



# FEDERAL UPDATE

The Report on Congressional & Administration Activities  
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## WASHINGTON UPDATE

The process for considering tax reform legislation is moving forward quickly in Congress. On Nov. 16, the House passed H.R. 1, the Tax Cuts and Jobs Act, in a vote of 227-205, and the Senate passed its version of a tax reform package on Dec. 2 in a vote of 51-49. Congress will now conference the two bills in hopes of having a final package to President Trump before the end of the year. These bills would make higher education more expensive and less accessible, and have a negative financial impact on the University of California (UC) and our students, faculty, staff and retirees. As the House and Senate begin conference negotiations on the legislation, UC's Office of Federal Governmental Relations (FGR), in coordination with campus colleagues and university leadership, continues to advocate on behalf of the university to raise concerns regarding the bills and to

advocate for the provisions of concern to be dropped as the process moves forward.

Congress is currently operating under a continuing resolution (CR) that expires on Dec. 8. While negotiations continue for a Fiscal Year (FY) 2018 budget deal, Speaker Paul Ryan has indicated that another short-term CR is possible.

In addition to tax reform and budget-related issues, the university have been actively engaged in numerous advocacy efforts, including around defense medical research, Title IX and 340B drug pricing, among other issues.

More details about these and additional topics are below.

## BUDGET AND APPROPRIATIONS

Congress is currently operating under a CR that expires on Dec. 8. While negotiations continue for an FY 2018 budget deal, Speaker Paul Ryan has indicated that another short-term CR is possible. There have been discussions about potentially adding a legislative fix to address the rescission of the Deferred Action for Childhood Arrivals (DACA) program to a budget deal or a continuing resolution, but congressional leadership has expressed an unwillingness to roll this issue into the budget negotiations. Some Democrats are threatening to withhold support for a budget deal unless a DACA solution is included in the legislation. Any budget deal moving through the Senate will require democratic support to pass.

The lower sequestration caps established by the 2011 Budget Control Act (BCA) return for FY 2018, requiring lawmakers to enact legislative changes to the BCA law to alter the overall FY

2018 discretionary spending cap of \$1.065 trillion, and to revise the caps for the defense and non-defense categories. It is expected that congressional leaders will focus on reaching an agreement that would raise the discretionary caps for two years.

On Nov. 7, FGR shared a [letter from UC President Napolitano](#) with the California congressional delegation urging Congress to secure relief from the sequestration caps for non-defense discretionary programs for FY 2018-19. The letter also underscored the importance of providing parity in sequestration relief for both non-defense and defense programs.

While the House and Senate have each advanced regular FY 2018 funding bills, they are assuming different defense and non-defense budgetary caps. The full House passed its versions of all 12 appropriations bills, which would cut non-defense programs by \$8 billion below FY 2017 levels, and increase defense spending by \$70 billion over FY 2017.

The Senate has been operating under a more conservative plan – roughly adhering to FY 2017 spending caps. On Nov. 20-21, the Senate Appropriations Committee released its FY 2018 chairmen's recommendations and explanatory statements for four outstanding appropriations bills – [Interior, Environment and Related Agencies](#); [Financial Services and General Government](#); [Defense](#); and [Homeland Security](#) Appropriations measures. As of Dec. 4, eight bills have passed out of the Senate Appropriations Committee, and none out of the full Senate.

### **Budget and Appropriations Advocacy**

In addition to the university's government relations efforts, on Nov. 3, UC launched a [UC Advocacy Network \(UCAN\) call-to-action \(CTA\) campaign](#) in which advocates were asked to join with the university in calling on Congress to invest in education, research and health programs. This was the third CTA around the FY 2018 budget this year, and to date, advocates have taken more than 20,000 actions.

In coordination with the CTA, on Nov. 13, the university published its most [recent Fig. 1 video](#). The video, which looks at how glow-in-the-dark jellyfish inspired a scientific revolution, highlights the importance of basic research. In coordination with our advocacy efforts around the FY 2018 budget, the video underscores the importance of federal funding for research agencies, and calls on viewers to participate in the UCAN call-to-action.

FGR continues to advocate, in partnership with our campus and laboratory colleagues, for the university's research, education and health care priorities throughout the budget and appropriations processes. For additional information, please contact Marjorie Duske at [Marjorie.Duske@ucdc.edu](mailto:Marjorie.Duske@ucdc.edu) or 202-974-6306, Julie Clements at [Julie.Clements@ucdc.edu](mailto:Julie.Clements@ucdc.edu) or 202-974-6309, or Crystal Martinez at [Crystal.Martinez@ucdc.edu](mailto:Crystal.Martinez@ucdc.edu) or 202-974-6308.

