



NEWS COVERAGE

BUILD BACK BETTER INFLATION REDUCTION ACT

DECEMBER 2021 – AUGUST 2022

TABLE OF CONTENTS

<u>CQ - ELECTORAL REALITIES MAY TRUMP 'BUILD BACK BETTER' COST CONCERNS.....</u>	<u>6</u>
<u>AXIOS - MANCHIN RETURNS TO BUILD BACK BETTER NEGOTIATIONS WITH DEMANDS</u>	<u>9</u>
<u>AXIOS - SENATE DEMS, BIDEN RESUME MANCHIN CHASE TO SALVAGE BBB</u>	<u>10</u>
<u>WASHINGTON TIMES - DEMOCRATS STRUGGLE ON HOW TO MOVE FORWARD WITH BUILD BACK BETTER</u>	<u>11</u>
<u>HUFF POST - DEMOCRATS SAY IT'S TIME TO 'CUT A DEAL' AND SALVAGE BUILD BACK BETTER</u>	<u>14</u>
<u>THE HILL - DESPERATE DEMS SIGNAL SUPPORT FOR CUTTING BIDEN BILL DOWN IN SIZE</u>	<u>16</u>
<u>CQ - DEMOCRATS MULL HOW MUCH TO BUILD BACK, AND WHEN, IN BUDGET BILL</u>	<u>19</u>
<u>WALL STREET JOURNAL - DEMOCRATS PUT BUILD BACK BETTER IN JOE MANCHIN'S COURT .</u>	<u>22</u>
<u>WASHINGTON POST - DEMOCRATS DON'T YET KNOW IF BUILD BACK BETTER CAN BE REVIVED</u>	<u>25</u>
<u>ROLL CALL - DEMOCRATIC DIVISIONS FESTER OVER 'BUILD BACK BETTER'</u>	<u>29</u>
<u>FISCAL TIMES - BIDEN'S PLAN B FOR BUILD BACK BETTER: A DEFICIT-REDUCTION BILL?</u>	<u>31</u>
<u>YAHOO NEWS - BIDEN USES STATE OF THE UNION TO REBRAND DEAD BUILD BACK BETTER PLAN</u>	<u>33</u>
<u>THE HILL - MANCHIN POURS WATER ON BIDEN'S ATTEMPT TO REVIVE BUILD BACK BETTER .</u>	<u>34</u>
<u>POLITICO - MANCHIN LAYS OUT A DEM BILL HE CAN BACK: TAXES, PRESCRIPTION DRUGS, CLIMATE CASH.....</u>	<u>37</u>
<u>POLITICO - DEMOCRATS EYE 'BUILD BACK SLIMMER' ON RECONCILIATION</u>	<u>40</u>
<u>THE HILL - DEMS OFFER REALITY CHECK ON MANCHIN, BUILD BACK BETTER</u>	<u>43</u>

<u>POLITICO - BACK BURNER NO MORE: DEMS SET MANCHIN TALKS ON PARTY-LINE BILL TO SIMMER</u>	<u>47</u>
<u>E&E NEWS - HOUSE DEMOCRATS NUDGE SENATE ON RECONCILIATION PACKAGE</u>	<u>49</u>
<u>BGOV - ADVOCATES SEEK TO REVIVE SPENDING BILL WITH EYE ON WEST VIRGINIA.....</u>	<u>51</u>
<u>PUNCHBOWL - RECONCILIATION OUTLOOK SHIFTS AS ELECTION LOOMS.....</u>	<u>53</u>
<u>PJ MEDIA - VERY QUIETLY, MANCHIN AND SCHUMER ARE TEEING UP ANOTHER 'BUILD BACK BETTER' BILL</u>	<u>54</u>
<u>WASHINGTON POST - DEMOCRATS MAY DROP ANOTHER CLEAN ENERGY PROPOSAL TO APPEASE MANCHIN</u>	<u>55</u>
<u>BUSINESS INSIDER - JOE MANCHIN SIGNALS HE'S OPEN TO EXTEND OBAMACARE AID — BUT SEEKS TO RESTRICT RICHER FAMILIES FROM QUALIFYING.....</u>	<u>57</u>
<u>BLOOMBERG - DEMOCRATS WEIGH PARING BIDEN TAX HIKE TO WIN OVER MANCHIN</u>	<u>59</u>
<u>CQ - SENATE DRAFTS LAST-DITCH DRUG PRICING PLAN AHEAD OF MIDTERMS</u>	<u>61</u>
<u>WASHINGTON POST - DEMOCRATS RACE TO REVIVE ECONOMIC PACKAGE AS INFLATION SPIKES</u>	<u>63</u>
<u>POLITICO - DEMS' CLIMATE AND TAX AGENDA TO CONSUME CONGRESS IN JULY</u>	<u>67</u>
<u>POLITICO - SENATE DEMOCRATS' DRUG PRICING PROPOSAL SAVES \$288B, CBO SAYS</u>	<u>70</u>
<u>THE HILL - SCHUMER MAKING LAST-DITCH BID TO PASS RECONCILIATION BILL THIS SUMMER</u>	<u>71</u>
<u>E&E NEWS - THREE-WEEK SPRINT: DEMS EYE DEAL ON CLEAN ENERGY PACKAGE</u>	<u>74</u>
<u>WASHINGTON POST - DEMOCRATS SEE HOPE FOR SPENDING DEAL WITH MANCHIN AS CONGRESS RETURNS.....</u>	<u>78</u>
<u>CQ - SHADES OF 2010 TAX DEBATE IN DEMOCRATS' MEDICARE ACCOUNTING MOVE</u>	<u>82</u>
<u>AP - MANCHIN CITES INFLATION CONCERNS, ROILING BUDGET TALKS ANEW</u>	<u>85</u>

<u>WASHINGTON POST - SEN. MANCHIN ISSUES DEMOCRATS NEW ULTIMATUM ON CLIMATE AND TAXES</u>	<u>87</u>
<u>ROLL CALL - AFTER MANCHIN TANKS TALKS, CLIMATE ACTION MOVES TO LIFE SUPPORT</u>	<u>91</u>
<u>POLITICO - DEMS LEAN TOWARD TAKING MANCHIN'S SMALL-BALL DEAL</u>	<u>94</u>
<u>AXIOS - MANCHIN MAKES DEMS PONDER IF THEY CAN LIVE WITH A SKINNY HEALTH BILL</u>	<u>97</u>
<u>WASHINGTON POST FACT CHECKER: BIDEN’S CLAIM THAT THE DRUG-PRICE BILL WILL ‘HELP FIGHT INFLATION’</u>	<u>98</u>
<u>THE HILL - DEMOCRATS SCRAMBLE TO SQUEEZE PRIORITIES INTO BUDGET BILL</u>	<u>101</u>
<u>CQ - HEALTH CARE BUDGET BILL TO FACE OPEN-ENDED 'VOTE-A-RAMA'</u>	<u>104</u>
<u>WALL STREET JOURNAL - MANCHIN-SCHUMER DEAL WOULD HAVE MODERATE INFLATION-FIGHTING EFFECT, ECONOMISTS SAY</u>	<u>108</u>
<u>BLOOMBERG - ‘INFLATION REDUCTION ACT’ HAS LITTLE INFLATION HELP, UPENN STUDY SAYS</u>	<u>111</u>
<u>CQ - DEMOCRATS CONFIDENT ABOUT BUDGET VOTE AS GOP PLANS AMENDMENTS</u>	<u>112</u>
<u>BLOOMBERG - YELLEN SAYS MANCHIN BILL WON’T RAISE TAXES FOR FAMILIES EARNING LESS THAN \$400,000 A YEAR.....</u>	<u>115</u>
<u>POLITICO - KEY PIECES OF DEMOCRATS’ CLIMATE BILL COULD WASH OUT IN THE BYRD BATH</u>	<u>116</u>
<u>ROLL CALL - DEMOCRATS LINE UP BEHIND BUDGET BILL WHILE GOP PLEDGES ‘HELL’</u>	<u>118</u>
<u>CQ - PARLIAMENTARIAN BLESSES ENERGY TAX PIECE OF RECONCILIATION BILL</u>	<u>122</u>
<u>POLITICO - SENATE DEMOCRATS HEAD TOWARD PIVOTAL VOTE WITH CLIMATE AGENDA INTACT</u>	<u>124</u>
<u>AP - BIDEN, DEMOCRATS BET ON LONG-TERM GOALS FOR SHORT-TERM BOOST</u>	<u>126</u>
<u>POLITICO - DEMOCRATS IN ARRAY AT LAST, WITH DOMESTIC AGENDA IN BLOOM</u>	<u>129</u>

<u>NPR - INFLATION REDUCTION ACT AIMS TO LOWER COSTS IN MULTIPLE AREAS OF THE ECONOMY</u>	<u>132</u>
--	-------------------

<u>NY TIMES - DEMOCRATS DESIGNED THE CLIMATE LAW TO BE A GAME CHANGER. HERE'S HOW.</u>	<u>134</u>
--	-------------------

<u>ATLANTIC - THE INFLATION REDUCTION ACT COULD CHANGE THE WORLD IN AT LEAST FIVE WAYS.</u>	<u>137</u>
---	-------------------

BUILD BACK BETTER

CQ - Electoral realities may trump 'Build Back Better' cost concerns

<https://plus.cq.com/doc/news-6425770?2&srcpage=home&srcsec=ina>

Dec. 30, 2021

By Lindsey McPherson

Sen. Joe Manchin III's concern that Democrats' \$2.2 trillion climate and safety net package uses artificial sunsets to lower the cost of policies his party intends to make permanent may be overblown considering future political obstacles to extending the most expensive temporary measures.

The trifecta of power Democrats currently hold with House and Senate majorities and President Joe Biden in the White House does not come along often. The party's last trifecta was a decade ago during the first two years of the Obama administration.

That means Democrats are less likely after the 2022 midterms to be in a position to extend the temporary spending and tax policies they're now trying to pass through the filibuster-proof budget reconciliation process, assuming continued Republican opposition.

Democrats would need to repeat their trifecta and expand their current narrow majorities to get big things done in the next several years. But they acknowledge they may struggle to motivate their base, let alone swing voters, in future elections if they don't pass the "Build Back Better" package, which would deliver on key promises like combating climate change and lowering the costs of health care, child care and other services for families.

"We have to show that there's something different about having Democrats in office," Congressional Progressive Caucus Chairwoman Pramila Jayapal, D-Wash., said on a press call Dec. 20.

Manchin said he opposes Democrats' current budget bill (HR 5376). But the West Virginia Democrat has left the door open to supporting a more narrow version that stretches new spending programs or tax expenditures through the full 10-year budget window.

Absent a deal on tailored legislation that Manchin and all 50 Senate Democratic caucus members can support, Senate Majority Leader Charles E. Schumer, D-N.Y., said he will have his chamber vote on a somewhat altered version of the \$2.2 trillion House-passed bill that Senate committees released this month.

Republicans and Manchin have argued that Democrats are using sunsets to hide the true cost of the measure, even though Democratic leaders say they would offset the costs of future extensions.

"You can continue a lot of the tax changes we've made to pay for it," Sen. Amy Klobuchar, D-Minn., told CNN earlier this month. "There's other tax changes out there that we haven't even touched like, for instance, bringing up the corporate tax rate to where it was before the Trump presidency."

It's true that Democrats left plenty of tax increases they could use to pay for future policy extensions out of this package, but Sen. Kyrsten Sinema, D-Ariz., rejected many of those, including an increase in the 21 percent corporate rate. Sinema's opposition wouldn't matter if Democrats could expand their majorities and hold the White House in upcoming elections, but that's a tough bar to meet.

Here's a look at some of the fiscal cliffs the bill creates and potential political challenges to averting them:

2022

The most expensive policy Democrats want to continue is the enhanced child tax credit that sends families earning up to \$150,000 monthly advanced payments of \$250 per child, or \$300 per child under age 6. The enhancement to the \$2,000 base child credit was enacted in the March coronavirus relief law (PL 117-2) and expires at the end of 2021.

Democrats' reconciliation package would extend the enhanced credit through 2022 but make it permanently refundable so families without tax liabilities can claim the full credit. That would cost \$185 billion, while making the full expansion permanent would cost \$1.6 trillion over 10 years, according to the Joint Committee on Taxation.

The package would also extend the expanded earned income tax credit through 2022. The one-year extension would cost \$13 billion, compared with \$135 billion over the decade to make it permanent.

Manchin is opposed to the short-term extensions despite retaining leverage to prevent them from becoming permanent policy.

If Democrats extended the credits through 2022, they would need to take action again next year, likely in the lame-duck session after the midterm elections, to prevent them from permanently expiring. They could use reconciliation again to prevent the need for GOP votes, but they would still need Manchin's support with the current 50-50 Senate in effect until January 2023.

Manchin's opposition to the child tax credit as currently designed — he wants to impose work requirements and cut off access for higher-income earners, for example — would give him leverage to extract such changes.

Some Republicans, including Senate Minority Leader Mitch McConnell, R-Ky., have said they're open to discussing the enhanced child tax credit. But Democrats are skeptical about the prospects of a bipartisan deal.

"They always say let's have bipartisanship, and then they have one or two Republican senators that gets us to 53, 54, and that's not really real," Rep. Ro Khanna, D-Calif., said on MSNBC on Dec. 22.

2025

The package would extend through 2025 more generous health insurance subsidies for low- and middle-income families that Democrats expanded in their 2021 coronavirus relief law.

The Congressional Budget Office estimates those extensions would cost \$131 billion while making the expanded subsidies permanent would cost \$400 billion over the upcoming decade.

Biden may not be in the White House to push for extensions of the expanded subsidies if he loses reelection or doesn't run. If a Republican wins the White House in 2024, they are likely to have other policy ideas for lowering health care costs.

The 2024 election will also determine which party controls the House and Senate, and the presidential race will almost certainly have down-ballot impacts. But the Senate map in 2024 favors Republicans since they have only 10 incumbents up for reelection that year, compared with 21 Democrats and two independents who caucus with them who will be in cycle.

The one upside for Democrats is that 2025 is also the year that several individual tax cuts Republicans enacted in 2017 (PL 115-97) are set to expire. They could use those as leverage for extending the health care subsidies, creating an opportunity for a bipartisan "grand bargain."

One contentious provision of the 2017 tax law that expires in 2025 is the \$10,000 cap on the state and local tax deduction. Democrats are hoping to provide relief from the cap in their reconciliation package but have yet to settle on an approach that is acceptable to lawmakers from high-tax states who prefer to repeal the cap and those who want to continue limiting the deduction for the wealthiest taxpayers.

Most proposals Democrats have floated would extend some form of the cap past 2025 so it won't be a problem again until later in the decade.

2027

Two big programs in the current package are set to expire in 2027. One is a universal prekindergarten program for 3- and 4-year-olds. The other is an entitlement that would subsidize child care for other preschool-age children, capping out-of-pocket costs at 7 percent of income for families earning up to 250 percent of their state's median income.

The legislation phases both programs in over three years, then provides for three years of full funding before they would sunset. While the federal government would provide the majority of the funding, states would have to put up some matching funds and administer the programs.

The CBO estimates that the programs funded through 2027 will cost the federal government \$381 billion while making them permanent would cost \$752 billion over the 10-year budget window.

The political will to extend the universal pre-K and child care programs will depend in large part on how effective they become in expanding access to affordable care.

Republicans are concerned that Democrats' child care subsidies will raise costs for families that don't qualify and put religious-based care providers out of business since they wouldn't be accepted into the program.

Some states may opt not to participate in either or both of the pre-K and child care programs, creating a coverage gap, similar to the 2010 Medicaid expansion, that would make extending the programs without significant changes more difficult.

It's hard to predict which parties will control the House and Senate in 2027 since it's three election cycles away. Still, there's a greater opportunity for a bipartisan compromise on extending the pre-K and child care programs than most others in Democrats' package.

"There is a group of Republicans trying to find a way to help people with child care without driving costs up," Sen. Lindsey Graham, R-S.C., said on Fox News on Dec. 21.

[Axios - Manchin returns to Build Back Better negotiations with demands](https://www.axios.com/scoop-manchin-new-play-2cb59ff0-1577-44bf-81a4-a0d72b7e9be2.html)

<https://www.axios.com/scoop-manchin-new-play-2cb59ff0-1577-44bf-81a4-a0d72b7e9be2.html>

Jan 2, 2022

By Hans Nichols

Sen. Joe Manchin (D-W.Va.) is open to reengaging on the climate and child care provisions in President Biden's Build Back Better agenda if the White House removes the enhanced child tax credit from the \$1.75 trillion package — or dramatically lowers the income caps for eligible families, people familiar with the matter tell Axios.

Why it matters: The holdback senator's engagement on specifics indicates negotiations between him and the White House could get back on track, even after Manchin declared he was a "no" on the package on Dec. 19.

The senator's concerns with the size and the scope of the package remain. His belief that it could cost more than \$4 trillion over 10 years extends beyond the CTC issue, and he continues to tell colleagues he's concerned about the inflationary effects of so much government spending, Axios is told.

The Bureau of Labor Statistics will release its next Consumer Price Index on Jan. 12. Last month's reading put inflation at 6.8% for the year — fueling Manchin's opposition. The big picture: Manchin and top White House aides traded recriminations after their negotiations fell apart — but President Biden and the senator subsequently spoke by phone late in the evening of Dec. 19.

They agreed to continue to talk, and Manchin stayed in touch with senior White House officials over the holidays.

The week before Christmas, reports emerged about how close he and Biden were on a potential deal.

The details included a \$1.8 trillion offer from Manchin that contained money for universal preschool and green tax credits but nothing for the child tax credit, which provides families up to \$3,600 per child per year.

Families who make up to \$400,000 had been receiving some CTC payments under the program that ended Jan. 1.

Between the lines: One possible solution to the stalemate would be to remove the CTC from the Build Back Better legislation, which the Senate plans to pass with only Democratic votes.

The chamber could then have a separate, focused debate during a midterm year about making the tax credits permanent.

Some Republicans, like Sen. Mitt Romney (R-Utah), are supportive of the CTC, but it's unclear if Democrats could find all 10 Republicans needed to clear the 60-vote threshold for passing major legislation.

[Axios - Senate Dems, Biden resume Manchin chase to salvage BBB](https://www.axios.com/senate-dems-biden-resume-manchin-chase-to-salvage-bbb-4666bc96-d2b7-4953-9e6d-6530e32088e1.html)
<https://www.axios.com/senate-dems-biden-resume-manchin-chase-to-salvage-bbb-4666bc96-d2b7-4953-9e6d-6530e32088e1.html>

Jan 2, 2022

By Alayna Treene

The Senate Democratic Caucus sees salvaging the \$1.75 trillion Build Back Better package as key to boosting the party's chances in this fall's midterms, especially as President Biden's popularity sags in the polls.

Why it matters: The White House isn't the only one still courting Sen. Joe Manchin (D-W.Va.) or his all-important vote.

What we're hearing: Democratic leaders are largely in the same place with the BBB talks as they were before breaking for their holiday recess.

"People have had time to cool off; Manchin's had time to cool off," a senior Senate Democratic aide told Axios. "We'll have to see now what becomes possible."

What to watch: All eyes are on Monday night's Senate leadership meeting, which Manchin will attend, and Tuesday's weekly caucus lunch.

The lunch will be the first time all Senate Democrats are together in one room since Manchin made his opposition to the bill public last month.

Senate Majority Leader Chuck Schumer will use the occasion as the marker for whether to hold a vote to proceed on BBB or hold off to try to negotiate more, Senate leadership aides tell Axios.

Schumer still plans to hold a vote on the mammoth package this month.

If he pushes for this week, that would be "a bad sign," one aide said.

A snap-vote would indicate Democratic leaders expect the package to fail but want to give members an opportunity to vote for it.

That also would force Manchin to go on record voting against it.

Schumer's also planning to put a voting rights package — pushed by Manchin and backed by his fellow Democrats — on the floor this month.

The measure will fail to get the 10 GOP votes needed to break the filibuster, and then Senate Democrats will move to reform Senate rules, which could make it easier to pass their voting rights bill.

[Washington Times - Democrats struggle on how to move forward with Build Back Better](https://www.washingtontimes.com/news/2022/jan/4/democrats-struggle-how-move-forward-build-back-bet/)

<https://www.washingtontimes.com/news/2022/jan/4/democrats-struggle-how-move-forward-build-back-bet/>

By Haris Alic

January 4, 2022

Senate Democrats returned to Washington on Tuesday with their domestic agenda in shambles and searching for a way to save face.

Senate Majority Leader Charles E. Schumer is publicly pleading to continue work on President Biden's \$1.75 trillion Build Back Better Act.

Democratic leadership is stressing that the social welfare and climate change package is by no means dead despite intraparty opposition in a Congress with no margin for error.

Prince George's County to enforce youth curfew after record month for murders
"The negotiations will continue with members of our caucus and with the White House on finding a path forward on Build Back Better," said Mr. Schumer, New York Democrat. "As I mentioned before Christmas, I intend to hold a vote in the Senate on [the bill], and we'll keep voting until we get a bill passed."

