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Date: 7/8/2014 6:07:06 PM
Subject: FW: RGPPC Ex-Im Bank Reauthorization Memo
Attachments: Gov. Perry's Ex-Im letter.pdf
Gov. Haley's Ex-Im letter.pdf

Katherine/Josh-

We are working on an email to staff that explains the Ex- IM issue in as neutral of a format as we can. We've obtained a copy of your letter; may we attach it to our brief to states?

Thanks- Marie Sanderson

DRAFT EMAIL BELOW....

From: Caroline Castigliola
Sent: Tuesday, July 8, 2014 4:58 PM
To: Marie Sanderson
Subject: RGPPC Ex-Im Bank Reauthorization Memo

REPUBLICAN GOVERNORS

PUBLIC POLICY COMMITTEE

To Action Officers & Policy Advisors:

This is an informational memo designed to provide states with some background on the Export-Import (Ex-Im) Bank as well as the latest news relating to its potential reauthorization or expiration. RGPPC will not take a position on the issue; however, with the Bank's charter set to expire at the end of September 2014, we have put together a factual memo to inform states on the matter. We have also attached a few letter from governors who have weighed in on the issue.

Background on the Bank:

As the official export credit agency of the United States, the Ex-Im Bank is designed to help finance the export of U.S. goods and services to international markets. The Bank came into being via an executive order issued by FDR in 1934 and was originally organized as a DC banking corporation. The stated purpose of the Bank at the time was "to aid in financing and to facilitate exports and imports and the exchange of commodities between the United States and other Nations or the agencies or nationals thereof." Under the Ex-Im Bank Act of 1945, the Bank became an independent agency, and in 2007, the Bank became a self-sustaining agency, although the federal government continues to back the loans. The Bank was last chartered in 2012 and is set to expire on September 30, 2014.

Current activities of the Bank:

At present, the financial activity of Bank consists of providing loan guarantees, export-credit insurance, and direct loans (some of which are given to foreign businesses). The Bank helps foreign customers buy American-made equipment from companies such as Boeing, Caterpillar, and General Electric as well as from smaller businesses. Indeed, the vast majority of businesses using the bank are small companies, although the bulk of the financing in

terms of dollars and cents goes to big companies. For example, in 2013, around 80 percent (2,160 of the 2,775) of the companies using the bank would be considered small businesses. At the same time, about the same proportion of financing dollars authorized that year by the Bank went to big companies. See [How Small Businesses Use the Ex-Im Bank](#).

The Bank Touts the Following Achievements:

- The Bank maintains U.S. jobs by filling gaps in private export financing at no cost to American taxpayers.
- The Bank earned for U.S. taxpayers more than \$1 billion in FY 2013 above the cost of operations.
- In FY 2013, the Bank approved more than \$27 billion in total authorizations to support an estimated \$37.4 billion in U.S. export sales and approximately 205,000 American jobs in communities across the country.
- The Bank approved a record 3,413 transactions in 2013-- or 89 percent--for small-businesses.

The Bank's Carbon Policy:

In 2009, the Bank adopted a carbon policy to "encourage renewable energy and climate friendly technologies." In 2013, the Bank revised its procedures to prevent financing for power plants abroad that did not engage in certain techniques for reducing carbon emissions. Namely, the Bank, as a general rule, refused to finance coal-fired power plants unless they reduce carbon emissions by capturing carbon dioxide from smokestacks and storing it in an underground reservoir. The Bank provided some exceptions for the world's poorest countries, allowing them instead to use cleanest technology available. As the legislative proposals below reveal, Congressional reauthorization may be dependent on loosening these restrictions.

Proposals for Reauthorization:

Senate

Sen. Joe Manchin (D-W.Va.), Chairman of the Banking Subcommittee on National Security and International Trade and Finance, will introduce a bipartisan bill (to be cosponsored by Sen. Mark Kirk (R-Ill.)) that would reauthorize the bank for five years and increase its credit-exposure limit to \$160 billion (up from \$140 billion in 2012). The bill would also expand the number of power plants abroad that would be relieved from complying the carbon capture and sequestration.

Senate Majority Leader Harry Reid (D-Nev.) reportedly is considering attaching a short-term reauthorization of the Bank to a continuing resolution that would extend the Highway Trust Fund as a "dare to House Republicans to shut down the government over the bank in the weeks before Election Day." See [Export-Import bank may be tied to funding bill](#).

House

Rep. Denny Heck (D-Wa.) introduced a bill that would reauthorize the bank for seven years and raise its lending cap to \$175 billion. Heck's bill proposes to increase the lending cap incrementally each year by \$5 billion until 2021. (The bill is supported by 201 House Democrats.)

Rep. John Campbell (R-Calif.), Chairman of the Financial Services Subcommittee on Monetary Policy and Trade, has drafted a bill (not yet introduced) that would reauthorize the bank for three years and would lower the lending limit each year--beginning at \$140 billion ending at \$95 billion. Sen. Campbell's proposal includes 20 reform provisions, including reducing how much money the bank can loan to foreign and state-owned businesses and reversing a ban on funding coal-fired power projects.

Rep. Stephen Fincher (R-Tenn.), Financial Services Committee, is also considering introducing legislation to reauthorize the bank, despite having voted against reauthorizing Ex-Im in 2012. Fincher has said his legislation would likely include incentives for the private sector to get into the export financing market.

While there are clear efforts in the House to introduce legislation, it should be noted that there is some powerful opposition to reauthorization in the House, including Financial Services Committee Chairman Jeb Hensarling (R-Tex.), incoming Majority Leader Kevin McCarthy (R-Calif.), and incoming Majority Whip Steve Scalise (R-La.).

Political Considerations:

In the past, Congress has reauthorized the Bank with little resistance; however, this time around, there is division not

only among the parties but also within the Republican party. Sources suggest that Democrats are attempting to use the reauthorization controversy to garner support from pro-business donors who typically back Republicans.

Recent Press:

Political Battle Over Export Bank Heats Up ([WSJ](#))

Export-Import Bank supporters aim for show of strength in Senate ([The Hill](#))

Export-Import bank may be tied to funding bill ([Politico](#))

U.S. Funding For Foreign Coal Plants Tied To Survival Of Ex-Im Bank ([Oil Price](#))

Reauthorization Advocates

NAM ([The U.S. Export-Import Bank \(Ex-Im\) is a vital tool](#))

The Chamber ([Support the Ex-Im Bank](#))

Nuclear Energy Institute ([Ex-Im Bank Reauthorization: Myths & Facts](#))

Reauthorization Opponents

Heritage ([The Export-Import Bank: A Government Outfit Mired in Mismanagement](#))

America for Growth ([Help Stop Export-Import Bank Loans To Russian Companies](#))

We will continue to track the Ex-Im Bank reauthorization issue and will keep states informed regarding any developments.

Best,

Caroline

Caroline Castigliola

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