential mechanisms by which to regulate social media companies in an effort to mitigate and prevent the exploitation of social media platforms by ISIS and other foreign and domestic terrorist organizations for the purposes of propaganda dissemination and recruitment.

Telecom

The Federal Communications Commission’s (FCC) repeal of the 2015 Open Internet Order, or the “net neutrality” rules, has now landed the net neutrality issue back in Congress’ lap. House Energy and Commerce Chairman

Blackburn (R-TN) has already indicated her intent to move her net neutrality framework - the “Open Internet Preservation Act” - that she introduced in December. House and Senate Democrats will be introducing Congressional Review Act resolutions of disapproval early in 2018. Aside from net neutrality, we can also expect infrastructure package discussions to include telecom related priorities and FCC Chairman Ajit Pai to continue to advance his deregulatory agenda.

Intellectual Property

The Supreme Court is expected to rule on the constitutionality of an administrative procedure used to challenge the validity of patents which could change the shape of patent litigation. The proceedings are popular among tech giants, whose lawyers have used the procedure to quash infringement lawsuits based on what they argue are weak patents that should never have been granted in the first place. Expect incumbent tech firms to closely monitor the arguments and look to Congress should the ruling not go their way.

FINANCIAL SERVICES

Dodd-Frank Regulatory Relief Legislation

The Senate Banking Committee favorably reported S. 2155, the Economic Growth, Regulatory Relief and Consumer Protection Act. This regulatory relief bill has long been sought by community banks and credit unions. Financial Services Committee Chairman Jeb Hensarling (R-TX) would prefer to provide even greater regulatory relief than that proposed in the Senate bill, but amending the bill and sending it back to the Senate could jeopardize the bipartisan support that allowed it to move forward and be passed by the Senate.

Bitcoin

Online platforms that trade Bitcoin and other digital assets are likely to face more court battles and regulatory attention in 2018. Specifically, Senator Chuck Grassley (R-IA) has introduced S. 1241, the “Combating Money Laundering, Terrorist Financing, and Counterfeiting Act of 2017,” which seeks to define anyone issuing, redeeming, or cashing Bitcoin as a financial institution. This would require users to comply with the Bank Secrecy Act, 31 U.S.C. § 5312 and require them to adopt the same formal reporting procedures as financial institutions for the purpose of reporting suspicious transactions.

Flood insurance

The long-term authorization of the National Flood Insurance Program (NFIP), which expired on September 30, 2017, was extended on a temporary basis in each of the continuing resolutions that the Congress passed, and the President signed, this past fall to fund the federal government's operations and avoid a shutdown.

However, the House and Senate NFIP reauthorization proposals take very different approaches to funding the program as well as to such issues as how best to promote greater participation by private-sector insurers in the provision of flood insurance. These differences must be resolved before a long-term reauthorization can be achieved.

HIGHER EDUCATION

Regulations

This year will be a busy one for the US Department of Education (ED) in rewriting or eliminating various federal regulations that impact higher education institutions. Secretary Betsy DeVos has finally put in place several new senior hires at the ED, and has announced plans for moving ahead on changes to several Obama-era regulations. DeVos has announced that the ED plans to issue a notice of proposed rulemaking in March to clarify existing Title IX regulations regarding campus sexual assault.

The ED also hopes to finalize recommendations from two negotiated rulemaking panels—on “gainful employment” regulations and “borrower defense to repayment” regulations—that met in late 2017. The ED hopes to issue a call for public comments on the recommended changes during late spring or early summer.

Higher Education Act

Congress may make a serious effort in 2018 to reauthorize the Higher Education Act for the first time in almost a decade. House Education and Workforce Chairwoman Virginia Foxx (R-NC) got the ball rolling in November 2017 with the introduction of the Promoting Real Opportunity, Success, and Prosperity through Education Reform Act (PROSPER Act). She then moved swiftly to a December markup of the 500-plus-page bill and, on December 12, the committee approved the bill on a party line vote. Foxx stated that she hopes to get House floor time for consideration of the bill during the first few months of 2018.

Senate Health, Education, Labor and Pension Committee Chairman Lamar Alexander (R-TN), himself a former Secretary of Education as well as a former president of the University of Tennessee, has stated his strong desire to complete work on a reauthorization bill in 2018. However, his committee is taking a much more measured approach than is Foxx’s committee.

Alexander will hold additional hearings in the first months of 2018, and perhaps schedule markups on specific initiatives, such as simplifying student financial aid program applications. To get to a comprehensive bill, however, Alexander knows he must work in a bipartisan way with Ranking Democrat Patty Murray (D-WA) if he is ultimately able to move a bill to the Senate floor that could get the necessary 60 votes for Senate passage.

NATIVE AMERICAN

Appointments

As with much of the federal bureaucracy, the current administration has been slow to appoint political leadership within the Department of the Interior, the agency with primary jurisdiction over American Indian and Alaska Native tribal affairs. That said, recent nominees, including Tara Sweeney, the President’s choice for Assistant Secretary-Indian Affairs, have been advancing through the confirmation process at a faster pace and could formally take their positions in January. Meanwhile, other key positions, among them the Deputy Solicitor for Indian Affairs, remain vacant with no appointee in sight.

Consistent with its broader policy goals, the administration has expressed a willingness to work with tribes to facilitate energy development on tribal lands. However, other issues of importance to tribes, including trust land acquisition, national monument and sacred site preservation, and gaming-related economic development, appear to be at odds with the Administration’s priorities.

Congressional Activity

At the other end of Pennsylvania Avenue, the Senate and its Committee on Indian Affairs have been fairly busy holding hearings and passing legislation on a variety of matters, including public safety, protection of cultural resources, and energy development/regulatory reform. Meanwhile, the House Natural Resources Committee has waded into more controversial waters, including holding contentious hearings on federal recognition and land

acquisition issues. The Indian Country is also keen to see the Special Diabetes Program for Indians reauthorized after the current short term fix expires later this month. While there is significant bi-partisan support for this program, Congress keeps kicking the can down the road on securing funding for the program.

Congressional Activity

The administration has signaled a desire to be generally supportive of Indian Water Settlements in its recent testimony on settlement legislation for the Hualapai Tribe in Arizona and the Navajo Nation in Utah, but in doing so, has also made it clear that it will take a hard look at the costs associated with any settlement, and similar to its views on new storage, will seek to have state and local entities assume a larger share of these costs. The Department also appears to be willing to tolerate the inclusion of new limitations on tribal land acquisition in this water settlement. Success in moving any Indian Water Settlement forward will depend on close adherence to the Department's Criteria and Procedures for Indian Water Rights Settlements.

FOREIGN RELATIONS

The Trump administration will continue to promote its "America First" foreign policy mantra in 2018. However, when assessed at the operational and implementation level, the 2017 Trump foreign policy doctrine was more closely aligned with that of his immediate past Republican predecessor than advertised. On Capitol Hill, lawmakers on the Senate Foreign Relations Committee and House Foreign Affairs Committee will continue to assess and debate US active and passive involvement in conflicts throughout the world, related and independent humanitarian crises, the value or lack thereof to US interests of existing bilateral and multilateral trade deals, and US participation in various intergovernmental alliances, among a diverse array of other issues.