## **CONGRESSIONAL LEGISLATIVE ACTIVITY**

### **Tax Reform**

The process for considering tax reform legislation is moving forward quickly in Congress. The House and Senate have both completed action on their respective legislation. Congress will now conference the two bills in hopes of having a final package to President Trump before the end of the year. The House and Senate bills both include numerous provisions of concern to UC.

**House Action:**

On Nov. 16, the House passed H.R. 1, the Tax Cuts and Jobs Act, by a vote of 227-205 ([final Roll Call vote](#)). All Democratic members, including those from California, voted “no.” On the Republican side, all members voted “yes,” except for thirteen, including three from California: Reps. Darrell Issa, Tom McClintock and Dana Rohrabacher. The text of H.R. 1 can be found [here](#). On Nov. 6, UC provided all California congressional offices with a letter and preliminary analysis of H.R. 1 outlining UC’s specific concerns, and prior to the House vote, UC President Janet Napolitano sent a [letter](#) urging members of the California congressional delegation to vote “no” on final passage of the bill.

**Senate Action:**

On Nov. 9, the Senate Committee on Finance’s [Chairman’s Mark of the Tax Cuts and Jobs Act](#) was introduced, and on Nov. 16 was approved in Committee on a party line vote (14-12). On Nov. 14, UC FGR sent a letter and preliminary analysis of the Senate Chairman’s Mark to all Senate Finance Committee members and to the two California Senate offices, outlining UC’s concerns with the legislation. Just prior to the full Senate beginning debate, UC President Janet Napolitano sent a [letter](#) urging members of the Senate to vote “no” on the Senate bill. The president’s letter included an [updated analysis](#) of the Senate and House bills. On Dec. 2, the Senate passed its version of the Tax Cuts and Jobs Act by a vote of 51-49 ([final Roll Call vote](#)).

The House and Senate will now begin the work of conferencing the two bills. During the conference process, UC will continue to advocate strongly for Congress to address issues of concern to the university.

**UC’s Concerns with H.R. 1 and the Senate version of the Tax Cuts and Jobs Act:**

While the House and Senate versions are different in some ways, UC has strong concerns with both bills, including:

- **Charitable Giving:** UC is concerned that both bills will not adequately protect charitable giving tax incentives. The bills increase the standard deduction, which will reduce the number of taxpayers filing itemized returns, which is necessary for taking the charitable deduction. UC supports adding language to the House and Senate bills to provide an above-the-line deduction for charitable contributions for individuals regardless of whether they file itemized returns. H.R. 1 would also repeal the estate tax by 2024, and the Senate bill will double the amount of money that can be excluded from the estate tax, which will also have consequences for charitable giving. UC is also concerned that the House and Senate bills repeal the special rule for College Athletic Seating Rights that allows donors to take a charitable deduction for 80 percent of the amount paid for the right to purchase seating for college athletic events.
- **Education Tax Benefits:** UC is concerned that while H.R. 1 retains the American Opportunity Tax Credit (AOTC), it repeals other critical education tax incentives that help students and their families afford to pay for college expenses. Education tax benefits that are repealed include: the Lifetime Learning Credit; the Hope Scholarship Credit; Coverdell Education Savings Accounts; the Student Loan Interest Deduction; the Deduction for Qualified Tuition and Related Fees; and Employer Provided Education Assistance. In addition, H.R. 1 repeals Section 117 Qualified Tuition Reductions,

including Section 117(d), which is of great concern to graduate students since the repeal of 117(d) means that tuition remission amounts provided by UC would count as taxable income to the students receiving the benefits.

On a positive note, UC is pleased that the Senate version does not include H.R. 1's provisions that repeal education tax benefits. FGR remains active in urging the Senate and House to reject H.R. 1's harmful education tax benefits provisions in any final package.

UC graduate students, as well as university leadership across the system, have been strong advocates on these issues, including broad participation in a student-led walkout that was extensively covered by the media and on social media. UC continues to work with our campuses around advocacy, op-eds and additional media engagement.

