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**Congressional & Administration News**

What to Know in Washington: Trump an Obstacle in Border Talks

By Zachary Sherwood | February 1, 2019

Bloomberg Government

Republican lawmakers negotiating a border security deal to avoid another partial government shutdown are running into an increasingly familiar obstacle: President Donald Trump.

With two weeks left to pass funding bills that keep federal agencies open, Trump is making comments that appear to foreclose possible compromises by saying anything short of a wall is a waste of time — even as Democrats suggest they’re open to spending billions more on border security and new fencing.

“It obviously makes it more challenging,” said Rep. John Cornyn (R-Texas), an adviser to Senate Majority Leader Mitch McConnell (R-Ky.). “We keep talking and try to understand where he is and try to work it out.”

At stake is the possibility of another government shutdown, and Trump’s campaign promise to build a wall on the U.S.-Mexico border. Congress last week voted to reopen the government temporarily — after a partial shutdown lasted five weeks — to give lawmakers on a House-Senate conference committee time to negotiate a border security plan.

Two years into his term, Trump has built a track record of killing congressional deals.

Last year, he blew up a bipartisan agreement to provide deportation protections for young immigrants brought to the U.S. illegally by their parents in exchange for $25 billion in wall funding, demanding that controversial cuts to legal immigration be added. In December, he precipitated the shutdown by withdrawing support for a two-month stopgap spending bill that the Senate had already passed.

At times, Trump has appeared willing to accept some new fencing as a resolution to his demand for $5.7 billion for the wall. At other times, however, he says he will only accept a wall. Making matters more complicated, the president has described existing fence and levee projects on the border as a wall. Trump has also floated the idea of declaring a national emergency and bypass Congress to get funds for the wall.

**Happening on the Hill**

**Presidential Tax Returns Hearing**: House Ways and Means Committee members will meet next week to discuss presidential tax returns, the first public insight into how House Democrats may proceed in requesting them from Trump. The hearing, scheduled for Thursday, will be led by Rep. John Lewis (D-Ga.), who presides over the committee’s oversight panel.

Chairman Richard Neal (D-Mass.) has the legal power to request private tax information of any taxpayer, including the president. House Democrats have been consulting lawyers on how to request that Treasury Secretary Steven Mnuchin release the documents.

**SOTU Preview**: Trump is telling conservative allies he wants to incorporate firm anti-abortion language into his State of the Union address, Politico reports, citing four unidentified people familiar with plans. Trump potentially wants to include an anti-abortion figure among his list of invitees. It’s unclear whether Trump will directly mention a Virginia bill or New York abortion law and to what extent he’ll broach the topic. Two people who recently spoke with Trump told Politico that the president will call out Virginia governor Ralph Northam for comments on abortion.

**Tax Extenders**: Tax writers are under pressure to renew temporary tax breaks, called extenders, as businesses and individuals seek certainty with tax-filing season underway. Many of the temporary tax breaks expired after 2017, meaning Congress would need to make the renewal of the provisions retroactive to 2018. Expired provisions include a railroad track maintenance credit under tax code Section 45G as well as breaks for biofuels and mortgage insurance premiums.

These temporary tax breaks are almost a rite-of-passage for Congress, especially at the end of the year, and can be a chance for lawmakers to slip in perks that are popular in their districts. The Senate failed to take up a House-passed bill at the end of 2018.

Senate Majority Whip John Thune (R-S.D.) on Wednesday highlighted a must-pass spending bill as one option for moving an extenders package. But a day later, he said it is unlikely that extenders will be able to hitch a ride on the February spending bill. “I don’t anticipate that happening,” Thune told reporters Jan. 31. “Right now I would say it’s more likely than not that the scope of this current discussion stays fairly narrow.”

Also from Thune, the Senate Finance Committee may resume work on legislation to retool the IRS.

**Politics & Elections**

**Trump’s War Chest**: Trump’s re-election committee finished 2018 with $19.3 million in the bank after spending more than $23 million during the fourth quarter, according to a filing made yesterday with the Federal Election Commission. The campaign raised more than $21 million during the fourth quarter through both direct contributions and donations raised by its joint fundraising committees with the Republican National Committee, according to a statement.

“Midway through the first term of his presidency, President Donald Trump continues to deliver on his campaign promises to the American people and they continue to demonstrate their support for him in contributions to his re-election campaign,” Michael Glassner, the campaign’s chief operating officer, said in the statement.