United Nations

On December 24, 2017, US Ambassador to the United Nations (UN) Nikki Haley announced that the US Mission to the UN has negotiated a \$285 million cut in the UN's 2018-2019 budget, in an effort to mitigate overspending and increase efficiencies within the global organization. The US contributes more than any other nation in the world to the UN's annual budget. Relatedly, the Trump administration and its State Department have signaled a change in the US government's use of foreign aid and development funds,

including both cutting back and shifting certain funding through private and NGO channels. These proposed reforms are likely to face resistance from key authorizers and appropriators on both sides of the aisle - especially in light of the implications of the proposed reforms for Congress' existing foreign aid oversight role.

Iran Deal

The Joint Comprehensive Plan of Action (JCPOA, aka Iran Nuclear Deal) will again be a leading topic of debate within the Administration and on Capitol Hill in 2018. President Trump will be faced with several deadlines related to the JCPOA in mid-January, including a requirement to certify - or not - that Tehran is meeting its obligations under the terms of the agreement. Although international inspectors who have visited Iran's nuclear facilities have stated that the country is complying with the deal, the President opted not to certify Iranian compliance in mid-October of 2018. Additionally, between January 12 and 17, President Trump must decide whether to extend temporary waivers of certain US sanctions against Iran, assessments that must be made every 120 days under the agreement. Were the Administration to refuse to extend the waivers and reimpose strong sanctions against Iran, Iran would very likely take the position that the US is in breach of the JCPOA and openly restart its nuclear program. Consensus appears to exist among leading Republican and Democratic foreign policymakers on Capitol Hill that the US should not withdraw from the JCPOA, as imperfect as it may be. Bipartisan legislation that would take a hard line against Iran without violating the terms of the deal, and provide political cover to the Administration to remain in the deal, is likely to be introduced in early 2018.

Foreign Military Sales

Support is growing among Republican members of Congress on committees of jurisdiction to reform the US Foreign Military Sales (FMS) process. Industry and other stakeholders will be actively engaged with Congress in 2018 as the body decides whether to act to impose changes to the FMS process, including (i) the reduction of restrictions on the sale and provision of US arms, defense equipment and services, and military training to certain foreign governments and (ii) the increase of restrictions or conditions related to the sale and provision of such items to foreign governments related to actual or perceived human rights practices.

Authorization for the Use of Military Force

At present, the US government justifies its military actions abroad against ISIS and other terrorist organizations on the basis of the 2001 Authorization for the Use of Military Force (AUMF), which was enacted in September 2001 in response to the 9/11 attacks. Support for a new, more restrictive AUMF governing US military actions in the Global War on Terrorism has increased on Capitol Hill in recent years, including among military veterans in both parties. The debate over passage of a new AUMF will continue to consume Congressional lawmakers in 2018. Key topics within this broader discussion will include the Administration's ability to deploy greatly overextended US Special Operations Forces throughout the world and to provide targeting and logistical assistance to counterterrorism partners.

North Korea

Perhaps the most significant foreign policy challenge that the Trump Administration, and to a lesser extent Congress, must continue to address in 2018 is the ongoing aggressive and unabashed development of nuclear strike capabilities by a rogue North Korea. Secretary of Defense James Mattis and Secretary of State Rex Tillerson insist that a diplomatic resolution to the standoff exists, despite increasing tensions as the US leads UN sanctions actions, and assesses military interventions options, against North Korea in response to the latter's refusal to end intercontinental ballistic missile tests with the stated goal of delivering a nuclear payload to the continental US.

AGRICULTURE

Regulations

In 2018, look for Secretary of Agriculture Sonny Perdue to continue the USDA push to ease regulatory requirements. The USDA has in the works over 25 rulemakings to rewrite or eliminate current regulations with the aim of reducing paperwork for nutrition programs, consolidating Farm Service Agency debt collection, easing requirements on retailers that accept food stamps to stock healthy foods, easing up on how food manufacturers label products containing genetically engineered ingredients, and some new standards for organic livestock production.

Farm Bill

The Farm Bill, normally updated every five years, will expire in 2018. House Agriculture Committee Chairman Mike Conaway (R-TX) has announced plans to move quickly in 2018 to mark up the new Farm Bill that governs federal programs for crop subsidies and insurance; federal farm loan programs; USDA nutrition programs, including the Food Stamp program (Supplement Nutrition Assistance Program - SNAP); conservation programs; and USDA-funded research and education programs for agriculture, forestry and natural resources.

Conaway has already held numerous hearings in his Committee leading up to the Committee markups he hopes to conduct in the first quarter of 2018, with an ambitious schedule of taking the Committee-approved bill to the House floor by March. Major disagreements will no doubt emerge in the Committee on proposed changes in the SNAP program. Republicans hope to rein in the program by giving states more flexibility to impose work requirements and stricter eligibility requirements (similar to what Speaker Paul Ryan plans to propose for the federal welfare program). Other controversial issues will include treatment of genetically modified crops, labeling requirements for meat and other products imported into the US, and the cost of the crop subsidy and crop insurance programs.

Consideration of the Farm Bill is rarely a partisan debate, but rather one based on regions of the country where the legislators live (i.e., rural versus urban) and those who support continued spending on farm subsidy programs versus budget hawks.

Sen. Chuck Grassley (R-IA) says senators are three months behind schedule in drafting the next farm bill and that he had previously anticipated the Agriculture Committee would have advanced legislation before Christmas. "We can't horse around any longer," Grassley told reporters on a conference call. Senate Agriculture Chairman Pat Roberts (R-KS.) said this weekend that his panel aims to finish the bill "blueprint" by February and to bring the measure to the floor in early spring.

Governors

There will be 36 gubernatorial elections in 2018, 9 Democratic and 26 Republican and 1 Independent . Given that 2020 is a redistricting year, these races will have national implications. In most states, the legislature redraws congressional districts, while the governor has veto power. Republicans currently hold 33 governorships, one shy of the historic high set nearly

a century ago. Republicans have total control over 25 states—both branches of the legislature and the Governor's office, plus another two states where they can override a democrat veto. The Democrats have total control in only 6 states, and a veto proof majorities to override a republican Governor's Veto in 2 states.

