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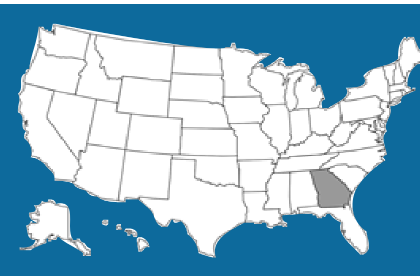

This edition of *At Issue* offers an overview of nuclear waste policy, cybersecurity and tax reform.

I sponsored Senate Resolution 407 during the 2017 legislative session, calling on Georgia's congressional delegation to introduce legislation reestablishing the federal nuclear waste program. While our nation's nuclear waste is supposed to be housed at a storage facility at Yucca Mountain in Nevada, protests, opposition, and delays have blocked construction for decades. Georgia ratepayers alone have paid $1.6 billion in fees toward the nonfunctioning program, yet our nuclear waste remains stored within our borders. This is unacceptable. This issue highlights the impact on Georgia along with the delays, costs, and litigation that have marked the nuclear waste program since the 1980s.

On the technology front, it is no surprise that cybersecurity is a top priority for governments around the globe, and we are making strong steps to make Georgia a leader in that field. I am proud of the $50 million appropriation for the Georgia Cyber Innovation and Training Center in Augusta that we approved during this year's legislative session. This would not have been possible without the hard work of the various agencies that came together to make this center a reality. I want to commend Senator Bruce Thompson (R – White), Chairman of the Senate Science and Technology Committee, for his work drawing attention to this important issue. This facility will not only increase Georgia's cybersecurity and keep our electronic data safe from criminal use, but I expect that it will set an example for the rest of the nation.

Lastly, this issue explains how the latest tax proposals on Capitol Hill would affect Georgians and how our state's tax policy intersects with the federal tax code. A strong tax policy is critical not only for business growth and development but to providing opportunities for individuals to thrive and support their families. This is why I fought to cap Georgia's income tax rate and have long advocated for fair, common-sense tax policies. Under a new administration, I am hopeful that we will see bold changes from Washington that lower and flatten tax rates.

I hope you find this edition of *At Issue* interesting and useful. If you have topics you would like for us to cover in future editions, please send me an email.

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Nuclear Waste In Georgia

Georgia is home to two nuclear power plants. Appling County's Plant Hatch has been in operation since 1975, while Plant Vogtle, in Burke County, came online in 1987. The two plants generate a combined total of 2,661,000 megawatt hours of electricity each year, accounting for approximately 30 percent of the electricity created in the state.

The plants create electricity using enriched uranium rods. But when that uranium is no longer usable, it remains highly radioactive and cannot be destroyed. Instead, the spent fuel must be stored as safely as possible.

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Today, nuclear waste from both plants is being stored on-site, in water pools and concrete casks designed to prevent radiation from escaping. The Southern Company reports that Plant Hatch currently houses approximately 4.6 million pounds of waste, while Vogtle is home to 3.3 million pounds of the spent fuel.

Ultimately, the cost of storing this radioactive waste is borne by Georgia's power consumers. Yet, these same consumers have already paid for this fuel to be deposited in a secure facility that has not been – and may never be – built.

Nuclear Waste Policy Act of 1982

In 1982, Congress passed the Nuclear Waste Policy Act (NWPA). This law mandated the construction of a permanent nuclear waste repository for the nation's spent nuclear fuel, to be put into use before January 31, 1998. The Act placed the financial responsibility for constructing the facility on the producers and owners of the waste, creating a Nuclear Waste Fund to house fees collected from energy consumers.

The Department of Energy (DOE) was tasked with finding the site for a permanent repository. Five years later, after years of research and assessment by the DOE, Congress amended the NWPA and ordered the construction of a storage facility at Yucca Mountain, a desert location bordering a federal nuclear weapons testing zone in Nye County, Nevada.

Building Progress

Unfortunately, in the 30 years since Yucca Mountain was selected as the safest and most appropriate location in the nation for housing nuclear waste, very little progress has actually been made toward constructing the facility. According to the Nuclear Energy Institute, just seven miles of exploratory tunnels have been dug at the site, while no storage tunnels or containers have ever been developed. Today, the site sits abandoned, with no plans for future construction. Perhaps most galling is that, despite the fact that the near-zero progress has been made on the facility, taxpayers spent more than $15 billion on the Yucca Mountain project between 1983 and 2011 according to the Government Accountability Office.

