



Client Note: Republicans Ride Deficit Concerns Into Shutdown Fight

No policy issue is more boring than budget policy, but every few years or so, it grabs the spotlight, as may be happening again now.

Last week, the Congressional Budget Office (CBO) – the official scorekeeper of legislation and budget watchdog for Congress – released [its updated](#) 10-year budget and economic outlook. The press headlines left readers to choose their news: deficits and debt [are soaring to record highs](#), but this year’s deficits and long-term projections are [down from last year’s levels](#). Democrats [would prefer to focus](#) on the effects of federal spending on the economy, citing economic growth and unemployment levels in better shape now than before the Covid pandemic. Republicans prefer to highlight higher deficits and spending on interest.

The CBO report sets the stage for a likely push by House Republicans to include a bill creating a new fiscal commission in whatever spending agreement is reached to avoid a government shutdown at the start of March. Fiscal commissions have a terrible track record in Washington. [Conservatives](#) run away from tax increases and [progressives](#) recoil at entitlement benefit cuts.

There’s nothing special about [this proposed commission](#) that would ensure success. A majority of the 12 voting members of the panel, including three from each party, would have to agree for any proposal to advance. Getting agreement from three of six Members from either side seems unlikely in the current partisan environment. But, if the commission approves a proposal, it would receive expedited consideration in the House and Senate.

It’s fair to ask if there are ulterior motivations from Speaker Johnson (R-LA) and Republicans in pursuing this bill. During markup in the House Budget Committee, Republicans added a provision to create a federally funded national public awareness campaign about the debt within 30 days of the bill’s passage. A major national ad campaign about the deficit and debt in a presidential election year is basically an in-kind contribution toward the incumbent’s challenger (setting aside the fact that former President Trump added \$8 trillion to the national debt during his tenure).

In the end, budgeting is about tradeoffs. You can try to get lower deficits from cuts to infrastructure spending, reduced entitlement benefits or higher taxes, but that could mean being unprepared for climate events, worse health outcomes, and constrained economic growth. These tradeoffs are the problem that each side would prefer not to acknowledge. Budgeting doesn’t need a new process. As an old budget policy saying goes, the process isn’t the problem; the problem is the problem.

In the end, we see it as likely that this commission will be included in a final funding package if it’s the face-saving victory Speaker Johnson needs to pass a spending agreement and avoid a government shutdown. In that case, we may see Democrats push changes to the commission to give greater focus on policy outcomes (climate, health) of any proposals considered in addition to their budgetary effects.

The Heartbeat on the Hill

It was another tough week for Speaker Mike Johnson, with [brutal coverage](#) after backtracking on FISA, failing to offer any security package (either the full Senate package or the stand-alone Israel funding that failed last week), and seeing his majority shrink as Democrat Tom Suozzi won back his old seat after George Santos was expelled late last year. Speaker Johnson's one bright spot was finally impeaching Department of Homeland Security Secretary Alejandro Mayorkas (albeit without evidence of high crimes and misdemeanors) after failing to do so last week.

Appropriations: The Senate will be forced to begin their impeachment trial of Secretary Mayorkas when they return the week of February 26th; it's unclear whether they can finish the trial before the March 1st appropriations deadline, or whether they'll have to get unanimous consent to pause the trial and pass funding legislation. Meanwhile, Speaker Johnson is [already facing a revolt](#) from right-wing Members who want conservative policy riders included, a year-long CR passed, or a government shutdown.

Foreign Aid Package: In a 70-to-29 vote (with 22 Republicans voting yes), the Senate passed the \$95 billion aid package for Ukraine, Israel, and Taiwan early Tuesday morning, without any of the border reform or spending provisions initially proposed. Speaker Johnson has said he isn't going to bring this package up in the House, but also hasn't offered an alternative. Some have suggested that he'll try to pass some of the pieces individually or add border security provisions (ironic since his opposition to the original border security provisions led to them being stripped out of the Senate's package).

Meanwhile, a bipartisan group of 10 moderate House members put together a [compromise framework](#) without humanitarian or economic foreign aid and some immigration provisions, but it appears too similar to the original Senate bill for Speaker Johnson and conservatives to go along with it. Some Democrats are hoping they can get enough Republicans on board to pass the Senate bill over Johnson's objection through a discharge petition, but that's very unlikely given the months-long process involved. [Some prominent Republicans](#) are finally speaking out following news that Russian President Vladimir Putin effectively [murdered](#) Alexei Navalny, Russia's highest profile opposition leader who was recently moved to a Siberian labor camp. The renewed concern about Putin's behavior could push Johnson to end his foot dragging and present an offer.

If any agreement on a foreign aid/border deal can be reached, it seems very likely it will be included in a package to fund the government and avoid a shutdown in early March.

Separately, it's worth mentioning that after Republicans killed the border-reform deal, ICE is left with a major budget hole and [is considering releasing thousands of detainees](#) to close the gap – further proof that Republicans' primary interest in the border is to cause political chaos for Democrats and President Biden.

Tax Deal: This remains stalled in the Senate, with continued fighting over whether there should be a committee hearing or amendment opportunities.

Farm Bill: The House Ag Committee's [hearing](#) with USDA Secretary Vilsack highlighted the ongoing contention between Republicans and Democrats on Farm Bill funding, including for conservation and

climate-smart agriculture programs. No movement on the reauthorization bill is expected before the upcoming appropriations deadlines, with a lame duck Farm Bill passage much more likely.

FAA: There haven't been any additional updates after the Senate Commerce Committee passed its FAA bill last week. Since the FAA authorization expires on March 8th, it'll likely be tied into the appropriations package(s).

FISA: The House scrapped plans to reform and reauthorize the FISA and Section 702 earlier this week due to an inability to agree on the correct solution. Speaker Johnson has not released an updated reauthorization plan before its April expiration.

Funding Opportunities

This week, DOE [opened a \\$100 million](#) funding opportunity for pilot projects and testing facilities that utilize direct air capture and carbon storage in geological, biobased, and ocean reservoirs or converting it into value-added products. Applications are due April 14th.

DOE [announced](#) \$15 million for projects conducting Clean Cities outreach, engagement, or technical assistance, first-responder training on EV technologies and infrastructure, and technology integration in the clean transportation sector. Concept papers are due March 12th.

The Department also issued two funding solicitations related to grid distribution:

- [\\$18 million](#) for RD&D projects focused on flexible, innovative distribution and power transformers. Applications are due April 14th.
- [\\$4.8 million](#) for RD&D projects supporting technologies that ensure distribution system operators can securely communicate electricity data and manage resource deployment at the grid edge. Applications are due March 18th.

Lastly, DOE intends to issue funding for projects [researching and developing floating offshore wind systems](#) and R&D [projects converting](#) algae and other wet waste feedstocks to low-carbon fuels, chemicals, and agricultural products.

Where in the World is Pioneer?

Yesterday, Pioneer co-hosted a reception to celebrate the one-year anniversary of the [Congressional Sustainable Investment Caucus](#), with special guests Congressmen Sean Casten (IL-06), Juan Vargas (CA-52) and Seth Magaziner (RI-02).



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