



AMERICAN FOUNDRY SOCIETY 2022 FEDERAL PRIORITY ISSUES

The American Foundry Society (AFS), the U.S. metalcasting industry's leading advocate on national issues impacting the industry, is engaged on myriad issues on behalf of its members and industry. The society advocates for commonsense policies in a wide variety of areas of including, but not limited to, supply chain, environment, infrastructure, safety and health, tax, trade, and workforce.

The U.S. metalcasting industry strongly supports the implementation of the following pro-manufacturing public policy priorities for 2022 that fuel economic growth and job creation as we continue to deal with the ongoing pandemic.

SUPPLY CHAIN



Building resiliency and sustainability in domestic and international supply chains is of paramount importance for the U.S. metalcasting industry, its suppliers, and customers. The COVID-19 pandemic has resulted in shortages of essential components, the effects of which have exposed significant deficiencies in the U.S. logistics network and have led to delays and costly inflation at every stage of the manufacturing supply chain. Ocean freight rates more than tripled in 2021 and are further elevated by other associated costs, such as detention, congestion fees, surcharges, a lack of available pier and storage space, and substantial increases in transit times.

These issues are made worse by ongoing labor and semiconductor chip shortages; added together, they disrupt domestic production, resulting in increased lead times, reduced sales, escalated costs, and delayed delivery of castings.

The ongoing supply crunch for semiconductor chips has hurt production across industries supplied to by the foundry industry, ranging from cars to consumer appliances, personal computers, and smartphones. With the COVID-19 pandemic and the spike in demand in the recovery, the chip shortage is expected to last at least through 2022, pushing the lead times out for the shipment of some components into 2023.

AFS also is concerned about our national critical minerals supply chains, which are essential for the nation's defense, electric vehicles, wind power, and much more. Of the 35 critical minerals identified by the U.S. in 2018, 28 are at least 50% imported. Natural disasters, civil unrest, trade disputes, and company failures all can disrupt a mineral supply chain and the many products that depend on it, making many critical minerals a national security priority.

Although the U.S. has increased its strategic planning and investment in reliable supply chains in recent years, particularly as China has moved to increase control over critical mineral exports, the United States' own mining and recycling of these minerals is still small. The amounts of lithium, cobalt, graphene, indium, and other critical minerals needed for low-carbon technologies alone are expected to increase anywhere from 100% to 1,000% by 2050.

Many of our supply chain issues will require long-term solutions. In the interim, AFS urges the following actions by Congress and the Biden administration:

- Passage of the ***Ocean Shipping Reform Act (OSRA) of 2021*** (H.R. 4996). It represents the first major update to U.S. maritime law in more than 20 years and would modernize federal oversight of ocean shippers at U.S. ports. It prohibits onerous detention and demurrage fee assessments on surface shippers, institutes a strong anti-retaliatory practices framework over carrier and customer relationships, increases efficient container movement with new data and transparency requirements, and stipulates additional minimum standards for shipper service contracts. OSRA passed the House of Representatives by a vote of 364-60 in November 2021 but has not been voted on in the Senate.
- Passage of the ***U.S. Innovation and Competition Act*** (S. 1260), a bipartisan bill designed to boost U.S. semiconductor production, scientific research, development of artificial intelligence, and space exploration in the face of growing economic, technological, and military competition from China. The bill approved by the Senate in June awaits House action.
- Ensure semiconductor supply is fairly and transparently allocated across industry sectors and the Administration does not—explicitly or implicitly—favor any one sector.
- Incentivize domestic investments to build a domestic critical mineral supply chain.
- Expand recycling and reuse of critical minerals to increase sustainability and make minerals more available for U.S. use.

ENVIRONMENTAL QUALITY



America's metalcasters are committed to environmental quality and invest tens of millions of dollars annually to advance that cause by meeting environmental requirements, and in many cases, implementing beyond-compliance practices. U.S. environmental quality has improved markedly and continuously for decades. These positive results are evidence that economic growth and environmental quality are not mutually exclusive. The AFS Environmental, Health & Safety Division provides a wealth of conferences, webinars, and resources to help metalcasters achieve environmental goals and regulatory compliance. AFS has a long history of working with regulators and other stakeholders to foster understanding of environmental challenges and the best ways to address them. AFS urges that environmental policies be based on sound science, feasibility studies, and rigorous cost-benefit analysis. Metalcasters should be afforded flexibility in how they go about achieving environmental standards given the unique nature of their processes and operations.

