



*Week of 10-16-17
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Congressional Overview

The House was in recess last week while the Senate passed a FY 18 Budget Resolution that paves the way for the GOP tax plan.

Senate Passes FY 18 Budget Resolution and Paves Way for Tax Reform

The Senate narrowly passed its FY 18 budget resolution with a 51-49 vote, paving the way for the GOP's tax reform plan. The budget resolution maintains FY 17 spending levels, and then would cut nondefense spending in the subsequent years. However, despite the resolution passing, the final discretionary spending levels still need to be negotiated between Democrats and Republicans. Failure to reach an agreement by Dec. 8 would result in another federal government shutdown.

The resolution had no democratic support; Democrats feared it paved the way for a tax plan that would cut Medicare and Medicaid while increasing taxes on the middle class. The main purpose of the resolution was opening the doors to GOP tax reform being able to pass with a simple majority rule, and some GOP senators stated that was the reason they voted for it. Sen. John McCain (R-AZ) stated, "At the end of the day, we all know the Senate budget resolution will not impact final appropriations."

During the resolution's "vote-a-rama," hundreds of amendments were voted on, including proposals from Sens. Rand Paul (R-KY) and Mike Lee (R-UT) that would have allowed the GOP to repeal all or parts of the Affordable Care Act (ACA) with simple majority votes. However, GOP leadership did not want to risk tying ACA repeal to its tax reform efforts, and the proposals were voted down. After their failure to repeal the ACA by Sept. 30, Republicans have stressed that repeal should be placed to the side until tax reform is passed.

House Republicans Working on Tax Reform Details

House Republicans got into the weeds on tax reform last week, working out the tough details they'll need to resolve before they can produce a fully formed bill. The most-debated issue is the proposal to eliminate the deduction for state and local taxes, which would raise more than \$1 trillion to help offset rate cuts. GOP tax writers are close to a deal with House Republicans from high-tax states such as New York and New Jersey, who say the proposal would hit their middle-class constituents hard.

Speaker Ryan Says House Will Remain in Session through Christmas if Needed to Pass Tax Reform

Speaker Paul Ryan (R-WI) made it clear that the House could stay in session over Christmas until a tax overhaul bill is passed. Per Ryan, "We're going to keep people here for Christmas if we have to, and I don't care. We have to get this done." The goal is for the Senate and the House to go to conference quickly to resolve the differences between their budgets.

Once both chambers have adopted a reconciled budget with a common reconciliation instruction for the tax overhaul, the House Ways and Means Committee will then release and consider the tax overhaul bill. Next, the House will take a floor vote on the tax package and send it to the Senate in November. If this occurs, timing is then out of Ryan's control until the Senate acts. But this Christmas threat is not an empty one, as the two chambers are expected

to pass different tax bills and a conference committee will likely be needed to close the gaps. The House and Senate are currently scheduled to be in session through Dec. 15.

Trump Administration Blocks Labor Secretary Acosta's Pick to Run Employment and Training Administration

Labor Secretary Alexander Acosta's choice to run the Employment and Training Administration, Mason Bishop, has been blocked by the White House for an unknown reason. His removal from consideration for the job after White House vetting has the Trump administration back at square one for finding a nominee to head the agency charged with implementing the top item on Acosta's policy agenda: an initiative to expand public-private partnerships.

Senate Help Committee Approves Two of Trump's Labor Nominations

On Oct. 18, the Senate Health, Education, Labor and Pensions Committee approved the nominations of Patrick Pizzella to be Deputy Labor Secretary and Cheryl Stanton to be Administrator of the Labor Department's Wage and Hour Division.

Senators Reach Bipartisan Healthcare Deal

Sens. Lamar Alexander (R-TN) and Patty Murray (D-WA) reached a bipartisan deal to stabilize the Affordable Care Act (ACA), which would extend ACA payments to insurers for two years and give states more flexibility to change ACA rules. In addition to Sen. Alexander, 11 Senate Republicans publicly backed the legislation, but its chances of passing still appear slim. President Trump both publicly supported and opposed the legislation over the course of the week, and the feeling on the Hill is that the legislation doesn't have much of a chance to get through the House, where House Republicans are more apt to criticize anything that could be seen as repairing the Affordable Care Act.

The Impact of President Trump's Executive Order on Healthcare

On Oct. 12, President Trump signed an executive order that will stop reimbursing health insurers for the 2010 healthcare law's cost-sharing reduction payments. Per the Kaiser Family Foundation analysis, "The payments are a key part of the healthcare law and without them, premiums would be projected to spike by an average of almost 20 percent." Several states have approved higher premiums for the 2018 coverage year because of the uncertainty of those payments; California tacked on a more than 12 percent surcharge to plans that would be most affected by the loss of the subsidies.

To date, the administration has paid the subsidies on a month-to-month basis, which help people who make less than 250 percent of the federal poverty limit afford certain out-of-pocket payments. A federal judge last year ruled that the administration had violated the Constitution by making the payments without an appropriation from Congress. Insurers are required to help cover the assistance under the Affordable Care Act, but if the administration stops paying the subsidies, insurers would not be reimbursed. Some insurers may be allowed to pull out from their contracts and may scale back their offerings, which could be problematic ahead of the shorter-than-ever open enrollment that runs from Nov. 1 through Dec. 15.

Senators Meet with EPA Administrator Pruitt to Encourage Increased Biofuel Quotas

Last week, Sens. Chuck Grassley (R-IA), Jonie Ernst (R-IA) and Deb Fischer (R-NE), who all hail from corn-producing states, met with EPA Administrator Scott Pruitt on Tuesday to convince him to increase biofuel quotas as part of the 2018 renewable-fuel-standard rule. The rule is scheduled for release by the end of the year. Sen. Grassley has accused administration officials of renegeing on promises to maintain a robust biofuel standard. The EPA compels oil producers and importers to blend ethanol and other biofuel into the country's transportation supply, and tensions between lawmakers and the EPA have risen in recent weeks after the agency indicated that it may lower blending requirements for biomass-based diesel.

President Trump Threatens to Pull Out of Iran Nuclear Deal

President Trump announced he will not recertify the Iran nuclear deal and instead turn to Congress to come up with a plan to strengthen his hand in potential new diplomatic negotiations with Tehran. This move could lead to the unintentional killing of the accord or make him look weak if lawmakers fail to pass any new sanctions legislation, but the President threatened to unilaterally pull the United States out of the nuclear accord if U.S. lawmakers and foreign allies are unable to agree to a strategy of renewed diplomatic and economic pressure. President Trump wants to force them to agree to new concessions on its nuclear and ballistic missile programs.

OPEC Production Cuts Should Rebalance Oil Markets

Per the International Energy Agency (IEA), compliance with production cuts agreed by OPEC is 86 percent higher than in the past, and it could bring the global oil market into balance next year if the trend holds up. The effect of reduced supplies will not be reflected in the markets quickly because IEA still sees a significant amount of stock in the markets which is higher than historical averages.