GOVERNORS TOSS UP

State	Democratic	State	Republican
MN	Dayton (open)	FL	Scott (open)
CT	Malloy (open)	IL	Bruce Rauner
AK	Bill Walker (I)	ME	LePage (open)
		MI	Snyder (open)
		NV	Sandoval (open)

GOVERNORS LEANERS

State	Democratic	State	Republican
CO	Hickenlooper (open)	NH	Chris Sununu
PA	Thomas Wolf	OH	Kasich (open)
NM	Martinez (open)	WI	Scott Walker

GOVERNORS LIKELY

State	Democratic	State	Republican	State	Republican
OR	Katherine Brown	AZ	Douglas Ducey	TN	Haslam (open)
RI	Gina Raimondo	KS	Brownback (open)	VT	Phil Scott
		MA	Charlie Baker	MD	Larry Hogan

GOVERNORS SOLID

State	Democratic	State	Republican	State	Republican
CA	Brown (open)	AL	Kay Ivey	OK	Fallin (open)
HI	David Ige	AR	Asa Hutchinson	SD	Daugaard (open)
NY	Andrew Cuomo	GA	Deal (open)	SC	Henry McMaster
		ID	Otter (open)	TX	Greg Abbott
		IA	Kim Reynolds	WY	Mead (open)
		NE	Pete Ricketts		

A look ahead at issues facing local governments with former Mayors Stephanie Rawlings-Blake of Baltimore and Michael Nutter of Philadelphia



Michael Nutter
Senior Advisor



Stephanie Rawlings-Blake
Senior Advisor

Climate change/climate resilience

Increased severe storm events, droughts, prolonged forest fires, sea level change, air pollution, green house gases, the rising overall temperature in our country and on the planet are many of the challenges that we collectively face. The President and his Administration continue to repeal or dilute the impact of many Obama era policies on air, water and emissions, while local governments are fully committed to their own climate resilience plans and generally reject the President's call for America to withdraw from the Paris Agreement. In fact, Mayors are even more engaged and enthusiastic about these issues and this work as demonstrated by the continued growth and activity as demonstrated by the C40 Mayors and their work, as well as the continued efforts by the U. S. Conference of Mayors and the work of their Environment Committee and the Energy Independence and Climate Change Task Force. Mayors and other local officials in America and around the world will provide strong leadership on these issues, and will share best practices and collaborate on effective implementation strategies.

Immigration

The impact on cities of any federal policy to penalize so called "sanctuary cities" will create major national battles, not only about immigration policy, but also a re-examination of federalism in the context of the Trump Administration. Mayors and cities have filed lawsuits, there are active public demonstrations of resistance and civil disobedience across the country. Threats of religious bans, walls being built and other proposed policies are very often at odds with public opinion, and create significant anxiety for undocumented individuals and their families, but also in the business community as major industries would be disrupted if draconian measures are adopted as opposed to the creation of a unified and functional Immigration and Citizenship policy that is consistent and applied fairly across the United States.

Domestic and international terrorism

Most terrorism attacks occur in cities because of their density, the greater opportunity for the terrorist to hurt or kill large numbers of people and because media coverage will be highlighted if an act occurs in a city with a decent sized media market for exposure to the country and the world. While most cities have coordinated emergency response plans in place, it is usually local law enforcement and local emergency responders who are called first, often without them having the full knowledge of exactly what the nature of the emergency might be, but rather they are just responding to a frantic 911 call and proceed based on the information supplied. Domestic terrorism remains a concern because some Americans or others not born here but have been in America for a substantial amount of time are often becoming radicalized without even leaving the USA. Day-to-Day street and gang violence remains a significant concern because of the devastating toll these actions have on the survivor family members. In this regard, Mayors are playing a dual role of focusing on street crime, while also being a critical partner in combatting international terrorism, which could appear at any time, in any town.

Police and community relations

While primarily a local issue, has in fact become a national issue in a variety of ways. The number of high profile and controversial officer involved shootings of primarily African American men, coupled with virtually non-existent accountability or “justice” for the family of the deceased, and very few convictions of Police Officers who may have wrongfully killed a citizen has created a very tense environment for citizens and police officers.

Infrastructure funding

Improving our roads and bridges has been discussed numerous times over the past year during the Presidential election season and since, but nothing much has come from the discussion. The sheer magnitude of the problem probably keeps most people from having serious discussion, and no one really knows what the federal, or even state governments could or would do in response to any serious and legitimate plan that the current Administration in D.C. might put forward.

Workplace relations and interactions

No sector, no industry or organization is immune from inappropriate interactions between people, regardless of gender or gender preference. There will be continued pressure to increase training, clarity on rules of conduct, settlement agreement reform and a renewed focus on workplace culture and accountability to report incidents to the appropriate supervisor, Board or other authority – similar to the “See Something, Say Something” campaign.

Underskilled citizens and under-employment/no employment for citizens

The impact of automation on the economy of the US, which is often a topic of discussion among academics, but we really need business leaders and other thought leaders to step forward and provide insight into the vast and growing realm of automation, what it means to workers today and what it will mean to everyone (whether working or not) in the future. It must be anticipated that some people will lose the job they have, may get trained for the next new job, may be unemployed for some period of time before they catch back up to the latest innovations,

POPULATION BY PARTY OF MAYOR (100 LARGEST CITIES)

Party Affiliation of Mayor	Population	Percent of Total Population
Democratic	48,312,047	78.34%
Republican	11,305,375	18.33%
Independent	1,299,684	2.11%
Unknown	752,523	1.22%

Democratic mayors significantly outnumber Republican mayors in America's 100 largest cities, and the Democratic Party's control over these mayoral offices is greater than its control over any other major political position. The party's 67 percent of control is higher than its control over the U.S. Senate (44 percent), U.S. House (43 percent), state legislatures (43 percent), and governorships (36 percent). Governing magazine attributed this success to the fact that populations of cities tend to be socially liberal

or may not EVER find work in their chosen profession and will either start over again, or will be left behind in the marketplace. There is a great need for full public discussion and disclosure regarding the rapidly changing economy of the US and the world. Business, government and unionized worker Leadership must have honest conversations with the American people and the foreign Nationals who work with them regarding how we're all going to get along in this ever changing world.

Opioids and public health and public safety

These issues will dominate a great deal of the public dialogue, especially in light of recent changes in various provisions of the Affordable Care Act. One of the most important AND complicated pieces of legislation in recent times. People are dying in the streets of our cities due to this scourge. Police Depts., Fire Dept Emergency personnel,

Hospital medical responders and many others are already wearing thin, with no significant answers, proposals or real dialogue being put forward at the national level, in an effort to get some key points made to policy makers and citizens. The reality is that America has really not come to grips with our drug/alcohol/substance abuse issues in a meaningful, committed and focused manner, not just on the law and order side, but even more importantly, on the human capital/human potential side of that desperately important part of the equation. We must focus on prevention programs, education programs and efforts to reduce the stigma associated with these personal challenges.



DENTONS 50 STATE POLICY SCAN

DENTONS 50

The Dentons 50 Policy Scan is a comprehensive look at the prevailing issues, challenges, and opportunities before state and local governments from coast to coast. Written and researched by our unparalleled team of diverse professionals, lawyers, and lobbyists, the 2018 Policy Scan provides a window into the upcoming policy debates in state capitols that will have profound economic and commercial impacts in the months ahead. From autonomous vehicles to medical cannabis and everything in between, we hope that you will find this document useful as you continue to grow your business, expand your market, and plan for the future. As always, our Dentons 50 team stands ready, willing, and able to assist you pursue your goals from sea to shining sea as an unprecedented force multiplier capable of delivering the perfect public policy and advocacy solutions your business needs to thrive.