- **Climate Change.** As global and national attention focuses on efforts to address climate change issues, government officials, industry trade groups, community organizations, and the public are developing strategies on the best approaches to reduce greenhouse gas emissions. The metalcasting industry is recognized as an energy-intensive, trade-exposed industry sector and could be significantly impacted by the many proposals to address climate change. AFS is evaluating the technical and policy issues associated with climate change and developing a position on how the metalcasting industry can best address climate change measures in an economically and environmentally sustainable manner.
- **Environmental Justice Initiatives.** President Biden has made environmental justice a priority in his Administration to address the disproportionate impact of environmental hazards on economically disadvantaged and minority communities. All federal agencies have been asked to address environmental justice issues, and environmental justice initiatives are also being incorporated into a wide range of federal proposals, including climate change and infrastructure legislation. In addition, many states have their own environmental justice programs, and nationwide social justice initiatives have also bolstered the focus on environmental justice.

Metalcasting operations can expect increased community focus and engagement on environmental justice issues in rulemakings, permit renewals, neighborhood complaints, enforcement actions, and settlement agreements. EPA has also released an updated EJSCREEN (<https://www.epa.gov/ejscreen>) that is a screening and mapping tool to help identify communities that may need environmental justice focus.

- **Iron and Steel Foundry Air Emissions Standards.** EPA promulgated National Emissions Standards for Hazardous Air Pollutants (NESHAP) for iron and steel foundries. After eight years of implementing these standards, EPA was required to conduct a residual risk and technology review to determine if the NESHAP has been effective, and if additional air emissions controls are needed to protect human health and the environment. Based on its review completed in October 2020, EPA concluded that no new emission limits were needed for iron and steel foundries. This conclusion is testament that iron and steel foundries have implemented effective control measures to reduce hazardous air pollutant (HAP) emissions and minimize risks to human health and the environment.

In working closely with EPA officials on the development of this rulemaking, AFS provided critical information regarding facility emissions data, foundry production processes, and the operation of air emission control devices used at foundries. These cooperative efforts demonstrated how iron and steel foundries effectively implemented control measures to reduce HAP emissions to minimize risks to human health and the environment. In addition, AFS identified for EPA substantial work practices that will continue to advance this environmental success story. AFS remains committed with its members to continue to implement sustainable control measures and work practices to reduce HAP emissions and protect human health and the environment.