- **Tax Exempt Bond Financing:** UC is concerned that H.R. 1 repeals tax-exempt Private Activity Bonds and Advance Refunding Bonds, which will negatively impact UC's ability to pursue certain capital projects. UC is also concerned that the Senate bill repeals Advance Refunding Bonds. One improvement in the Senate bill is that it does not also repeal Private Activity Bonds.
- **Unrelated Business Income Taxation (UBIT):** Both bills contain provisions that will subject UC to additional UBIT tax liabilities. H.R. 1 includes a provision that removes the UBIT exemption for certain investment income derived from public pension plans, which could subject UC to significant new tax liabilities related to certain investment income derived from the University of California Retirement Plan (UCRP). The Senate bill repeals the UBIT exemption for name and logo royalties, which will impact certain campus licensing agreements, and another provision requires that net operating loss (NOL) calculations for all unrelated trades or businesses under UBIT, to be calculated separately for each trade or business activity.
- UC is also concerned about two other adverse impacts associated with the Senate tax bill. The first is the proposed repeal of the individual insurance mandate requirement for individuals to purchase health insurance. Second, due to Senate reconciliation rules and the "Statutory PAYGO" law, there is also a risk that federal support for Build America Bonds and Tax Credit Bonds would be eliminated – along with cuts to Medicare and other important mandatory programs – to make up for the \$1.5 trillion cost of the tax legislation.

There are a number of additional provisions of concern to UC in the House and Senate bills, which are detailed in the UC analysis linked above.

**UC advocacy efforts on H.R. 1 and the Senate version of the Tax Cuts and Jobs Act:**

UC mobilized quickly to assess and respond to H.R. 1 and the Senate bill. In addition to the UC analyses and letters sent to Capitol Hill, which FGR coordinated with UC subject matter experts, the university engaged in significant advocacy efforts, in partnership with the campuses, to raise awareness of UC's concerns with the House and Senate bills. UC has conducted numerous meetings with the California congressional delegation and with other key House and Senate

offices, on both sides of the aisle, to raise concerns about the impact of the bills on the university. UC also coordinated joint Capitol Hill meetings with California State University (CSU) colleagues to highlight issues of mutual concern.

As part of UC's ongoing advocacy efforts, UC is working with a number of coalitions and national advocacy organizations, including the Municipal Bonds for America Coalition, and other groups, including AAU, APLU, ACE and NACUBO. In addition, UC, as part of its leadership role in the Academic Health Centers Working Group, a nineteen-member cohort of academic medical centers, drafted a letter outlining academic medical centers' concerns with provisions in the Senate and House bills. This letter was sent to the Hill on Nov. 28.

FGR also worked closely with UC's marketing communications and state government relations offices to develop through UCAN a [call-to-action campaign](#) focused on tax reform, and specifically our concerns with the repeal of the higher education tax benefits. The campaign asks advocates to join with UC in calling on Congress to oppose tax reform legislation that will hurt students and the university, and allows advocates to both write and call their legislators. The campaign launched on Nov. 28 with a message to UCAN advocates from UC President Janet Napolitano, Student Regent Paul Monge and Student Regent-designate Devon Graves. The effort was shared widely at the system and campus levels, and is still currently active. In the first 36 hours of the campaign nearly 4,000 letters were sent and 150 phone calls were made reaching more than 180 congressional members, including every member of the California delegation.

As the House and Senate move closer to passing a tax reform package, UC will continue to advocate on behalf of the university to raise concerns and to advocate for the provisions of concern to be dropped as the process moves forward.

### **National Defense Authorization – Defense Medical Research**

In October and November, FGR facilitated UC engagements with the California delegation and other congressional stakeholders on federally-sponsored defense research programs. Several UC campuses and the Lawrence Berkeley National Laboratory offered examples on UC's important role in defense research.

The outreach was particularly focused on Senate-proposed changes to the National Defense Authorization Act (NDAA) that would have weakened the Congressionally-Directed Medical Research Program (CDMRP) at the Department of Defense. The CDMRP was created to deliver world-class, peer-reviewed medical research programs for all military populations – from warfighters and their families to well-trained and equipped defense medical personnel who serve them.

The Senate-proposed statutory restrictions on CDMRP research programs were dropped from the final NDAA conference agreement, which was approved by the House and Senate in mid-November. The President is expected to sign the measure into law.

While advocacy on the authorization measure was successful, UC FGR continues to work with Congress on the FY 2018 funding levels for Defense Science and Technology programs, including the CDMRP. For additional information, please contact Marjorie Duske at [marjorie.duske@ucdc.edu](mailto:marjorie.duske@ucdc.edu) or 202-974-6306.