ALABAMA

- The Alabama Medicaid Agency is likely facing significant budget shortfalls because of increased costs and the loss of one-time funds in previous budgets. Program administration already is generally considered to be a bare-bones operation with little-to-no optional programs or services, so we expect there to be considerable debate on the solutions or cuts that Medicaid and the Governor's Office propose.
- The issue of infrastructure investment for roads and bridges, including a possible increase in the gas tax, will likely be deferred to the 2019 session. In the meantime, the legislative leadership has assembled an infrastructure task force to assess over the course of the 2018 session, the state's needs and possible solutions, with an eye toward identifying priorities for 2019.

ALASKA

- Governor Bill Walker has long advocated for the development of an 800-mile natural gas pipeline to run parallel to the Trans-Alaska Pipeline from the Prudhoe Bay oil fields down to the Cook Inlet in southern Alaska, where the gas would be loaded into LNG tankers and

shipped to Asian markets. Most recently, the Governor announced that the Alaska Gasoline Development Corp. had signed a joint agreement with certain Chinese firms to explore advancing the project through joint financing.

ARIZONA

- The fight around funding for K-12 education will continue, both in terms of how much is needed and how it's spent. An education sales tax sunsets in four years and there is talk of trying to push an extension measure to voters in 2018, but Governor Doug Ducey and many GOP legislators are hesitant. A sticking point is whether it would simply be an extension or an extension and an increase. The Governor has vocally opposed the latter.
- Water will most likely be a major issue this year. The state faces severe water issues and this trend will continue in the decades to come. The Governor continues to try and overhaul how the state's water supply is managed and who takes responsibility for managing it, and his ongoing conversations with multiple entities, including state, tribal, local, federal and private interests, could result in some major changes.

ARKANSAS

- Because of persistent concerns related to the Arkansas procurement process, the legislature hired a consulting firm to evaluate the state's procurement process and make recommendations for procurement reform. Icaso is expected to issue a formal report in late March of 2018. Problems with procurement have been pervasive—from the creation of procurement documents to the qualifications of evaluators and other issues surrounding the evaluation process.
- A tort reform ballot initiative was referred to the people by the Arkansas General Assembly during the 2017 legislative session and will appear on the 2018 ballot. The initiative proposes to give the legislature rulemaking authority for the court; cap punitive and non-economic damages; and limit contingency fees to 33 percent of net judgments.

CALIFORNIA

- Recreational use of marijuana became legal in California on January 1, 2018. The state already has many laws and regulations in place but there are still a multitude of issues to address, especially in two areas subject to federal regulation: banking and taxes.
- Last year saw the passage of several pieces of legislation attempting to deal with the affordable housing shortage. Incoming Senate President Pro Tem Kevin de León is a champion for affordable housing and is sure to continue to pursue this issue.

COLORADO

- Colorado continues to face the challenges of fully funding the state Public Employees' Retirement Association (PERA). The General Assembly is prepared to review a package of proposed changes to PERA, including modifying the benefits of current retirees, members and future members; increasing contributions to the fund; and ensuring the equitable alignment of "input" (participant contributions and service credit) with "output" (benefits paid out).
- During the 2017 session, a Sales and Use Tax Simplification Task Force was created by legislative resolution to study options at the state and local levels. The task force produced a single bill to determine whether an option for administrative simplification can be identified that would also preserve home rule municipalities' choice in how they manage their local sales tax. Municipalities will monitor this specific legislation, and any other bills related to sales tax simplification, to ensure that implementing an electronic tax simplification system does not create negative fiscal impacts for local governments.

CONNECTICUT

- Connecticut's Special Transportation Fund, which provides financing for transportation infrastructure projects across the state, is on the brink of insolvency, and tolls are being considered to keep it afloat. Legislation enabling tolls was just a handful of votes shy of passage in 2017, and the bill will likely be reintroduced in this session.

DELAWARE

- As the nation awaits the United States Supreme Court's decision concerning the legality of a federal nationwide ban on state licensed sports betting, Delaware has been

quietly assembling a plan to offer sports betting on both professional and college sports quickly following the Court's announcement sometime next year. While the volatility of revenue from sports betting is well known, Americans spend an estimated \$150 billion annually on sports betting through illegal and offshore sportsbooks, and Delaware is quickly positioning itself to take advantage of this potential new market.

- An unexpected \$55 million windfall from 2017 tax revenues will undoubtedly set up an argument among the Delaware Legislature on how best to spend these surplus funds. One group, the newly formed Coalition for Delaware's Kids is asking lawmakers to expand the state's pre-kindergarten program, open a recovery high school for drug-addicted students, and invest in a federally recommended program for reducing gun violence among young people in Wilmington among other related projects. The proposal has the support of state Attorney General Matt Denn, and its proponents expect to make their voices heard on the matter in 2018.

FLORIDA

- At year-end 2017 upwards of 240,000 Hurricane Irma and Maria evacuees from Puerto Rico and the Virgin Islands had reached landfall in Florida. There is great debate over how many more will come and, of those, how many will stay permanently. The latest economic forecast from the state legislature estimates that roughly 55,000 evacuees will stay in Florida long term. However there are some, including a member of the Florida House of Representatives who is originally from Puerto Rico, who believe the number of evacuees who strike fresh roots in the state will be dramatically higher. So far more than 9,000 K-12 evacuee students have enrolled in Florida public schools.
- State Senate President Joe Negron's top priority is to pass legislation to provide full funding for Bright Futures Scholarships—with the highest level merit-based scholarship paying 100 percent of tuition and fees at a public university and the lower-level scholarship paying 75 percent of public university tuition and fees. (The scholarships will pay an equivalent amount to private, nonprofit universities in the state.) Negron wants Florida's public universities to have the national academic prominence of such esteemed state institutions as the University of Virginia, the University of North Carolina at Chapel Hill and the University of California, Berkeley.

GEORGIA

- 2018 will be a wide-open election year in Georgia. Governor Nathan Deal is term-limited from running again. The Republican field includes Lieutenant Governor Casey Cagle, Georgia Secretary of State Brian Kemp, State Senator Hunter Hill, State Senator Michael Williams and businessman and former Navy SEAL Clay Tippins. Democratic aspirants include State House Minority Leader Stacey Abrams and State Representative Stacey Evans. In addition to the Governor's race, all state constitutional offices are up for election.
- On the legislative front, transit governance, rural development and the teachers' retirement system are expected to be front and center when the General Assembly convenes in January. The House of Representatives has been hard at work in committee to improve transit governance and enhance state funding of transit in Metro Atlanta as well as throughout the state. Additionally, the Georgia Rural Development Council has proposed legislation that includes providing tax credits to businesses relocating to rural areas, expanding broadband service and improving rural healthcare. Finally, to keep its pension fund solvent, the teachers' retirement system is going to require approval of an additional \$350 million to \$400 million.