Yucca Mountain
Source: Yournews.com

While many factors have contributed to what can only be described as the total failure of the Yucca Mountain project, much of the delay is due to the state of Nevada's opposition to the repository. With the battle cry of "Not in our Backyard!" the state has filed numerous lawsuits opposing the facility which, although unsuccessful, have greatly delayed construction. Former Senate Majority Leader Harry Reid also strongly opposed the Yucca Mountain project, blocking appropriations for the facility from the Nuclear Waste Fund.

Another problem stems from the DOE's failure to open the facility by January 31, 1998, violating the terms of the NWPA. This failure left the DOE vulnerable to a host of lawsuits by states and energy companies seeking to recover the costs of storing nuclear waste themselves. In 2015, the Congressional Budget Office testified before the House Subcommittee on Environment and the Economy that more than $5.3 billion in legal awards has been paid by the DOE as a result of these lawsuits. What is more, the CBO estimated that the DOE will have to pay an additional $23.7 billion in legal awards in the future, even if a permanent storage facility is constructed in time to begin storing waste by 2025.

License Application

The Department of Energy's most recent step toward completing the facility was in June 2008, during the final months of the Bush Administration. At long last, the DOE – 20 years after Congress selected Yucca Mountain as the repository site – filed a petition with the Nuclear Regulatory Commission (NRC) for a license to store spent nuclear fuel at the facility. The petition set a statutorily-mandated clock ticking on a three-year time period in which the NRC was required to issue a final decision on the petition. Congress subsequently appropriated approximately $11 million to fund the Commission's review.

Under the Obama Administration, however, the Commission not only refused to issue a decision, but refused even to consider the petition. Further, the DOE attempted unsuccessfully to withdraw the petition it had previously filed. From 2010 to 2013, the states of South Carolina and Washington, along with private entities, filed lawsuits in federal court seeking an order forcing the Commission to consider the DOE's petition and either grant or deny the Yucca Mountain license. In August of 2013, the U.S. Court of Appeals for the Washington, D.C. Circuit ruled that the NRC's refusal to consider the application violated federal law, and ordered the Commission to consider the DOE's petition.

Suspension of the Nuclear Waste Fund Fee
Three months later, in November of 2013, the D.C. Circuit Court of Appeals granted another petition filed by the National Association of Regulatory Utility Commissioners to force the DOE to suspend the Nuclear Waste Fund Fee. In response, the DOE contended that the fee should not be suspended because it hoped to one day build an operational facility at an undetermined location somewhere other than Yucca Mountain by the year 2048. The Court rejected the DOE's argument, characterizing the 2048 plan "pie in the sky," and calling the Secretary of the DOE's actions "disingenuous."

The Court further noted that DOE's plans to one day build a facility somewhere other than Yucca Mountain were in direct violation of federal law. In its ruling, the Court ordered that the Secretary of the DOE "submit to Congress a proposal to change the fee to zero until such a time as either the Secretary chooses to comply with the Act as it is currently written, or until Congress enacts an alternative waste management plan." A 2016 audit of the Nuclear Waste Fund found that the Fund contains over $36 billion in assets.

Yucca Mountain
Source: Yournews.com

Recent Developments
While the Yucca Mountain project remains at a standstill, the election of President Donald Trump has begun to stir speculation that the project could be resurrected.

In March of this year, the State of Texas filed a lawsuit in the Fifth Circuit Court of Appeals against the Department of Energy, again seeking to force the NRC to make a decision one way or the other on the DOE's license application.

During the 2017 legislative session, the Georgia Senate joined the chorus of those calling for action on the Yucca Mountain Project, by adopting Senate Resolution 407. The resolution, sponsored by Senator David Shafer (R-48th), cited the $1.6 billion that has been paid by Georgia ratepayers toward the Nuclear Waste Fund "with nothing to show for it." The resolution also called on Georgia's congressional delegation to introduce legislation to reestablish the Nuclear Waste Program.

Recent headlines seem to indicate that the movement may be regaining momentum. On May 23, the Nuclear Regulatory Commission announced that it was requesting that Congress appropriate $30 million from the Nuclear Waste Fund to revive the Commission's review of the Yucca Mountain license application. Whether the NWPA will ever amount to anything more than a $39 billion waste of money remains to be seen. For Georgia's sake — and its $1.6 billion in taxpayer contributions — one can hope the project goes forward. - *TB*

Federal and State Collaboration

Securing Georgia's Future in Cyber

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When one thinks of the cybersecurity capital of the world, one might imagine Moscow or London or Washington D.C. One probably does not – but should – think about Augusta, Georgia.