**Warren Readies Announcement**: Sen. Elizabeth Warren (D-Mass.) is expected to formally declare her candidacy for the 2020 Democratic presidential nomination on February 9. Warren is telling supporters she will make a big announcement that day.

Meanwhile, Sen. Cory Booker (D-N.J.) yesterday started calling fellow lawmakers to tell them he is running for president, the Hill reports, citing three unidentified people. Senior members of the Congressional Black Caucus, of which Booker is a member, received the calls, according to the Hill.

**Trade Talks**

**China Trade Talks**: China promised to “substantially” expand purchases of U.S. goods after the latest round of trade talks, and both sides planned further discussions to reach a breakthrough with only a month to go before the Trump administration is set to ratchet up tariffs.

The two sides made important progress during talks that were candid, specific, and fruitful, according to a statement published by China’s Xinhua News Agency today. China agreed to increase imports of U.S. agriculture, energy, industrial products and services, it said, without providing details. The countries also agreed to strengthen cooperation on intellectual property rights and technology transfer, Xinhua said.

In a statement, the White House didn’t list any new commitments by either side, saying only that progress had been made and “much work remains to be done.” The White House reiterated its threat to raise tariffs by March 1, unless a “satisfactory outcome” is reached.

Trump yesterday called China’s recent purchases of U.S. soybeans a “fantastic sign of faith.” China, usually a top buyer of American soybeans, slapped retaliatory tariffs on U.S. supplies last year, after which U.S. exports of the crop to the Asian country plummeted while shipments from Brazil surged. China resumed purchases with a few million metric tons after Trump met with Xi in Argentina in December.

Meanwhile, Trump is dispatching top trade negotiators to China following the two days of talks in Washington. Treasury Secretary Steven Mnuchin and U.S. Trade Representative Robert Lighthizer will travel as the team has continuous negotiations with China, the pair told reporters in the Oval Office yesterday.

**USDA Awards Trade Promotion Funds**: The Agriculture Department announced yesterday it’s providing 57 agriculture commodity organizations with a total of $200 million to grow export markets. The Agriculture Trade Promotion Program (ATP) is one of three USDA programs created to mitigate the effects of the tariffs levied by China and other countries in response to trade penalties initiated by Trump.

“This infusion will help us develop other markets and move us away from being dependent on one large customer for our agricultural products,” said Secretary Sonny Perdue in a press release. The ATP provides cost-share assistance to eligible U.S. organizations for activities such as consumer advertising, public relations, point-of-sale demonstrations, participation in trade fairs and exhibits, market research, and technical assistance.

**Defense and Foreign Policy**

**DOD Considers Wall for D.C’s Navy Yard**: The Navy is considering erecting a 14-foot flood wall around the Washington Navy Yard to protect the historic complex along the Anacostia River from rising sea levels, internal Department of Defense documents show. Military engineers proposed the wall in a study, obtained by Bloomberg News through a public-records request, that describes a structure as long as 1.5 miles, to protect three dozen buildings at a cost of as much as $20 million. It’s the latest example of a federal agency getting ready for climate change, despite the Trump administration’s public dismissal of the threat. The department has been considering a wall at the sprawling complex — which sits on a revitalized waterfront in the nation’s capital — since at least September 2016.

**What Else to Know Today**

**Trump to Curb Drug Rebates**: The legal status of drug-plan rebates that the Trump administration has blamed for helping keep prices high would be limited under a proposal U.S. health officials rolled out yesterday. The proposal comes ahead of Trump’s State of the Union address scheduled for Tuesday, handing him a potential win on drug pricing to tout. The measure, released by the Health and Human Services Department, would roll back so-called safe-harbor protections for such rebates, which kept them from running afoul of federal antikickback laws. The plan isn’t final and will be subject to a 60-day period for public comment.

**Net Neutrality**: The fight over net neutrality rules is set to go another round. For the fourth time an appellate court is being asked to weigh some aspect of this question: What policies — if any — should the federal government adopt to ensure internet traffic flows without interference? The U.S. Court of Appeals in Washington is set to hear arguments today on whether the Federal Communications Commission was correct in 2017 when it gutted an Obama-era rule that barred broadband providers from interfering with web traffic.

**Disaster Aid**: Trump declared that a major disaster exists in North Carolina and ordered federal assistance to supplement state and local recovery efforts in areas affected by Tropical Storm Michael in October, the White House said in a statement. He also declared “a major disaster” exists in Alaska and ordered aid to help state, tribal, and local recovery efforts in the areas affected by a Nov. 30 earthquake, the White House said.