HAWAII

- In 2015, Hawaii Governor David Ige set an electricity production goal of 100 percent renewable energy by 2045. Currently, only 26 percent of electricity sales are from renewable energy sources. Electrical grid modernization, upgrading aged utility power generators and reassessing the role of public utilities are key areas for the Legislature to address if the state is to meet its renewable energy goals.
- Airbnb-style short-term vacation rentals by homeowners have been an explosive political and legislative issue over the past few years. While hotel visitors pay a 10.25 percent transient accommodations tax, short-term vacation home renters do not, and measures to tax such rentals could generate about \$100 million in new revenue. Land use and zoning impacts are another issue where neighborhoods not zoned for commercial/tourism purposes have found themselves inundated with vacation renters.

IDAHO

- This is an election year for all 105 lawmakers in Idaho, many of whom wish to deliver a tax cut to their constituents before they leave Boise at the end of March. There is considerable angst in both the House and Senate regarding Governor's Butch Otter's decision last year to veto the repeal of the state's 6 percent tax on groceries. The cut would have saved residents \$80 million, but Gov. Otter said the state couldn't afford the revenue hit.
- Like many states, Idaho, which did not expand Medicaid post-ACA, has been dealing with a population stuck in the coverage gap. Most estimates peg this at 75,000 people or so. Despite attempts in recent years to fix this coverage gap, not enough votes have existed to resolve it, although a recent proposal to issue waivers for about half the gap population has been gaining political traction.

ILLINOIS

- The No. 1 issue in Illinois is passing another operating budget. Prior to June 2017, the state operated without a budget for about two years, causing it to become seriously delinquent in paying its bills and leaving its economic future and growth in doubt.
- The second-most-important issue is the critical need to develop a capital plan for maintaining the state's roads, highways and other infrastructure priorities. It's been over three years since the passage of a capital plan but the time for action has arrived with the state's most recent budget threatening to pull hundreds of millions of dollars away from road repairs to pay for other expenses.

INDIANA

- Governor Eric Holcomb has asked the General Assembly to allow for public testing of autonomous vehicles, and Representative Ed Soliday, who chairs the House's Roads and Transportation Committee will introduce a bill this session. The bill, in part, would create a four- to five-member task force that would consider AV testing requests. Anyone who wants to test a fully autonomous vehicles on a public road would have to obtain the task force's approval.
- Long-running fights over Sunday alcohol sales and the sale of cold beer at grocery and convenience stores will spill over from a two-year summer study committee assigned to look at these issues. In its first year, the interim committee voted to recommend legalizing

Sunday sales but only from noon till 8 p.m. However, the prospect of an expansion of the sale of cold beer failed when it did not receive enough votes for a full recommendation.

IOWA

- Iowa is one of a handful of states that allows individuals to deduct the total amount of their federal taxes from their state tax returns. Assuming that federal tax reform results in lower federal tax bills for many Iowans, this will inversely affect state tax revenue, creating a revenue windfall. Expect an effort to redirect that bonanza into state tax cuts heavily focused on middle-class Iowans.
- Governor Kim Reynolds has made workforce development and particularly the building of skill sets that are highly employable but do not require four-year college degrees her No. 1 priority for the 2018 session. The legislation will take on many forms, but all will be designed to alleviate a skills gap that has left thousands of jobs currently unfilled.

KANSAS

- After a controversial state Supreme Court ruling, the legislature will be tasked with finding an additional \$600 million for Kansas schools by April 1, 2018, or risk a court-ordered statewide shut down of all public schools. This will surely lead to intense discussions surrounding the state budget, potentially affecting not only tax rates but procurement as well.
- Economic development incentives will be a hot topic in this year's legislative session. Amid growing concerns over lack of transparency and measurable outcomes, the 2018 legislature will likely make significant changes to the state's popular STAR bond incentive program, which has been widely used to spur economic investment in projects across the state.

KENTUCKY

- Governor Matt Bevin and legislative leaders have undertaken an ambitious effort in recent months to tackle a ballooning \$40–60 billion deficit in the public employee pension system, to ensure its ability to pay benefits to retirees over the next 30 years. The Governor's proposed solution would be to transition the system from a traditional defined benefit plan to a 401(k)-type defined contribution plan.

- Expect significant discussion and potential action on tax reform, infrastructure funding and government-red-tape cutting. If scandals are still dominating the news cycle, also expect to hear a lot about ethics reform, workplace protections and calls for legal action against public officials.

LOUISIANA

- It's all about that budget, 'bout that budget. Louisiana is stressing over a looming fiscal cliff of roughly \$1.2 billion, which will materialize on July 1, 2018, when "temporary" tax increases approved in 2016 are set to expire. Any tax code changes in 2018 will require a special legislative session. A big portion of the billion-dollar shortfall will result from expiration of the "temporary" one-cent state sales tax, when the state sales tax drops from 5 percent to 4 percent and some sales tax exemptions become effective again. Currently, Louisiana has the highest average sales tax in the nation—10 percent when local taxes are included.
- Some recently announced budget-patching proposals include: increasing the individual income tax for those who itemize on their personal income-tax forms by (i) cutting in half the percentage of federal excess itemized deductions they can deduct; and (ii) changing the brackets for calculating the individual income tax (boosting taxes on middle- and upper-income earners to raise estimated \$500 million a year). Another proposal would institute new state sales taxes on certain services, such as cable television and streaming services, debt collection services, and repair services, to raise about \$200 million a year.

MAINE

- Maine voters recently approved a citizen-initiated petition to expand Medicaid in the state, and the legislature will need to find the estimated \$55 million needed to fund the expansion. Governor Paul LePage has indicated that he will not agree to new taxes or tapping the state's "rainy day fund" to pay for the expansion.
- The legislature will consider budgets to supplement the 2018-2019 Biennial Budget to ensure that it remains in balance, but are also expected to set new spending priorities, such as a focus on opioid abuse prevention and treatment.

MARYLAND

- Paid sick leave will be a major issue again after Governor Larry Hogan vetoed last year's bill. The Governor has since announced another proposal that will be introduced on the first day of the 2018 session. However, legislative leadership is expected to pursue a veto override.
- The effects of the federal tax plan on the state's health insurance program and state budget will be front and center. Actions likely will be taken to preserve health care coverage for Marylanders who might otherwise lose it and to protect programs that might be affected by lower-than-expected federal and state revenues.

MASSACHUSETTS

- The state Senate in November 2017 passed a very progressive bill focused on health care cost containment. The House, which is more centrist, will now examine the bill very closely to determine its own approach. Various measures included in the Senate version include studying options for establishing a single-payer system in the state, addressing price disparities among providers, and increasing regulation of the pharmaceutical industry.
- All eyes are on investigations into Senator Stanley Rosenberg, who has given up his post as Senate President while internal and external investigations look into allegations of sexual harassment and assault against his spouse. An Acting Senate President has been named while these investigations play out.