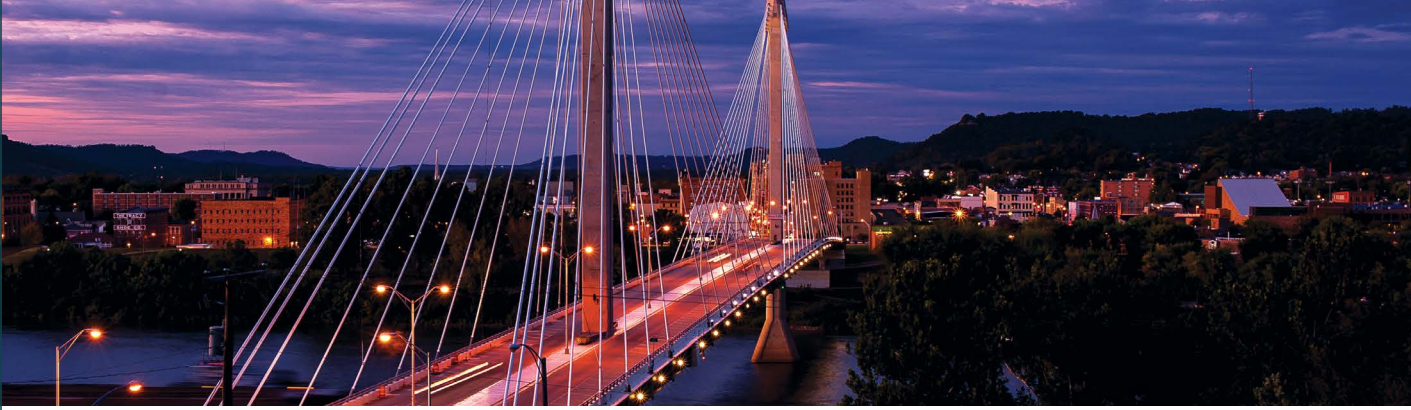


- **Stormwater Discharge Controls.** AFS members are committed to the implementation of best management practices to manage stormwater discharges at its facilities and have worked cooperatively with EPA and other industry trade groups to identify reasonable and appropriate controls. EPA finalized the 2021 National Pollutant Discharge Elimination System (NPDES) Multi-Sector General Permit (MSGP) that authorizes stormwater discharges associated with industrial activity in areas where EPA is the NPDES permitting authority. The final 2021 MSPG incorporates many of the measures that AFS has advocated, including a reduction of burdensome benchmark monitoring requirements, retention of sector-specific stormwater control measures, and greater flexibility for demonstrating compliance. These changes represent a more cost-effective and sustainable approach to minimizing the impact of stormwater discharges that is protective of human health and the environment.
- **EPA National Recycling Goal.** EPA has a stated goal of increasing the U.S. recycling rate to 50% by 2030. The metalcasting industry has long been committed to recycling and the conservation of valuable resources and supports EPA's national recycling goals. The metalcasting industry is a recycling industry and includes several categories of recycling: 1) scrap metal and other metal-bearing materials as raw materials for the metalcasting process; 2) reuse of materials in-house as part of ongoing manufacturing process, 3) beneficial use of industrial byproducts such as foundry sand; and 4) reclamation or reuse of secondary materials generated from the manufacturing process that are not returned to the foundry. AFS has commented to EPA that all its recycling activities should be included to calculate the overall recycling rates in the U.S. and has agreed to work with EPA in continuing to promote recycling activities in the metalcasting industry.
- **Emissions Benchmarking Project.** The AFS Air Quality Committee has been collecting stack test emission data to develop reliable emission factors for metalcasting operations to create a useful tool for metalcasting operations. The information collected is reviewed, evaluated, and summarized to identify more appropriate emission factors for metal casting operations. This information can be used by AFS members to benchmark their facility's emissions against other metalcasting operations. In addition, the data can be used for defining air permit conditions and to establish air emission factor for specific operations.
- **Green Foundry Initiative and Case Studies.** AFS recognizes that a strong business case can be made for promoting environmental sustainability within metalcasting facilities. Through the [Green Foundry Initiative](#), AFS gathers information from member companies regarding significant and novel approaches to improve sustainability, reduce energy and resource use, decrease or eliminate waste generation, minimize toxicity, identify beneficial use options for spent materials, and generally reduce their environmental footprint while maintaining production.

The Green Foundry Initiative provides metalcasting operations an opportunity to highlight the sustainability efforts that are being implemented at their facilities in the following five key areas:

- o Management Systems and Metrics
- o Air Emissions
- o Water Use and Discharge
- o Materials and Resource Conservation
- o Waste Management and Beneficial Use

INFRASTRUCTURE INVESTMENT




The men and women who work in the metalcasting industry play a major role in all infrastructure modernization efforts. In fact, an estimated 40% of castings are dedicated to infrastructure. Few investments have a greater positive impact on our economy than infrastructure modernization.

In 2021, AFS saw many policy successes in the transportation and infrastructure space, not the least of which included the long-awaited historic investment into our nation's infrastructure systems through passage of the Infrastructure Investment and Jobs Act (IIJA), which AFS actively engaged and supported. The new spending is focused on rebuilding roads and bridges, improving public transit systems, expanding passenger rail, upgrading ports and airports, investing in broadband infrastructure, fixing water systems, modernizing the power sector, and improving climate resilience.

Accordingly, as the administration develops new programs to utilize this funding, AFS will continue to engage with the various agencies and stress the importance of the following:

- **Streamlined Permitting.** The Society supports streamlining and accelerating the federal permitting process, as the current lengthy permitting and environmental review process can add to projects' time and cost, while deterring the entry of private capital.
- **Buy-American Provisions.** AFS supports the principle that when taxpayer funds are used for infrastructure projects, all the metal used, including castings, should be made in the U.S.
- **Water Infrastructure.** AFS continues to support full funding for the EPA state revolving loan funds programs and full funding for the Water Infrastructure Finance & Innovation Act.
- **Electrical Grid.** Americans are utilizing more distributed power technologies than ever before. Investments in the electrical grid will support the modernization needed to ensure U.S. electricity supply stability.
- **Freight Railcar Manufacturing.** AFS supports legislation to provide a tax credit for U.S. railcar leasing and manufacturing companies for the cost of replacing existing cars with new fuel-efficient railcars or for modernizing existing railcars.

INTERNATIONAL TRADE



AFS supports a transparent and fair playing field for metalcasters and our customers to participate in the global marketplace, including vigorous enforcement of U.S. trade laws and international trade agreements. Too often, foreign countries, including China, have engaged in unfair and unlawful trade practices, including subsidies, currency manipulation, intellectual property theft, and dumping. These illicit practices have contributed to the closure of some foundries and casting-consuming factories, as well as job losses in American communities.

