



# Washington Update

December 19, 2014

December brought a host of deadlines for lawmakers, including the need to pass a bill to fund the federal government beyond December 11. With tensions running high over the President's executive action on immigration, it was a rough ride to the finish line for legislators. In the end, Congress managed to send most of the "must pass" bills to the President for his signature, including the funding bill, the defense authorization bill and a one-year retroactive extension of the tax extenders package. In addition, Senator Reid was able to advance nearly two dozen executive and judicial nominations, including Vivek Murthy's nomination to the position of Surgeon General.

With the decks mainly cleared as we head into the holiday season, stay tuned for our early January report with a preview of the 114<sup>th</sup> Congress.

## ISSUE – GOVERNMENT FUNDING

First and foremost, lawmakers were tasked with extending funding for the federal government beyond the current Continuing Resolution (CR), which was passed in September and provided funding temporarily through December 11.

With both parties looking to avoid another shutdown scenario, House Appropriations Committee Chairman Hal Rogers (R-KY) and Senate Appropriations Committee Chairman Barbara Mikulski (D-MD) put together what came to be referred to as a [CRomnibus](#) (a combination CR and omnibus). The bill funded 11 of the 12 annual appropriations bills through the remainder of Fiscal Year 2015 (FY15). Due to ongoing concerns from conservative GOP members, the Department of Homeland Security (DHS) only received temporary funding through February 27, 2015. GOP leadership plans to use this move to address the President's executive action on immigration.

Almost immediately after the deal was announced, criticism sprung up from both the far right and far left. Conservative GOP members thought the bill did not go far enough in stopping the President's execution action on immigration. On the left, Senator Elizabeth Warren (D-MA) opposed a Dodd-Frank provision added to the bill related to swaps. A number of Democrats also had concerns about a bipartisan campaign finance provision

to expand the amount of money that individuals can contribute to party conventions, among other changes. The White House reluctantly offered support for the CROmnibus and joined Speaker Boehner and House Minority Leader Steny Hoyer (D-MD) in lobbying House Democrats to support the package.

After delaying the final vote and holding a number of closed door meetings on both sides of the aisle, the House ultimately passed the \$1.1 trillion CROmnibus on December 11 by a narrow margin of 219-206, with 57 Democrats supporting the bill.

Citing concerns over the bill's lack of a tough response to the President's actions on immigration, conservative Senators Ted Cruz (R-TX) and Mike Lee (R-UT) delayed Senate action on the CROmnibus, pushing the Senate into session over the weekend. The move has been criticized by some Republicans for opening the door for outgoing Majority Leader Harry Reid (D-NV) to use the delay of the CROmnibus and advance nearly two dozen nominations, many of which had been held up for quite some time.

The Senate passed the government funding bill by a vote on 56-40 late into the evening on Saturday, December 13, and it was signed by the President on December 16.

While lawmakers will need to turn their attention to the Fiscal Year 2016 (FY16) appropriations process in the new year, finding a way forward on FY15 funding for DHS beyond February 27 will be a key focus as well. Republicans are still searching for a solution that allows them to object to the President's executive action on immigration, without prompting a shutdown.

## **ISSUE – TAXES**

In December, legislators finalized short-term extensions of the tax extenders package and the Internet Tax Moratorium Act, while Republican leaders set the stage for future work on tax reform in 2015.

### ***Tax Extenders***

After a year-long debate on renewing the expired tax extenders, hope for a bipartisan bill came to a screeching halt this month. The Administration announced it would veto a compromise plan which was leaked to the press just prior to Thanksgiving. The proposal would have extended most of the tax provisions for two years, with permanent extensions for the R&D credit, Section 179 expensing, the state and local sales tax deduction, and a handful of other popular items.

While some members, including current Senate Finance Committee Chairman Ron Wyden (D-OR), thought there was room for further improvements to the bill that could engender support from more Democrats and the White House, Republicans balked at the idea of additional concessions, and instead the House quickly moved forward with a one-year retroactive extension of the expired extenders.

A vote on the bill in the Senate was delayed by Majority Leader Harry Reid (D-NV) to ensure that enough members stayed in town to complete nominations. On December 16, the Senate passed the short-term bill by a vote of 76-16. Chairman Wyden opposed the bill because it is only a one year extension.

The tax extenders legislation was signed into law by the President and retroactively covers the 2014 tax year. Members of the incoming 114<sup>th</sup> Congress will need to decide whether to renew the extenders for 2015 and beyond.

### ***Internet Tax Moratorium***

Another temporary extension of the Internet Tax Freedom Act (ITFA) was included in the CROmnibus. ITFA was set to expire on December 11, but the bill extended the moratorium through September 30, 2015. ITFA prohibits state and local governments from taxing internet access. A longer term extension was thwarted earlier this year when some members tried to attach the Marketplace Fairness Act to the bill, which would allow for state enforcement of sales tax collection for online transactions.