MICHIGAN

- Proponents of an initiative to eliminate prevailing wage laws in Michigan have collected enough signatures to put the referendum on the ballot during the general election in November. To preempt the ballot initiative, the legislature will debate eliminating the state's Prevailing Wage law, an issue that will pit unions against the state's Chamber of Commerce and business community at large.
- Already underway in Michigan is an attempt to increase broadband in the rural areas by passing legislation that would streamline county and city permit fees. In addition, a debate has begun about to streamline the permitting of wireless broadband transmitters on poles and buildings to help bridge the Internet gap in urban areas. The argument is that such expansion will lead to increased economic development statewide.

MINNESOTA

- In an attempt to force a renegotiation of the budget and tax bills he signed at the end of the 2017 legislative session, Governor Mark Dayton vetoed the budgets for the Minnesota House and Senate. Instead of renegotiating the budget, the House and Senate sued the Governor, asserting that he was, for all intents and purposes, attempting to eliminate a branch of government. The Governor has since indicated that he will accept and sign into law their budget during the 2018 session. The legislature will need to move quickly to get a budget to the Governor if they are to keep their operations running.
- Minnesota's November budgetary forecast indicated a \$188 million deficit for the current 2018–2019 biennium, and a \$586 million deficit for 2020–2021. The forecast is based upon current state and federal law and leaves a \$178 million cost to the state to cover the federally unfunded Children's Health Insurance Plan(CHIP) but fails to acknowledge any passage of a new federal tax bill. Along with addressing the budget, the legislature will also likely face a need to pass some type of federal tax conformity legislation to align the state's tax collection system with changes adopted by the federal government.

MISSISSIPPI

- Mississippi has one of the most codified Medicaid programs in the country, and the state's Division of Medicaid's authorization is set to sunset on July 1, 2018. This puts into play not only authorization for the agency's continued existence, but also the details regarding provider rates, covered services and managed care. Much of the 2018 session will focus on moving that language forward.
- A group of business leaders has been waging a multi-year campaign to encourage more funding for highway and bridge infrastructure needs. However, the legislature's anti-tax increase posture has presented challenges. The debate is expected to continue.

MISSOURI

- Although the Missouri General Assembly passed a right-to-work measure last year, the labor unions collected enough signatures to put a "citizen's veto" on the November 2018 statewide ballot. We expect the Republican majority to try to pass a bill that will move up the "citizen's veto" to the August 2018 ballot in the hopes of reducing its chance of passage.

- Many of Missouri's rural legislators would like to get rid of the state's prevailing wage laws, which they believe cost local governments too much money. Democrats and pro-labor Republicans will attempt to block a repeal of such laws.

MONTANA

- While the Montana legislature will not meet in 2018, the recent federal tax overhaul is expected to cut into that state's revenue by approximately \$46 million in 2018 as reported by the Montana Department of Revenue. Moreover, annual losses are expected to increase to \$76.2 million in 2019 before gradually decreasing to a loss of \$67.3 million in 2021. The majority of losses in the coming year are expected to come courtesy of the new pass-through deduction championed by US Senator Steve Daines, and will pose substantial challenges for a state already struggling with filling existing budgetary deficits.
- The uncertain future of federal funding for the Children's Health Insurance Program could threaten the healthcare of 24,000 Montana children if the federal government does not quickly arrive at a longer term extension than the stopgap measure approved in December 2017. Montana Governor Steve Bullock has already joined a bipartisan group of governors nationwide in pressing Congress for a reliable extension to the program.

NEBRASKA

- A small cell bill was introduced last year by the cell phone companies and discussion on a statewide streamlined permitting process will carry over into the 2018 session. Ensuring that every Nebraskan has access to broadband speed Internet is also a hot topic, with solutions ranging from expanding the contribution base and allowable uses of the Nebraska Universal Service Fund, to public-private partnerships (P3s), to a push from public power companies to be allowed to serve electric customers with fiber to the premises (FTTP) solutions. The area spanning Kansas, Missouri, Nebraska and Iowa has dubbed itself "Silicon Prairie" in hopes of growing the economy with tech startups.
- Drone legislation will spark discussion of privacy concerns; the use of drones by law enforcement; barring the use of drones over prisons, jails and schools, or to impede hunters or harass livestock; and banning the use of weaponized drones.

NEVADA

- As the state's revenues continue to thrive off of the sales of recreational marijuana, many of the departments that regulate the nascent industry are still having issues navigating the process. For example, amid fears that stores were quickly running out of product to sell, the Department of Taxation issued emergency regulations that paved the way for a larger group of businesses to apply for licenses to distribute marijuana, which had been the exclusive right of liquor distributors. An appeal by the Independent Alcohol Distributors of Nevada resulted in the Nevada Supreme Court enjoining the state from issuing distribution licenses to anyone other than liquor wholesalers. Another area of controversy involves the legality of "marijuana lounges." This will be an ongoing process and will need to be monitored and amended continuously.
- A successful 2016 ballot initiative aimed at breaking up NV Energy's monopoly and establishing the legal framework for a deregulated electricity market now requires a second passage in the 2018 election. This hotly contested issue should see quite a bit of money pouring in from both sides, including NV Energy and the labor unions.

NEW HAMPSHIRE

- With New Hampshire's Medicaid expansion program, known as the Premium Assistance Program, scheduled to sunset at the end of 2018, no vote will be bigger next year than what will happen to the nearly 50,000 residents who are currently enrolled.
- Other high priority areas of focus will include legislation to cope with the state's opioid epidemic and a need for additional workforce development and job training, as the state faces hiring challenges with its 2.7 percent unemployment rate. New Hampshire passed a two-year budget last June, so budget issues are not expected to surface.

NEW JERSEY

- Governor-elect Phil Murphy has indicated he will work with the legislature to sign a bill legalizing marijuana within 100 days of taking office. Other key priorities for the new Governor and Democrat-controlled legislature include instituting a "millionaire's tax" on high-income earners, gradually raising the state's minimum wage to \$15 an hour, and increasing funding for pensions and school aid.

- New Jersey will be the seventh state in which Democrats control both the legislative and executive branches. Unlike in Washington, DC, there are no supermajority requirements to end filibusters, so loss of dual-party control of government gives the incoming Governor the ability to reverse the conservative policies of Christie and bolsters a progressive path forward.

NEW MEXICO

- Largely due to an unchecked methane cloud the size of Idaho hovering over the Four Corners region, which is undeniably connected to natural gas venting and flaring, methane recapture is already turning into a hot-button issue, with the 2019 gubernatorial front runner committing to curbing methane waste, and welcoming the jobs that would come with methane mitigation.
- The long-fought battle of several coalitions to tap the state's Land Grant Permanent Fund, one of the largest funds in the country for the benefit of early childhood education, will continue, while citizens and lawmakers on all sides continue to exhaust all other possible options.

NEW YORK

- Like many states across the country, New York will be keeping a close eye on a range of legislative and administrative developments in Washington, DC, that could have potentially significant fiscal impacts on the state. Of particular concern are the limitations on property and state and local tax deductions that were included in the federal tax overhaul and will have an outsized impact on wealthy high-taxed downstate suburban communities.
- With New York City coming off a so-called "summer of hell" that included major mass transit disruptions leaving commuters stranded across the region, there is expected to be a newfound focus on investing in the Metropolitan Transportation Authority (MTA) and other transportation upgrades. The Governor, Assembly and Senate are certain to have different priorities, and debate about what to fund and how to fund it are likely to dominate the 2018 session.