Despite the rhetoric, most Democrats are unsure how to advance.

Build Back Better, which garnered universal opposition from Republicans, was slated to pass along party lines using budget reconciliation. The process allows some tax and spending measures to avert the Senate's 60-vote filibuster threshold and pass with a simple majority.

Party unity proved impossible on the package because Sen. Joe Manchin III, West Virginia Democrat, refused to support the bill. He cited concerns over budgetary gimmicks and said it could exacerbate inflation.

Mr. Manchin's opposition effectively killed the bill. The Senate is split 50-50 between the parties, and Democrats hold tenuous control thanks to the tiebreaking vote of Vice President Kamala Harris.

The White House and Democratic leaders remain adamant that Mr. Manchin's concerns can be alleviated and the bill can advance.

"I've talked to Sen. Manchin numerous times during the break," Mr. Schumer said. "I believe the Biden administration will be having discussions with Manchin with his cooperation and participation."

Mr. Manchin reiterated that his opposition to the bill remained steadfast.

"I'm not going to talk about Build Back Better anymore because I think I've been very clear," Mr. Manchin said. "There are no negotiations going on at this time."

Some Democrats say breaking up the bill and attempting to pass it piecemeal is the only way forward.

Sen. Edward J. Markey, a Massachusetts Democrat who authored the Green New Deal, said such a strategy should be used to tackle climate change with Mr. Manchin's buy-in.

"Major climate and clean energy provisions of the Build Back Better Act have largely been negotiated, scored for 10 years and financed," Mr. Markey said. "Let's pass these provisions now. We cannot let this moment pass."

Mr. Manchin acknowledges that breaking up the package's climate components and passing them alone is viable.

"The climate thing is one that we probably can come to an agreement much easier than anything else," he said. "There's a lot of good things in there."

That path is fraught with risk, however. A major stand-alone bill, such as one dealing with climate change, would take significant time and effort to pass.

It would also monopolize a large portion of the upcoming legislative season after taking into account fiscal deadlines, nominations and other must-pass measures. Complicating matters is that Democrats have only limited use of the reconciliation process.

"The problem is that due to the filibuster, we can't vote on items individually," said Rep. Alexandria Ocasio-Cortez, New York Democrat. "For the most part, the only major legislation the Senate can pass [with] 51 votes are reconciliation bills, [and] we only get two per year."

Some lawmakers wonder whether the best solution is to pause consideration of Build Back Better and focus on other priorities.

Senior Democrats are hinting at a pivot from Build Back Better to changing Senate rules and pushing through a rewrite of the nation's voting laws.

"We're focused on voting rights, as we should be, and I think the White House is joining us in that effort," said Senate Majority Whip Richard J. Durbin, Illinois Democrat. "And [we] clearly will return to Build Back Better as soon as that is done."

Others insist that Democrats are not shifting strategy and the spending package is still a top priority.

"I don't think we're pivoting away. In fact, we met by recess over [the] phone, and we're lining up a vote on that," said Sen. Tammy Baldwin, Wisconsin Democrat. "I think everything's still on the table."

[Huff Post - Democrats Say It's Time To 'Cut A Deal' And Salvage Build Back Better](https://www.huffpost.com/entry/build-back-better-deal-democrats_n_61ddf787e4b04b42ab866eb6?g5)

https://www.huffpost.com/entry/build-back-better-deal-democrats_n_61ddf787e4b04b42ab866eb6?g5

By Igor Bobic and Arthur Delaney
Jan 11, 2022

WASHINGTON — With much of their agenda stalled, Democrats vowed to pick up the pieces of their broken Build Back Better bill and figure out what they can pass, even if that means drastically cutting the size and scope of the legislation's ambitious social spending and climate programs.

"What we need to do now is to cut a deal — a principled deal — that spends whatever money we do spend, [and] spends it wisely," Sen. Tom Carper (D-Del.) said Tuesday, citing broader agreement within the caucus on provisions intended to fight climate change.

"I think that all the historical signs seem to be pointing to some narrower set of segments," added Sen. Richard Blumenthal (D-Conn.). "Obviously, the old saying, 'Don't let the perfect be the enemy of the good,' has been vastly overstated, but it's still true."

Hammering out a narrower bill may be easier said than done, however. Each piece has vocal constituencies backing it, and most Democrats are reluctant to cite specific examples of things they would cut.

Even if Democrats in the Senate ultimately get on the same page, they would need to win support from frustrated progressives in the House, who watched the bill get smaller and smaller.

Negotiations stalled last month after Sen. Joe Manchin (D-W.Va.) announced his opposition to the bill, which would spend \$1.8 trillion over the next 10 years, with the cost mostly offset by tax increases on corporations and the wealthy. Manchin cited concerns with inflation and debt as reasons to pump the brakes on another round of federal spending.

There's been no movement since then. The White House has shifted its focus to passing voting rights legislation — an issue that seems even more difficult to advance in the 50-50 Senate. Absent some kind of agreement, Democrats are facing brutal losses on two big agenda items.

"We know what Sen. Manchin is against, we just need to know what he's for."

- Rep. Dan Kildee (D-Mich.)

House Democrats, back this week from their holiday break, vowed to pass the bill in some form — though lawmakers did not have any clear idea of what changes they needed to make.

“We’re gonna build back something,” Rep. Dan Kildee (D-Mich.) told HuffPost. “We know what Sen. Manchin is against, we just need to know what he’s for.”

Rep. Richard Neal (D-Mass.), chairman of the House Ways and Means Committee and one of the main authors of the House version of Build Back Better, also said Manchin needs to tell his fellow Democrats what he’ll support.

“I still think this is entirely workable, necessary for the country, and it’s very popular,” Neal said. “So I think that getting this done is essential.”

Democrats have said the legislation is their key to success in the 2022 midterm elections, in which Republicans are heavily favored to retake control of the House of Representatives. The bill would expand access to prekindergarten, give Medicare power to negotiate prescription drug prices, subsidize child care and create a host of tax breaks for green energy.

The bill would also continue monthly payments to parents that went out from July through December but have since stopped. The child tax credit payments cut child poverty and represent one of the bill’s only immediate, tangible benefits, putting money directly into the bank accounts of most American parents. But Manchin has complained that parents waste the money on drugs and seems to want it dropped from the bill.

“I don’t think he supports the program,” Rep. Rosa DeLauro (D-Conn.) told HuffPost. “But I’m telling you, you tell me a program that has had that success in that short a period of time.”

One data point that may make passing the bill even more difficult is this week’s upcoming report on consumer prices, which have risen rapidly in the past year amid COVID-19-fueled shortages. Democrats argue Build Back Better will negate the effects of inflation by lowering the cost of things like child care and health care, but senators like Manchin haven’t been swayed.

Rep. Susan Wild (D-Pa.), one of more than two dozen “front-line” Democrats considered especially vulnerable in their reelection bids, said her party should still pass the bill, but not negotiate endlessly.

“We need to put it on a limited timeline,” Wild told HuffPost, adding that if Democrats can’t agree on a big bill within that timeline, they should pick a few items to prioritize, especially ones that might have bipartisan support.

One priority Wild suggested would be Build Back Better’s \$35 monthly cap on co-pays for insulin treatments. The proposal wouldn’t kick in until 2023 and would initially apply only to products covered by insurance.

“I’d be shocked if we couldn’t get some bipartisan support for that,” Wild said.

Another front-line Democrat, Rep. Lauren Underwood (D-Ill.), suggested Democrats ought to see if Manchin would actually vote against the bill if it were brought to the Senate floor for a vote.

“They should pass Build Back Better as soon as possible; it’s ready to go,” Underwood said. “It’s fully paid for by requiring tax evaders and the wealthiest Americans to pay their fair share.”

Last month, Senate Majority Leader Chuck Schumer (D-N.Y.) vowed to hold a vote on Build Back Better “so that every member of this body has the opportunity to make their position known on the Senate floor, not just on television.”

Manchin probably wouldn’t shy away from such a vote, given that he represents a predominantly red state. The strategy could pose a problem for vulnerable Democrats who are facing reelection this year, however. Those senators would likely face added GOP attacks over their support for a bill that faces bipartisan opposition.

[THE HILL - Desperate Dems signal support for cutting Biden bill down in size](https://thehill.com/homenews/house/590313-desperate-dems-signal-support-for-cutting-biden-bill-down-in-size)

<https://thehill.com/homenews/house/590313-desperate-dems-signal-support-for-cutting-biden-bill-down-in-size>

BY MIKE LILLIS AND SCOTT WONG

01/19/22

House Democratic leaders scrambling to salvage President Biden’s massive health, climate and education package are facing plenty of internal disputes about the best strategy in the coming weeks — with one big exception. Doing nothing, all sides agree, is not an option.

Vulnerable Democrats facing tough reelections are desperate for a big victory to bring home to their districts ahead of the midterm elections. Liberal lawmakers fighting to install historic social benefits see this year as their last, best chance to do so, given the tough odds facing Democrats in those elections. Environmentally minded Democrats are warning of the urgent need to tackle climate change.

And with Biden’s approval rating underwater, party leaders are racing to reverse the trend — and boost morale among dispirited base voters — if they’re to have any chance of preserving the chamber in November.

They have their work cut out.

The \$2.2 trillion Build Back Better Act was passed by the House in November but has since hit a brick wall in the Senate in the form of Joe Manchin (D), a West Virginia centrist who’s voicing

concerns that new spending on that level will saddle the country with debt and exacerbate skyrocketing inflation.

Manchin's entrenched opposition has led House Democrats of all stripes to acknowledge the need to scale back the package if they're to get it to Biden's desk. But with so much on the line — and with Manchin already on record endorsing major components of the bill, like cutting prescription drug costs — they seem increasingly willing to accept concessions.

"I don't care if you call it 'The Joe Manchin Bill.' I just want it passed," said one Democratic lawmaker.

The stubborn impasse poses steep hurdles for Speaker Nancy Pelosi (D-Calif.), who threaded a delicate needle in uniting a diverse and restive caucus behind the massive benefits package last year and may soon face the challenge of doing it again. With a razor-thin House majority, success will require support from liberals — who were already grumbling that \$2.2 trillion was too small and will now have to accept something even smaller — and vulnerable lawmakers, some of whom are calling for leadership to break Build Back Better into smaller components and pass them individually.

Rep. Veronica Escobar (D), a Texas liberal, spoke for most progressives in voicing strong support for the initial \$2.2 trillion package, saying she's hopeful the final product features "as many of those policies and investments as possible."

"I believe there remains an opportunity to do that, and I am eager to pursue any and all viable avenues," she told The Hill.

As Congress returned to Washington last week from a long holiday break, Pelosi addressed the caucus behind closed doors and made clear that the package remains a priority — whatever form it ultimately takes.

"It is essential that we build back better," Pelosi told reporters after that meeting. "We have the makings of it in the legislation, and I think there's an agreement to be made."

Manchin quashed the \$2.2 trillion package in dramatic fashion last month, when he appeared on Fox News to say in no uncertain terms that he would reject it if it reached the floor. The announcement appeared to stun Biden and the White House, which had been in intense talks with the centrist holdout, and liberal Democrats lashed out that Manchin had "betrayed his commitment" to negotiate in good faith, in the words of Rep. Pramila Jayapal (D-Wash.), head of the Congressional Progressive Caucus.

Manchin's decision to defy Biden has highlighted the limited influence of a president suffering low approval ratings as he's struggled to contain the dual crises of COVID-19 and inflation. It also reflects the changing politics of West Virginia. Once a Democratic stronghold, the state

voted overwhelmingly for former President Trump in the last two presidential cycles. And Trump may be on the ticket again in 2024, when Manchin is up for reelection.

The combination of factors has threatened to sink a major plank of Biden's domestic agenda in the 50-50 Senate, where Manchin's support is crucial. It's given him outsize leverage in the fight — and all sides seem to know it.

"It's Joe Manchin's bill and Joe Manchin's calendar," said a second House Democrat.

Yet Manchin has endorsed large sections of the House package, including universal early education, an ObamaCare expansion, billions of dollars for climate programs and a provision empowering Medicare to negotiate lower drug prices on behalf of seniors — a change Pelosi has sought for decades. With that in mind, Democrats in both chambers are increasingly bullish that they can pare back the benefits in the initial package, win Manchin's support and get a version of the bill to Biden's desk this year.

"You're right that it's dead, the most recent version of it is not going to happen," Sen. Tim Kaine (D-Va.) said Sunday on CBS's "Face the Nation" program. "But ... I still believe we're going to find a core of this bill — whatever we call it — we're going to find the core of the bill and pass it, and it will deal directly with some of these inflation concerns."

Centrist Democrats who are aligned with Manchin are pointing to plenty of common ground on a variety of issues.

International tax provisions used to help pay for Build Back Better are "very popular," said Rep. Scott Peters (D-Calif.), a member of the bipartisan Problem Solvers Caucus. He also joked that he's heard there's a "pretty good prescription drug pricing plan" in the Biden legislation — both he and Sen. Kyrsten Sinema (D-Ariz.), a top Manchin ally, negotiated that deal in the Build Back Better bill that cleared the House on Nov. 19.

And while Manchin has expressed serious reservations about extending the enhanced child tax credit, Peters said he believes restarting the expired program in some form is good policy. Leaders are already working on ideas to scale back the credit, possibly by cutting the time frame or the number of families who qualify for the monthly benefits.

"To me, if you want to help families, child tax credits make the most sense," Peters told The Hill. "It provides resources in a targeted way and gives parents the ability to decide whether to stay home, send kids to preschool or invest in child care."

Manchin has already demonstrated a willingness to negotiate on other parts of Biden's agenda. He helped to craft the \$1 trillion bipartisan infrastructure bill that became law late last year. And after initially opposing Biden's \$1.9 trillion COVID-19 relief package in March, he ultimately signed on after some of the benefits, including direct stimulus checks, were scaled back to diminish their effect on deficit spending.

It's that version of Manchin that Democrats are hoping to see emerge in the coming weeks, as midterm campaigns ramp up and party leaders are searching frantically for a big legislative victory that might help their prospects in close races.

"I believe and am confident that a version of Build Back Better will pass," said House Majority Leader Steny Hoyer (D-Md.). "And hopefully will pass in the near term."

[CQ - Democrats mull how much to build back, and when, in budget bill](https://plus.cq.com/doc/news-6441253?1&srcpage=cqnpmh&utm_medium=newsletter&utm_source=cqnews-afternoon)

[https://plus.cq.com/doc/news-](https://plus.cq.com/doc/news-6441253?1&srcpage=cqnpmh&utm_medium=newsletter&utm_source=cqnews-afternoon)

[6441253?1&srcpage=cqnpmh&utm_medium=newsletter&utm_source=cqnews-afternoon](https://plus.cq.com/doc/news-6441253?1&srcpage=cqnpmh&utm_medium=newsletter&utm_source=cqnews-afternoon)

By Lindsey McPherson and Laura Weiss

Jan. 27, 2022

Democrats eager to enact some form of their climate and safety net package before the November midterm elections are floating disparate strategies for resurrecting negotiations West Virginia centrist Sen. Joe Manchin III squashed last month.

Manchin suggests "starting from scratch," but his Democratic colleagues don't want to throw the baby out with the bathwater. Democrats have different views on how much of the House-passed \$2.2 trillion package (HR 5376) is salvageable and how long they should negotiate with Manchin after protracted talks last year led nowhere.

President Joe Biden said in a press conference last week he's "confident" some pieces of the existing package will become law before the midterms, citing more than \$500 billion in clean energy spending and tax incentives and funding for universal pre-kindergarten as examples of provisions that have broad support, including from Manchin.

But Biden said he's "not sure" a renewal of the expired child tax credit expansion providing monthly checks to families of up to \$300 per child will remain in the next iteration given Manchin's opposition to the current structure.

"I think we can break the package up, get as much as we can now, and come back and fight for the rest later," he said.

Most Democrats agree with Biden's general strategy, but there are different factions forming around what's actually doable now when it comes to the sweeping budget bill they've dubbed "Build Back Better."

Sen. Edward J. Markey, D-Mass., said in a statement last week that Democrats should start with the climate and clean energy provisions because those "have been largely worked through and

financed” to win Manchin’s approval. Other Democrats agree the climate provisions should serve as the basis of the package and any others that can get 50 votes can be added in.

Since saying he wanted to start negotiations from scratch, the climate provisions are the only piece of the package Manchin has reiterated he could support. “I think that there’s a lot of areas in climate that we agree,” he said in an interview with Newsy on Wednesday.

Child credit coalition

Another group of senators still wants to build the package around the expanded child tax credit, despite Manchin's argument that the benefit should be further restricted based on income and work requirements.

"West Virginians basically that make \$75,000 or less should be the highest priority we have," Manchin said Thursday on Talkline with Hoppy Kercheval, a local radio show.

The current maximum child credit extends to individuals earning up to \$200,000 and households making up to \$400,000, though the lapsed credit expansion phased out at \$75,000 and \$150,000, respectively.

Democratic Sens. Michael Bennet of Colorado, Sherrod Brown of Ohio, Cory Booker of New Jersey, Raphael Warnock of Georgia and Ron Wyden of Oregon sent a letter Wednesday to Biden and Vice President Kamala Harris requesting it be “a centerpiece of the legislation.”

“The expanded CTC is a signature domestic policy achievement of this administration, and has been an overwhelming success,” the senators wrote, warning of “dire” consequences for failing to extend it. “Without the expanded credit, nearly 10 million children will be thrown back into or deeper into poverty this winter.”

While many Democrats wax optimistic about striking a deal with Manchin on the child tax credit, others acknowledge it may not be feasible, especially with the party looking to pass something soon before election year politics further complicate negotiations.

“We think that the child tax credit is very, very important. It doesn’t have 51 votes though,” House Majority Leader Steny H. Hoyer said Tuesday in a Politico Playbook interview. “We have to look at what we can get, not what we’d like to get.”

Although there’s no deadline for advancing a revised package, Hoyer urged the Senate to move quickly. “The component parts that I think there is consensus on, let’s pass those, let’s get them done,” the Maryland Democrat said.

The economic package is far from the only thing on Congress' short-term to-do list.

Lawmakers are trying to negotiate an omnibus appropriations deal before stopgap funding (PL 117-70) expires Feb. 18; reach agreement on legislation (HR 4521, S 1260) designed to resolve

supply chain issues and boost U.S. competitiveness with China; pass sanctions to deter a Russian invasion of Ukraine (S 3488); and advance a Supreme Court nomination through the Senate.

'Act without dragging'

In a Monday Twitter thread, Sen. Tina Smith, D-Minn., acknowledged her colleagues' frustration but urged them to listen to what Manchin has said and "act without dragging this out."

"I've been in [sic] involved in complicated negotiations for a long time, and one thing I've learned is you have to know when to take no for an answer. And also when to hear yes and take it," she said. "Time to focus on what's possible and deliver."

Congressional Progressive Caucus Chairwoman Pramila Jayapal acknowledged in a CNN interview last week that the House tried to push Manchin too far by adding things to the package he did not support, like paid leave. The Washington Democrat thinks it's possible to get a deal "very close to" the \$1.75 trillion framework the White House released last fall after extensive negotiations with Manchin and Sen. Kyrsten Sinema, D-Ariz.

"That was Sen. Manchin's plan," Jayapal said. "We gave him the pen. And we said, 'OK, you write it.'"

Manchin never endorsed the framework, and he criticized parts of it, like the one-year extension of the child tax credit and funding for Medicare to cover hearing benefits. Several Democrats say Manchin needs to be more clear about what he supports, not just what he opposes, before negotiations can advance.

Senate Budget Chairman Bernie Sanders, I-Vt., has called on Democrats to end backroom negotiations and bring the debate to the Senate floor. He reasons that voting on the package and individual elements of it will show the American people Republicans are obstructing popular policy changes, as well as clarify which aspects Manchin will support.

'SALT' saga

Appeasing Manchin is the primary obstacle to a deal, but there are other intraparty disputes Democrats have to navigate to ensure a revised package can get to Biden's desk.

Chief among them is whether to provide some relief from a Republican-enacted \$10,000 cap on the state and local tax deduction. It's a top priority for Democrats from high-tax states like New Jersey, New York and California, but progressives from lower tax states are reluctant to provide a tax break that disproportionately benefits the wealthy.

Sen. Bob Menendez, D-N.J., and Sanders sought to negotiate a compromise that could pass the Senate but those talks paused as the package stalled. Their cooperation appeared to end Wednesday after The Hill reported that no relief would make it into the squeezed bill.

Sanders hailed the report on Twitter. Menendez hit back in his own tweet, implying Sanders had reversed himself from comments he made in the fall calling the cap “a regressive and unfair proposal. And this Congress must rectify it.”

Menendez also said in a statement that “SALT remains high in my list of priorities.” While he didn’t say whether a final version must address the SALT cap to get his vote, a trio of House Democrats have.