**Sexual Assault Rule**: The conditions under which college students accused of sexual assault may face their accusers was one of several flashpoints in the more than 100,000 comments that flooded the Education Department in response to a new proposed rule. The department received in excess of 102,000 comments, which officials are required to read and respond to as part of finalizing the regulation addressing how colleges must deal with allegations of sexual attacks.

**Records Requests**: The Interior Department’s proposed rule allowing it to ignore certain “burdensome” Freedom of Information Act requests drew 65,000 comments, many questioning its legality. The proposed rule, issued Dec. 28, was met with broad opposition from government watchdogs and environmental groups saying it violated the Freedom of Information Act. The biggest concern was that the Interior Department could ignore FOIA requests that are “extremely broad or vague” or involve an “unreasonably burdensome” search, thus limiting decisions and material that are made public.

**Facebook Probes**: Facebook has become the target of at least three more state probes into the alleged mishandling of user data, expanding the number of government agencies investigating privacy-violation claims against the company, according to people familiar with the matter. The state probes are coalescing into two main groups scrutinizing the social-media company’s data-protection practices, said the people, who declined to be named because the inquiries are confidential.

**Shutdown-Idled Safety Board Restarts**: It’s been four weeks since a van carrying children from a Louisiana church to Disney World in Florida collided with a swerving tractor-trailer, igniting diesel fuel and killing seven people in a fiery crash. Now, federal crash investigators — sidelined during the longest government shutdown in history — are finally headed to the scene to study how to prevent such accidents in the future. It was one of 97 transportation accidents that occurred during the shutdown that kept the NTSB from performing preliminary examinations. In 21 of the cases so far, including 15 aviation accidents that killed a total of 21 people, the safety board is opening belated inquiries.

**Trump Campaign Says Former Aide Violated NDA**: Trump’s campaign formally accused former staffer Cliff Sims of violating a non-disclosure agreement with the publication this week of his tell-all book detailing his time in the West Wing. In an arbitration claim filed yesterday, the campaign said Sims violated the agreement by disparaging Trump in the book and in media appearances to promote the memoir, titled “Team of Vipers.” The campaign also said that Sims violated portions of the agreement by taking and keeping notes during his time in the White House, and emailing himself confidential information.

**Agriculture News**

In Iowa, Trump’s `Long Rope’ With Farmers Is Starting to Run Out

* Industry wants to see trade resolution, biofuel policy change
* ‘2019 is a pivotal year’ for making good on ethanol promises

By Mario Parker | January 31, 2019

Bloomberg Government

Let’s not overstate it. Iowa’s agricultural heartland is still largely Trump country. But there are signs, nascent and just starting to bubble, that support is being tested.

That was the message at the Iowa Renewable Fuels Summit in Altoona this week. The state is the largest U.S. producer of corn-based ethanol. Donald Trump has time and again pledged to back the biofuel industry, even promising a plan that would mean higher sales this summer. But his trade war with China has meant American producers face tariffs, while ripples from the record-long government shutdown threaten to delay the policy change that could lift demand.

“Farmers are optimistic,” and feel good that Trump will follow through on his biofuel assurances, Jeff Altena, a farmer and a director of operations at Siouxland Energy Cooperative in Sioux Center, Iowa, said in an interview Tuesday at the summit. Still, the agriculture community has given the president “a long rope,” but “there’s a lot of folks” starting to get antsy for more progress, he said.

America’s farmers – part of the base that helped drive Trump’s election victory – have been the unintended victims of many of the administration’s policies. The trade war sparked declines for crop prices as China snubbed American supplies. The president rolled out aid payments to help soften that blow. But then, the shutdown prevented some growers from filing paperwork for those payments. It also meant delays for some farm loans.

**Ethanol Policy**

Ethanol could end up being the ultimate test of patience.

In 2018, Trump said he’d change policy to allow for summertime sales of gasoline blended with as much as 15 percent ethanol, something the industry for years had asked for in order to boost demand. The Environmental Protection Agency originally planned to issue a proposal on the rule in February in order to get it finalized before fueling restrictions kick in on June 1. EPA Acting Administrator Andrew Wheeler said this month the shutdown could mean delays to the process, while saying he still expected the rule change in time for the summer driving season.