## **Higher Education Act Reauthorization**

On Dec. 1, the House Committee on Education and the Workforce released its [framework](#) for reauthorization of the Higher Education Act. Included in this proposal are provisions to consolidate student aid grants and loans and reduce the regulatory burden on institutions of higher education. UC will work to ensure that any modifications to student aid programs or reporting requirements will meet the intended goals of enhancing access and affordability of higher education more broadly.

Chairman Lamar Alexander and Ranking Member Patty Murray of the Senate Committee on Health, Education, Labor and Pensions have also begun conversations around reauthorization; the first hearing on simplifying the Free Application for Federal Student Aid (FAFSA) took place on Nov. 28, and more such hearings will likely be scheduled in the coming months. The chairman has consistently advocated for a “one loan, one grant” policy with respect to higher education, arguing that the current system is too complex for students and families to navigate. UC FGR will continue to advocate for programs, grants and initiatives that provide a diverse slate of higher education funding options for students and families at all income levels. For additional information, please contact Crystal Martinez at [Crystal.Martinez@ucdc.edu](mailto:Crystal.Martinez@ucdc.edu) or 202-974-6308.

## **POLICY AND REGULATORY UPDATE**

### **Title IX**

On Nov. 28-29, Kathleen Salvaty, UC’s systemwide Title IX coordinator, participated in meetings with senior leadership at the U.S. Department of Education (ED) and congressional staff on Capitol Hill to provide background and context for Title IX protections implemented at UC. These meetings took place within the framework of ED’s listening sessions, which are being conducted after the Secretary Betsy DeVos’s rescission of the Obama administration’s guidance on Title IX earlier this year. In meetings at ED, the administration indicated strong interest in learning about the policies and procedures for addressing Title IX complaints at a large institution like UC. For additional information, please contact Crystal Martinez at [Crystal.Martinez@ucdc.edu](mailto:Crystal.Martinez@ucdc.edu) or 202-974-6308.

### **340B Drug Pricing Program**

On Nov. 1, the Centers for Medicare and Medicaid Services (CMS) released its final rule for the FY 2018 Medicare Outpatient Prospective Payment System (OPPS) in which CMS finalized a proposal to reduce 340B Drug Pricing Program covered entity Medicare reimbursement for most Part B outpatient drugs by as much as 28.5 percent. Should this cut go into effect, UC Health would lose as much as \$50 million annually, starting Jan. 1, 2018. UC Health uses the savings obtained from the program to operate programs and clinics that provide care to the most vulnerable populations, including those in rural communities and inner-city neighborhoods who would otherwise have difficulty accessing affordable care.

On Nov. 13, UC Health member organizations, including the American Hospital Association, America’s Essential Hospitals and the Association of American Medical Colleges brought a lawsuit against CMS challenging the legality of the final rule. Additionally, on Nov. 29, pharmacy chiefs from UC Irvine Health and UC San Diego Health, Dr. Melanie Joe and Dr. Charles Daniels; UCSF Health Chief Operating Officer Sheila Antrum; and Chief Executive Officer of the El Centro Regional Medical Center, a UC San Diego affiliate hospital, Dr. A. Adolphe Edward

met with members of Congress from the California delegation serving on the House Energy and Commerce Committee and the Committee's chair and ranking member to stress the importance of maintaining the 340B Drug Pricing Program as currently configured.

The advocates shared examples of how their medical centers are using savings generated by the 340B Drug Pricing Program to fulfill the program's intent of directing scarce resources towards funding medical services for underserved populations. They asked each legislator to demonstrate his or her support for their medical centers' work by cosponsoring [H.R. 4392](#), legislation introduced by Reps. David McKinley (R-WV) and Mike Thompson (D-CA) that would prevent 340B disproportionate share hospitals from experiencing a nearly 30 percent cut in Medicare reimbursement rates for most Part B drugs beginning Jan. 1, 2018. For additional information, please contact Julie Clements at [Julie.Clements@ucdc.edu](mailto:Julie.Clements@ucdc.edu) or 202-974-6309.