### ***Senate Finance Republican Staff Tax Report***

On December 11, Republican staff for the Senate Finance Committee released a 342-page report entitled "[Comprehensive Tax Reform for 2015 and Beyond](#)." The report outlines in great detail the history of the current U.S. tax code and its economic impacts. Incoming Senate Finance Committee Chairman Orrin Hatch (R-UT) said he "hope[s] this report will be viewed as an invitation to work together on these critical issues." The report sets the table for action in the Committee on tax reform from the start of the 114<sup>th</sup> Congress.

In a floor speech the following week, Hatch announced that he will "reveal additional steps" on tax reform in the coming weeks.

### ***H.R. 1, the Tax Reform Act***

Before the House adjourned, Chairman Camp formalized his comprehensive tax reform draft by introducing it as [H.R. 1, the Tax Reform Act of 2014](#). The discussion draft was originally released on February 26, 2014, but did not move forward in the legislative process due to concerns about a number of tough choices the bill made in order to reduce the top tax rate to 25 percent. Camp said he hoped the introduction of H.R. 1 would "help spur further action on this critical issue in the 114<sup>th</sup> Congress."

## **ISSUE – HEALTH**

There were a few healthcare related developments this month, including updated Affordable Care Act (ACA) enrollment figures for 2015 and the confirmation of a controversial surgeon general nomination.

### ***ACA Enrollment Period***

The enrollment period for 2015 ACA health coverage came to a close on December 16. The Department of Health and Human Services (HHS) hosted over 1,400 local outreach events in states utilizing the Healthcare.gov exchange for plan options. This enrollment period was also marked by an increased social media presence encouraging individuals to “#GetCovered.”

On December 16, HHS [announced](#) that 2.5 million individuals selected plans during the Open Enrollment period. Individuals who are currently enrolled in plans and did not make any changes during open enrollment will be automatically enrolled again for 2015. Consumers will have until February 15, 2015, to select a plan, but only individuals who selected a plan by December 15 will have coverage starting on January 1, 2015.

### ***Murthy Nomination for Surgeon General***

On December 15, the Senate voted to confirm Vivek Murthy as Surgeon General by a vote of 51-43. Senator Mark Kirk (R-IL) was the sole Republican vote in favor of Murthy, while Democratic Senators Heidi Heitkamp (D-ND), Joe Donnelly (D-IN) and Joe Manchin (D-WV) opposed the nomination. Republicans voted against the nomination for a variety of reasons, including public opposition by the National Rifle Association for comments Murthy made about guns being a “health care issue.”

### **ISSUE – EXPIRING PROGRAMS**

Congress attempted to address several additional issues that were set to expire in December, with only TRIA failing to achieve final passage in the Senate.

#### ***Terrorism Risk Insurance Act (TRIA)***

Following the attacks on the U.S. on September 11, 2001, Congress approved a government backstop insurance program, known as the Terrorism Risk Insurance Act (TRIA), to help cover losses incurred from any future terrorist acts. With TRIA expiring on December 31, 2014, lawmakers had only a few legislative days to try to work out a compromise bill.

The Senate overwhelmingly approved a seven-year bill earlier this year, but the House took a more cautious approach with many conservatives, including House Financial Services Committee Chairman Jeb Hensarling (R-TX) concerned about the federal government’s role as an insurance backstop.

[An agreement](#) was eventually reached to extend the program for six years with a number of reform measures included to reduce the exposure of taxpayer dollars. The bill passed the House on December 10 by a vote of 411-12.

In the Senate, retiring Senator Tom Coburn (R-OK) raised objections to an unrelated provision in the bill regarding the licensing of insurance agents across state lines through a newly created National Association of Registered Agents and Brokers. Coburn wanted the bill to allow for states to opt-out.

Ultimately, given Coburn's ongoing objection, the Senate was unable to find a way forward on TRIA before adjourning *sine die* on December 16. However, Speaker John Boehner (R-OH) and incoming Majority Leader Mitch McConnell (R-KY) have both said that they will act quickly to reauthorize the program in January when the 114<sup>th</sup> Congress convenes.

### ***National Defense Reauthorization Act (NDAA)***

The House and Senate Armed Services Committees came to an [agreement](#) on December 2 on the National Defense Authorization Act, the annual defense reauthorization bill that has been passed now for 53 consecutive years.

The House has previously passed its version of the NDAA in May, but defense leaders took a number of months to work out the details, including a disagreement over benefits for soldiers. The \$585 billion NDAA passed the House on December 4 by a vote of 300-119, and then passed the Senate on December 12 by a vote of 89-11.