NORTH CAROLINA

- Republican legislators have created an interim select committee to study changing the election of judges to General Assembly selection, stating that legislators might be in the best position to do that job as they write the laws that judges are asked to interpret. Critics have

responded that it is precisely because judges are asked to pass on the constitutionality of laws the legislature passes that it is important that they be independent from the General Assembly.

- State lawmakers could overhaul the way \$9.4 billion in public school dollars are spent annually, affecting the way that North Carolina's 1.6 million public school students are educated. Legislators are looking at changing how the state funds K-12 education following a highly critical legislative staff report that recommended reforming or overhauling the school funding system. Officials from the Department of Public Instruction have urged lawmakers to show caution before making any major changes, but some legislators insist an overhaul is needed.

NORTH DAKOTA

- North Dakota continues to pursue unmanned systems. Aerially, the state is an FAA-approved UAS Test Site, with on-the-ground presences from major and small unmanned aircraft system companies. Meanwhile, a push has begun to develop a corridor in the center of the state for ground-based unmanned systems as well.
- North Dakota's oil and gas industry, the largest driver of the state's economy and budget, is poised to hit record production levels in 2018. Such output will stress its current infrastructure and create tension between operators and regulatory authorities, especially regarding limits on flaring natural gas from oil wells. Wind and coal will continue squaring off on policy as the former's output grows significantly and challenges the capacity of the state's electrical grid. The coal industry is hopeful for successful results on research projects regarding CO2 sequestration. The industry is testing injection into formations deep in ground, as well as using CO2 for future tertiary recovery in the state's oil and gas industry.

OHIO

- Every two years the Ohio legislature passes a capital bill to fund the brick-and-mortar operations of state agencies and the higher education community in addition to state appropriations for community projects that can spur economic development at the local level. This money varies depending on the health of the state treasury, but is estimated at \$180 million dollars for the pending biennial budget.
- With intense statewide officer elections ahead in 2018, the General Assembly is working on changing

how congressional lines are drawn in Ohio. The intent of this effort is to make all of the state's districts more competitive in the general election. It has bipartisan support.

OKLAHOMA

- A debate has emerged between a prominent advocacy organization and Oklahoma's oil and gas producers concerning the taxation of oil and gas production in the state. Restore Oklahoma Now has recently filed paperwork with the Oklahoma Secretary of State, asking that a 7 percent tax on oil and gas production be put to a public statewide vote. The group argues that this tax would generate approximately \$333 million dollars, more than enough to provide the state's public school teachers with a \$4,000 raise. The fossil fuel industry has argued that such a tax would harm the economic engine of the state while conceding that teacher pay must be addressed. Oklahomans will know by mid-March whether enough signatures have been gathered to require the referendum.
- One Oklahoma state representative has announced his intention to reintroduce legislation in 2018 to repeal the state's Film Rebate Enhancement Program, a tax credit aimed at encouraging television and film production companies to do business in Oklahoma. Rep. Kevin Calvey of Oklahoma City previously introduced legislation to kill the program during the 2017 special session, but that bill stalled before passage. At present, the tax credit is set to expire in 2024, though cancellation in 2018 could send shock waves through the state's film industry.

OREGON

- The Oregon legislature will meet for a short, five-week session beginning in February. The agenda will be shaped by what happens at a special election on January 23, when voters consider Measure 101, a referral of the Medicaid funding package that the legislature passed in 2017. If it does not pass, the 2018 session will be dominated by the resulting \$320 million budget gap to support Medicaid expansion, which will likely rely in a combination of general fund revenue and cuts to benefits or coverage for children, seniors and the disabled.
- Other issues that will be debated in the short session include climate legislation (cap and trade/carbon tax), affordable housing, transparency in drug pricing, and paid family leave. Most are likely to carry over to the 2019 long session.

PENNSYLVANIA

- Pennsylvania has an abundant supply of natural gas through the Marcellus Shale and remains the only state that does not impose a severance tax on natural gas production. The shale industry continues to fight against the imposition of a tax and has prevented the House from considering Senate-passed tax legislation in the past. Governor Tom Wolf will make this a top budget priority in 2018.
- Similar to efforts in other northeastern and Midwestern states, nuclear reactor owners are looking to states for ratepayer subsidies to allow them to compete with cheaper, natural gas-produced electricity. Even if granted some relief from FERC, the nuclear energy industry is still expected to pursue state-specific economic relief in 2018.

RHODE ISLAND

- 2018 will be a very busy election year as all General Assembly members and all general officers are up for re-election. Governor Gina Raimondo is hoping to be re-elected for her second and final term, but must first address a \$265 million dollar budget deficit, and will need the Speaker and Senate President to agree on some combination of tax increases and/or spending cuts to do it.
- A group of private investors is looking for financial assistance from the state to build a new baseball stadium for the Pawtucket Red Sox, the Triple-A affiliate of the Boston Red Sox. The proposal to build the new stadium calls for \$71 million in public borrowing (at a cost of \$158 million over 30 years), with \$38 million to be covered by state (\$23 million) and city taxpayers (\$15 million) and the rest by the team.

SOUTH CAROLINA

- Electric utility rate reform and energy policy will be the dominant issue in the wake of South Carolina Electric & Gas abandoning a nuclear reactor development after spending \$9 billion. Sweeping reform bills in the House and Senate have passed committee that would mandate ratepayer relief but could also bankrupt the utility.

Both legislative and executive branch activity with bipartisan support is expected in South Carolina to address the ongoing opioid crisis. Off-session legislative committees have continued studying the problem and numerous bills and policies will be considered.

SOUTH DAKOTA

- As frustration with moderate Republican Gov. Dennis Daugaard, some conservative South Dakota legislators are looking to ride out the remaining year of the governor's term in 2018. Following Daugaard's support for Medicaid expansion as well as his veto of recent legislation that would have allowed for South Dakotans to carry concealed handguns without a permit, as many eyes are focused on the race to succeed him as are on the upcoming legislative session. Two top Republicans, Congresswoman Kristi Noem and state Attorney General Marty Jackley will battle for the GOP nomination, while state Senator Billie Sutton hopes to become the state's first Democratic governor in over 40 years.
- South Dakota lawmakers are expected to help lead the national movement towards eliminating workplace harassment in early 2018. As the legislative session begins in January 2018, members of the South Dakota legislature will take part in trainings on sexual harassment, ethics, and professionalism. While the South Dakota legislature has undergone this type of training before, recent bipartisan support for another round of training has taken root in the wake of national headlines concerning sexual harassment in government, with some South Dakota legislators discussing the prospect of codifying a requirement for future trainings on the matter.