## ADVOCACY UPDATE

### **Deferred Action for Childhood Arrivals (DACA) Advocacy Update**

UC FGR continues to advocate for a permanent bipartisan solution in response to the rescission of DACA earlier this year. On Nov. 14, President Napolitano joined fellow national security leaders in [calling on Congress](#) to pass legislation this year to protect DACA recipients. With government funding expiring in early December, we expect that the *Dream Act* or a similar piece of legislation to provide a pathway to legal status and eventual citizenship to undocumented young immigrants will be considered as part of negotiations along with border security and interior enforcement provisions, to keep the government funded as some Democrats are threatening to withhold support for a budget deal unless a DACA solution is included in the legislation. For additional information, please contact Crystal Martinez at [Crystal.Martinez@ucdc.edu](mailto:Crystal.Martinez@ucdc.edu) or 202-974-6308.

### **Additional Ongoing Advocacy**

#### *First-Generation Effort*

UC continues to highlight our commitment to [first-generation](#) university students, staff and faculty. In coordination with the First Annual First-Generation College Celebration on Nov. 8, FGR again shared information with congressional staff about the new initiative to highlight the accomplishments of UC's first-generation community, and will continue to provide updates as the effort continues.

#### *National Center for Free Speech and Civic Engagement*

As part of the ongoing national dialogue about the importance of free speech on college campuses and in civil society, UC President Janet Napolitano announced the opening of the [National Center for Free Speech and Civic Engagement](#) at UC's Washington, D.C. location. The center will bring policy and subject matter experts together to help inform free speech and civic engagement policies on UC's campuses, as well as in state and federal government. FGR shared information about the center with congressional staff, as well as information about the fellows opportunity with national organizations and think tanks.

#### *Admissions Applications and Natural Disasters*

Following a spate of devastating natural disasters in California and across the Gulf Coast, UC provided affected applicants with an opportunity to [extend their application deadline for admission in fall 2018](#). This information was broadly disseminated, including to California's

congressional delegation, which was encouraged to make this information widely available to their eligible constituents.

For additional information, please contact Crystal Martinez at [Crystal.Martinez@ucdc.edu](mailto:Crystal.Martinez@ucdc.edu) or 202-974-6308.

## FEDERAL CAMPUS ENGAGEMENT

- On Oct. 26, **Alan Leonardi**, director of the Office of Ocean Exploration and Research at the National Oceanic and Atmospheric Administration (NOAA), visited **UC San Diego Scripps Institute of Oceanography** to tour labs of NOAA-funded principal investigators (PIs).
- On Oct. 26, Captain **Kevin Quarderer**, commanding officer of the Office of Naval Research (ONR) Global, US Navy; Captain **James Borghardt**, executive officer of ONR Global, US Navy; and **Patricia Gruber**, technical director, ONR Global, US Navy, visited **UC San Diego Scripps Institute of Oceanography** and toured of the Research Vessel (R/V) Sally Ride.
- On Oct. 27, **Rep. Doris Matsui** (CA-06) visited **UC Davis** and met with Chancellor Gary May.
- On Oct. 28, **Rep. Mark DeSaulnier** (CA-11) attended the **UC Berkeley** homecoming football game.
- On Oct. 30, **Rep. Jim Costa** (CA-16) visited **UC Merced** and met with Chancellor Dorothy Leland.
- On Oct. 30, **Barry Johnson**, director of the Division of Industrial Innovation and Partnerships of the Directorate for Engineering at the National Science Foundation, visited **UC Irvine** and met with Pramod Khargonekar, vice chancellor for research, as well as applied innovation staff.
- On Nov. 6, Captain **Brien Dickson**, commanding office; Commander **Brady Drennan**, executive officer; and Commander **Jeremy Ramberg**, public works office; Navy Base Point Loma, U.S. Navy, visited **UC San Diego Scripps Institute of Oceanography** to meet with and tour Navy-funded PIs and labs.
- On Nov. 8, **Craig McLean**, acting chief scientist at NOAA, visited **UC San Diego Scripps Institute of Oceanography** to tour labs and meet with NOAA funded PIs.
- On Nov. 8, **Sonny Ramaswamy**, director of the National Institute of Food and Agriculture at the U.S. Department of Food and Agriculture, toured the **UC Davis** campus.
- On Nov 15, Lieutenant Colonel **Luke Holian**, **Allison Gervasio**, and **Kaitlin Penry**, United States Marine Corps (USMC), Hybrid Logistics Unit, Office of Research Affairs, visited **UC San Diego Scripps Institute of Oceanography**, for a meeting on the USMC Hybrid Logistics Innovation Symposium

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