House Armed Services Committee Chairman Buck McKeon (R-CA) is retiring after this year and will be replaced by Representative Mac Thornberry (R-TX). In the Senate, Armed Services Committee Chairman Carl Levin (D-MI) is also retiring. Senator John McCain (R-AZ) will take over as chairman when the new Republican-controlled Senate convenes in January.

### ***Authorization for the Use of Military Force (AUMF) in Syria***

Congress reauthorized the Administration's authority to intervene in the ongoing conflict in Syria and Iraq. Included in the NDAA, the provision authorizes the President to spend funds to train and equip Iraqi and rebel Syrian forces fighting against the Islamic State. The previous AUMF was slated to expire with the CR.

## **ISSUE – FOREIGN POLICY**

The situation in Russia continued to decline this month, while the President also made an unexpected announcement regarding relations with Cuba.

### ***Russia***

Economic conditions in Russia quickly deteriorated during December. The Russian economy has been rocked by the recent plummet in oil prices. In the second half of the year alone, the per-barrel price of oil nearly halved and could continue to decline, according to energy industry officials. Russia's economy is largely built around the energy sector, and the sharp drop in prices has wreaked economic havoc in the country.

The situation came to a head in December. Beginning in September, the ruble began a steady descent relative to the value of the U.S. dollar. The pace increased dramatically in this month, culminating on December 15 in the worst single-day drop in value in sixteen years. The Russian government's response to the crisis only served to throw fuel on the flames. In an attempt to stave off inflation by encouraging Russian businesses and citizens to hold savings in rubles rather than dollars, the country's central bank sharply increased interest rates by 6.5 percent, raising the rate to 17 percent. The move, meant to calm investors' nerves, created the opposite reaction, leading to market losses, capital flight, and the continued erosion of the ruble. While economists believe Russia will recover from the worst losses, they warn that the country's economy is likely to slip further into recession next year with more economic problems on the horizon if oil prices do not quickly rebound.

While most analysts believe that Russia's current economic plight is being driven primarily by plunging oil prices, the general view is that American and European sanctions, imposed on Russia after the country annexed the Crimean Peninsula, have made it far more difficult for the Russian government to improve the domestic situation given the strict ban on Western banks from large scale financing of Russian-based companies and debt. However, leaders hoping that economic turmoil might prompt a change in Russian foreign policy are likely to be disappointed. Russian President Vladimir Putin has not mitigated his harsh rhetoric toward the West or changed his position on Crimea.

In the U.S., the ongoing crisis in Eastern Europe is likely to remain a topic of discussion in the new Congress. The White House has also signaled that it will keep pressure on the Putin regime, announcing in December that the President intends to sign new sanctions recently passed by Congress. The legislation would also provide \$350 million in assistance to Ukraine, which continues to struggle with Russian-backed separatists in the country's eastern regions.

### ***Cuba***

The Administration took steps this month to normalize relations with Cuba, beginning with a prisoner exchange of Alan Gross, an American held in Cuba for the past few years, for three Cuban spies held in the U.S. Further action will likely include diplomatic relations and loosening of travel restrictions. The White House cannot lift the embargo without congressional approval which is unlikely to happen with Republican majorities in both houses. A number of GOP presidential hopefuls quickly criticized the move, including Senator Marco Rubio (R-FL) who said it was "based on a lie." Some Republican members have also threatened to block funding for opening an embassy in Havana. The President also faced backlash from his own party, with current Senate Foreign Relations Committee Chairman Bob Menendez (D-NJ) publicly criticizing the decision. However, the U.S. Chamber of Commerce welcomed the news, saying it "will go a long way in allowing opportunities for free enterprise to flourish." The debate over the next few

months will help determine whether the President's move will cause a political realignment in Florida in favor of Republicans while simultaneously boosting the President's standing with Hispanics outside of Florida.

### RECENT POLLING

#### Job Approval: President Obama

Poll	Date	Results
The Economist/ YouGov	Dec. 15	Approve 44, Disapprove 54
Reuters/Ipsos	Dec. 14	Approve 37, Disapprove 54
GWU/Battleground	Dec. 11	Approve 43, Disapprove 50

#### Job Approval: Congress

Poll	Date	Results
The Economist/ YouGov	Dec. 15	Approve 11, Disapprove 72
NBC News/ Wall St. Journal	Dec. 14	Approve 16, Disapprove 78
Gallup	Dec. 11	Approve 16, Disapprove 80

#### Direction of the Country

	Date	Results
The Economist/ YouGov	Dec. 15	Right Direction 22, Wrong Direction 63
NBC News/ Wall St. Journal	Dec. 14	Right Direction 27, Wrong Direction 64
Rasmussen Reports	Dec. 14	Right Direction 25, Wrong Direction 67