



TO: Rebecca Long

FROM: Eric Sapirstein

DATE: January 8, 2023

SUBJECT: Washington Update

The House and Senate convened January 3 for the 118th Congress. The protracted votes to elect the Speaker of the House delayed formal business in the House. Now that Representative Kevin McCarthy secured the votes to become Speaker, the House will, in the coming weeks, organize under a Republican Majority. The Senate, unlike, the House proceeded to organize at the start of the 118th Congress and committee assignments and bill introductions will begin in earnest in the coming weeks. At the time of this writing, the chambers are on recess.

Because the official start of the new Congress was hobbled by the Speaker's race, actual legislative business was nonexistent. And in the Senate, bills have yet to introduced of note to OC San.

- ***Fiscal Year 2023 Budget Enacted***

The president signed into law the Omnibus spending bill on December 29, 2022. With this action, federal agencies have budgets for the remaining months of fiscal year 2023. As part of this action, OC San's Community Project assistance is provided to support the Supercritical Oxidation demonstration. The \$3.4 million appropriation, available through the United States Environmental Protection Agency (USEPA), should be available in the coming months based on OC San's ability to meet the reporting set forth by the USEPA. OC San staff and consultants are reviewing all available material by the USEPA to make the determination of acceptance.

- ***Congressional Priorities for 2023***

With divided party control of the Congress, legislative priorities are likely to diverge between the House and Senate. In the House, oversight of the Biden Administration and the obligation of federal infrastructure assistance is likely to be a top priority. Additionally, a priority to cut spending levels significantly will consume House budget making. The question on whether

the House will agree to raise the debt ceiling later this spring or summer will take center stage. Failure to reach an agreement with the Senate will have broad consequences. For OC San, one outcome could be an increase in borrowing rates for bonds as investors factor in the uncertainty over whether the full faith and credit of the U.S. government can be relied upon. And the practice of designation of Community Projects for federal assistance will continue as the Republican Majority endorsed the practice as part of its Rules to govern the 118th Congress.

In the Senate, it is likely that a focus on acting on moving expeditiously on a fiscal year 2024 budget as well as fiscal year 2024 spending bills, addressing PFAS pollution, and raising the debt ceiling. Like the House, the Senate will continue to consider congressionally directed project assistance under the rules governing Community Projects.

- ***House Republican's Razor Thin Majority***

With a narrow four seat majority, the effort to pass legislation will be a challenge. This is the case regardless of party control. Given the agreements Speaker McCarthy entered into with the Members who challenged his nomination, legislative activities could prove to be especially difficult. This is the case because among the new rules that will govern the House are provisions to require votes on individual spending bills and allow for an open amendment process with respect to spending bills. This could complicate passage of spending bills if amendments are adopted that jeopardize a final vote to approve a spending bill. Additionally, other agreements include new standards to offset new spending by imposing reductions on mandatory spending to account for the new spending. Perhaps one of the more important decisions involves committee assignments. It appears that the Freedom Caucus members that led the fight against the McCarthy nomination secured an understanding that three Members would be appointed to the Rules Committee. This committee serves as the gatekeeper that decides which bills can proceed to the floor for votes and what amendments would be considered to be in order. This could have a significant impact on the kind of legislation making it through the House in a form that the Senate would accept. Last, regardless of how the Majority will operate, one overriding matter remains immutable. The significant differences of opinion between the Freedom Caucus and other Republican Conference members and those between the Progressives and the remaining Democratic caucus membership suggests that Congress will likely witness unusual political alliances to gain consensus.