TENNESSEE

- GOP-sponsored legislation would create an infrastructure for the use of medicinal cannabis for individuals with certain diagnoses in Tennessee. While opposition exists from many in the law enforcement community, advocates see such legislation as one solution to curb the opioid epidemic.
- A pilot program, implementing school vouchers will likely be introduced again, and is an effort that has been ongoing for several years. Some concerns remain over how the state will assess the progress of students who participate in the voucher program and what effect the program could have on public school budgets.

TEXAS

- After a contentious 2017 legislative session featuring a wide House vs. Senate divide, wrangling over property tax relief and school funding, and a special session brimming with impassioned social issue debates, Texas lawmakers passed a \$217 billion, two-year budget

prioritizing child protection reforms and border security. Texas will not have another regular legislative session until January 2019, but state leaders are already working on responding to the impacts of Hurricane Harvey, finding ways to address school finance and property tax challenges, and continued improvements to the state's foster care and juvenile justice systems.

- Legislative committees are already meeting on Harvey-related issues, including disaster relief and emergency housing and determining the financial costs of repairing schools and the impact on students, teachers and school accountability. Legislators will examine the allocation of federal funds to Harvey recovery efforts and identify ways in which funding could be implemented to reduce or prevent future storm and flood damage. Committees will also continue to examine state budget-related challenges, including possible shortfalls, and issues having to do with property tax, school finance, and cybersecurity and IT modernization.

UTAH

- Utah is projected to double in size in less than 50 years, and the state's infrastructure must be prepared for that growth. In 2017, after major ballot measures for funding failed in the largest county in the state—Salt Lake County—the legislature passed a \$1 billion bond. To that end, the legislature worked during the interim, through a transportation task force, and will certainly look to make necessary legislative changes to help prepare for the coming growth. Including potential changes to the governance of the Utah Transit Authority (light rail/bus service) and to the way Utah funds transportation.
- In 2016, Gov. Garry Herbert asked that a committee study the possibility of creating an inland port in Utah. The resulting committee was made up of business, political, community and academic leaders and ultimately decided the issue was worth additional consideration. Utah has now begun moving forward with a market assessment and feasibility study.

VERMONT

- Legislation to gradually raise the minimum wage to \$15 per hour over an undetermined number of years will likely face a vote within the first weeks of the legislative session. Vermont's 2018 minimum wage is \$10.50. Legislators are also pursuing a family medical leave insurance program similar to those in other states. Governor Phil Scott has opposed these measures in the past.

- Following a number of hearings held out of session, the House Commerce and Economic Development Committee is expected to pursue measures to protect consumers from data breaches as well as credit and identity theft. The Senate is also working on several companion bills. Their efforts are being supported by the Office of the Attorney General.

VIRGINIA

- Most in Richmond, the state's capital, expect that the 2018 session will bring, at long last, some consensus on Medicaid expansion between its proponents in the Governor's Office and Senate and the heretofore recalcitrant GOP House leadership.
- A newly fortified Virginia House Democratic Caucus will likely attempt to advance a multitude of social and environmental initiatives that have been bottled up by the former Republican supermajority. Among those issues are greater government control over public electric utilities, gun control, and the removal of Confederate monuments.

WASHINGTON

- The national debate over net neutrality in the wake of the FCC's recent decision has reached Olympia, as state Rep. Drew Hansen (D-Bainbridge Island) has introduced legislation that would make it illegal for broadband internet service providers to "block lawful content, applications, services, or nonharmful devices," "engage in paid prioritization," or disrupt "users' ability to select, access, and use broadband internet access service or the lawful internet content, applications, services, or devices of their choice." Washington State's executive branch has also weighed in, with Gov. Jay Inslee and Attorney General Bob Ferguson announcing a state level plan to preserve net neutrality.
- The 2018 Washington State legislative session will deal with at least two Democratic bills aimed at restricting access to firearms which gun right's advocates have blasted as anti-Second Amendment. State Rep. Nicole Macri has announced her intention to propose legislation aimed at repealing Washington's state firearm preemption statute, while Senator Kevin Van De Wege has proposed what effectively amounts to an assault weapon ban, and would criminalize devices aimed at accelerating the rate of fire of a semi-automatic weapon. Legislative holdovers from the 2017 session proposing a registration licensing system for some firearms as well as requiring gun owners to lock up their weapons remain in the legislative hopper as well.

WEST VIRGINIA

- Since the Republican Party took control of the state legislature in 2014, a concerted effort has been undertaken at various agencies to determine how they can be streamlined and reorganized. This session, expect efforts to reorganize the Department of Health and Human Resources and to consider electing the state Board of Education (its members are currently appointed by the governor), as well as other department and agency changes.
- Efforts aimed at increasing West Virginia's ability to attract new businesses and corporate investment will continue. In particular, there is a commitment, at multiple levels of the legislature and executive branch, to eliminate the business inventory tax, as well as to examining other possible tax structure changes.

WISCONSIN

- Wisconsin Manufacturers & Commerce, the state's chamber of commerce, is advocating for a package of workers compensation reforms that were approved by the State's Worker's Compensation Advisory Council (WCAC), a ten-person Department of Workforce Development council that includes employer groups and labor unions, including the Wisconsin Manufacturers & Commerce (WMC) and the AFL-CIO. The reform receiving the most attention is the inclusion of a medical fee schedule, which is opposed by the Wisconsin Hospital Association and State Medical Society. WMC and other business groups argue the cost of procedures covered by the worker's compensation program in Wisconsin are among the highest in the country. The medical groups counter that those injured on the job return to work quicker and that there is less litigation in Wisconsin cases than in other states.
- Whether the legislature is in or out of session, the biggest public policy item that will continue to drive 2018, especially because Governor Scott Walker is up for re-election, is Taiwanese technology giant Foxconn's plan for a \$10 billion, 13,000-employee manufacturing complex in Southeastern Wisconsin. Every deadline and tax dollar involved in the deal is being highly scrutinized. Proponents, the Governor among them, are looking to celebrate every milestone and every downstream economic impact. Opponents are poised to jump on every missed deadline and point out programs that could have been funded with the \$3 billion in taxpayer incentives.

WYOMING

- Wyoming House Speaker Steve Harshman is rumored to be considering a run for governor, but told reporters recently his focus remains on the legislature and that his priorities ahead of the 2018 budget session in February are a need for economic diversification and resolving the state's education funding crisis. If Speaker Harshman were to run, he could be greeted in the Republican primary by State Treasurer Mark Gordon and Secretary of State Ed Murray. So far, only Democrat Mary Thorne and political newcomer Bill Dahlin (R) have thrown their hats in the ring.

- Wyoming's Department of Education is requesting approximately \$100 million more in school district funding in the state's biennial budget for 2019–2020. The state distributes school funding through a block grant model to its 48 school districts, and the department's increased request is up from the \$1.6 billion requested in 2017–18. With Governor Matt Mead predicting a potentially \$1 billion deficit over the next five years, state lawmakers will work to do more with less to avoid shortchanging Wyoming's public schools.

Key contacts

For more information about key dates in the year ahead or to discuss your strategic planning for 2018, please contact any member of Dentons' US Public Policy team, or your Dentons lawyer or professional.

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