



HARDWOOD FEDERATION

Hardwood Federation - July 2022 Newsletter

From the Executive Director - Your August Recess Memo

Although the July agenda often makes August recess dates a moving target, be prepared during the weeks ahead to spot your U.S. Representative and senators, who will be making the rounds in the states for their traditional five-week summer break. The upcoming recess will give constituents an opportunity to see their lawmakers at town halls, state fairs, and sporting events, just to name a few. If you'd like to talk more formally with your lawmakers, constituents can also book appointments in the federal officials' state and district offices.

The Hardwood Federation frequently meets with Members of Congress and their staff in Washington, D.C. However, as a member of the hardwood industry and constituent, you can also play a role as an industry advocate. Remember, YOU are the expert in your field, and those in elected office are there to listen to YOU, the voter. To make your interactions with your lawmakers as productive as possible, the Federation is happy to provide some helpful tips.

Once you connect with your U.S. representative or one of your senators, it's important to identify yourself as a member of the hardwood industry and share information about your company. After telling your company's story, you can make your pitch. For this election cycle, there are four points we are focused on that you can share to support the industry:

Build Markets for Hardwood Products. *We seek opportunities to grow markets and add value to hardwood products.*

Wood Products are Part of the Climate Solution. With the federal government putting a climate twist on almost every policy that takes shape, tell your lawmakers to keep wood products in their toolbox. Hardwood floors, lumber and other products store carbon and prevent its release into the atmosphere. This message will help assure that the industry gets credited, instead of penalized, by climate policies that move at the federal level. **Also, don't forget that biomass is a key factor in the clean energy equation and that the 2023 spending bill should continue to memorialize the "carbon neutrality" of biomass energy.**

Protect and Expand International Markets. The hardwood sector is a powerful exporter of products "Made in the USA" and relies on foreign customers to support high quality jobs at home. To that end, please remind your lawmakers of the importance of continued and increased funding for the U.S. Department of Agriculture's Market Access Program (MAP) and the Foreign Market Development (FMD) Program which support U.S. hardwood exports.

Oppose Tax Hikes that Harm American Hardwood Companies. The Hardwood Federation supports favorable tax systems for small and medium sized businesses, including family-owned companies. It's important to communicate the benefits of the small business tax deduction and the flexible estate tax provisions included within the tax reform law of 2017 and oppose any efforts to roll them back. Also, lawmakers must reject the idea of imposing a surtax on small business, a proposal which has recently been floated in the halls of Congress.

Fix the Worker Shortage. To address the long and short-term need for more workers, HF advocates for programs that promote workforce training, retention, and development to address shortages that hinder growth. Fortunately, Rep. Elise Stefanik (R-NY), has introduced the "Employer Directed Skills Act" (H.R. 6255). This important bill aims to bridge the gap between employer needs and employee skills by making existing workforce development programs more business friendly and flexible. Urging lawmakers to join H.R. 6255 as co-sponsors can help the industry.

Get More Drivers on the Road. Ongoing transportation bottlenecks continue to hinder the delivery of hardwood products to their customers. Fortunately, the "Infrastructure Investment and Jobs Act" enacted last year addressed some of the challenges related to the driver shortage. Despite this progress, federal policy makers can do more. This includes passage of the LICENSE Act—HR 6567 and S. 3556 - which would help expedite the issuing of commercial driver's licenses. Asking your lawmakers to cosponsor these important bills will help the industry.

We hope you take advantage of the upcoming August break to be on the lookout for your federal lawmakers. Don't feel pressure to cover every one of the ideas listed above...pick what most concerns you and what you are most comfortable talking about. The important thing to do is to make contact and make a difference.

Issues:

EPA Issues New Boiler MACT Standards

On July 21 - following a nearly 20 year-long back and forth between federal regulators and the courts - EPA issued final Boiler Maximum Achievable Technology (Boiler MACT) standards which include some flexibility with respect to emissions from biomass boilers. From a forest products sector perspective, the final rule will create business certainty for many mills which have already moved forward with emission mitigation strategies. These industry measures might have otherwise been deemed non-compliant to meet more stringent EPA standards. To view a copy of EPA's final standards, please click [here](#).