“If there are any efforts that include a change in the tax code, then a SALT fix must be part of it,” New York Rep. Tom Suozzi and New Jersey Reps. Josh Gottheimer and Mikie Sherrill said in a joint statement last week. “No SALT, no deal.”

Threading that needle is difficult since Democrats have zero votes to spare in the Senate and only four in the House amid universal GOP opposition. Only one Democrat, Maine’s Jared Golden, voted against the House package, but his primary complaint was the SALT cap increase, so he could switch positions if it’s left untouched.

There are other pockets of lawmakers whose support for a slimmer package is not guaranteed. That includes a trio of House Democrats who said they would oppose any package that did not provide legal protections for millions of undocumented immigrants, three versions of which the Senate parliamentarian rejected as violating the budget reconciliation rules.

The six-member progressive “squad” that voted against the bipartisan infrastructure bill because they wanted to hold it as leverage for Manchin to support a bigger reconciliation package may be reluctant to accept further cuts.

Hoyer predicts enough of those members will ultimately support whatever can get through the Senate.

“It’s the art of the possible. Legislating is not perfect,” he said. “You can’t make the perfect the enemy of the good – a hackneyed statement but an absolute true one.”

[Wall Street Journal - Democrats Put Build Back Better in Joe Manchin’s Court](https://www.wsj.com/articles/democrats-put-build-back-better-in-joe-manchins-court-11643554801)

Winnowing the roughly \$2 trillion child-care, healthcare and climate package could test progressive Democrats

<https://www.wsj.com/articles/democrats-put-build-back-better-in-joe-manchins-court-11643554801>

By Andrew Duehren

Jan. 30, 2022

WASHINGTON—Democrats are increasingly willing to accept whatever child-care, healthcare and climate package that Sen. Joe Manchin (D., W.Va.) would support as they return to Washington this week, hoping to salvage elements of the party's economic agenda after months of failed negotiations.

Party lawmakers have started to change their attitude toward the package as they grapple with the possibility of failing to convert their narrow control of Congress into progress on major party goals. Some have moved away from insisting that the package include particular priorities, instead advocating for the party to notch a result with Mr. Manchin ahead of the midterm elections.

"Democrats can't let our disappointment get in the way of progress on something we've worked hard to achieve," said Rep. Peter Welch (D., Vt.), who is running for Senate.

Many Democrats are eager to start piecing together legislation after Mr. Manchin's rejection of the House-passed Build Back Better bill put talks on ice for weeks. In a West Virginia broadcast interview, Mr. Manchin said talks had restarted on the bill, adding that he was primarily focused on a separate effort on bipartisan elections legislation.

"There's a lot of conversations going on, they've been reaching out. We haven't sat down physically and started any negotiations," Mr. Manchin said on Thursday. "I think taking care of our voting and protecting our right to vote and protecting the ballot box is the most important, urgent thing we have right now."

Because Mr. Manchin's support is necessary for Democrats to pass the legislation through the 50-50 Senate over Republican opposition, he is expected to largely control whether, and when, the party moves forward with a package, which has been the centerpiece of President Biden's economic agenda. Mr. Manchin has repeatedly pushed to slow down work on the legislation and has continued to raise concerns about whether the bill could contribute to rising inflation.

'We've got to move in a new direction,' Vermont Sen. Bernie Sanders said, in calling for Democrats to bring provisions of Build Back Better to the floor for a vote.

Some Democrats expect it could be weeks or possibly months before he would agree to a package, and lawmakers are meanwhile turning to bills to fund the government after Feb. 18 and boost U.S. technology competitiveness. The party will also soon tackle the confirmation process for Mr. Biden's eventual pick for the Supreme Court.

The White House is also expected to soon unveil a list of emergency-spending items, such as new money for the coronavirus pandemic. That spending could cover money for testing as well as next-generation vaccines.

A further winnowing of the child-care, healthcare and climate package, which the party had pegged at \$3.5 trillion before passing a roughly \$2 trillion package in the House, could pose a

test for progressive Democrats who have sought a sweeping set of policies. Rep. Pramila Jayapal (D., Wash.), the chairwoman of the Congressional Progressive Caucus, said last week that the Senate should pass the House package by March 1.

Sen. Bernie Sanders (I., Vt.) has said the negotiations with Mr. Manchin have failed, calling for the party to bring provisions of the bill to the floor for a vote.

“The current direction that we have followed for the past five months has failed. We’ve got to move in a new direction,” Mr. Sanders said.

Lawmakers and aides have started to identify their priorities for a package that funds a smaller number of programs for the long term—a key demand of Mr. Manchin’s.

Many Democrats see roughly \$550 billion of incentives for reducing carbon emissions, which Mr. Manchin has indicated he supports, as core to the package, along with programs to lower prescription drug prices and subsidize health-insurance coverage. They also hope to include funding for universal pre-K and child-care subsidies, along with a series of tax increases on corporations and very-high-income Americans.

“Let’s find the things that really make the biggest difference and let’s move them as quickly as we can,” said Sen. Dick Durbin (D., Ill.) on ABC’s “This Week” on Sunday. “I don’t want to drag this process out,” he said.

Absent from such a package could be provisions like funding for housing, Medicare coverage for hearing and an expansion of the child tax credit, which many Democrats have embraced as a central party goal. During negotiations with the White House in December, Mr. Manchin proposed a package that included climate provisions, healthcare subsidies and universal prekindergarten, according to people familiar with it.

“It looks like we will probably never pass Build Back Better, but we might be able to pass those things in Build Back Better,” said Rep. Jim Clyburn (D., S.C.), the No. 3 House Democrat. He added that his priorities were restoring the enhanced child tax credit and including provisions to make housing more affordable.

Rep. Ro Khanna (D., Calif.), a member of the Congressional Progressive Caucus, said many Democrats would likely accept whatever agreement they can reach with Mr. Manchin, even if they are disappointed.

“What are you going to do, you put a bill on the floor that the president supports and the speaker supports and takes historic steps on climate and gives free pre-K to every three- and four-year-old in America and a progressive is going to say ‘No I’m going to vote against it?’” he said. “How am I going to explain that?”

“Manchin should have the pen, we should respect that whatever he wants to do will be reasonable and ultimately be historic,” he added.

The possibility of Democrats failing to pass any of the bill’s provisions has also started to worry some companies. The Democrats’ bill includes higher minimum taxes on U.S. companies’ foreign operations, following through on the Biden administration’s commitment to a global tax agreement.

Some companies are concerned about a scenario in which other countries move ahead with their pieces of the deal and the U.S. doesn’t, said Craig Hillier, a principal at EY LLP who advises multinational companies. That could create a situation where U.S. companies face double taxation on their foreign profits because other countries may not view the existing but lower U.S. minimum tax as complying with the deal.

The thinking, Mr. Hillier said, goes as follows: “We didn’t like every aspect, perhaps, of Build Back Better, but this may be worse if we do not get these rules passed.”

Some Democrats are moving to preserve endangered elements of the House bill, including lifting the \$10,000 cap on the state and local tax deductions and the expanded child tax credit. A group of Senate Democrats wrote a letter to Mr. Biden and Vice President Kamala Harris last week calling on them to continue an expansion of the child tax credit in the legislation.

As part of last year’s \$1.9 trillion relief law, Democrats expanded the size of the credit, offered it to more Americans and made it available in monthly cash payments for 2021. During the West Virginia broadcast interview, Mr. Manchin again said that the credit should be targeted to lower-income Americans, a possible change other Democrats have started exploring.

“I’m all open to looking at anything and everything that helps people, but targeting it better,” Mr. Manchin said.

[Washington Post - Democrats don’t yet know if Build Back Better can be revived](https://www.washingtonpost.com/politics/2022/01/29/build-back-better-democrats/)

<https://www.washingtonpost.com/politics/2022/01/29/build-back-better-democrats/>

by Paul Kane

January 29, 2022

Mostly dead or slightly alive? Democrats don’t yet know if Build Back Better can be revived. The fate of Democrats’ top agenda item will not only have major policy repercussions for the country but also the party’s political prospects in the midterm elections.

Sometimes a president's agenda crashes and burns in dramatic fashion, flaming out for all the political world to see, forcing a course correction by the Oval Office occupant and his allies in the Capitol.

Think John McCain (R-Ariz.) flashing a thumbs down on the Senate floor during the summer of 2017, providing the 51st vote to kill President Donald Trump's bid to repeal the Affordable Care Act (ACA). It prompted cheers from the Democratic side of the aisle and sent reporters rushing out of the press gallery to file their reports (or tweets) before the gavel fell. That was the end of Republican efforts to get rid of "Obamacare."

But far more often a presidential agenda just fades into the backdrop of political noise as a midterm election approaches, dying for all intents and purposes many months before Senate leaders are forced to pronounce that the issue won't get a vote even if they promise to keep fighting.

That brings us to the fate of President Biden's Build Back Better agenda — a multitrillion dollar proposal to revamp or bolster child-care, education, health-care and climate change programs.

Is it all dead? Mostly dead? Slightly alive? Ready to spring back to life?

The answer will not only have major policy repercussions for the country but also Democrats' political prospects in the midterm elections.

Kyrsten Sinema preempts Biden, dashing Democrats' illogical hopes she would move on the filibuster

At the moment, Democrats have more hope than they do a plan.

The House and Senate return next week after the painful defeat earlier this month on another key item on President Biden's agenda — a voting rights bill — with a plate full of items Democrats plan to focus on. Not on the menu: Build Back Better.

House Speaker Nancy Pelosi (D-Calif.) used one of endless "Dear Colleague" letters, on Jan. 21, to tout four key priorities, beginning with a \$1.5 trillion funding plan for federal agencies this fiscal year that must be approved by Feb. 18.

Pelosi also announced she would roll out the House version of legislation designed to make the United States more competitive with China on technology and manufacturing issues, following the passage last spring of a bipartisan bill in the Senate that Majority Leader Charles E. Schumer (D-N.Y.) has dubbed a top personal priority.

Her other priorities included legislation to ramp up sanctions against Russia as its troops mount on the Ukrainian border and another dealing with veterans health.

And, with Justice Stephen G. Breyer announcing his plan to retire this summer, Schumer must now devote a large amount of his political energy to approving Biden's first choice for the Supreme Court — which is expected to be a history-making pick as the first Black woman chosen for the high court.

Biden and Democrats continue to insist that they are still pushing for the roughly \$2 trillion Build Back Better legislation, but no one has laid out a timeline for reconsidering what had been the focal point of their efforts most of last year.

No real talks have resumed ever since Sen. Joe Manchin III (D-W.Va.), the key final vote needed to advance the measure, announced his opposition to the House draft and broke off talks just before Christmas. As reporters hounded him earlier this month, Manchin indicated no new talks had taken place — and soon after the focus shifted to his unwillingness to blow up the Senate's filibuster rules to pass the voting legislation.

Clearly, Democrats prefer to cobble together a less expensive Build Back Better bill that could win Manchin's support. At some point in the coming weeks, however, if progress is not made with the West Virginian, that proposal is going to look a lot like the Bruce Willis character in "The Sixth Sense," a ghost who believes he's alive, with Democrats serving as the audience that finally realizes Manchin's December declaration that "I can't get there" was the political equivalent of Haley Joel Osment saying "I see dead people."

What Joe Manchin wants, decoded

That's how most presidents have seen their most ambitious proposals end, going out with a slow whimper rather than the dramatic thumbs-down flash that McCain delivered to Trump.

Think back to 1994, when Bill Clinton's push for a national health plan went up in smoke during the summer. In June, amid a White House Map Room huddle, the president decided not to reach for a scaled-down compromise with Republicans. "At 10:22 p.m. tonight, health care died," Clinton adviser David Gergen wrote in his notes, as Amy Goldstein recounted in this great 2016 Washington Post story.

Democrats had already spent more than a year trying to pull together the massive proposal, including an address to a joint session of Congress focused entirely on the Clinton plan. At least five different committees in the House and Senate started work on the plan, but it met fierce resistance from portions of the health industry and Republicans backing out of talks that centrist senators convened.

Yet it took more than three months of flailing on Capitol Hill for someone to finally acknowledge the obvious. "It is clear that health insurance reform cannot be enacted this year," George Mitchell (D-Maine), then the Senate majority leader, told reporters at a Sept. 26, 1994 news conference.

The health proposal never received a vote in either chamber, Republicans swept the midterm elections a few weeks later and Clinton only made incremental progress on bipartisan health bills over the next few years.

George W. Bush, early in his second term, thought he could dramatically revamp Social Security and create individual accounts placed into the financial markets. His Republican allies initially rallied around the idea only to face a unified Democratic pushback. Bush's popularity cratered as the Iraq War grew more chaotic, some GOP allies faced corruption investigations and his administration mishandled the response to the deadly Hurricane Katrina in the Gulf Coast.

Bush also faced two Supreme Court vacancies that summer and fall.

The Social Security agenda ended behind closed doors, as the party's top House campaign strategist told Republican leaders in mid-September 2005 they had to give up the effort.

Republicans lost both majorities in the following midterms and no president has made any serious proposals altering Social Security since then.

The model Biden allies might point to now is the early 2010 decision by Democrats to pass the final version of the ACA, despite political debacles in the 2009 gubernatorial races and the critical loss of a Massachusetts Senate seat that left them short of a 60-vote majority.

The E-word is poised for a Capitol Hill comeback

The biggest difference, between then and now, was that the House and Senate had each already approved a version of the health law. Democrats were already on the hook for their votes, and it made more sense to push through the law.

Just two months after that Senate special election defeat that January, Pelosi led the House in passing the final version of the bill.

The question now, for Biden and his allies, is whether they can find a way to rebuild their major agenda, like Pelosi did with the ACA in 2010, or if it fizzles out, similar to how the speaker's major climate legislation did in the summer 2010.

The previous year, Pelosi pushed through a massive energy bill that included a carbon tax, but then watched as month after month went by without any Senate action.

Then-Majority Leader Harry M. Reid (D-Nev.) took the role that Mitchell had done in 1994, finally admitting he saw dead legislation in late July 2010. "It's easy to count to 60. I could do it by the time I was in eighth grade. My point is this, we know where we are," Reid told reporters.

In her Jan. 21 letter, Pelosi mentioned the massive Build Back Better included a little discussed provision that could address mounting fears of crime.

She made no mention of when that legislation might be resurrected.

[Roll Call - Democratic divisions fester over 'Build Back Better'](https://rollcall.com/2022/02/01/democratic-divisions-fester-over-build-back-better/)

<https://rollcall.com/2022/02/01/democratic-divisions-fester-over-build-back-better/>

By Lindsey McPherson and Laura Weiss

February 1, 2022

Disagreements on policy and a crowded Senate to-do list are further complicating Democrats' path to passing their sweeping social safety net and climate package in some form or another.

Sen. Joe Manchin III said Tuesday he views the bill in its current form as "dead" and wants to tackle other legislative goals first, indicating Democrats aren't any closer to a deal with the West Virginia centrist on spending provisions than they were weeks ago.

Manchin and several other Democratic senators confirmed Tuesday larger-scale talks on the package have yet to resume, and Sen. Bernie Sanders, I-Vt., dismissed the idea of negotiating any relief from a \$10,000 cap on state and local tax deductions, another issue dividing the caucus. In the Senate, Democrats can't lose any votes and pass the roughly \$2 trillion budget bill through the reconciliation process, which bypasses united GOP opposition and allows for a simple majority vote.

Manchin said Tuesday that Democrats will need to start talking about the package again, but that he wants to address government funding, which is set to run out Feb. 18, and efforts for bipartisan election overhaul legislation first.

Further restricting Democrats' options on "Build Back Better," or even a bite-sized version of it, is the fact that Sen. Ben Ray Lujan, D-N.M., who suffered a cerebral stroke, is out recuperating from brain surgery, his office said Tuesday. That leaves Democrats short of votes to pass anything without GOP support in the 50-50 chamber, though party leaders expressed confidence Lujan would be back soon.

"We look forward to his quick return to the Senate and I believe the Senate will be able to carry forward with its business," Senate Majority Leader Charles E. Schumer told reporters Tuesday.

'Everything's different'

Manchin said he didn't know if he could support a slimmer version of the previous package, which exceeded his fiscal targets and included some provisions he didn't like. "We'll see what people come up with," he said.

Manchin, who leads the Senate Energy and Natural Resources panel, had expressed support in recent weeks for the roughly \$500 billion of clean energy provisions in the bill, but on Tuesday he suggested that too could be up for further debate.

“There’s still some things we’re working on there,” he said. “We’re looking at everything now. Inflation’s different than it was. Everything’s different than what we had before.”

Manchin offered two broad areas he’ll expect to be in any bill: a “fair and equitable” tax code that makes sure “everybody pay their fair share and especially the wealthy,” and provisions that address drug costs.

Fellow Democrats said they didn’t believe Manchin’s stances had shifted but that they have significant work to do before they have a final package.

Schumer said Democrats are “fighting hard” for the bill but declined to say how he’ll move ahead with it.

“There are lots of provisions in that bill that are very important — many of which Sen. Manchin supports such as, say, drug pricing,” Schumer said. “So we are continuing to work on it and there are conversations going on between Sen. Manchin and different senators right now.”

Those talks have been limited to smaller and one-on-one conversations since Manchin said in December on Fox News that he wouldn’t back the package in its current form. Sen. Debbie Stabenow, D-Mich., said negotiations on the package haven’t started again in earnest this year, and Sen. Bob Casey, D-Pa., said he expects more individual conversations to continue for “a little while.”

Grasping for 'SALT'

Some discussions, though, are stalled or broken down entirely. Talks on a particular and controversial piece of the bill — lifting the \$10,000 limit on deducting state and local taxes, known as the "SALT" cap — have disintegrated.

“I think right now there is a growing consensus that given the crises facing working people, SALT is not ... a major priority,” Sanders said.

While Sanders was critical of the House-passed provision to raise and extend the cap as too big a giveaway to the wealthy, he took the lead last year in negotiating an income-based exemption from the limit with proponent Bob Menendez, D-N.J. Those efforts have halted completely, with Sanders and Menendez now at odds.

The impasse threatens the legislation as a whole. A trio of House Democrats from high-tax blue states where the GOP-created cap hits hard have said they’ll reject a tax and spend package without SALT relief. While Democrats can currently lose four votes in the House and still pass

the bill, other members could vote no, with the bill likely to see an overhaul from what the chamber passed.

Manchin's stance could also complicate SALT talks. He hails from a state where constituents don't rely too heavily on those deductions, and lifting the cap is expensive, at least in the short term.

House Democrats' proposal to lift the cap to \$80,000 would lose \$230 billion in tax revenue over the first five years, before making up that lost ground and more in the years after. Under current law, the SALT cap disappears altogether after 2025, so extending it makes SALT a revenue raiser.

"It's extremely costly," Manchin said. "You're talking about they want to expand it? Oh yeah, no, it's too expensive. ... I haven't gotten into that one at all. I mean, that's not part of the policy we've been even looking at."

From the SALT impasse to Manchin's demands to limit the child tax credit and other spending provisions, Democrats still have significant portions of the package to hammer out and few plans to do so in the near term.

"We've got a good bit of work to do," Casey said. "I don't think we should be as deadline-oriented as we were before. I would have preferred we had this done by Christmas, but I don't think there's any hard and fast timeframe."

[Fiscal Times - Biden's Plan B for Build Back Better: A Deficit-Reduction Bill?](https://www.thefiscaltimes.com/2022/02/11/Biden-s-Plan-B-Build-Back-Better-Deficit-Reduction-Bill?hpid=hp_hp-top-table-main-biden-build-back-better%3Adeficit-reduction%3Abill%3Ahomepage%3Fh=deficit-reduction-bill&hpt=hp-top-table-main-biden-build-back-better%3Adeficit-reduction%3Abill%3Ahomepage%3Fh=deficit-reduction-bill)

<https://www.thefiscaltimes.com/2022/02/11/Biden-s-Plan-B-Build-Back-Better-Deficit-Reduction-Bill>

By Yuval Rosenberg

February 11, 2022

The White House is reportedly considering revamping President Biden's Build Back Better economic plan and making it more of a deficit-reduction package in an effort to win the support of Sen. Joe Manchin (D-WV), the centrist who has cited debt and inflation concerns in scuttling a previous version of the bill passed by the House.

"A lot of people in the White House are spending time looking at what they can do to make deficit reduction central to Build Back Better, with a strategy of appealing to an audience of one," one source reported to be in touch with senior administration officials told The Washington Post's Jeff Stein. "More so than at any other time in this administration, deficit concerns are driving a lot of policy and rhetoric inside the building."

Any such effort would require further scaling back spending proposals that have already been cut from an initial \$3.5 trillion to \$1.75 trillion. “The precise ideas on the table are not clear, and the people familiar with the discussions cautioned they are preliminary and that no written plan has emerged,” Stein reports, adding that “White House officials have circulated internally a column by the liberal commentator Matt Yglesias suggesting the party could approve \$500 billion in climate programs and \$400 billion in health-care initiatives — and still unify behind enough tax hikes that the legislation would curb the deficit over 10 years by \$800 billion.”

