



## Out with the Old, In with the New

By Michael Belarmino

Let us reflect on what  
Congress has done,  
where things stand now,  
and what we can expect  
in the future.

As the countdown to the last day of 2018 winds down, so do the final days of the 115th session of Congress. To a certain extent, the current federal legislative body achieved some notable milestones, so let us reflect on what Congress has done, where things stand now, and what we can expect in the future.

### LOOKING BACK

Any senators or representative can probably point to work or progress achieved over the past two years. But for many outsiders, and especially for GFOA members who are primarily focused on state and local fiscal matters, two major events stand out.

The first is the (somewhat surprisingly) failed effort to repeal and replace the Obama Administration's Affordable Care Act (ACA). The drama over this issue played out in the early days of the 115th, as Republican leadership tried to use the momentum of having a unified government (with the same political party controlling the executive and legislative branches) for the first time in several years. Many thought the easiest task to take on was health-care reform, since that was the focus of many Republican campaigns leading up to the 2016 elections. There were signs of trouble early on, but the final blow was dealt in an early morning vote when the late Senator John McCain (R-AZ) voted no on the Republican bill that would

have attempted to rewrite health policy in this country.

The second event is one many will not soon forget, especially since we are still trying to navigate implementation — the first rewrite of the federal tax code in more than three decades. At this time last year, Capitol Hill was fully engulfed in the tax reform debate. All members on the Democratic side and most rank-and-file members on the Republican side were essentially shut out of the drafting process. After the unsuccessful effort to pass a health-care bill, Republican leadership recognized that the best chance to pass tax reform was to hold all cards as close as possible until the very last minute. When the dust finally settled, a cap on the state and local tax (SALT) deduction, the elimination of advance refunding bonds, and the elimination of tax credit bonds were among the casualties for state and local governments.

Since then, there have been few (if any) major legislative achievements because much of Congress's energy and effort went into campaigns in the months leading up to the midterm elections. And as we now know, the results generally followed what many predicted in the change in control for the House of Representatives. As it stands, the new Congress will see Democrats holding the House majority, with 235 seats, and the Republicans controlling the Senate, with 53 seats.

## LAME DUCK CONGRESS

As of mid-December 2018, both chambers of Congress had already reconvened for a very limited number of legislative days before the end of the year. Leadership on both sides wanted to see how their party would fare in the elections before deciding how to organize their priorities. Facing a deadline to figure out the seven remaining appropriations bills before the end of the year and thus avoid a government shutdown is certainly one of the biggest hurdles the current Congress must find a way to get over. And since the Democrats will be taking control of the House in January 2019, there is little incentive to bargain or make offer any concessions to must pass legislation. However, Democrats might want to negotiate on some matters in order to clear up issues that could cloud their legislative efforts in 2019.

But appropriations are not the only bills at the top of the priority list. In September 2018, the five-year farm bill enacted in 2014 expired, ending and suspending various programs, the impact of which would be felt mostly by farming and agricultural stakeholders. Some of the main points of contention are in the nutrition title of the bill, where programs like the Supplemental Nutrition Assistance Program (SNAP) can be found. There are reports that a deal has been reached to reconcile opposing views that have been fairly entrenched, relating to proposed work requirements for those receiving food stamps.

Finally, one of the wild cards that remains is funding for the southern border wall. President Trump has indicated that he might be willing to risk a shutdown in order to obtain funding.

There is support among the current majority in Congress to provide funding for the wall, but not enough to provide the full amount the president wants in the near term.

## LOOKING AHEAD TO THE 116TH

In late January 2019, when the new members of Congress are sworn in, there will be a lot of speculation about how much a divided Congress will be able to accomplish. And we will probably also soon start hearing announcements from individuals launching presidential campaigns. With all that said, many on and around Capitol Hill feel that there are issues of natural bipartisanship where legislation could progress.

The first issue that comes to mind is infrastructure. Both sides have talked for years about the need to shore up funding and improve the currently dismal state of our nation's infrastructure. Whether this means the gas tax will be open for debate remains to be seen, but there will certainly be efforts to explore funding.

Second is health care — but not a relitigation of the ACA. Any lingering thoughts about reviving the repeal and replace effort were essentially extinguished by the results of the midterm election. But the challenges of increasing health-care costs, drug pricing, and rural health care (just to name a few) need to be addressed. We can expect to see lawmakers work to come up with bipartisan solutions on these issues, which may or may not also address some of the shortcomings of the ACA that Democrats are willing to admit.

The next possible area is taxation. There could be some willingness from Democrats to come to the table with

desired changes to the tax bill passed last year in exchange for some of the technical fixes that Republicans would like to make. We might also see additional efforts to encourage retirement savings. Incoming House Ways and Means Chairman Richard Neal (D-MA-1) will likely have retirement savings and infrastructure as two items at the top of his priority list. It is worth noting that retirement savings is one area where he and current chairman, Kevin Brady (R-TX-8), have some common ground.

Finally, there is still the issue of immigration reform. Regardless of how the border wall funding plays out in the final days of 2018, both parties still have lingering interest in making changes to the current system. Democrats would be expected to pass legislation creating a pathway to citizenship for “Dreamers” (undocumented immigrants who, as children, came to the United States with their parents illegally) and possible legislation to address family separation at the border. In either case, the legislation would face a tough road in the Republican-controlled Senate, and President Trump will likely hold out for any outstanding funding for the border wall in exchange.

## CONCLUSIONS

It should be noted that any look ahead in today's political climate is cloudy at best. We won't know anything for certain until they bang the gavel in January — but you can bet that the next two years will be interesting. ■

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