



2014 ELECTION IMPLICATIONS FOR PRIVATE WATER

With the GOP having taken control of the Senate (3 races still undecided: AK, LA and VA) and the increased GOP majority in the House, the climate for NAWC policy positions will probably become more favorable. The focus will be on legislation that promotes business, private sector, builds on energy independence and transportation issues.

Thus, NAWC proposals that seek to level the playing field between public and private sectors may be encouraged, such as gaining equal access as the municipal utilities to tax exempt loan funds, increasing private co-investment in water projects, enabling more PPPs, removing tax barriers to private water sector, along with ensuring that tax reform doesn't adversely impact on private water utilities as a rate regulated entity by making sure that excess deferred reserves are not adversely effected by any corporate rate reduction. In the Senate leading cybersecurity legislative proposals will become less prescriptive and more water sector friendly.

GOP control of the Senate may increase the chances of a major tax overhaul; Republicans will likely feel pressure to produce tax reform after express support for the concept for many years. In the event of tax reform, we would be concerned about 1) proposals for a possible increase in the tax rate on dividends, as one of the offsets for lower rates; .2) the effect of the bill on excess deferred taxes and would seek the same treatment as in 1986. Regarding PABs, tax reform could possibly represent an opportunity to remove the volume cap on PABS for water projects, though lawmakers may decide to move in the opposite direction and broadly curtail the tax exemption for municipal bonds.

Energy-related matters will be a central theme in a Republican-led Congress, with both chambers looking for early synergies on legislation that can obtain bipartisan support. We anticipate that energy efficiency legislation will command the 114th Congress and, hence, we may see the water sector play a more prominent role in the energy discussion as water-energy nexus policy goals are considered in the Senate.

Anticipated* Chairs of Committees Impacting NAWC Members

Senate

Finance Committee

Senator Orrin Hatch (R-UT) Chair

Hatch is the current ranking Republican. He has a long reputation as a deal-maker in the Senate, having collaborated with such colleagues as the late Ted Kennedy on major legislative initiatives.

NAWC Evaluation of 2014 Election

- Hatch has publicly stated his intention to retire after this term, which ends in four years. Hence, there is speculation that he may seek to negotiate a major tax overhaul with Democrats and the White House, as a major achievement for his legacy.
- Leading up to the election, he did not make any promises to pursue tax reform.

Ron Wyden (D-OR) will become the ranking Democrat on the committee next year. Unlike Hatch, Wyden has had a long-time mission of tax reform.

- Wyden has introduced major tax reform bills and has stated publicly his intention to pursue tax reform next year. If Hatch decides to pursue tax reform, Wyden will likely be a willing partner.

Environmental & Public Works Committee

James Inhofe (R-OK) Chair of EPW. He will return to EPW as he has two more years as Chairman in his term limit. He will be more conservative than Boxer and will be “hands-on” in shaping the committee's priorities and agenda.

- Inhofe will likely be receptive to much of what NAWC members care about. Uncertain whether chemical safety is something he would pursue, that would depend on whether Sen-elect Shelly Capito (R-WV) gets on the committee and if she is still interested in moving something.

Barbara Boxer (D-CA) will be ranking Democrat on EPW. Senators Inhofe and Boxer work well on infrastructure issues, even though they disagree on many environmental issues.

Energy & Natural Resources Committee

Lisa Murkowski (R-AK) Chair of ENR. No surprise. She will advance energy policy in the Senate.

- Murkowski will continue the momentum begun in last Congress on S. 1971, “The Nexus of Energy and Water Sustainability Act”.

(Undecided) Ranking Member on ENR.

1. **Mary Landrieu (D-LA)** is slated to become Ranking Member if she wins her Dec. 6 run-off election.
 - a. She has an uphill battle as the DSCC yesterday pulled its financial support.
2. **Maria Cantwell (D-WA)** is slated to be Ranking Member if Landrieu loses her re-election.

Homeland Security Committee

Current Ranking Member Tom Coburn (R-OK) is retiring.

1. **Ron Johnson (R-WI)** will likely succeed as **Chair of Homeland Security.**

*Nothing is a done deal until caucus meets and leadership roles are set.

NAWC Evaluation of 2014 Election

- Johnson likely will focus on voluntary practices and guidance already established, rather than being prescriptive and regulatory.

Thomas Carper (D-DE) will become ranking Democrat on Homeland Security. Has generally worked well with the water sector.

House

Since the GOP picked up seats the committee ratio of Rs to Ds will increase.

Ways and Means Committee

Chairman Dave Camp (R-MI) is retiring. The new chair will be either:

- 1) **Paul Ryan (R-OH)** or
 - 2) **Kevin Brady (R-TX).**
- Most observers believe Ryan has the inside track. Given the chairmanship contest between Ryan and Brady an agenda for the committee has not been outlined.
 - Ryan is current chair of the Budget Committee and has been a long-time proponent of both entitlement reform and tax reform. As Ways and Means chair, he would have the opportunity to lead those measures.
 - Ryan has suggested tax reform may be several years away. He has shown a willingness and ability to negotiate with Democrats as evidenced two years ago when he worked out a budget deal with Senate Budget chair Patty Murray (D-WA).

Sandy Levin (D-MI) will be the ranking Democrat on Ways and Means. Levin has not been enthusiastic about tax reform.

- If tax reform gains a head of steam, look for Ryan or Brady to seek other Democratic partners on the committee; Richie Neal (D-MA) is an example. Whether or how much Levin and his Democratic colleagues will be willing or able to work with Ryan or Brady on a major tax overhaul remains to be seen.

Transportation & Infrastructure Committee

Bill Shuster (R-PA) Chair of T&I. No change here.

Peter DeFazio (D-OR) will likely be the ranking Democrat on T&I following Nick Rahall's (D-WV) defeat, though is being challenged by **John Garamendi (D-CA).**

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NAWC Evaluation of 2014 Election

- There are a lot of changes at T&I (several senior members on both sides either didn't run, ran for other office, or were defeated).
- Nothing will likely happen with regard to P3s in isolation, but any infrastructure bill (in the House or Senate) will look at P3s.

Homeland Security Committee

Michael McCaul (R-TX) Chair of Homeland Security. No change here.

- Understands the dynamic nature of security matters, particularly, cyber security. Likely will focus on voluntary practices and guidance already established, rather than being prescriptive and regulatory.

Bennie Thompson (D-MS) will remain ranking Member on Homeland Security.

Energy & Commerce

Fred Upton (R-MI) Chair of E&C. He will serve his final two year term at the helm of the Committee.

Ranking Member Henry Waxman (D-CA) is retiring. The successor will either be

- 1) **Frank Pallone (D-NJ)** or
- 2) **Anna Eshoo (D-CA).**

- Many new faces on both sides of the aisle with seven new Republicans and four new Democrats in the 114th Congress, with many Members jockeying to get on this coveted Committee. Committee member departures include: Hall (R-TX), Rogers (R-MI), Gingrey (R-GA), Cassidy (R-LA), Gardner (R-CO), Waxman (D-CA), Dingell (D-MI) Matheson (D-UT), Braley (D-IA) and Christensen (D-VI) .

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