Manchin has made clear that he would favor a tax reform bill that partially reverses the 2017 Republican tax cuts and significantly cuts the deficit. He has also indicated he’s open to the \$555 billion in climate change provisions in the House bill and to measures expanding health care coverage and lowering prescription drug costs.

That kind of overhaul of the Build Back Better plan would leave some progressive priorities by the wayside — and probably exclude the expanded child tax credit that Biden has touted a drastically cutting child poverty. The increased deductibility of state and local taxes, which some Democrats have said must be in the bill to secure their votes, may also have to be dropped.

How we got here: Biden and other administration officials have insisted that the \$1.75 trillion, House-passed version of their plan was fully paid for and would not increase deficits. But the Congressional Budget Office said that version of the bill would raise deficits by about \$160 billion over 10 years.

The Biden administration disputed that figure, arguing that stepped up Internal Revenue Service enforcement would raise more revenue than CBO projected, but their arguments fell flat with Manchin, who decried the use of budget gimmicks to limit the official price tag of the legislation. Democrats, trying to pack most of their priorities into the bill, had limited the duration of some programs even as they hoped to extend them in the future and insisted that any extensions would be paid for when enacted.

What’s next: Manchin’s priorities are getting plenty of consideration as Democrats look to salvage their economic agenda, but as we said yesterday, changing the plan to suit Manchin is sure to raise some other Democrats’ hackles. “There could be significant difficulties in selling the package to progressive in the House,” Bloomberg’s Jennifer Epstein, Erik Wasson and Laura Davison report, citing a senior House Democrat. “Spending \$800 billion would be a 75% cut from last year’s goal of a \$3.5 trillion package. Trimming it down to primarily the climate change initiative would leave just one or two other programs, leaving many member priorities on the cutting room floor, the Democrat said.”

The bottom line: We started the week by telling you about a debate around Modern Monetary Theory, a school of economic thought that sanctions aggressive deficit spending and says resource constraints rather than fiscal constraints should underpin spending decisions. Did that

line of thinking win in the pandemic response, or has it failed? We're ending the week with an indication of just how much the political and policy winds around deficits have shifted in the last year or two.

[Yahoo News - Biden uses State of the Union to rebrand dead Build Back Better plan](https://news.yahoo.com/biden-uses-state-of-the-union-to-rebrand-dead-build-back-better-plan-034356932.html)

<https://news.yahoo.com/biden-uses-state-of-the-union-to-rebrand-dead-build-back-better-plan-034356932.html>

Christopher Wilson

March 1, 2022

President Biden used the State of the Union to attempt to rebrand his Build Back Better domestic agenda, which died in the Senate last year.

Biden campaigned on and spent the first year of his presidency using the term Build Back Better to describe his comprehensive social spending bill. However, opposition from Republicans and the centrist Sen. Joe Manchin, D-W.Va., helped kill the legislation that had passed in the House last fall.

President Biden looks skyward, while Vice President Kamala Harris and Speaker of the House Nancy Pelosi applaud.

President Biden delivers the State of the Union address at the U.S. Capitol on March 1. (Saul Loeb/Pool via Reuters)

While Biden touted many of the provisions he hoped to include in the plan and called on Congress to pass them, he did not use the phrase Build Back Better once in his speech, which lasted roughly an hour.

Instead, Biden repeatedly referred to "my plan," as well as referring to his strategy to fight inflation as "building a better America."

Prior to the speech, the White House announced that Biden would be traveling to Wisconsin on Wednesday to "deliver remarks on Building a Better America and how the bipartisan infrastructure law delivers for the American people by rebuilding roads and bridges and creating good-paying, union jobs."

The president earned chants of "USA" from the assembled lawmakers, for stating that reliance on foreign supply chains could be undercut by making more products in the United States.

"Economists call it 'increasing the productive capacity of our economy,'" Biden said as the cheers subsided. "I call it building a better America."

A sign saying Build Back Better is set in front of the Capitol building.

In December last year, a Build Back Better poster is in place before a news conference in front of the Capitol. (Jacquelyn Martin/AP Photo)

The pivot is intentional, as the White House hopes to appeal to Manchin by touting how the package will reduce the federal deficit and fight inflation.

“That’s music to my ears,” Manchin told NBC News last month, when asked about Democrats focusing on reducing the deficit. “Deficit reduction, inflation, being fiscally responsible — sounds like something we should be talking about!”

Biden referred to several parts of Build Back Better on Tuesday, including his call to cut the price of prescription drugs, a cost-saving strategy that has been a campaign promise of Democrats for years. During that portion, Biden highlighted the case of one 13-year-old, Joshua Davis, a diabetic whose family is affected by the high cost of insulin.

One of the features of Biden’s plan would be to cap the co-payment for insulin at \$35 a month for those with insurance, although the president appeared to misrepresent his position Tuesday by saying it would cut the cost for everyone.

Biden also touted climate provisions, including investments and tax credits to weatherize homes and businesses. He also promised to double the nation’s clean energy production and lower the price of electric vehicles. The president has also sought to reduce the cost of child care, provide universal pre-K for all children aged 3 and 4 and provide long-term, in-home care for older Americans and those with disabilities.

Additionally, the president called for a mandatory minimum tax rate for corporations and the closing of loopholes that allow some businesses and wealthy Americans to pay relatively little in taxes.

Despite Biden’s best efforts, Manchin appeared unmoved, telling reporters afterward “Nothing’s changed” and “That was a little bit far.”

“They just can’t help themselves,” joked the West Virginia Democrat, who spent the speech sitting with Republicans in an attempt, according to his office, to show the American people that bipartisanship was “alive and well.”

[The Hill - Manchin pours water on Biden's attempt to revive Build Back Better](https://thehill.com/homenews/senate/596458-manchin-pours-water-on-bidens-attempt-to-revive-build-back-better)

<https://thehill.com/homenews/senate/596458-manchin-pours-water-on-bidens-attempt-to-revive-build-back-better>

BY ALEXANDER BOLTON

03/01/22

West Virginia Sen. Joe Manchin (D) poured cold water on President Biden's attempt to revive the core elements of his Build Back Better agenda, questioning the president's claim that passing a \$1.5 trillion to \$2 trillion spending package would "lower costs" for most Americans.

"They just can't help themselves," Manchin quipped when asked by reporters after Biden's State of the Union speech whether he was surprised by the president's effort to try to use the moment to try to revive his stalled climate and social spending plan.

"I don't know where that came from," he joked.

"Nothing's changed," he said.

"There might be parts they want to talk about. I don't know. That was a little bit far," he added, referring to the list of expensive Build Back Better items that Biden tried to put back on the table Thursday evening.

Manchin also sounded skeptical about Biden's claim that his Build Back Better plan will fight inflation by lowering costs.

"I've never found out that you can lower costs by spending more," he said.

That answer prompted Sen. Mitt Romney (R-Utah), who was walking alongside Manchin across the Capitol Rotunda and sat with Manchin during the address, to exclaim, "You can't say it better than that."

Manchin's comments immediately raised serious doubts about whether Biden will be able to resuscitate his spending package, which stalled in December after months of negotiations.

Biden tried to appeal to Manchin, the only remaining holdout vote in the Democratic caucus, by arguing that his agenda will help offset the impact of rising prices by lowering the costs of middle-class families.

"One way to fight inflation is to drive down wages and make Americans poorer. I have a better plan to fight inflation. Lower your costs, not your wages," he said.

"Seventeen Nobel laureates in economics say my plan will ease long-term inflationary pressures. Top business leader and most Americans support my plan," he declared.

The president then ticked off several key components of the Build Back Better package he negotiated with Manchin last year, including a proposal to give Medicare authority to negotiate lower prescription drug prices, a plan to double solar and wind energy production, and a proposal to lower the price of electric vehicles.

Biden also highlighted his proposal to cut the cost of child care, subsidize long-term home health care for seniors and the disabled, and universal prekindergarten for 3- and 4-year-olds.

Manchin, however, appears more interested in working with Republicans on bipartisan legislation than on trying to revive the Build Back Better Act, which Democrats hope to pass through the Senate on a straight party-line vote under special budget reconciliation rules.

Manchin exited the speech flanked by two Republican colleagues, Romney and Sen. John Barrasso (Wyo.).

And he sat on the Republican side of the aisle during the speech.

His spokesperson told NBC that “Manchin sat with his colleague Sen. Romney to remind the American people and the world that bipartisanship works and is alive and well in the U.S. Senate.”

Manchin on Tuesday evening said now is not the time for the United States to try to cut down dramatically on fossil fuel production when the president and European allies are imposing severe new sanctions on Russia, a major producer of oil and natural gas.

He said that the United States not only has to be energy independent but also has to help make up for the potential loss of Russian energy shipments to Europe and other countries participating in the new sanctions.

“We have to work with our allies to backfill where areas need help around the world,” he said.

He reiterated his call for the United States to stop buying 600,000 barrels of oil and petroleum products per day from Russia.

Asked again about Biden bringing up some of the key pieces of the reconciliation package that Manchin torpedoed in December, he said, “It doesn’t surprise me. Every time they talk, they talk about that.”

But Manchin said he’s more interested in dealing with the tax code and reversing some of the massive tax breaks for the wealthy that former President Trump and Republicans enacted in 2017, something he has said before.

“What we should do is fix the tax code. I’ve said that,” he said. “Just fix the tax code. I think that’s the one thing I think everyone agrees on.”

But Manchin said that “there’s been no formal talks” with the White House about reviving the key elements of Build Back Better.

Asked if there's "any pieces of it" that he could see passing, Manchin said, "Not until you get your financial house in order can you do that."

He said he remains reluctant to move forward with the biggest elements of Biden's social spending agenda because of "the things I've always said."

"I'm concerned, before we go down this path, you ought to be concerned about inflation because it's not transitory. Back then, they were saying it was transitory," he said, referring to predictions by the administration last year that inflation would be short-lived.

"We saw all the signs that it will not be transitory, and it's not," he added, arguing that his reasons for opposing Build Back Better in December have turned out to be valid.

"We knew that basically that COVID could have a resurgence, and it did with omicron. And then we were concerned about geopolitical unrest, and now we're seeing it in the worst form it possibly can be," he said.

"We know we're going to have to put money now into more of the COVID relief, and I think it's going to be quite a few billions of dollars they're going to ask for," he said. "We know the military is going to need quite a few billion dollars more.

"It just keeps adding up and up," he said. "To me, it's all about inflation.

"Inflation is the No. 1 enemy we have in America today," he added.

[Politico - Manchin lays out a Dem bill he can back: Taxes, prescription drugs, climate cash](https://www.politico.com/news/2022/03/02/joe-manchin-democrat-bill-taxes-00013246)

<https://www.politico.com/news/2022/03/02/joe-manchin-democrat-bill-taxes-00013246>

By BURGESS EVERETT and NICHOLAS WU

03/02/2022

Dems agonize over Manchin's wish list: Taxes, prescription drugs, climate cash

"And the social issues, we basically have to deal with those" afterward, the West Virginia centrist said in a post-State of the Union interview.

Joe Manchin is once again setting the agenda for Democrats and says he's willing to make a deal. They're listening — cautiously.

Hours after President Joe Biden laid out what he hoped to salvage from Democrats' defunct "Build Back Better" social spending plan, Joe Manchin quickly assembled a counteroffer. It might amount to déjà vu for Democrats, many of whom still feel burned from last year's

debacle, yet many in the party are willing to entertain any shot they have to unify while they still have control of Congress.

“Here’s the thing. I’ve always been open to talking to people okay? But they just don’t want to hear,” Manchin said in a Wednesday interview.

The West Virginia centrist laid out a basic party-line package that could win his vote in the interview, to lower the deficit and enact some new programs — provided they are permanently funded. It may be Democrats’ best and last chance to get at least some of their major domestic priorities done before the midterm election, even as some leading liberals acknowledged any potential deal would not come close to the \$1.7 trillion package Manchin spurned in December.

Manchin said that if Democrats want to cut a deal on a party-line bill using the budget process to circumvent a Republican filibuster, they need to start with prescription drug savings and tax reform. He envisions whatever revenue they can wring out of that as split evenly between reducing the federal deficit and inflation, on the one hand, and enacting new climate and social programs, on the other — “to the point where it’s sustainable.”

“If you do that, the revenue producing [measures] would be taxes and drugs. The spending is going to be climate,” Manchin said.

“And the social issues, we basically have to deal with those” with any money that’s left, he added. As far as whether he thinks his party finally understands his parameters for joining the talks, he said that Democrats “know where I am. They just basically think that I’m going to change.”

Negotiating with Manchin isn’t exactly Democrats’ favorite topic after nearly a year of back and forth. Asked about whether he can envision a passable deal, Sen. Mark Warner (D-Va.) responded: “I was hoping you would were going to, like, ask me to expound about Ukraine.”

“I’ve got a lot of respect for him. And hope springs eternal,” Warner said. The two are often aligned in centrist deal-making groups.

Manchin, who also chairs the Senate Energy Committee, said that the climate portion of any theoretical bill will look different now that Russia is invading Ukraine. He’s calling for the U.S. to ban oil imports from Russia and ramp up domestic energy production, including fossil fuels. He would support big clean energy investments in a potential deal, he said, but wants domestic oil, gas and coal production to still be a big part of the mix.

“You want to be able to defend your people, have reliable, dependable and affordable power? You have to use ‘all of the above,’” Manchin said, defending his support for clean energy investments. “They say ‘Manchin doesn’t care ... he’s killing the environment.’ I’m not killing anything.”

Though he prefers everything in Congress to be bipartisan, Manchin said he has “come to that conclusion” that changing the tax code to make the rich and corporations pay their fair share can only be done with Democratic votes. To enact Manchin’s vision, Democrats would also have to bargain with Sen. Kyrsten Sinema (D-Ariz.) who last year steered the party toward surtaxes and corporate minimum taxes — and away from raising individual and corporate tax rates.

Sinema said Wednesday that the tax package negotiated last year, which shied away from raising those rates, would more than pay for what Manchin is talking about.

“Any new, narrow proposal — including deficit reduction — already has enough tax reform options to pay for it. These reforms are supported by the White House, target tax avoidance, and ensure corporations pay taxes, while not increasing costs on small businesses or everyday Americans already hurting from inflation,” said Hannah Hurley, a spokesperson for Sinema.

Progressives might take a while to warm to it. Asked about Manchin’s hopes of diverting new revenues to deficit reduction and inflation, Sen. Bernie Sanders (I-Vt.) griped: “I don’t care what he wants. We’re talking about what the American people want. He doesn’t like it, he can vote against it, that’s his business.”

And Rep. Barbara Lee (D-Calif.) scoffed, saying it would not satisfy many of the House’s frustrated liberals. She seemed more interested in still trying to change Manchin’s mind on the expanded child tax credit and other domestic programs than in accepting his blueprint.

“I would hope he would reconsider, and realize how many people are being left behind,” Lee said. “We’ve got to keep going and try to get everything that we can get.”

Despite some lawmakers’ aggravation with Manchin, other progressives were willing to entertain just about whatever they could get through with only 50 Senate Democrats and a slim House majority. After all, the midterms are now eight months away; recreating the momentum to put a big bill on the floor may take months.

Sen. Elizabeth Warren (D-Mass.) put it this way: “There’s so much that we all agree on, that we ought to be able to get a deal.” And Rep. Katie Porter (D-Calif.), the deputy chair of the Progressive Caucus, said she’s “open” to Manchin’s energy proposal provided “it’s paired with a real meaningful commitment, and actual movement.”

Biden’s State of the Union address called for congressional action on some of the individual portions of the wide-ranging social spending measure that the House passed last year, including drug pricing, child care, tax hikes on the wealthy and climate change. The momentum that Democrats had mustered for their trillion-dollar-plus proposal has mostly evaporated, and some lawmakers are increasingly open to slimmed-down legislation or even standalone bills to address their policy priorities.

"I've basically said as far as I'm concerned, this is going to be like found money if we come up with anything," said Senate Majority Whip Dick Durbin. "I don't assume anything with a reconciliation bill. [Expectations are] as low as they go."

And while Manchin said no "formal" talks are happening with the White House, there's "informal back-and-forth." He declined to say if he's spoken to Biden recently about it: "Different White House people reach out, and we talk from time to time."

[Politico - Democrats eye 'Build Back Slimmer' on reconciliation](https://subscriber.politicopro.com/article/eenews/2022/03/24/democrats-eye-build-back-slimmer-on-reconciliation-00019896)

<https://subscriber.politicopro.com/article/eenews/2022/03/24/democrats-eye-build-back-slimmer-on-reconciliation-00019896>

BY: NICK SOBCZYK

03/24/2022

Democrats eye 'Build Back Slimmer' on reconciliation

With Sen. Joe Manchin (D-W.Va.) said to be reengaging on talks, Democrats are trying to sort out what can be achieved.

While signs point to a potential revival of a long-stalled climate and social spending bill, Democrats sought yesterday to amplify their push for a clean energy future amid high gas prices and Russia's invasion of Ukraine.

During a Senate Environment and Public Works Committee hearing, Democrats argued that clean energy and electric vehicles were the solution to global oil and gas price shocks that also address climate change spurred by burning fossil fuels. That refrain has been employed repeatedly by Democrats since the war began.

"Since the Arab oil embargo of 1973, many in Washington have argued that if we just drill for more oil, we could be free of the price whiplash caused by international disruptions in the global oil market," said Chair Tom Carper (D-Del.). "That wasn't true during the Arab oil embargo, and it isn't true today."

The hearing was further indication that if the \$1.7 trillion "Build Back Better Act" is to be revived, it will be repackaged as an energy security and anti-inflation measure.

Carper, in an interview afterward, said talks are ongoing between his panel and Energy and Natural Resources Chair Joe Manchin (D-W.Va.), the swing vote whose concerns effectively killed the bill late last year. Manchin has recently signaled he is ready to reengage in negotiations and increasingly views the next two months as a crucial time to strike a deal (E&E Daily, March 23).

"He and I and our staff have had an ongoing conversation for a while," Carper said. "And I think he can play a very constructive role, and I believe he has motivation to do that."

What, exactly, a revived bill looks like is up in the air. Manchin has said he is mostly on board with the bill's \$555 billion in climate spending and clean energy tax credits, save for a few objections to a methane fee and a new incentive for union-made electric vehicles.

But he may also be looking to revamp the Energy and Natural Resources Committee's portion of the reconciliation legislation to better fit the current political and economic circumstances.

Carper joked that he's been calling a potential revived reconciliation bill "Build Back Slimmer."

In the hearing yesterday, Carper warned: "As long as our economy runs mostly on fossil fuels, energy prices will continue to be vulnerable to forces outside the United States, and that's not energy security."

That line of argument ran into the same partisan divides that have defined the immediate congressional response since the beginning of the conflict in Ukraine, with Republicans blaming President Biden's policies — particularly his cancellation of the Keystone XL pipeline and pause on oil and gas leasing — for high gas prices. Those arguments, however, often lack nuance (E&E Daily, March 15).

During the hearing, Democrats highlighted various provisions of the stalled reconciliation bill, particularly clean energy tax incentives and policies to boost electric vehicle deployment, and framed them in the context of the Russian invasion and roiling oil markets.

Sen. Ed Markey (D-Mass.) said the geopolitical situation should be "our moment, our signal to be able to move to the future."

Sen. Ben Cardin (D-Md.) similarly argued that clean energy would allow the United States to insulate itself from global oil shocks if it can develop a robust domestic supply chain. On top of its renewable provisions, Cardin noted that the original "Build Back Better Act" would offer a new production tax credit for nuclear energy in an effort to keep existing plants online.

"It used to be that you would have to make a decision between doing what's right for the planet, in terms of climate change, or doing what's right for your bottom line," former Navy Secretary Ray Mabus said in response to a question from Cardin. "That is absolutely no longer the case."

'Frustration is palpable'

Still, witnesses told the committee there would be hurdles to Democratic ambitions.

Former Rep. Jim Matheson (D-Utah), who leads the National Rural Electric Cooperative Association, said his group views President Biden's goal to decarbonize the power sector by 2035 as "overly ambitious."

"Natural gas is playing an increasingly important role in co-op reliability and emission reductions, often replacing coal generation," Matheson said during the hearing. "But even as coal capacity declines, it remains a critical source of reliable, affordable power for co-ops in many regions of the country."

Matheson and other witnesses also stressed the need for further permitting reform to allow transmission projects, renewables and oil and gas wells to be built more quickly.

It's a longtime point of emphasis, and occasionally bipartisan consensus, for the committee. The bipartisan infrastructure law signed by Biden last year codified parts of President Trump's "one federal decision" policy in an attempt to slim down permitting bureaucracy.

Ranking member Shelley Moore Capito (R-W.Va.) called for further action to limit permitting hurdles, an idea that could draw support from some Democrats, including Manchin.