To address these ongoing challenges, AFS urges the following actions by Congress and the Biden administration:

- **Trade Laws.** Support strengthening U.S. antidumping and countervailing duty laws, as well as continuing to allow the countervailing duty law to be applied to currency manipulation by foreign governments. Congress must ensure adequate resources for the agencies responsible to enforcing these laws.
- **Trade Enforcement.** AFS backs vigorous enforcement of U.S. trade laws. The Administration should work to halt transshipment, circumvention, and other forms of evasion of trade remedy orders.
 - o Passage of the ***Eliminating Global Market Distortions to Protect American Jobs Act of 2021*** (S. 1187), bipartisan legislation which will strengthen U.S. trade remedy laws to address new unfair trade practices and equip administering authorities with new tools to deal with these unfair trade practices. It addresses cross-border subsidization, where foreign governments subsidize industries not only in their own countries but in other countries as well. Currently, the Department of Commerce will not consider subsidies provided by a government of a country other than the country in which the recipient firm is located, “except in very limited circumstances.”
- **Tariffs.** Ensure the retention of the Section 232 and 301 tariffs on ferrous and nonferrous metal casting imports from China that were adopted during the former Trump Administration.
- **Reshoring.** AFS applauds and encourages voluntary reshoring initiatives for castings and other critical goods. AFS partners with The Reshoring Initiative, which helps companies quantify the financial benefits of reshoring.
- **Exports.** AFS supports federal programs that assist manufacturers in the complex process of exporting and complying with export-licensing and similar requirements.

SAFETY & HEALTH POLICY



AFS member companies have made substantial investments in training and technology to promote workplace safety and health. The AFS Health & Safety Committee provides numerous conferences, webinars and print/web resources concerning regulations and new developments, as well as sound practices. From an advocacy perspective, AFS also advises policymakers, offering expert guidance on how proposed and existing regulations and laws affect the industry and its employees. AFS's Washington office regularly engages with OSHA on key safety and health matters.

To promote safety and health, AFS encourages policies that conform to the following principles:

- **Sound Laws and Rulemaking.** New and existing workplace safety laws and regulations should be technologically attainable, based on current risk assessments, practical, and as cost-effective as possible. They should be performance based, so employers are afforded flexibility to meet standards in the best way possible in light of their unique mix of operations, equipment, and product lines.
- **Enforcement.** AFS encourages federal and state authorities to emphasize a collaborative and consultative approach, as opposed to an adversarial approach, with employers as they make conscientious efforts to safeguard their employees and comply with expansive state and federal requirements.



AFS supports a tax system based on simplicity and predictability that promotes investment through lowering the cost of capital. Maintaining a federal tax burden on manufacturers as low as possible as a means of promoting investment, business development, expansion, and job creation must be a national priority. Consistent with that goal, the AFS-backed 2017 Tax Cuts and Jobs Act (TCJA) brought tax rates for corporations and pass-through businesses closer to international norms, and simplified business tax accounting. It also repealed the corporate alternative minimum tax (AMT) and reduced the impact of the individual AMT. AFS strongly supports retaining these effective tax provisions and making them permanent. Raising taxes on America's manufacturers in this current environment moves us in the wrong direction.

To address these ongoing challenges, AFS urges the following actions by Congress and the Biden administration:

- **Reinstate ERTC for Q4 of 2021.** AFS supports legislation to reinstate the Employee Retention Tax Credit (ERTC) to cover all four quarters of 2021, instead of the first three quarters. The ERTC was a great resource for small foundries throughout the pandemic and provided them the financial support they needed to keep their employees on the payroll. By passing this legislation, the **Employee Retention Tax Credit Reinstatement Act** (H.R. 6161), owners who were planning on using the tax credit will no longer face a retroactive tax increase.
- **R&D Investments.** AFS supports permanently repealing the R&D amortization provision in existing law. Currently, businesses can immediately deduct 100% of R&D expenses in the year in which they are incurred; however, starting in 2022, businesses will be required to amortize or deduct over a period five to 15 years their R&D expenses.
 - o Passage of the **American Innovation and Jobs Act** (S. 749) and the **American Innovation and R&D Competitiveness Act** (H.R. 1304). These bills would preserve the ability of companies to immediately deduct research and development (R&D) expenses.
- **Permanent Section 199A Deduction for Pass-Through Businesses.** The 2017 TCJA created a 20% deduction for businesses organized as pass-throughs, through 2025. Many metalcasters are structured as pass-through entities and, without this deduction, would face a competitive disadvantage to companies organized as C-Corporations. making the credit permanent.
 - o Passage of the **Main Street Tax Certainty Act** (H.R. 1381 and S. 480). This legislation makes this critical deduction permanent for small business owners across the country.
- **Full Expensing for Capital Equipment.** TCJA of 2017 permitted full expensing for investments of capital costs, such as machinery and equipment, in the year the investment is made rather than spreading the costs out over several years. The policy will begin phasing out in 2022 and will be eliminated by 2026. This is not only the correct tax code treatment for these expenses but represents a strong incentive for American metalcasters to invest in the kinds of assets that will make their workers more productive, which in turn contributes to economic growth, job growth, and wage growth.
 - o Passage of the **Accelerate Long-Term Investment Growth Now (ALIGN) Act** (H.R. 2558 and S. 1166), which would make permanent the full and immediate expensing.



