

# LPL PAC – State of Play

May 2017

April 29 marked President Trump's 100th day in office. During this initial period, the President signed executive orders initiating a review of the financial regulatory framework, as well as other orders ranging from health care, trade, immigration, and national security. In addition, Trump secured the confirmation of his cabinet, outlined his FY18 budget priorities, and released comprehensive tax reform principles. The White House and Congress also secured a deal on a FY17 spending package to extend federal funding through September 30.

In Congress, the House has pushed forward two long-term policy priorities: repealing and replacing Obamacare, and reforming Dodd-Frank. Both efforts will face uphill battles in the Senate, where Democratic support is necessary to surpass the 60-vote filibuster threshold.

After a false start, the House passed the American Health Care Act (AHCA) 217-213, with 20 Republican members voting against the bill. Senate leadership declared that it will write its own bill, rather than adding amendments to the AHCA, and Majority Leader McConnell (R-KY) has assembled a working group of 13 Senators from across the Republican political spectrum to begin this process. It will likely be a month or two before the Senate brings a health bill to the floor for a vote—several key players expressed criticism of the hurried process in the House, and signaled they would take their time to “do it right” in the Senate. The final health reform bill is unlikely to make it to President Trump's desk before the fall, and that assumes any changes in the conference committee product can pass the House given likely differences with a more moderate Senate bill.

Earlier this month, the House Financial Services Committee voted to advance Chairman Jeb Hensarling's (R-TX) Financial CHOICE Act, despite strong opposition from Democrats. The bill, which has been cast as a wholesale alternative to Dodd-Frank, is expected to pass the House in the coming weeks, but will not gain the Democratic support necessary to move in the Senate, and Majority Leader Mitch McConnell said recently that Dodd-Frank changes will fall to the Administration. Any changes to Dodd-Frank will be incremental rather than transformative, and bipartisan measures—such as those related to community bank relief—have the greatest chance of becoming law. Also, while opposed to its outright repeal, some Democrats have expressed willingness to consider changes to the Volcker Rule.

In recent weeks, Washington has been engulfed with media revelations related to the FBI investigation into Russia's interference in the 2016 Presidential election, and potential ties to Trump campaign officials. The situation has escalated in the past week with President Trump's firing of FBI Director James Comey and the appointment of former FBI Director Robert Mueller to serve as a special prosecutor for the investigation. Fallout from the revelations continue to reverberate across Capitol Hill and the financial markets as uncertainty remains as to the investigation's impact on the President's key legislative priorities, including comprehensive tax reform.

Following weeks of controversy, President Trump departed on his first overseas trip as Commander-in-Chief. The trip abroad—starting first in Saudi Arabia, followed by Israel, and global summits in Italy and Belgium—offers Trump the chance to reset and refocus the news cycle, but he will be under more scrutiny than ever, and any missteps could magnify the concerns back home. The grueling nine-day trip is high-stakes for Trump, who will have to navigate global geopolitical issues such as: religion, Israeli-Palestinian peace talks, the future of NATO, the Iran nuclear deal, and the war in Afghanistan.

As Trump looks to reset abroad, Washington will pivot to moving their spending and tax policy priorities forward. On May 23, the Administration released its detailed FY18 Budget, which is ultimately a non-binding, political statement of spending and policy priorities and a negotiating position that still relies upon Congress for enactment. The House and Senate will seek to move a FY18 Budget Resolution this summer—a significant challenge with a small Republican majority in the Senate—that will include reconciliation instructions for tax reform, and provide a procedural mechanism for approval of tax reform legislation through a simple majority in both chambers (no filibuster in the Senate). Meanwhile, House and Senate tax-writers will continue to hold hearings, meet with industry stakeholders, and develop their respective comprehensive tax reform proposals, but negotiations and floor consideration—particularly in the Senate—will likely extend until late 2017 or early 2018.