"There's been efforts and talk about streamlining in Congress for years about this, but we don't seem to be solving the problem," Matheson said.

"The frustration is palpable, and it's real," he added. "And wherever we go with our energy future in this country, this question of siting facilities is going to be part of the answer."

But whatever the timeline, the energy transition is undoubtedly coming, said Katherine Stanken, vice president of policy at the Electrification Coalition. That's particularly true for electric vehicles, with major auto manufacturers pledging to go all electric in the coming decades.

"I think a lot of us agree here that electric vehicles are the future," Stanken said. "And it's not a matter of if. It's just when."

Energy war

The Republican opposition campaign, meanwhile, is only intensifying, and it could reverberate through other congressional committees in the coming weeks.

With Democrats looking to hold hearings on what they view as oil price gouging, the GOP is hoping to haul in Biden administration officials to testify alongside company executives.

If the Senate Energy and Natural Resources Committee ends up as the venue for such a hearing, ranking member John Barrasso (R-Wyo.) said he would be inclined to invite special climate envoy John Kerry to justify calls to divest from fossil fuels.

House Energy Republicans already invited Energy Secretary Jennifer Granholm to testify with oil and gas bosses during a potential hearing next month on the other side of Capitol Hill (E&E Daily, March 23).

"Democrats say they want to bring in energy company executives so they can use them as political props, browbeat them, lecture them; I'd love for them to come in front of the Senate Energy Committee," Barrasso told reporters yesterday. "We can hear from them firsthand about the ways that this administration has tied them up in red tape."

Senate Republican leadership also continued their broader attack on Democratic ideas to temporarily alleviate the financial toll of high gas prices during a press conference yesterday.

That includes legislation from Sens. Mark Kelly (D-Ariz.) and Maggie Hassan (D-N.H.) to suspend the 18.3-cent-per-gallon federal gas tax for all of 2022 and a proposal from Sen. Sheldon Whitehouse (D-R.I.) and others to tax oil and gas profits and return them to consumers as a rebate.

"Four of them came out with a bill to do a gas tax holiday to lower rates by about 18 cents, which to me is just a Band-Aid on a bullet hole," Barrasso said. "They put the bullet hole into the energy industry."

The industry, too, has blamed Biden regulatory policies for depressing domestic oil and gas production, but most experts and observers say they are at most a minor factor.

In a survey of more than 100 oil and gas executives published yesterday by the Federal Reserve Bank of Dallas, 59 percent said pressure from investors is the primary reason major companies are restraining production growth, while fewer than 10 percent blamed government regulations.

Sen. Rob Portman (R-Ohio) turned his attention to Russia, pressuring Biden to produce tangible results during his visit to NATO allies in Europe this week, especially on forming a consensus on Russian oil bans.

"I hope that the president of the United States will talk to his NATO colleagues and make a very strong case that they need to embargo the Russian oil and gas also," said Portman. "We can come up with all sorts of ways to take away most-favored-nation treatment. ... But if we don't deal with this issue, it's going to be very, very difficult for the Ukrainian people to survive this conflict."

Legislation removing the trade status of "most favored nation" for Russia over the invasion of Ukraine hit a roadblock yesterday, as Republicans fought for a measure to include a congressionally mandated ban on energy imports.

[The Hill - Dems offer reality check on Manchin, Build Back Better](https://thehill.com/policy/finance/3466750-dems-offer-reality-check-on-manchin-build-back-better/)

<https://thehill.com/policy/finance/3466750-dems-offer-reality-check-on-manchin-build-back-better/>

BY JORDAIN CARNEY

04/27/22

Sen. Joe Manchin (D-W.Va.) is sketching out his vision for what a scaled-down budget bill could look like as his party eyes a second run at moving a major policy bill through a reconciliation process that would negate a GOP filibuster.

This time, however, Democrats are playing down the chances for an imminent deal.

Manchin in December nixed the roughly \$2 trillion House-passed Build Back Better package, sending the party into a legislative depression.

The party now faces significant hurdles to renew the tax-and-spending plan at the heart of their agenda as they feel growing pressure to provide deliverables to their own voters.

Sen. Dick Durbin (Ill.), the No. 2 Senate Democrat, said that there were “varying levels of optimism” within the caucus about reviving reconciliation, the budget process that cuts off a GOP filibuster and would allow Democrats to pass a measure with votes just from their members.

“I am the most skeptical,” Durbin said. “I want to see the results. I want to put two of my colleagues in the room with a blank sheet of paper and ask them, ‘What will you agree to?’ There seems to be some problems with that.”

Sen. Ben Cardin (D-Md.) indicated that Democrats were largely delegating talks with Manchin about reconciliation to Senate Majority Leader Charles Schumer (D-N.Y.).

“You’re not going to hear much about it until a decision is made,” Cardin said. “There’s been no reports to us, and we don’t expect any reports.”

Democrats and the White House have acknowledged that there are conversations going on, but they are also being careful to draw hard red lines or hype their talks after they set deadlines, and missed them, repeatedly last year.

“We always are hopeful. That’s all I’m saying,” said Sen. Sherrod Brown (D-Ohio), the chairman of the Senate Banking Committee.

Manchin on Tuesday met with Schumer about how to combat inflation.

After the meeting, the West Virginia senator said he thought the focus of any reconciliation bill should be lowering inflation and deficit reduction.

Manchin indicated that the way to do that included making changes to the tax code.

He outlined part of what he could support on tax changes as part of a reconciliation bill, including increasing the corporate rate to 25 percent, putting capital gains at 28 percent, getting rid of “loopholes” and “making sure everyone pays their fair share.”

Manchin also wants half of any revenue to go toward deficit reduction, saying that it’s the “only way you’re going to fight inflation.”

“Just a fair, competitive tax code,” Manchin added about what he wants to see in a reconciliation bill.

Both Manchin and Schumer tamped down any expectation that they were deep in the sort of formal negotiations that could cement a quick agreement that would allow the party to finally move what was meant to be the center of its legislative agenda.

“There’s nothing formal. There’s no false hopes here. There’s nothing, as far as Build Back Better, there’s no talk about any of that. Just saying how do we get a handle on inflation,” Manchin said.

Schumer also stressed that the talks with Manchin were “preliminary.”

“Our meetings were both preliminary and good, and we’re going to continue to keep talking. If you want to get rid of inflation, the only way to do it is to undo a lot of the Trump tax cuts and raise rates,” Schumer said.

Democrats are facing growing calls from within their own party to try to quickly show voters that they can deliver heading into a November midterm election where they could face tough political headwinds that threaten their ability to hold on to the chamber.

“As Democrats, we need to deliver. We need to hit costs head on, and we have the power to do that. We’ve got less than 200 days left, though, and instead of looking backwards, let’s look forward. Let’s get done what we can get done for the American people who elected us, for the American people who are counting on us,” Sen. Elizabeth Warren (D-Mass.) said during an interview with CBS News’s “Face the Nation.”

Sen. Tim Kaine (D-Va.), asked by The Hill about Democrats’ ability to get a deal this year compared to 2021, pointed to pressure from their base, saying, “I think our voters want us to.” Kaine is among the Democrats who are floating Memorial Day as a deadline for having an agreement on a revived bill, even if they don’t have final legislative text.

“We either have a handshake deal or I don’t think it’s going to get done. I’d love to be wrong,” he said.

But bringing back reconciliation would be a significant lift for Democrats and the White House.

To pass a bill under reconciliation, Democrats would need total unity from all 50 members of their Senate caucus and nearly every House Democrat.

That will be difficult. Manchin's stance on increasing the corporate tax rate is at odds with Sen. Kyrsten Sinema (D-Ariz.), another moderate, who has said she won't raise taxes if it harms the economy

And Manchin's push to boot "social" programs out of Build Back Better could also spark pushback from fellow Democrats, who view reconciliation as their best shot at expanding Medicare, shoring up ObamaCare or creating programs like paid leave or beefing up the child tax credit.

Russia purchasing military equipment from North Korea, US assesses

Irish regulator fines Meta \$400M for breaking data protection laws

"I really want the workforce and child care to be a part of it," Kaine said, asked about a reconciliation bill that just focused on inflation and deficit reduction.

Other Democrats said that they would be willing to use Manchin's skinny version as a starting point, if it meant the party could finally get to a deal.

"I hope we can do something," said Sen. Mazie Hirono (D-Hawaii). "We should move things along. And Joe is open to tax reform. ... I can start with that."

RECONCILIATION 2022

Politico - Back burner no more: Dems set Manchin talks on party-line bill to simmer

<https://www.politico.com/news/2022/06/17/dems-manchin-schumer-00040321>

By BURGESS EVERETT

06/17/2022

After appearing stalled out for months, Chuck Schumer and Joe Manchin have taken significant steps behind the scenes to cobble together another bill on climate and tax reform.

Senate Democrats are preparing for possible summer action on their still-elusive climate, tax reform and prescription drugs bill, grinding behind the scenes on a new version during high-profile gun safety talks.

With much of Washington's attention on guns, Majority Leader Chuck Schumer and Sen. Joe Manchin (D-W.Va.) met twice this week on a potential party-line package. There's more afoot: Schumer and his staff are working with the Senate parliamentarian to help tee up a possible July or August vote. And a prominent Democratic pollster has tested how popular major components of a hypothetical bill would be in Senate battleground states.

The talks could all fall apart, of course, just as they did in December when Manchin rejected a \$1.75 trillion, White House-blessed plan. Any bill advanced this summer would be much slimmer than that one, focusing on lowering drug costs, reducing the deficit, raising taxes on the wealthy and boosting energy sources both clean and domestic.

It's not everything Democrats want, and they may have to take Manchin's terms in the heat of the midterm campaign season or face another rejection from the mercurial centrist. But with its work deep into the calendar, the party is putting a new spin on an old saying: Build Back Better Late Than Never.

"I'm spending a significant amount of time every day on it. I can't get into all the negotiations. I believe we're going to get there," said Sen. Ron Wyden (D-Ore.), who chairs the tax-focused Finance Committee. "Sen. Schumer makes these calls, but I think it's just really key to get this done before the August break."

After meeting a half-dozen times this spring, Manchin and Schumer offered few details Thursday of what they are working on. Schumer intentionally is keeping most Democrats out of the loop to limit public fretting — and media reporting — about the state of the talks with Manchin, according to two senators in the caucus who declined to speak on the record.

"It's tight as hell," said one Democratic senator of the negotiations.

There are signs, however, that talks are getting more specific: Manchin and Schumer are going line by line over what a possible deal would look like, building a potential agreement from the ground up rather than rehashing disagreements from last year, according to Democrats familiar with the matter. Much of the recent focus is on energy policy; Manchin indicated he will not support a bill that sends direct payments to companies that produce clean energy for consumer use, also known as “direct-pay,” drawing an important line in the negotiations.

Manchin was the first Democratic senator to warn about potentially rising inflation and was widely dismissed by his colleagues last year when he raised those concerns. With inflation now at its highest rate in 40 years, any conversation about spending more money will be a difficult sell with him, and he wants deficit reduction in the package, a person close to him said.

Of the provisions being considered for a new party-line bill, tax increases and prescription drug reform would bring in new revenues, but the energy component could require hundreds of billions of dollars in new spending.

To most Democrats, the fact that talks are continuing well past the unofficial Memorial Day deadline for a handshake deal is reason enough for optimism. Discussions on a party-line spending bill are happening while negotiations on both gun safety and competitiveness with China are still unfinished.

Sen. Debbie Stabenow (D-Mich.), the No. 4 caucus leader, said that despite the pile-up of critical issues, “there’s good conversations going on” between Manchin and Schumer.

Schumer said “our talks with Manchin are continuing” while the West Virginian would only say the discussions are “very respectful.” Schumer and House Speaker Nancy Pelosi also met with Biden on Wednesday, and afterward Pelosi said of Democrats’ party-line spending bill: “It’s alive. I’ll just say that.”

“As long as they’re talking, it’s good,” added Sen. Bob Casey (D-Pa.). “That’s the good news. All these months later, it’s still viable.”

Schumer is hoping he can bring up the bipartisan gun safety package for a vote next week, clearing the decks for bringing a Democratic bill to the Senate floor in July or August. By using what’s known as budget reconciliation, the measure would need just a simple majority of votes in the 50-50 Senate, and can avoid a GOP filibuster.

Making that happen requires plenty of closed-door efforts — Schumer is also working with the Senate parliamentarian to ease consideration of a potential party-line spending bill. The GOP would be able to challenge specific provisions once there is final bill text, possibly knocking out portions of the bill if they run afoul of the chamber’s strict budget rules. But Schumer is trying to make all the preparations he can should he and Manchin come to an agreement before Sept. 30, when the current budget reconciliation protections expire.

The Senate is currently slated to go on a two-week recess at the end of the next week, then return for four weeks before breaking for the bulk of August. Those weeks could give Democrats a huge opportunity to add another accomplishment before the November midterms.

And they need it. Polls show Biden's approval rating is around 40 percent, endangering Democrats' slim Senate majority. But according to a May survey by Hart Research Associates obtained by POLITICO, passing Manchin's vision would offer a jolt come election time to four Democratic senators in New Hampshire, Arizona, Nevada and Georgia, where voters would be more likely to support the incumbents if such a bill passes.

"The poll showed that a focused bill would be popular and would help Democratic incumbents who are running for reelection. The aspiration in sharing the results is that they would encourage Senator Manchin and others to continue moving the process forward," Hart Research President Geoff Garin said when asked about the poll. Garin warned that the poll itself does not offer "tea leaves" about Democrats' prospects of success in the coming weeks.

Republicans are nonetheless getting worried, particularly with the gun debate taking up so much oxygen in Washington. One GOP aide fretted that Democrats "are using the debate on gun control as a distraction from their work to jam through" a smaller version of Build Back Better.

Another ominous sign for the GOP: Manchin-led bipartisan energy negotiations have ceased, leaving a party-line approach as the best option for the moderate senator.

Democrats said they're not intentionally hiding the negotiations, but conceded that Washington's focus on firearms does allow the reconciliation discussions to unfold with less scrutiny. Manchin and Sen. Kyrsten Sinema (D-Ariz.) are also involved in the gun talks, with Sinema taking a leading role.

And some Democrats are concerned that the Schumer and Manchin talks don't directly include Sinema, another crucial moderate swing vote. Still, Sinema was far more supportive of the Build Back Better bill in December than Manchin.

[E&E News - House Democrats nudge Senate on reconciliation package](https://www.eenews.net/articles/house-democrats-nudge-senate-on-reconciliation-package/)

<https://www.eenews.net/articles/house-democrats-nudge-senate-on-reconciliation-package/>

By Jeremy Dillon, George Cahlink | 06/17/2022

House Democrats called on their Senate counterparts to take action on stalled party-line climate and social spending legislation yesterday and encouraged the White House to finalize a deal that would invest hundreds of billions in clean energy technology.

Those calls came as House Speaker Nancy Pelosi (D-Calif.) told reporters that talks on the legislation, the stalled “Build Back Better Act,” were “alive.”

Leaders of the New Democrat Coalition, the Progressive Caucus, and the Sustainable Energy and Environment Coalition — 175 members in all — joined a letter pleading President Joe Biden to strike a deal and act on \$550 billion in pending climate investments contained in the bill.

“We’re calling for President Biden and the Senate Majority Leader and the 50 members of the Senate Democratic Caucus to come together around an ambitious reconciliation package that will secure those opportunities for all Americans now and in the future,” SEEC Co-Chair Paul Tonko (D-N.Y.) said at a press conference yesterday.

If it is, in fact, revived, the clean energy tax title contained in “Build Back Better” would represent one of the largest investments in low-carbon and carbon-free energy deployment in the nation’s history.

Credits would be showered on renewable energy, nuclear, carbon capture and energy storage technologies. The original tax plan also included billions in manufacturing credits to bolster domestic production of those technologies. It also contained a first-ever tax on methane emissions.

Sen. Joe Manchin (D-W.Va.) has remained the most vocal holdout on action on the package after he killed it late last year. The chair of the Senate Energy and Natural Resources Committee, however, appears to have reengaged on negotiations for a smaller package. He has met with Majority Leader Chuck Schumer (D-N.Y.) several times in the past few weeks to discuss parameters of a deal.

Since December, after he withdrew his support for the bill, Manchin has consistently said that he is seeking legislation that deals with inflation, the deficit and lowering energy prices by increasing domestic production. He has also said that he wants to pursue “a path of investing in new technologies” dealing with climate and energy (E&E Daily, June 13).

“We have 99.9 percent of people in the Democratic Party ready to do this,” said Progressive Caucus Chair Pramila Jayapal (D-Wash.). “Let’s move it forward.”

The calls for action follow a White House summit earlier this week featuring Pelosi and Schumer. The two leaders met with Biden to talk about inflation, energy costs, the deficit and prescription drugs. All of those policies seem likely to be part of a new reconciliation deal, though the White House did not bill it as such a discussion (E&E Daily, June 16).

Yesterday, during her briefing with reporters, Pelosi suggested she would be open to scaling back the House-backed \$1.7 trillion reconciliation package if it comes to that.

“Everything that was in the reconciliation bill was great, so if we just had some of it, that would be very good,” Pelosi told reporters yesterday morning.

She did not elaborate on where those trade-offs might come from, although she added she was eager to ensure extension of expiring Affordable Care Act subsidies.

BGOV - Advocates Seek to Revive Spending Bill With Eye on West Virginia

<https://about.bgov.com/news/advocates-seek-to-revive-spending-bill-with-eye-on-west-virginia/>

June 17, 2022

By Zach C. Cohen and Alex Ruoff

Groups and lawmakers advocating for Democrats’ domestic agenda, from clean energy to health care, are renewing campaigns tailored to their target audience: Joe Manchin.

Labor groups recently held a tele-town hall for West Virginians to talk about the need to expand home care offerings. The Service Employees International Union recorded a robocall with actress Jennifer Garner, a native of the state, urging West Virginians to call their senators and ask for action on home care.

Many of Democrats’ priorities are unlikely to receive enough bipartisan support. To get favored measures through in a sweeping package with a simple majority, they need to convince the West Virginia senator to get on board by addressing his concerns about growing inflation and the problems facing his home state.

The effort comes as Manchin and Majority Leader Chuck Schumer have restarted talks on a reconciliation bill (H.R. 5376). They met again this week to discuss a potential deal, according to an aide granted anonymity to speak candidly.

John LaBombard, senior vice president at ROKK Solutions, a bipartisan public affairs agency, said the fate of a reconciliation bill rests on the “pressure point” of Schumer and President Joe Biden’s negotiations with Manchin.

“That’ll be the point from which all things flow,” LaBombard said.

Spokespeople for Schumer and Manchin didn’t respond to requests for comment on provisions sought by activists.

The recent campaigns aren’t the first time groups have targeted Manchin specifically since Democrats took a slim, 50-vote majority in the Senate. But many activists see the next few

months as a make or break moment for their priorities, adding to pressure to sway the key vote.

Child-care advocates rallied outside the Capitol last week in favor of a proposal from Sens. Patty Murray (D-Wash.) and Sen. Tim Kaine (D-Va.) that would increase funds to states for child care and early childhood education, bringing the block grants to \$72 billion in new funding over six years.

“He clearly is hearing” arguments for child-care spending, Kaine said of Manchin in a brief interview. “And look, he’s hearing it from his own constituents.”

Other Priorities

The New Democrat Coalition, the party’s largest House caucus, called this week on leaders to pass a reconciliation package that includes a permanent extension of boosted Affordable Care Act (Public Law 111–148) tax credits, subsidies that lower insurance premiums for millions set to expire at the end of this year. The press conference included Jessica Ice, executive director of West Virginians for Affordable Healthcare, a group that’s pushed for bolstering the ACA based on how it would help West Virginia.

Rep. Ami Bera (D-Calif.), one of the coalition’s vice chairs, said “it hasn’t been a point of contention with Senator Manchin.”

However, on the other side of the issue, the 60 Plus Association—a group that bills itself as the conservative alternative to AARP—spent nearly \$55,000 on ads at the beginning of June lambasting Manchin for “supporting Biden’s devastating plan to strip \$300 billion from Medicare.” The group opposes Democrats’ plan for decreasing drug prices, which would lower government spending on medicines by nearly \$300 billion over 10 years, according to a report from the Congressional Budget Office.

Separately, miners with black lung disease and their families have also launched a “We’re Counting on You, Joe” campaign online and in radio ads urging Manchin to help pass a long-term extension of the black lung excise tax on coal companies. Manchin last month said he hopes his stand-alone legislation (S. 2810) to extend the tax rate will end up in a larger legislative package.

“Like many others, we’re hopeful that a budget reconciliation framework comes together and that a multi-year extension of the excise tax is included in that,” said Rebecca Shelton, the director of policy and organizing for the Appalachian Citizens Law Center.

House Democrats along the ideological spectrum on Thursday also urged the Senate to include climate and energy provisions in the package.