House Lawmakers Focus on FY 2023 Spending Bills

The legislative "sausage making" process really kicks into high gear when Congress exercises its "powers of the purse." On July 20, the House passed a Fiscal Year (FY) 2023 spending bill that will fund USDA, Interior and other agencies that oversee key programs that have a major impact on the industry:

- **Export Promotion** – The USDA spending bill will fund the agency's Market Access Program (MAP) and the Foreign Market Development (FMD) Program which support the American Hardwood Export Council's (AHEC) promotion of U.S. hardwood exports. The Federation has met with the House and Senate Ag Committee chairs and panel members to advocate for maintaining ... or increasing funding for these key programs.
- **Biomass** – Although spending bills are mainly known as the vehicles that deliver dollars to the agencies, they also present an opportunity for creative lawmakers and lobbyists to push priorities unrelated to dollar amounts going to federal programs. Nowhere is this more evident than the industry's efforts to enshrine "the carbon neutrality of biomass" into federal law. Since enactment of a spending bill in 2017, there has been a statutory directive renewed each year instructing federal agencies to recognize the carbon neutral nature of forest-based biomass in any federal energy or environmental policymaking. The House-

passed FY 2023 Interior appropriations measure includes watered down language that acknowledges the “carbon benefits” of biomass energy but stops short of declaring this type of energy that we deploy in our mills as carbon neutral. The Hardwood Federation worked last year to defeat identical language and preserving the carbon neutrality directive through FY 2022. We are working with our champions in the Senate to secure a similar outcome for FY 2023.

- **Forest Inventory** – The hardwood sector relies on USDA’s Forest Inventory Analysis (FIA) to inform sound forestry management practices. This information is critical for decisions regarding carbon stocks, sustainability, and existing and expanding markets. The bill includes a significant funding boost for the FIA, a \$15.5 million increase over FY22 levels.

Congress Passes “CHIPS Act,” Sends Bill to President

On July 28, as expected, the House passed the “Creating Helpful Incentives to Produce Semiconductors (CHIPS) Act,” a nearly \$300 billion package aimed to bolster the tech sector also known as the China competition bill. The Senate adopted the bill by overwhelming, bipartisan margins on July 27, clearing the path for House passage and submission to the President for his signature. Although the “CHIPS Act” consists mainly of tax credits and research authorizations to produce semiconductors that will expedite the manufacture and distribution of heavy-duty equipment and automobiles, for example, the final package is notable for what Hill negotiators have dropped. Previous versions of the bill included measures that would expedite the “Trade Act of 1974” Section 301 tariff exclusions process managed by the U.S. Trade Representative (USTR), whereby federal regulators would review and possibly remove duties imposed on certain Chinese imports. That said, senators rejected the provision during talks last week.

On the agency front, as reported earlier, the USTR announced on May 5 the start of the Section 301 review process that requires that tariffs imposed under the federal rule be reviewed for impacts every four years. The process specifically covers tariffs imposed on Chinese goods on July 6, 2018, and those imposed on additional Chinese imports on August 23, 2018. According to Administration sources, the review process could take months to complete.

“Build Back Better” Plan Remains a Moving Target

In the wake of a July 15 break from his fellow Democrats when Sen. Joe Manchin rejected a scaled back “Build Back Better” plan, effectively derailing the package at that time, the senator from West Virginia and Sen. Chuck Schumer (D-NY) announced two weeks later that

they had struck a deal. On July 27, senate Democrats released details of a [framework](#) which at the moment includes more than \$700 billion on energy, climate and other domestic spending. With slim margins in the Senate, a path forward for the package is uncertain, as Sen. Dick Durbin (D-IL) tests positive for COVID, and the position of Sen. Kyrsten Sinema (D-AZ) remains unknown. This week's developments constitute the latest twist in the back-and-forth that have characterized talks on BBB.

Two weeks ago, for example, while considering a slimmed down package focusing on healthcare programs, Sen. Manchin cited concerns about high inflation and the plan's potential to exacerbate it. On July 20, President Biden [stated](#) that he would use presidential authority to push through portions of his climate agenda that Congress cannot pass, including expanded offshore wind, energy efficient air conditioning and more funding for "resilient" infrastructure that can withstand heat waves.

Included within the older proposal was a surtax on small business income to offset the costs of the healthcare provisions. On July 11, the Federation joined dozens of small business partners in a [letter](#) to oppose a proposed expansion of a surtax. Citing high inflation, a possible recession and "chronic labor shortages" as major challenges, the coalition urged lawmakers not to pile onto the growing obstacles confronting small business. It appears that the surtax is not included within the current framework of the legislation. This, and other tax increases impacting small business could be reinserted, however, as talks related to the latest BBB plan move forward.

The road to passage for any iteration of BBB has become even more complicated than before as the ability to pass legislation through the "reconciliation" process expires at the end of September. The Federation will continue to review details related to the latest proposal and monitor its progress.

HFPAC Wraps 100-Day Campaign

On July 15, HFPAC closed its 100-day long spring campaign, which launched in late March. So far, the fundraising effort has raised over \$94,000 from 83 individuals. Moving forward, HFPAC has set the goal of reaching \$100,000 from 100 individuals, no later than the crucial midterm elections on Tuesday, November 8.