It may come as a surprise, but the eastern Georgia city, along with the state capital, Atlanta, was recently highlighted by *Fortune* as two of the seven potential cybersecurity capitals of the world. The recognition was in part because of Fort Gordon, which is home to the U.S. Army Cyber Command and the U.S. Army Cyber Center for Excellence as well as a branch of the National Security Agency. However, the real watershed for Augusta was the announcement of the new Georgia Cyber Innovation and Training Center, with its potential for catalyzing a $1 billion-a-year cybersecurity industry.

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Approved in the amended Fiscal Year 2017 state budget, the $50 million Center will help develop the workforce and infrastructure needed to protect the United States from cyber threats. The Center is being designed by the international architecture firm Gensler, whose past experience designing buildings for intelligence agencies should help expedite the process by several weeks. The Georgia Technology Authority (GTA) will oversee the construction and operation of the Center, while the University System of Georgia (USG) will manage its day-to-day operations.

Rendering of the Georgia Cyber Innovation and Training Center
Source: Georgia Technology Authority

Due to a number of factors such as the selection of architecture firms, local permits being prioritized, and the use of state General Funds instead of General Obligation bonds, the Center has a planned opening of July 10, 2018, with the groundbreaking ceremony taking place on June 19th of this year. Calvin Rhodes, executive director of GTA, remarked on the center's speedy construction: "As of today, looking at our very aggressive schedule, we feel like we are two or three weeks ahead of that schedule."

Nestled amongst Augusta University's Riverfront Campus, the Center plans to house one of the few state-owned cyber ranges and training facilities in the nation. Ensuring a safe environment for training and testing skills, cyber defenses, and cyber weapons, the cyber range will include interactive, simulated representations of networks, systems, tools, and applications. Participation from various agencies including the University System of Georgia, the Augusta University Cyber Institute, the Technical College System of Georgia, Augusta's local school system, the Georgia National Guard, the Georgia Bureau of Investigation (GBI), federal agencies, and private sector companies is paramount to the operation and success of the Center. Colonel Todd Turner, the garrison commander for Fort Gordon, supported the multi-pronged partnership saying that "by having collaboration, what we're really doing is we're actually improving our capability in a much more rapid pace than we would have if we do it alone."

The Center is set to serve as an incubator for start-up cybersecurity companies. It is also focused on research and development, thanks to collaboration with Georgia's research institutions. Classroom space and a 320-seat auditorium at the Center will provide educational and training options, while leasing space will be available to provide resources for cybersecurity start-ups and small businesses. Within the Center, GTA's Georgia Cybersecurity Academy will provide cybersecurity awareness, training, and education to state agency information security officers. The Center will also provide for the testing of new cybersecurity products, helping to attract cybersecurity companies to Georgia and further enhance the state's economy. Also housed in the new Center will be the GBI's new Cyber Crime Unit, which will allow state, federal, and local law enforcement agencies to more easily address cyber-crime.

Aside from the direct impact of the Center itself, the city of Augusta and participating stakeholders are hoping to further benefit from this new opportunity. Once construction commences, Augusta University will receive the remaining site space for additional projects. The Center will also have an accompanying parking garage, which will offer both secured and non-secured public parking and is being built with funds provided by the City of Augusta.

The announcement of the Center could not be more aptly timed as the world is rebounding from the latest crippling ransomware attack, WannaCry. Affecting more than 153 countries and territories in May of this year, the ransomware attacked both private and public entities. Its most critically hit targets included French automaker Renault, Nissan Motor Company, Russia's Interior Ministry, and Britain's National Health Service.

In 2016 alone, almost five million records were breached, and the forecasted totals for 2017 far surpass that amount. The cyber arena does not recognize sovereign or federal boundaries, but instead affects local, state, federal, foreign and private actors alike. Total eradication of cyber threats is unlikely. But defenses can and should be improved. That is the ultimate goal of the new Georgia Cyber Innovation and Training Center. - *AW*

How Federal Tax Reform Could Impact Georgia

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One of the top initiatives of both the Republican Party and President Trump is reforming the federal tax code to make it less complex and more business-friendly. Critics of the current tax structure note that the federal tax code has more than tripled in size since 1986. They have also argued that the United States has fallen behind on modernizing its tax laws while other countries draw businesses and growth thanks to more competitive rates.

Although many of the details of President Trump's tax reform legislative initiative are still being ironed out, it would be helpful to take a step back and look at how these laws might affect Georgia.