Speaking at a Capitol Hill press conference, Congressional Progressive Caucus Chair Pramila Jayapal (D-Wash.) said it's "incumbent" on Manchin, who leads the Energy and Natural Resources Committee, to support the climate provisions in reconciliation that the House ultimately crafted to his liking.

The measure the House passed included energy and climate language that was "reduced from what we originally wanted because we knew we needed to get his support," Jayapal said.

[Punchbowl - Reconciliation outlook shifts as election looms](https://punchbowl.news/archive/6-20-22-punchbowl-news-am/)

<https://punchbowl.news/archive/6-20-22-punchbowl-news-am/>

JUNE 20, 2022

There's lots of buzz about a possible reconciliation deal between Senate Majority Leader Chuck Schumer and Sen. Joe Manchin (D-W.Va.). Discussions are ongoing, although there's no deal yet, and there won't be one this week.

What's in a potential Democratic reconciliation package – and when it could come together – are enormously important. And of course, none of this is decided yet

Yet we want to note this as well – we're not entirely sure the reconciliation package being discussed on the Senate side could pass the House. Provided it gets through the Senate in the first place.

Ever since Manchin put the kibosh on the \$1.5 trillion Build Back Better Act in mid-December, the assumption has been that if there's a deal in the Senate, it can move through the House.

But that was six months ago, and internal House Democratic Caucus politics aren't static. Democrats look increasingly likely to lose the House And there have been more retirements, with a race to succeed Nancy Pelosi and the current leadership team – if they leave – happening just below the surface.

The package being discussed by many in the Senate and downtown – full or partial repeal of the 2017 Trump tax cuts, Medicare prescription drug price negotiations and a climate-energy package, with a portion of the revenue raised going to pay down the deficit – would have problems passing the House, even if it got through the Senate.

Remember, House Democrats will only have a four-seat margin if and when this reconciliation package comes up for a vote there. Frontliners and moderates – already very nervous about November, with good reason – want SALT and other provisions that may not be in there. They have some retiring members who could be a problem. This isn't an easy vote for anyone.

We're already hearing Democratic leaders and supporters of a reconciliation package argue that such legislation could stave off a possible recession, which is a slight change in focus. The

argument had previously been that a reconciliation package would help boost U.S. economic growth coming out of the pandemic while also fighting inflation. Former Treasury Secretary Larry Summers mentioned this new angle on “Meet The Press” this Sunday. Summers noted his “best guess is that a recession is ahead.” Summers was out front in warning about the resurgence of inflation as the United States and global economy began to emerge from the pandemic, so he gets props from many in Washington.

Summers called for “some kind of bipartisan budget bill with three elements”: Medicare prescription drug pricing, “the partial repeal, not the full repeal, but the partial repeal of the Trump tax cuts,” and “an all-in more energy supply approach” that includes more fossil fuels in short run, then a government-led shift to renewables.

Now there’ll never be a bipartisan bill to repeal the Trump tax cuts. Never gonna happen. There probably can’t be a bipartisan deal on Medicare prescription drug pricing either. Republicans would do an energy deal, but that won’t be enough for Democrats or the White House. So a bipartisan deal is probably out.

Democrats will have to make a choice on going it alone. But here’s one thought we had – it’s going to be quite tricky for Democrats to find a winning message about why they’re raising taxes with a recession looming. Any moderate or Frontliner would get hammered on it. Republicans are already doing it.

Democrats could go another route. For instance, they could push a narrow bill focused on Medicare prescription drug pricing and extending Obamacare premium support, which expires this fall, right before the election. Up to 13 million Americans could be hit. Manchin hasn’t said where he is on the issue. Yet even with billions of dollars going into ACA subsidies, there would still be an overall savings to the federal government due to the Medicare prescription drug provisions. It may not be enough, however.

Yet just over four months from Election Day, Democrats – especially President Joe Biden – need accomplishments. If they can get a gun deal, pass the USICA package to help high-tech research and manufacturing, and possibly a smaller “Build Back Manchin” reconciliation package, that’s gotta help.

– John Bresnahan

[PJ Media - Very Quietly, Manchin and Schumer Are Teeing Up Another 'Build Back Better' Bill](https://pjmedia.com/news-and-politics/rick-moran/2022/06/17/very-quietly-manchin-and-schumer-are-teeing-up-another-build-back-better-bill-n1606113)

<https://pjmedia.com/news-and-politics/rick-moran/2022/06/17/very-quietly-manchin-and-schumer-are-teeing-up-another-build-back-better-bill-n1606113>

BY NATHANIEL WEIXEL - 06/21/22 11:58 AM ET

The AARP is launching a multimillion-dollar ad campaign across print, radio, cable and TV broadcast networks in West Virginia, urging Sen. Joe Manchin (D) to support a reconciliation bill that includes Medicare drug price negotiation.

The ads will start Wednesday and run through July 5 in markets across the state. They come as Senate Majority Leader Charles Schumer (D-N.Y.) privately tries to negotiate with Manchin to resurrect a spending bill that addresses climate change and lowers prescription drug prices.

The television ad, titled “The Right Thing,” urges Manchin to “keep fighting for lower drug prices.”

“Everybody knows Joe Manchin cares about West Virginians. And he knows too many of us are struggling to pay for our medicine. That’s why he supports letting Medicare negotiate lower drug prices,” the ad’s narrator says.

Manchin has long supported action to lower drug prices, including price negotiation, and recently spoke at an AARP event in West Virginia to say Democrats must pass drug pricing legislation before the midterm elections.

But it remains to be seen if he can reach a deal with Democratic leaders on a broader package that would include the drug pricing reforms.

Drug price negotiation was included in the House-passed version of the Build Back Better legislation, but was dropped from the Senate framework during negotiations.

Because of Republican opposition, any measure needs all 50 Democrats to support it in order to use the reconciliation process to bypass a GOP filibuster in the Senate.

Sen. Kyrsten Sinema (D-Ariz.) another key moderate swing vote, has been the greater question mark on drug pricing action, so Democratic leaders will also need her on board if they want to pass any sweeping negotiation plan.

[Washington Post - Democrats may drop another clean energy proposal to appease Manchin](https://www.washingtonpost.com/politics/2022/06/22/democrats-may-drop-another-clean-energy-proposal-appease-manchin/)

<https://www.washingtonpost.com/politics/2022/06/22/democrats-may-drop-another-clean-energy-proposal-appease-manchin/>

Analysis by Maxine Joselow

with research by Vanessa Montalbano

June 22, 2022

Democrats may drop another clean energy proposal to appease Manchin

Sen. Joe Manchin III (D-W.Va.) at the Capitol on June 14. (Sarah Silbiger/Reuters)

Democrats are likely to drop or scale back a key proposal in their party-line bill that would make it easier for clean energy developers to use federal tax credits, as they race to clinch a deal with holdout Sen. Joe Manchin III (D-W.Va.) in the coming weeks, according to two people familiar with the matter.

Manchin has indicated that he will not support a budget reconciliation bill that includes direct pay, in which payments are sent directly to companies that produce clean energy for consumers, according to the two individuals, who spoke on the condition of anonymity to describe the private negotiations. Politico first reported Manchin's opposition to the proposal.

The Democrat from West Virginia has expressed concern that direct pay would be a handout to the private sector and could reward companies that are losing money, the two people said. He has also voiced concern that the policy could be inflationary amid the fastest inflation in four decades, one of the people said.

While the debate over direct pay is wonky, it has major implications for whether the United States deploys renewable energy projects at the speed and scale necessary to tackle climate change and meet President Biden's clean energy goals.

The issue comes as Democrats face a narrowing window to pass the package, with just three legislative days left before lawmakers leave town for the Fourth of July holiday.

Here's how direct pay works, why Manchin's concerns are somewhat ironic, and why it all matters:

How it works

Clean energy developers often don't have enough tax liability to use clean energy credits themselves. As a workaround, many developers go to the tax equity markets, where they trade the tax credits for a smaller amount of cash upfront.

But Democrats say this system is problematic because some of the value of the credit goes to financial markets, rather than clean energy development. They argue that direct pay is a simple solution.

"Current energy tax credits are often difficult to access, with big banks serving as middlemen for byzantine agreements," Senate Finance Chair Ron Wyden (D-Ore.), whose panel has jurisdiction over the credits, said in a statement to The Climate 202.

"Our goal here is to make it easier for startups and nonprofits in particular to deploy the credits to fund projects," Wyden added. "Cutting out the middlemen will help get projects off the ground more quickly."

When asked Tuesday about direct pay, Wyden declined to comment on the specifics of the negotiations with Manchin.

The irony

In a twist, proponents say direct pay would help turbocharge the technologies that Manchin has publicly championed, such as nascent technology to capture carbon from the air and store it underground.

“The irony here is that some of the technologies that Manchin has been most publicly supportive of, like carbon capture and hydrogen in particular, would be most hurt by taking direct pay out of the tax package,” Sasha Mackler, who leads the Energy Project at the Bipartisan Policy Center, told The Climate 202.

“They have a harder time taking advantage of tax equity compared to some of the more mature technologies like wind and solar,” Mackler added.

A potential compromise?

It's unclear whether Democrats can reach a compromise with Manchin that salvages some aspects of direct pay, or whether they will need to jettison the proposal to win his vote.

One individual familiar with the matter said a deal could be possible. “There’s a lot of middle ground between no direct pay and direct pay as envisioned in December,” the individual said, referring to when Manchin said he could not support the spending package in its current form.

However, another person close to the negotiations said it would be difficult to limit which companies could take advantage of direct pay, such as by excluding privately traded companies.

“I am not aware of a way to limit it,” the individual said, “that will make a difference to Joe Manchin.”

Sam Runyon, a spokeswoman for Manchin, did not respond to requests for comment.

[Business Insider - Joe Manchin signals he's open to extend Obamacare aid — but seeks to restrict richer families from qualifying](https://www.businessinsider.com/manchin-extending-obamacare-aid-income-threshold-2022-6)

<https://www.businessinsider.com/manchin-extending-obamacare-aid-income-threshold-2022-6>

By Joseph Zeballos
June 22, 2022

Sen. Joe Manchin of West Virginia signaled he's open to extending enhanced subsidies under the Affordable Care Act, a move that would help Democrats avert a huge political threat in the November midterms from millions of people learning about spiking monthly premiums only weeks before casting ballots.

The conservative Democrat reiterated his concern about Americans enduring a difficult stretch of inflation, which reached its highest level in four decades. But he suggested that an extension of the program should be directed towards aiding lower-earning families.

"The main thing here is the means-testing," he said in a brief interview on Wednesday evening. "We should be helping the people who really need it the most and are really having the hardest time."

"With healthcare, people need help. They really do," Manchin said.

Under last year's stimulus law, Democrats increased federal subsidies to shrink monthly premiums for Americans purchasing health insurance plans under the ACA. The move caused many lower-income enrollees to pay little or nothing for private coverage. Many middle-class families also qualified for major federal assistance for the first time with payments capped at no more than 8.5% of their annual income.

Manchin's statements are a fresh sign that the conservative Democrat hasn't closed the door on continuing an initiative that has wide approval in his party. House Democrats led by the centrist New Democrat Coalition in particular are raising the pressure on Democratic leaders to secure an extension of the program before it's set to expire at the end of the year.

House Speaker Nancy Pelosi said at a news conference last week that extending Obamacare aid was a top Democratic priority. Manchin and Senate Majority Leader Chuck Schumer have been holding private negotiations on a smaller tax and climate spending bill to replace the House-approved Build Back Better plan.

If Democrats don't succeed at reviving a reconciliation bill extending the enhanced subsidies past year's end, roughly 13 million Americans would learn in the fall they're up for steep premium hikes in 2023. In addition, three million people would lose their health insurance because it would become too expensive, per the Department of Health and Human Services.

Manchin had expressed strong support for extending subsidies in February, but was noncommittal when Insider asked about his position in early May.

But Manchin's new remarks open the possibility of an income limit to restrict the number of higher-earners who qualify for the financial assistance, according to healthcare expert Larry Levitt.

"An upper income limit for the ACA subsidies at a level at or above four times the poverty level would preserve assistance for the vast majority of enrollees, but a small number would face big premium hikes," Levitt, executive vice president for health policy at the nonpartisan Kaiser Family Foundation, told Insider.

The federal poverty level governs eligibility for safety net programs based on household size and income. That level currently sits at \$27,750 for a family of four. So, a hypothetical Obamacare subsidy cutoff at four times the federal poverty line would exclude a similarly sized family making at least \$111,000 from receiving aid.

Democrats insist the initiative remains a big priority. "I'm focused on holding down premiums, which is hugely important to me," Sen. Ron Wyden, chair of the tax-writing Senate Finance Committee with jurisdiction over the Obamacare program, told Insider.

[Bloomberg - Democrats Weigh Paring Biden Tax Hike to Win Over Manchin](#)

By Laura Davison, Erik Wasson, and Ari Natter

June 29, 2022

<https://www.bloomberg.com/news/articles/2022-06-29/senate-democrats-weigh-paring-biden-tax-hike-to-win-over-manchin?sref=eCBZuTjk>

Senate Democrats are working on shrinking the tax increases in President Joe Biden's economic package as part of a bid to cut a deal with Senator Joe Manchin and get it passed in the coming weeks, according to people familiar with the talks.

The changes under consideration would pare down some of the tax measures passed by the House last year, and could mean that both US corporations and wealthy households end up facing smaller tax hikes than Biden and Democrats initially envisioned, the people said.

The discussions about making the tax elements of the package more business friendly come as Senate Majority Leader Chuck Schumer and Manchin, a West Virginia Democrat whose vote is critical in the 50-50 Senate, are close to agreeing that the overall plan will be roughly \$1 trillion, according to the people, who asked to remain anonymous because the talks are private.

Half of the amount would be for new spending and the other half would be tax increases to cut the deficit by \$500 billion over 10 years.

The talks remain tentative and neither side has fully signed off on the outline.

The decision to keep the top-line figure for the legislation of roughly \$1 trillion means that the Senate will make substantial cuts to the \$1.5 trillion package of tax hikes that passed the House last year. That gives lawmakers the freedom to revise some of the most controversial elements

of the plan to make them more palatable to critics. Democrats also plan to use savings from a prescription drug plan to offset some of the costs.

Corporate Taxes

The Senate Finance Committee is close to finalizing language reworking a provision of the proposed 15% global minimum levy, which would allow corporations to blend their overseas tax payments to meet the minimum threshold, rather than requiring that level to be met in each country in which the company operates, the people said. The committee is also considering giving companies additional time before they have to comply with international tax law changes.

The Finance Committee is also considering a change to the 15% domestic minimum tax on financial profits, also known as the book tax, that would exclude a business's deductions for the investments they make when calculating the tax, the people said. This would mean many companies would face lower IRS bills from the book tax.

The tech and manufacturing industries would be some of the most affected sectors from the book tax without the change. Companies, including Alphabet Inc.'s Google and General Motors Co., could be subject to the tax if it were to become law in its current form.

Business groups are also pushing Democrats to exclude income from pass-through businesses, such as partnerships or LLCs, from being subject to a surtax for high earners. The House legislation calls for a 5% levy on incomes above \$10 million and an additional 3% on incomes above \$25 million. The current top tax rate for that income is 37%.

Remaining intact in the Senate plan is a proposal to create a 1% excise tax on stock repurchases by publicly traded companies, according to the people. That levy has been subject to less scrutiny and pushback from companies, largely because it is a smaller tax compared to the other measures under consideration.

Spokespeople for Manchin and the Senate Finance Committee declined to comment. A representative from Schumer's office didn't immediately respond to requests for comment. The \$1 trillion maximum amount is also likely to serve as a reality check for Biden and his allies in Congress. Senate Democrats, who will have to pass the legislation without Republican votes, have been told in recent weeks not to expect a grand package and that it was being narrowed down, according to a person familiar with the talks.

New Spending

With Manchin's demand for half of the total package to go to deficit reduction, that gives a maximum of \$500 billion for new spending, roughly a quarter of the size of the \$2.2 trillion bill that passed the House last year. Schumer and Manchin, who have been engaged in secretive talks for two months about a scaled-back version of Biden's signature Build Back Better agenda, have yet to come to agreement on the specifics of what to include.

Democrats have until the end of September to pass the bill before the expiration of the budget resolution that allows them to advance the bill with a simple majority. However, many Democrats believe the bill needs to pass in the next month before the August recess.

A late sticking point has been whether to extend Obamacare premium subsidies, set out in the 2021 pandemic relief package and due to expire at the beginning of 2023. The notices of the increased premiums are to go out in October just before the election and many Democrats say allowing that would be devastating to their midterm prospects. Including the roughly \$200 billion ACA premiums in a \$500 billion spending package would entail scaling back the \$550 billion climate provisions from the House bill.

In recent weeks, Manchin and Schumer also have been haggling over whether remaining energy and climate sticking points should be included. Other remaining areas of negotiation include details on a tax credit for electric vehicles including the value and eligibility requirements.

Manchin is also seeking to make the package more friendly to fossil fuels, efforts sure to draw the ire of progressive lawmakers and environmental groups. One is a proposed tax credit for carbon capture that's seen as extending the life of coal plants, and increasing drilling in the western Gulf of Mexico. Manchin also wants to increase the duration of a tax credit for so-called blue hydrogen made from natural gas.

A compromise deal to place a fee on the emission of methane from oil and gas operations is expected to be included in the package, Senator Tom Carper, the Chairman of the Senate Environment and Public Works Committee, said in an interview last week.

[CQ - Senate drafts last-ditch drug pricing plan ahead of midterms](https://plus.cq.com/doc/news-7517738?0&searchId=QvhGbNxM)

<https://plus.cq.com/doc/news-7517738?0&searchId=QvhGbNxM>

By Lauren Clason

June 30, 2022

Senate Democrats are scraping together a last-minute plan to let Medicare negotiate prices directly with manufacturers for some products ahead of the midterm elections, according to a summary of the plan obtained by CQ Roll Call.

The effort attempts to revive a key piece of Democrats' sweeping social spending and climate bill (HR 5376) after intra-party divisions killed the original legislation. Senate Majority Leader Charles E. Schumer, D-N.Y., has been working with the broader bill's most vocal Democratic holdout, Sen. Joe Manchin III of West Virginia, who has consistently supported the idea of Medicare negotiation.

The Washington Post first reported the deal.

A source familiar with the plan said the plan is expected to have the full support of the caucus. Schumer will need the support of all 50 Senate Democrats to pass the bill under the chamber's budget reconciliation process. But it's not clear if the deal has the support of other moderate Democrats like Kyrsten Sinema, D-Ariz., or Bob Menendez, D-N.J.

Schumer is expected to present the plan to the parliamentarian by Tuesday, and is working on striking a deal with Manchin on tax and climate change provisions before the clock runs out. Schumer is aiming to put a new reconciliation package on the floor as early as late July.

The drug pricing agreement builds on a plan negotiated by moderate Democrats in November, which would have required the Department of Health and Human Services to negotiate prices within certain limits for up to 20 of the highest-cost drugs — plus insulin — in the Part B outpatient program and the Part D drug program.

The plan would also impose penalties for drug companies that hike prices faster than inflation and implement a \$2,000 annual out-of-pocket cap for Part D patients. Insulin would be capped at \$35 a month, a provision that Democrats are also working to pass as a standalone measure.

The new agreement would also strengthen language around the HHS secretary's obligation to negotiate prices, in order to prevent what the summary calls a "rogue secretary" from watering down the provisions. New language would also limit Medicare premium increases — an expected side effect of capping patient copays. The negotiation process would begin in 2023.

The new agreement would also make vaccines free to Medicare patients and extend full subsidies for low-income enrollees from 135 percent of the federal poverty level up to 150 percent. The deal also includes language to prevent brand-name drugmakers from blocking generic products from coming to market.

The broader plan so far does not include other big-ticket health care items Democrats included in the original bill, including continuing expanded subsidies for health insurance premiums on the exchanges and boosting funding for home health care.

Democrats are increasingly focused on the expiring premium subsidies, which helped boost exchange enrollment to all-time highs. Manchin has so far been noncommittal in public comments about whether he supports extending the subsidies.

"Rising inflation is already forcing families to pay more at the grocery store and the gas pump," Democratic Sens. John Hickenlooper and Michael Bennet, both of Colorado, wrote to Schumer earlier this month. "Time is of the essence to avoid serious increases on Coloradans' health care costs and we need to help assure financial stability and continuity of care."

Washington Post - Democrats race to revive economic package as inflation spikes

<https://www.washingtonpost.com/us-policy/2022/06/27/manchin-schumer-build-back-better/>

By Tony Romm

June 27, 2022 at 6:00 a.m. EDT

With inflation on the rise and the threat of a recession looming, congressional Democrats are scrambling to revive their long-stalled economic spending package, hoping to deliver relief to Americans whose finances have soured during months of political bickering.