At this week’s summit, the Iowa Renewable Fuels Association put up a poster-sized letter to Wheeler from the group, asking him to “take immediate action” to make sure the rule change is in place by June 1 to allow for the sales of higher ethanol blends, known as E15.

Trump spoke at the annual biofuel conference back in 2016, when he said that he was with the industry “100 percent.” Farmer Altena said he was there to watch then-candidate Trump lay out his promises, and that so far, “by golly, he’s backing it up.”

Still, if some of the industry’s concerns, including the trade war and E15 sales, aren’t sorted out this year, then “Trump will find a very different reaction here” than he’s been used to, said Monte Shaw, executive director of the Iowa Renewable Fuels Association. “I don’t think anybody in the White House should look at Iowa and say, ‘Hey, that’s automatically going to be renewable-fuels-for-Trump country.”’

**Federal Employee News**

TSP Stock Funds Rebound in January

Fedweek | February 1, 2019



The three stock-oriented TSP funds in January gained back much of the ground they lost in December, with the small company stock S fund up 11.64 percent, the large company stock C fund up 8.01 percent and the international stock I fund up 6.6 percent for the month.

The bond F fund meanwhile gained 1.07 percent and the government securities G fund gained 0.23 percent. The returns, all gains, for the lifecycle L funds were: Income, 1.83; 2020, 2.53; 2030, 4.92; 2040, 5.86; 2050, 6.67.

Fundamentals like earnings-per-share, debt levels, and economic strength drive stock market prices in the long-term. But in the short-term, most trading is governed by emotional humans and trading algorithms, and they frequently pay attention to what charts look like.

When the market had a sudden drop in December, it crashed down through a significant support level that it had bounced off from twice before.

House Votes for 2.6 Percent 2019 Raise

Fedweek | January 30, 2019

The House on Wednesday passed a newly introduced bill (HR-790) by Democratic leaders on civil service issues to pay a general federal employee raise of 2.6 percent retroactive to the start of the first full pay period of the year, January 6.

The 259-161 vote—with all 230 Democrats who voted being in favor, joined by 29 Republicans—represents a revival of the raise issue which has been dormant since December as attention focused on the partial government shutdown, with an increase from the 1.9 percent figure that has long been considered as the alternative to a salary rate freeze.

Rates have been frozen at 2018 levels under an executive order President Trump issued just before the turn of the year, but that order can even now be overridden by any legislation containing a raise that he signs.

The Senate last year approved an average 1.9 percent raise but the House, then under Republican control, earlier had consented to a freeze; the two chambers then held a conference which never reached a resolution. In recent weeks, the House, now under Democratic control, voted in favor of a 1.9 percent raise several times while passing legislation designed to end the shutdown. Those bills stalled in the Senate however.

The Senate in turn again endorsed a 1.9 percent raise last week when voting on a measure to end the shutdown; the bill achieved a majority but not the 60 votes needed to pass out of the Senate. The raise was not the hangup, however; the bill fell short because of the dispute over border wall construction, the issue underlying the partial shutdown.

While the administration has repeatedly opposed paying a raise for 2019, it never has explicitly threatened to veto a spending bill providing for one. Whether the difference between 1.9 and 2.6 would change that is unknown.

The House measure also would reinstate the long-standing freeze on salary rates payable to political appointees. That freeze has expired but they have not received the catch-up raises of up to about $11,000 that they would be due, because OPM has kept the rates frozen pending a possible renewal of the freeze. Under its terms, while the amounts payable to them have been frozen, the Executive Schedule rates annually increase on paper for purposes of setting pay caps applying to career employees in high-level pay systems such as the SES.

TSP Contributions to Be Made Up, but Not Missed Earnings

Fedweek | January 30, 2019

The TSP has told agencies to “ensure that all employee contributions, agency contributions, and loan payments are made for the period of pay missed during the shutdown” when they distribute back pay to employees who went unpaid during the partial shutdown.

Agencies further are to designate the date the payments ordinarily would have been made, it said. The TSP needs that information because if a payment is more than 30 days late—which would not apply in this case, since the first missed pay distribution was around January 11—the agency would have to adjust it for what investors would have gained (or lost) by having that money on investment for that time, given their investment allocations. The same would have applied to adding interest to late loan repayments.

Further, “If your payroll system does not deduct loan payments from back pay, you will need to inform your employees to submit their loan payments directly to the TSP” using a loan coupon, it said.