Possible Federal Tax Reform Legislation
Of the tax reform proposals currently existing, each contains some version of the following elements:

- Lowering the corporate income tax rates, so that the United States no longer has one of the highest tax rates in the world for corporations;
- Flattening the income tax rate brackets, so that instead of having seven brackets, taxpayers only have to navigate through possibly three;
- Lowering the individual income tax rates, while creating a separate low tax rate for "pass-through" businesses that are traditionally taxed using the individual income tax brackets (examples include partnerships and S-Corporations);
- Eliminating the death tax (also known as the "estate tax");
- Repealing the alternative minimum tax, or AMT (which subjects certain higher-income taxpayers to a tax rate of 28 percent while disallowing certain deductions and credits, such as the personal exemption used to claim the deduction for dependents);
- Eliminating most itemized tax deductions (excluding the deductions for mortgage interest, charitable deductions, medical expenses, and other possible deductions); and
- Increasing the standard deduction.

Speaker Paul Ryan, together with President Donald Trump and Vice President Mike Pence.
Source: Official Website for Speaker Paul Ryan

Each of these elements is designed to either reduce the filing burden that taxpayers face or incentivize growth through lower taxes.

Of course, some proposals also contain innovative ideas. For instance, Speaker Paul Ryan has proposed that a portion of the tax revenue lost through tax cuts be replenished by enacting a border adjustment tax. Under the border adjustment tax, the cost of imported goods will no longer be deductible from a business' income taxes, while their revenue from exports will be excluded from income taxes – encouraging domestic consumption and ending existing incentives for companies to locate outside the United States. Another proposal calls for the elimination of the deduction for paying state and local income and property taxes, which would also raise revenue to offset other tax cuts. However, whether any of these or other proposals make it into the final federal tax reform package is an open question, as legislators are still debating the pros and cons of each idea, and exploring ways to keep the package as revenue-neutral as possible while driving growth.

The Relationship between Federal and Georgia Tax Codes
One important consideration is how the new tax reform package will impact the state. Like many states, Georgia piggy-backs on the federal income tax code to determine what is and is not income. This saves both the state and taxpayers the complexity of navigating two separate tax codes, keeps administrative costs low for the state, and saves the state the headache of addressing the complex issues surrounding the creation and maintenance of an income tax code.

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However, there are some differences between the federal and state laws. For example, Georgia does not tax any income received through social security, and exempts $65,000 yearly from retirement income (provided that the individual is at least 65 years old; different rules apply for other retirees). Georgia also has different rules for depreciating the tax value of property (which affects how businesses receive deductions for the loss of value for the property). Most importantly, Georgia uses different income brackets in determining how much someone owes for income taxes.

U.S. National Economic Director Gary Cohn and Treasury Secretary Steven Mnuchin presented President Trump's tax reform plan on April 26. Source: Fortune.com.

In order to account for the frequent changes made to the federal income tax code, the General Assembly passes each year an Internal Revenue Code update bill. This bill adopts any changes made to the federal income tax code laws within the previous year. Because of how the state law is written, the update bill also explicitly includes any exceptions that the General Assembly wants to create. This allows the state to reject any changes that are too costly, unwieldy, or have little application to the state (such as tax breaks targeting those affected by natural disasters in other states).

This process will take on a new meaning once a federal tax reform package is signed into law by President Trump. When federal tax reform becomes law, the state will not merely decide how to tweak its tax code - the state will have to decide how to restructure it. The process of choosing which federal tax laws to incorporate into our state income tax code will become much more important, as it will have wide ramifications for taxpayers, for state revenue, and for the economy.

What Tax Reforms Could Mean for Georgia

Some of the largest possible changes in the federal tax code will have little impact on Georgia's tax laws. For instance, the state will not be impacted by the reduction in income tax rates on the federal level. Georgia also has its own standard deduction which taxpayers must use in calculating their tax liability, so the increase in the federal standard deduction will not affect the state. Furthermore, Georgia does not have a death tax, and would be largely unaffected by the repeal of the Alternative Minimum Tax.

However, the state will still need to consider how the other changes in law will affect its taxpayers. For example, all current proposals would remove many of the existing deductions allowed for by the current federal laws. Only certain deductions would survive, such as those for charitable donations or retirement account contributions. On the federal level, these changes are meant to simplify the tax code, and also bring in extra revenue to offset the cost of lowering the income tax rates. Those championing tax reform believe that lowering the tax rates and removing unnecessary deductions will create new economic growth, and revitalize the economy.

Nothing in federal or state law requires Georgia's income tax code to conform to the new federal income tax laws. The state is free to keep using the current income tax laws, adopt the federal tax reform package, adopt the reform legislation while including some exceptions, or create all new income tax laws to meet its own needs. However, one of the key questions that will be asked in the coming months is whether any proposed changes help the state, and whether any deviation from federal law will be worth the additional administrative costs and filing costs for both the state and its taxpayers. The answers to these questions will not be clear cut, and finding these answers will require keeping an eye on the debate for federal tax reform as it continues to evolve. - *JC*

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