When Democrats last tried to advance the party's \$2 trillion initiative in December, hoping to overhaul the nation's health-care, education, climate and tax laws, the economy seemed to be booming: Stocks traded high, gas prices were low and lawmakers saw an opening to advance the measure then known as the Build Back Better Act.

More than six months later, however, the economy has shifted considerably. Along with Russia's invasion of Ukraine and another resurgence of the coronavirus, the nation faces soaring costs for housing, gasoline, groceries and other goods, all made worse by the specter of another downturn. The economic peril has fueled new urgency on Capitol Hill, where Democrats hope to resolve their differences, re-craft their agenda and deliver before fall on at least some of the promises they made in the last election.

"It's essential to do because it responds to pocketbook concerns right now — financial concerns right now, it moves to cut costs right now — and it also lays the foundation for these smarter approaches for the future," said Sen. Ron Wyden (D-Ore.), the leader of the tax-focused Senate Finance Committee.

How the White House lost Joe Manchin, and its plan to transform America

The chief obstacle remains Sen. Joe Manchin III (D-W.Va.), a moderate whose opposition last year scuttled President Biden's agenda. Manchin has huddled privately and repeatedly with Senate Majority Leader Charles E. Schumer (D-N.Y.) in recent weeks, as Democrats labor anew to secure his must-have vote on a scaled-back bill that they hope to bring to the floor in July.

Manchin has remained steadfast in his belief that the U.S. government should spend less, and raise more, than others in his party prefer. Increasingly, Democrats believe they will end up with a package far smaller in scope than they first envisioned — one focused on lowering prescription drug prices and combating climate change, with spending financed through changes to tax laws that also cut the deficit.

But many of the key details are still unresolved, generating fresh discomfort among lawmakers. In a sign of the lingering schisms, a broadly supported attempt to lower the price of health insurance by extending subsidies under the Affordable Care Act remains at risk of falling out of

the package entirely. The loss of those tax credits could result in premium increases for millions of Americans next year.

The delays and doubts have only compounded Democrats' frustrations after they had to abandon plans to lessen the price of housing, make child care more affordable and push the development of energy sources that can be alternatives to expensive gas — ideas, they say, that might have made a difference with a potential recession on the horizon.

"You know how strongly I felt about Build Back Better as we passed it. ... None of that has changed," said Rep. Pramila Jayapal (D-Wash.), the leader of the left-leaning Congressional Progressive Caucus. "What I also know is that we desperately need to deliver on some big policies immediately.

"Much to my chagrin, we have one person that didn't want to vote for the deal that had been agreed to, but we need that one person," she added. "We need to pass the maximum we can pass that's going to make a real difference for people."

For Democrats, the economic challenges are immense as a slow-motion crisis comes into view. This year, inflation has reached a nearly half-century high, and gas prices in particular have soared due to geopolitical instability. The Dow Jones industrial average, meanwhile, has lost more than 5,000 points since the start of the year, part of a broad market slump that has hit even the once-burgeoning tech industry hard.

Hoping to cool a hot economy, the Federal Reserve has responded aggressively in recent weeks with steep interest rate increases. That may eventually bring prices down, but only after making mortgages and other borrowing more expensive for Americans. Higher rates could also slow a hiring boom brought about by trillions of dollars in federal stimulus spending over the past two years, some under Biden's watch.

The situation didn't seem as dire last year, when Democrats last tried to advance their agenda. Many in the party saw their proposed spending as a way to shore up the economy — offering financial help to Americans already grappling with high costs in the wake of the pandemic. But Manchin argued then that the economic package would add to the debt and worsen inflation. Although the House passed its \$2 trillion version of the measure in November, the Senate ultimately concluded the year without even holding a vote.

Since then, Democrats have insisted they are not giving up, even as time begins to run out. They have about three months to broker the sort of compromise that has eluded them for more than a year; otherwise, they may lose the ability to adopt the bill under a special legislative tactic that allows them to bypass a GOP filibuster in the Senate.

To speed up their efforts, the party's lawmakers are already huddling with the Senate's parliamentarian, hoping to ensure their final package works within the confines of the process

known as reconciliation, according to two people familiar with the matter, who spoke on the condition of anonymity to describe the talks.

Speaking to reporters Wednesday, Schumer stressed after his latest meeting with Manchin that they are having “very good and productive discussions, but there are still some issues that have to be resolved.”

Sam Runyon, a spokesman for Manchin, added in a statement that the senator “continues to engage in respectful conversations about the best way to move our country forward but is still seriously concerned about harmful inflation taxes hurting Americans and our nation’s lack of energy security.”

Democrats scramble to resurrect ‘chunks’ of \$2 trillion spending plan backed by Biden

In the meantime, though, the stakes in their deliberations have grown exponentially higher. The party now faces an even tougher balancing act as it looks to whittle down a roughly \$2 trillion package in a way that lowers costs, satisfies Manchin’s whims and shores up the economy — without making inflation worse.

“Anything that Congress does that adds to inflation will lead to more interest rate increases,” said Jason Furman, an economist at Harvard University who previously advised President Barack Obama. “Anything Congress does to take the pressure off inflation will consequently lead the Fed not to raise interest rates as much. This is much more of an interaction between fiscal and monetary policy than one would have expected a year ago.”

Some of the ideas Democrats initially proposed might have offered more of a direct, immediate financial reprieve from rising prices — including, for example, restoring expanded monthly tax credit payments to families with children. The pandemic-era program expired last year partly because Manchin objected to renewing it, which economists say has cut deeply into families’ finances and raised the risks of child poverty.

“If you expanded the child tax credit the way we did ... wouldn’t that help families pay for child care, for prescription drugs, for school supplies for kids?” asked Rep. Rosa L. DeLauro (D-Conn.), a leading advocate for the tax credit and the chairwoman of the House Appropriations Committee.

Democrats had also proposed more than \$166 billion to construct new homes and help low-income Americans pay their rents and mortgages in the original Build Back Better Act. That would have marked the largest-ever federal investment in housing affordability, clinching what might have been a key policy before rental prices reached record highs in some major cities.

“There’s no part of the country that has enough affordable homes for families to buy or rent,” said Sen. Sherrod Brown (D-Ohio), the leader of the Senate Banking Committee, which helped

craft the provision. “If we want to address the costs that are weighing families down, we have to tackle the shortage of quality, affordable homes.”

But those ideas long ago fell out of the discussions on Capitol Hill, frustrating many Democrats, who have come to acknowledge their final bill may offer only limited relief for families — no free prekindergarten, no rebates for child care, no aid for elder care, no paid family and medical leave. While DeLauro, Brown and others pledged to continue pushing, party leaders broadly have resigned themselves to securing whatever deal they can with Manchin.

“I think there’s great support still for some of the key elements of the package, especially some of the elements that reduce costs for consumers,” said Sen. Chris Van Hollen (D-Md.), a top lawmaker on the chamber’s appropriations panel. But Van Hollen acknowledged that Congress and the economy are “not where we were months ago, and getting something important now is better than getting nothing.”

Fed chair acknowledges that higher interest rates could cause a recession

Democrats do still believe they can secure prescription drug pricing revisions, empowering the government to negotiate some costs on behalf of Medicare beneficiaries. Wyden, who helped craft the provision, said that alone would help seniors who are “getting clobbered at the pharmacy counter just as they’re getting clobbered at the gas station.” An earlier version of the proposal also would have saved the government about \$160 billion, according to estimates at the time.

But some other health-care initiatives remain in doubt. That includes an existing federal program that lowers insurance costs for millions of Americans who purchase coverage through national health exchanges. These expanded subsidies under the Affordable Care Act are set to expire at the end of the year. Yet Democrats so far have not been able to strike a deal with Manchin to preserve them, according to three people familiar with the matter who spoke on the condition of anonymity to describe the talks.

The sources cited Manchin’s broader cost concerns as a key reason for the trouble, especially since he has rejected past Democratic attempts to proffer short-term extensions in a bid to save money. Manchin publicly has expressed mixed views on the idea, at times citing the need to restrict any benefits to lower-income Americans.

Without action, however, roughly 13 million Americans could see higher premiums in 2023. The prospect prompted some Democrats this week to redouble their calls for action, with House Majority Leader Steny H. Hoyer (D-Md.) telling reporters on a call Thursday that the provision “must be included” in any Senate deal.

“Inflation is causing great shock at the pump and in the grocery store,” Hoyer added. “We must not let the cost of health care go up as well when we have the power to stop that from happening.”

[Politico - Dems' climate and tax agenda to consume Congress in July](https://www.politico.com/news/2022/07/07/dems-climate-tax-agenda-july-00044482)

<https://www.politico.com/news/2022/07/07/dems-climate-tax-agenda-july-00044482>

By BURGESS EVERETT and MARIANNE LEVINE

07/07/2022

Chuck Schumer and Joe Manchin have taken concrete steps forward on their party-line proposal, and a bill could be on the floor before the end of the month.

Democrats are taking tangible steps towards a deal on their party's signature spending bill, expecting the proposal to dominate the rest of July and hoping it could reshape their political fortunes after six months of stasis.

Talks between Majority Leader Chuck Schumer and Sen. Joe Manchin (D-W.Va.) are beginning to yield concrete results on a potential climate, tax and prescription drugs package. Schumer told Senate Democrats recently that if he can reach a deal with Manchin, the bill could be on the floor as soon as this month, according to a person familiar with the negotiations.

Negotiators are still ironing out key details, but Democrats are signaling that as soon as next week they will begin arguing their case to the Senate rules chief on why the package should pass with a simple majority in the chamber. No one is getting their hopes too high in a party still reeling from Manchin's rejection of Build Back Better, Democrats' previous version of the legislation.

“I am generally optimistic. I believe there is positive momentum, I believe there have been constructive conversations. But the specifics, the details, I think it's best to let that work itself out.”

Sen. Chris Coons (D-Del.)

Democrats interviewed for this story ranged from near-certain there will be a deal to fretful that anything will ever materialize.

“I am generally optimistic. I'll believe it when there's a deal,” said Sen. Chris Coons (D-Del.) on Thursday. “I believe there is positive momentum, I believe there have been constructive conversations. But the specifics, the details, I think it's best to let that work itself out.”

Democrats solved the easiest piece of their puzzle this week: finalizing a prescription drug pricing reform deal from last year, which both lowers prices and is expected to raise at least

\$250 billion in revenues. Democrats submitted that piece to the Senate parliamentarian for review, trying to ensure it doesn't run afoul of the strict chamber rules that govern whether legislation can pass with a simple majority, known as budget reconciliation.

And they plan to soon submit an additional piece on a deal that extends Medicare solvency. Both those pieces are expected to have the support of all 50 Senate Democrats.

Shaving down the \$555 billion energy package from the abandoned Build Back Better bill is proving tougher; Manchin is looking at energy spending of around \$300 billion and ultimately new subsidies for electric vehicles could be cut, according to a second person familiar with the negotiations. Democrats are also trying to prevent health care premiums from skyrocketing this fall, and they need to detail tax increases and enforcement that would both pay for the bill and reduce the deficit, priorities of Manchin's.

Roughly speaking, Manchin and Schumer are working toward legislation that provides \$1 trillion in new revenues, half of which would go toward deficit reduction and half of which would go toward energy and health spending. Such a deal is hypothetical at the moment: The tax and energy pieces remain in major flux.

"Senator Manchin has repeatedly expressed his concerns about rising inflation, a pending recession and the state of American energy security. He continues to work in good faith to see if there is a pathway forward to shore up domestic energy production and reduce emissions, lower health care costs for seniors and working families, and ensure everyone is paying their fair share of taxes," said Sam Runyon, a spokeswoman for Manchin.

Schumer declined to comment on negotiations but said recently that he and Manchin are "continuing to have very good and productive discussions." Both men are keeping their talks close to the vest given their up-and-down history: Manchin and Schumer entered into a secret reconciliation agreement last July, Manchin rejected President Joe Biden's Build Back Better bill in December and Manchin blanched at both Biden and Schumer's attempts to weaken the legislative filibuster this year.

The Schumer-Manchin negotiations come amid a mixed backdrop for Democrats, who have a shot at keeping control of the Senate but are battling Biden's unpopularity and public outrage over rising prices. Other pieces of Democrats' agenda regarding child tax credits, education and senior home support are almost certain to be sidelined due to Manchin's narrower aspirations.

Another possible casualty moving forward, according to multiple sources, are more federal subsidies for electric vehicles and new infrastructure spending to support them. Manchin has publicly panned over-reliance on electric vehicles as "stupid" when other countries control much of the supply chain for critical parts and consistently questioned more federal investment for the growing industry. Separately, car companies are asking for Washington to lift a cap on how many electric automobiles are eligible for existing tax credits.

Manchin is also interested in advancing more domestic energy talks outside of the current negotiations, having held bipartisan discussions with the GOP earlier this year.

“It’s no secret that Sen. Manchin — and many others on both sides of the aisle — believe that permitting reform is essential to American energy security and our ability to decarbonize,” Runyon said, adding that Manchin will “explore all options to responsibly address these issues.”

Manchin previously signaled he would not support Direct Pay, which essentially gives cash to clean energy developers to free companies from having to rely on tax credits. Some Democrats and interest groups are making a late push with Manchin to include direct pay tax credits for clean manufacturers, adding those incentives would be technology neutral. Democrats are also discussing barring large power companies from the Direct Pay program and focusing on nonprofits.

In order to hit his rough goal of \$500 billion in new spending while also incorporating extensions for expiring Obamacare subsidies that could cost roughly \$200 billion, more energy spending may also be jettisoned.

Tax policy remains unfinished as well. Democrats have not finalized which tax increases on corporations and the wealthy will be used and international taxation policy remains in flux, according to a person with direct knowledge of the negotiations.

The push to wrap up the package comes as Democrats face two imminent deadlines. While the Obamacare subsidies are technically set to expire at the end of the year, insurers are locking in rate increases throughout the summer and fall. The practical deadline for staving off those rate increases is likely sometime in August. On top of that, Senate rules dictate that Democrats have only until the end of September to pass a party-line bill, otherwise they’d have to start from square one.

And there’s no margin for error. Senate Democrats need all 50 of their members’ support in the evenly divided Senate, and that means yes votes from Manchin and Sen. Kyrsten Sinema (D-Ariz.), plus a return from Sen. Patrick Leahy (D-Vt.), who is recovering from a broken hip. Coons said he’s “communicated” with Leahy and is “encouraged by his progress.” Leahy’s office hasn’t yet indicated when he’ll return to the Senate, though he was discharged from the hospital this week.

Some Democrats are concerned that Sinema is not involved in the Manchin and Schumer talks, given her different view of tax policy than her West Virginia colleague, who is more keen on reversing the Trump tax cuts than she is. Sinema maintains a line of communication with Democratic leadership, according to a Democratic aide.

Hannah Hurley, a spokesperson for Sinema, highlighted the Arizona Democrat's previous statements supporting the \$1-trillion plus in revenue options the White House has presented as part of its proposed framework last fall for Build Back Better.

A separate bipartisan competition bill is also in danger as the party-line bill advances. Senate Minority Leader Mitch McConnell says he will cut off talks on the legislation, which included \$52 billion for microchip manufacturing, if Democrats continue to pursue their party-line bill. Democrats so far are unbowed, in part because there's no deal on that legislation yet anyway.

Zack Colman contributed to this report.

[Politico - Senate Democrats' drug pricing proposal saves \\$288B, CBO says](https://subscriber.politicopro.com/article/2022/07/senate-democrats-drug-pricing-proposal-saves-288b-cbo-says-00044741)

<https://subscriber.politicopro.com/article/2022/07/senate-democrats-drug-pricing-proposal-saves-288b-cbo-says-00044741>

By Lauren Gardner | 07/08/2022

The drug pricing piece of Senate Democrats' budget reconciliation package would cut the deficit by nearly \$288 billion over the next decade, the Congressional Budget Office said in an estimate released Friday.

That deficit decrease would result from a \$249 billion cut in direct spending and a revenue increase of more than \$38 billion, CBO said.

CBO said some of those budgetary effects stem from programs considered "off-budget," such as Social Security trust funds. The on-budget deficit decrease over that period would be nearly \$277 billion, the office said.

The legislative text, released on Wednesday, mirrors agreements made last year to allow Medicare to negotiate prices for some drugs and to cap senior's drug costs under the program at \$2,000 a year. The drug negotiation piece would save nearly \$102 billion over 10 years, CBO said.

But it incorporates some changes, such as pushing back when negotiated prices would take effect from 2025 to 2026 and does not include a \$35 monthly cap on insulin costs for Medicare patients.

How it compares: The CBO score for the Senate language results in slightly fewer savings compared with the drug pricing title included in the House-passed social spending package, H.R. 5376 (117), which was projected in November to save the federal government about \$300 billion over a decade. The savings in the House bill would have covered a sweeping overhaul of

the U.S. health care system, to include expanding Affordable Care Act programs, Medicare, Medicaid and home health care.

What's next: Over the coming weeks, the Senate parliamentarian's office will consider whether the prescription drug portion of Democrats' still-in-progress measure meets chamber rules for using the reconciliation process.

[The Hill - Schumer making last-ditch bid to pass reconciliation bill this summer](https://thehill.com/homenews/senate/3550749-schumer-making-last-ditch-bid-to-pass-reconciliation-bill-this-summer/)

<https://thehill.com/homenews/senate/3550749-schumer-making-last-ditch-bid-to-pass-reconciliation-bill-this-summer/>

BY ALEXANDER BOLTON 07/11/22

Senate Majority Leader Charles Schumer (D-N.Y.) is making a last-ditch effort to pass a budget reconciliation bill during the July and early August work period.

Schumer and centrist Sen. Joe Manchin (D-W.Va.) have made progress on proposals to lower the cost of prescription drugs, extend Medicare's solvency and raise taxes on some high-income earners.

Manchin and Schumer have worked out a proposal to impose a 3.8 percent tax on individuals earning more than \$400,000 and couples earning more than \$500,000 from pass-through businesses and will give the legislative language to the Senate parliamentarian to review.

The \$203 billion raised would extend the solvency of Medicare's hospital fund from 2028 to 2031.

But several major issues remain unresolved.

Sam Runyon, a spokesperson for Manchin, said her boss is glad that Democrats have agreed on a prescription drug proposal that they could pass with a simple-majority vote under special budget rules.

"Sen. Manchin has long advocated for proposals that would lower prescription drug costs for seniors and his support for this proposal has never been in question. He's glad that all 50 Democrats agree," she said.

But the Manchin aide waved off speculation that Schumer and Manchin are close to a deal on a broader reconciliation package that would include bold proposals to tackle global warming, a top priority of Sen. Sheldon Whitehouse (D-R.I.) and other Senate Democrats.

“Suggestions that a reconciliation deal is close are false. Senator Manchin still has serious unresolved concerns and there is a lot of work to be done before it’s conceivable that a deal can be reached he can sign onto,” she said.

That means a budget reconciliation package isn’t likely to reach the Senate floor before that fourth week of the upcoming monthlong work period and Schumer may even keep his colleagues in town for the first week of the August recess, which is supposed to begin Aug. 6.

Schumer wants to get an agreement as soon as possible but has been careful not to lay out a precise timeline for getting it passed.

The budget reconciliation instructions will expire at the end of the fiscal year on Sept. 30, which is the drop-dead deadline.

“It looks like it’s a much more serious set of conversations than two weeks ago or two months ago. That’s really encouraging but until the bill is on the floor, it would be risky to put any odds on it,” said Josh Freed, senior vice president for the climate and energy program at Third Way, a centrist Democratic think tank.

One big question is whether Schumer and Manchin can agree to a package of provisions to fight climate change, including clean energy manufacturing tax credits, a fee on methane emissions and a fee on carbon-intensive imports, such as steel.

Manchin has a proposal with Sen. Debbie Stabenow (D-Mich.) to incentivize the manufacturing of new energy technologies with investments in rural communities, and some Democratic senators feel confident the West Virginia senator will agree to a package of clean energy tax breaks.

Manchin and Senate Environment and Public Works Committee Chairman Tom Carper (D-Del.) have worked on compromise legislation to impose a fee on methane emissions, and Carper has said he thinks Manchin will vote for it.

The third climate proposal under consideration, a carbon border adjustment tax that would impose fees on carbon-intensive imports, is less likely. Whitehouse, the chief sponsor, is pushing hard for the proposal and noted that Manchin praised it as a way to even the playing field with China for U.S. manufacturers at a recent appropriations hearing.

One person familiar with the negotiations said whether the climate piece gets done will depend largely on how many concessions Manchin will insist on for the fossil fuel industry.

“They’re starting sequentially,” the source said, noting that the release of the prescription drug and Medicare solvency components of the package during the recess “allows them to start the scrubbing process with the Republicans,” referring to the review in the parliamentarian’s office.

“The rest of the revenue and taxes are next up and then it’s the energy and climate portion,” the source added, cautioning that “Manchin could walk away at any moment.”

“They’re very committed to get something on the floor in the July work period,” the source said.