- **Alternative Minimum Tax (AMT).** The AMT creates needless complexity and is a stealth tax increase on metalcasters. The 2017 TCJA increased the exemption level for individual AMT filers, but that will expire in 2025. While the AMT should be repealed altogether, at the very least the AMT relief in the TCJA should be made permanent.
- **Permanent Estate Tax Repeal.** Since many foundries are family-owned, they must plan for the estate tax if they want to keep the business operating after the death or retirement of the owner. Permanent repeal of the estate tax would keep family-owned foundries operating for future generations. The AFS-backed 2017 TCJA increased the estate tax exemption from \$5 million to \$10 million, but that tax relief will expire in 2025 without Congressional action. AFS supports a permanent extension of the higher exemption.
- **LIFO (Last In, First Out) Accounting Method.** The Society advocates policies to continue to permit the use of LIFO, a widely accepted inventory accounting method which has been recognized in the U.S. tax code for more than 70 years. Repealing LIFO accounting would cause metalcasters using LIFO to report their LIFO reserves as income, resulting in a massive tax increase, with negative consequences for employment, productivity, and the U.S. industrial base.
- **Promote Infrastructure Investment in the Tax Code.** AFS supports the expansion of the private-activity bond (PAB) cap to allow for additional investment in highways and utilities, and include additional types of public infrastructure, such as schools and hospitals.

WORKFORCE DEVELOPMENT



AFS surveys continue to reflect the ongoing worker shortage as the number one challenge faced by metalcasters. To meet current and future workforce needs, federal policies should encourage students to consider career and technical education (CTE) to prepare them for rewarding careers in manufacturing. To address these ongoing challenges, AFS urges the following actions by Congress and the Biden administration:

- **Enhanced Federal Training Programs.** AFS supports reauthorizing and expanding the Workforce Innovation and Opportunity Act (WIOA), which helps provide education and training to job seekers and connects workers with employers. The Society supports expanding Pell Grant eligibility to high-quality short-term programs which will help students get the job training they need. Training programs should be continually evaluated and refined to reflect the needs of an ever-evolving workforce.
- **Training Incentives.** AFS supports workforce development provisions and expanding tax credits for employers that provide training to employees, especially in the manufacturing sector. AFS also calls for federal support for growing apprenticeship opportunities. All training incentives should be structured to allow employers the optimum flexibility.
- **Expand Childcare Availability.** Many foundries struggle to attract women, especially for second shift, due to the lack of available childcare and cost. AFS supports increased government involvement in finding solutions to childcare challenges, which affect current and future metalcasting employees.
- **Truck Driver Shortage.** The surface transportation industry has faced a severe shortage of workers, coupled with the pandemic, which has resulted in inefficiencies in the supply chain and distribution system. This particularly affects metalcasters, who rely on shipments of critical supplies to manufacture castings, and then the shipment of final castings from the foundry to their customers.
 - o AFS supports efforts by the U.S. Department of Transportation to reduce barriers to state-issuance of commercial drivers' licenses, training for truck drivers, review of pertinent industry challenges related to driver detention and pay, and a joint agency initiative to support career development and stabilize the future quality and appeal of trucking jobs.
 - o AFS backs congressional efforts to enact programs that incentivize, train, and license heavy-duty commercial vehicle drivers. We urge passage of the **DRIVE Safe Act** (H.R. 1745 and S.659) to fully authorize federal approval for training and apprenticeship programs to allow for the legal operation of commercial motor vehicles in interstate commerce by under-21 commercial driver's license (CDL) holders. By activating this existing pool of trained and licensed drivers, the federal government could alleviate some of the systematic burden caused by a nationwide truck driver shortage. Current federal law prohibits the interstate movement of goods by holders under the age of 21. The Congress did approve an AFS-backed Driver Apprenticeship Pilot Program as part of the infrastructure package signed into law in November 2021.
- **Legal Immigration.** Legal immigration policies should focus on meeting the workforce needs of the American economy.