Freed, of Third Way, said Schumer and Manchin need to work out how much money to raise for climate programs and how long to set tax breaks for renewable energy technologies.

“The question is, what’s the overall dollar figure?” he said, adding: “Right now the question is as much about lengths of the [tax] creds as about which tax credits are [included].”

Another obstacle is getting a deal on a broader tax reform proposal along the lines of what the White House negotiated with Manchin and fellow centrist Sen. Kyrsten Sinema (D-Ariz.) last year.

The White House framework released in October included a 15 percent corporate minimum tax on companies that earn more than \$1 billion in profits, a new 5 percent surtax on income over \$10 million and an additional 3 percent surtax on income over \$25 million, and closing the Medicare tax loophole on the wealthy.

Schumer, Speaker Nancy Pelosi (D-Calif.) and Treasury Secretary Janet Yellen announced in September that the White House and Senate Democrats had agreed on a menu of options that could be used to pay for a reconciliation package.

Manchin has said he wants roughly half of the revenue raised by the reconciliation package to go toward reducing the federal deficit.

The gathering momentum of the budget reconciliation negotiations is good news for Democrats, but it also complicates passage of another of their top legislative priorities, the U.S. Innovation and Competition Act (USICA), which would provide as much as \$52 billion to help domestic semiconductor manufacturers.

Senate Minority Leader Mitch McConnell (R-Ky.) threatened to hold up the bill if Democrats move ahead with plans to pass a budget reconciliation bill without any Republican support.

Russia purchasing military equipment from North Korea, US assesses
More than 100 students baptized without parents’ permission at North Carolina school
“Let me be perfectly clear: there will be no bipartisan USICA as long as Democrats are pursuing a partisan reconciliation bill,” he tweeted over the July 4 recess.

Schumer says he also hopes to schedule a vote on Steve Dettelbach, President Biden's pick to head the Bureau of Alcohol, Tobacco, Firearms and Explosives, and a bipartisan bill to cap out-of-pocket insulin costs at \$35 a month.

The prescription drug reform proposal that Schumer has sent to the parliamentarian's office does not language capping insulin prices.

[E&E News - Three-week sprint: Dems eye deal on clean energy package](https://www.eenews.net/articles/three-week-sprint-dems-eye-deal-on-clean-energy-package/)

<https://www.eenews.net/articles/three-week-sprint-dems-eye-deal-on-clean-energy-package/>

By Jeremy Dillon, Nick Sobczyk 07/11/2022

Congress returns this week with a narrow window to decide the fate of hundreds of billions in clean energy tax credits as advocates are urging Senate Democrats to find a compromise on a climate and social spending package.

The stakes could not be higher. The month's work period could represent the last, best chance, climate advocates say, for the United States to make meaningful investments in the technology needed to unleash a clean energy transition. The hope is that legislation would help achieve net-zero emissions by 2050.

"There is no reason to believe that if we miss this opportunity, that we'll have another one anytime soon," warned John Coequyt, director of government affairs with energy and environment non-profit RMI.

Missing this opportunity could mean the loss of one of the largest-ever investments in carbon-reducing technologies. Republicans are widely expected to retake the House this fall, likely dooming any ambitious climate legislation. The consequences could be catastrophic, as greenhouse gases continue to warm the planet.

"We don't know what the future has in store for us legislatively in the next 10 years, but it's reasonable to assume the next three weeks are certainly going to be some of the most important weeks of the coming decade for climate policy," Coequyt added.

All eyes have been on secretive negotiations between Senate Majority Leader Chuck Schumer (D-N.Y) and Senate Energy and Natural Resources Chair Joe Manchin (D-W.Va.). It was Manchin, citing inflation and other concerns, who withdrew his support for the \$1.7 trillion House-passed budget reconciliation bill in December.

The duo appears to have found some success in resurrecting what had been known as "Build Back Better."

Schumer submitted last week a portion of the expected final package that would address prescription drug pricing for a so-called Byrd Rule review — the guidelines that govern what can and cannot be included in reconciliation.

People familiar with the negotiations, who were granted anonymity to speak freely, confirmed to E&E News that the energy and climate portion of the deal has yet to be finalized.

The expectation is that spending for the climate provisions is likely to hover around \$300 billion. That total would align with the tax credit outline submitted by the Finance Committee for budget scoring late last year.

Talks could be slowed this week. Last night Schumer's office announced he had tested positive for Covid-19 and as a result will quarantine for the week.

Justin Goodman, a spokesperson, said that Schumer's symptoms were "very mild" and that the twice-boosted senator would continue working — albeit remotely.

"Anyone who knows Leader Schumer knows that even if he's not physically in the Capitol, through virtual meetings and his trademark flip phone he will continue with his robust schedule and remain in near constant contact with his colleagues," said Goodman.

Sen. Patrick Leahy (D-Vt.) underwent hip replacement surgery last week and the timing for his return remains unclear. Even if the absences don't affect reconciliation talks, they mean Democrats won't be able to push nominees or bills without bipartisan support until their ranks return to 50.

The structure of the tax credits is still a sticking point in, especially as it relates to whether clean energy companies can use the credits as a direct pay option — a construct that could streamline the financing behind projects — as well as possible means testing for electric vehicle credits.

Central to that package is a series of 10-year extensions for wind, solar, carbon capture, nuclear energy and energy storage technologies in addition to billions of credit incentives to help unleash domestic clean energy manufacturing capabilities.

"We urge Congress to pass a reconciliation package that would lower consumer costs, strengthen our energy independence, increase domestic clean energy manufacturing, and make a major impact on climate change," American Clean Power Association CEO Heather Zichal said in a statement.

Democrats' reconciliation path has been a series of false starts and infighting as the caucus works with thin margins in both chambers. The climate portion of the deal has already gone through significant trimming in order to attract the support of moderates.

While the budget resolution enabling reconciliation does not expire until Sept. 30, lawmakers have widely accepted that if Democrats were to move on a bill, it would need to happen before the August recess. Action in September is usually limited, especially as midterm elections creep closer.

And with the threat of one or both chambers flipping this fall, tension over securing a deal over the next three weeks has advocates ramping up the pressure.

“We are counting on the Senate and President Biden to get it done,” said Leah Donahey, federal advocacy campaign director for the League of Conservation Voters.

The Supreme Court’s decision in *West Virginia v. EPA*, which limited the agency’s authority to regulate greenhouse gas emissions from power plants, only heightens the urgency for Congress to pass climate legislation, said Leah Stokes, a University of California, Santa Barbara, professor who studies climate politics and advocates for federal climate policy.

“They have to do it by July,” Stokes said during an event with Evergreen Action after the decision late last month. “We’ve been saying it’s the last best chance for a while, but this really is the last best chance, and we need to see that action.

“I think this just underlines — as if we could bold it and italicize it and underline it anymore — how critical it is for Congress to act and pass climate and clean energy investments,” Stokes added.

Democratic lawmakers, too, underscored that sense of urgency. But ultimately there’s little most of them can do but wait for Manchin and Schumer to negotiate.

A climate and social spending bill is “the most important thing that can be passed by the Senate at this moment,” House Select Committee on the Climate Crisis Chair Kathy Castor (D-Fla.) said in an interview.

“That’s the question for 50 senators now,” Castor said in an interview. “We don’t have time anymore.”

“The world’s top scientists said we have a rapidly closing window. We don’t have any time to waste or play any more political games,” she added. “This should have been passed last fall when the House passed a reconciliation bill. Come to the table. The time for talk is over. It’s a time to act.”

As environmentalists and legal observers have noted, the decision in *West Virginia* did not entirely hamstring Biden’s EPA. The agency is still plotting new power plant greenhouse gas rules, and its determination that greenhouse gases can be regulated under the Clean Air Act remains intact.

But the case nonetheless raised the stakes for Congress, Sen. Sheldon Whitehouse (D-R.I.) told E&E News.

“The more that we can get in reconciliation, the better off we’ll be at addressing the problem,” Whitehouse said.

“We’ve known what needs to be done for a long time. It’s been raw polluter money, political pressure that has prevented it from happening,” Whitehouse said. “We have strategies that will absolutely work and that are fair, so the problem has really been polluter influence in Congress, rather than any kind of technical problem.”

The Democrats’ partisan approach on reconciliation is not without its drawbacks.

Senate Republicans are already in lockstep opposition to any changes to one of their significant policy wins during the Trump administration: the 2017 tax-cut bill.

“Does anybody actually believe that raising taxes by a trillion dollars is going to help inflation? Or that taxing the companies that produce our oil, is that going to lower the cost of energy?” Energy and Natural Resources ranking member John Barrasso (R-Wyo.) said on “Fox News Sunday.”

“Not a single Republican is going to support this,” he added.

The opposition to reconciliation has led Senate Minority Leader Mitch McConnell (R-Ky.) to threaten to tank the bipartisan innovation and economic competitiveness bill conference negotiations.

If the innovation bill fails, it could cost tens of billions in authorizations for the Department of Energy’s Office of Science and the National Science Foundation.

In a tweet before the July Fourth holiday, McConnell warned Democrats that Republicans would only support the innovation bill if they dropped their pursuit of reconciliation.

Negotiations between the House and Senate on differences between competing versions of the bill have lagged as a conference committee of more than 100 lawmakers have struggled to find common ground on a host of issues.

Stumbling blocks include trade and other foreign policy issues. International climate funding has also been a sore spot (E&E Daily, June 14).

National Journal reported late last week that Senate Republicans had walked away from negotiations.

According to POLITICO, Schumer intends to hold an all-senators briefing on the innovation bill later this week as he tries to rally support for the bill, including raising attention to the national security need for \$52 billion in direct appropriations that would go to jump-starting the domestic manufacturing of semiconductors.

A report from Axios, citing anonymous officials, suggested that Democrats could avert McConnell's blockade by having the House simply pass the Senate version of the bill. Such a move, however, would undercut years of effort in the House to reauthorize a series of federal innovation programs.

Democrats, led by the White House, have derided the McConnell threat as a political gambit to undercut policies to lower the price of prescription drugs. Instead, they argued, the spending infusion is needed to help fight against inflation.

"It's a false choice," said Commerce Secretary Gina Raimondo on ABC's "This Week" yesterday. "[McConnell] is playing politics with our national security, and it's time for Congress to do its job on both of those dimensions."

[Washington Post - Democrats see hope for spending deal with Manchin as Congress returns](https://www.washingtonpost.com/us-policy/2022/07/10/democrats-manchin-spending-deal/)

<https://www.washingtonpost.com/us-policy/2022/07/10/democrats-manchin-spending-deal/>

By Tony Romm

July 11, 2022 at 9:38 a.m.

Senate Democrats are redoubling their efforts to finalize a new spending package that could lower health-care costs and combat climate change, hoping to hammer out a long-elusive deal with Sen. Joe Manchin III (D-W.Va.) and bring it to the chamber floor later this month.

A new sense of optimism — and urgency — has set in among party lawmakers nearly seven months after their last attempt to pass a sweeping bill ended in stunning defeat. Piece by piece, Democratic leaders in recent days have started reconstructing their economic ambitions as they race to deliver on a staple element of President Biden's agenda before the midterm elections in November.

So far, top Democrats have worked out with Manchin new agreements that would cut drug costs for seniors, improve the financial health of Medicare and close a tax loophole that benefits the wealthy. They even have advanced talks around addressing the challenges posed by a faster-warming planet, raising the prospect that they can secure a limited initiative to penalize methane emissions.

Those early agreements have set the stage for Senate Democrats to make an upbeat return to the Capitol on Monday. Manchin is expected to have his next private meeting with Senate

Majority Leader Charles E. Schumer (D-N.Y.) early in the week, according to two people familiar with the matter, who spoke on the condition of anonymity to describe the deliberations. They are set to discuss climate as Democrats try to bring one of their thorniest fights with the moderate West Virginian to an end.

Plenty remains unresolved, including the fate of a key program that lowers insurance costs for millions of Americans, raising the prospect that the latest round of talks could collapse much as they did before. Adding to the challenge, Republicans have intensified their opposition in recent days, hoping to apply enough political pressure on Manchin that he walks away from the talks again.

“To my friend Joe Manchin from West Virginia, whose vote is going to be necessary for this, I would remind him Joe Biden’s popularity in that state is as low as it is in Wyoming, only 17 percent,” Sen. John Barrasso (R-Wyo.), leader of the Senate Republican Conference, said during an interview on “Fox News Sunday.” He added that Manchin “shouldn’t walk the plank for Joe Biden” politically.

Even if Manchin and members of his party manage to strike a deal, it is guaranteed to be far smaller than Democrats’ original, roughly \$2 trillion package, known as the Build Back Better Act, which the senator scuttled last year. The cuts might have been unthinkable earlier in the debate, but many Democrats have come to acknowledge them as the costs of compromise — and feel more hopeful than ever that there is now a pathway to achieve it.

“We’re making real progress, we’re picking up steam, and the central reason is we’re focused on cutting costs and addressing these real pocket book issues on the minds of Americans,” said Sen. Ron Wyden (D-Ore.), chairman of the tax-focused Finance Committee.

“I’m not saying it’s all done, it’s all over and the like,” Wyden later added, “but I do feel more confident about the progress that has been made.”

The debate seemed intractable only months earlier, when Manchin announced on a Sunday news talk show that he could not vote for the original \$2 trillion bill to overhaul the country’s health-care, education, immigration, climate and tax laws. Even the White House attacked the senator in response, arguing in unusually stark terms in December that Manchin had made a “breach of his commitments” to Biden.

By spring, however, Democrats had begun the long slog to rethink their agenda — realizing the stakes of failure after they swept into power in Washington on promises to improve Americans’ economic fortunes. A frenzied bout of private meetings began, as Schumer stepped in to negotiate on behalf of Democrats on a smaller deal with Manchin.

The senator’s cost concerns soon left Democrats no choice but to whittle down their aspirations, forcing them to shelve plans for free prekindergarten, paid family and medical leave and tax benefits for low-income families. In a sign of the sensitivity, Schumer convened

most of those conversations in secret, out of view even from top party lawmakers. And party leaders took special care to distance their legislative work even from the name Build Back Better, which had been Biden's 2020 campaign slogan.

"Senator Manchin has repeatedly expressed his concerns about rising inflation, a pending recession and the state of American energy security," Sam Runyon, a spokesperson for the lawmaker, said in a statement. "He continues to work in good faith to see if there is a pathway forward to shore up domestic energy production and reduce emissions, lower health care costs for seniors and working families, and ensure everyone is paying their fair share of taxes."

The early fruits of their labors became apparent in late June, when Schumer and Manchin worked out a revised proposal to lower seniors' drug prices. The policy aims to empower Medicare to negotiate some drugs' costs and penalize pharmaceutical giants that raise their rates faster than inflation. In doing so, it saves the government money, reducing the deficit by roughly \$287 billion over 10 years, the Congressional Budget Office reported Friday.

"People sometimes can't afford the medicines they need to stay alive," Sen. Richard J. Durbin (D-Ill.), the majority whip, said on "Fox News Sunday." He added: "All of us are working toward bringing down these prices."

Manchin has long said that he supports drug pricing reforms, but Democratic aides still took the development as a positive sign, since party leaders were finally readying legislative text for a floor debate. The development allowed Democrats to present their proposal to the Senate's parliamentarian last week, a critical step in the legislative process known as budget reconciliation.

The tactic allows lawmakers to adopt bills in the Senate with only 51 votes. That enables Democrats to overcome a guaranteed Republican filibuster, since they hold 50 seats and can count on Vice President Harris to break a tie. But reconciliation also subjects legislation to specific spending rules, and it won't work unless Democrats remain present and united — a challenge brought into sharp relief by the recent recovery by Sen. Patrick J. Leahy (D-Vt.) from hip surgery. The timing of his return is unclear.

Missing from the drug pricing proposal was a key plan that aimed to cap the price of insulin at \$35, which Democrats sought to do as part of the Build Back Better plan last year. But lawmakers said they are hoping still to address the matter on a bipartisan basis, after Sens. Jeanne Shaheen (D-N.H.) and Susan Collins (R-Maine) released a broader insulin bill earlier this summer. The duo faces an uphill battle to secure at least 10 Republican votes for it to pass, though Schumer has committed to putting the measure on the Senate floor in the weeks ahead.

"I think it's in everybody's interest, both individual senators and the country's, to try to get things done that are going to be important to the people of America," Shaheen said in an interview, adding the "high cost of insulin" is "not a Democratic or Republican issue."

Along with the prescription drug plan, Schumer and Manchin last week also worked out another agreement that aims to close a tax loophole for high-income Americans who own pass-through businesses. The policy essentially would allow the government to raise more money for the Medicare trust fund, extending its solvency for an extra three years — and addressing one of Manchin’s top concerns.

And Democrats appeared to make progress around climate policy, one of the fiercest areas of division between them and Manchin, who represents coal-heavy West Virginia. Lawmakers for months have haggled over ideas including new fees on producers of methane gas, a major contributor to global warming. In recent days, though, Democrats have discussed scaling back the penalties to a smaller number of energy producers, as Manchin has sought.

The two sides remain divided over Democrats’ plans to pay the producers of clean energy, a policy known as direct pay, and give tax credits to people who buy electric vehicles. To assuage Manchin, party leaders recently have sought to scale back earlier initiatives on direct pay to cover only nonprofits and state-owned facilities. And they have weighed whether to restrict any tax credits for EVs so that they don’t benefit high earners. In the end, the talks could yield a climate package around \$300 billion to \$350 billion, two people familiar with the matter, who spoke on the condition of anonymity, said. The sources added they hope to complete negotiations around climate policy this week.

That would be a marked departure from the roughly \$550 billion in new spending Democrats initially preferred. But even some of the fiercest advocates for funding to fight climate change said in recent days they had tried to reset their expectations.

“You could look at this entire package, [and] you can compare it to what we were working on last year,” said Sen. Tina Smith (D-Minn.), who initially had proposed a widely backed package to incentivize green energy and penalize polluters. “You can compare it to that, or you can compare it to zero.”

Smith acknowledged she had not seen details of any deal with Manchin, but she added: “I’m quite confident this is going to be better than zero.”

Even more serious tensions surround the fate of tax credits that currently reduce health insurance premiums for roughly 13 million Americans. Manchin privately has rejected Democrats’ initial plans to extend them, one of the people familiar with the matter said, though the two sides have discussed paring back eligibility on the basis of income as a way to lower costs.

Without action, all 13 million beneficiaries will see increases in monthly costs next year. The prospect prompted 13 Democrats in recent weeks to urge Schumer and House Speaker Nancy Pelosi (D-Calif.) to “prioritize making permanent” the tax credits, which cover insurance purchased through exchanges under the Affordable Care Act.

Sensing a potentially changing tide, Republicans in recent days have tried to spoil Democrats' new dealmaking. A day after the prescription drug plan became public when it was reported by The Washington Post, Senate Minority Leader Mitch McConnell (R-Ky.) issued a new threat: He said he would block a bipartisan science and technology bill unless Democrats stood down on reconciliation.

Publicly, Democrats in Congress and top aides to Biden quickly blasted McConnell for doing the bidding of the pharmaceutical industry. Privately, they wondered if he had the support of his members to spoil the bill, which includes roughly \$50 million in new investments for high-demand computer chips. The measure, known as USICA, cleared the Senate last year with 68 votes — including McConnell's. Talks have been long underway on reconciling the measure with the version that later passed the House.

But McConnell in recent days has kept up the attack. Appearing at an event in Kentucky last week, McConnell blamed Democrats for “rampant inflation,” adding of their broader spending ambitions: “If they bring that back, it will only make all of this considerably worse.”

[CQ - Shades of 2010 tax debate in Democrats' Medicare accounting move](https://plus.cq.com/doc/news-7521376?)

<https://plus.cq.com/doc/news-7521376?>

By Peter Cohn

July 12, 2022

Get ready for another battle over “double counting” when it comes to Congressional Budget Office scoring of big-ticket fiscal legislation.

Senate Democrats' proposal to shift the proceeds of a new tax on active business income in their budget reconciliation package to help shore up Medicare's Hospital Insurance Trust Fund carries shades of the debate over the 2010 health care law (PL 111-148, PL 111-152). That law cut numerous Medicare provider payments and imposed a new 0.9 percent Medicare payroll tax on salary and wages above \$200,000 a year, or \$250,000 for joint filers.

The CBO at the time estimated the law would pump around \$400 billion into the Medicare trust fund over a decade, not counting interest earned on the fund's investments. Medicare actuaries said then that the cash infusion would help push back the date of the fund's insolvency by at least 11 years. Yet the CBO nonetheless credited the spending cuts and tax revenue toward the package's overall deficit impact, which netted out at \$143 billion over a decade after new spending was factored in.

Republicans and budget purists cried foul over the accounting gimmickry, arguing the money was being used twice: once to meet Democrats' overall policy goals, and again to patch up Medicare.

“The government now has on its books two large, expensive and permanent entitlement commitments . . . yet Congress has only identified enough resources to pay for one of them,” wrote two former George W. Bush administration economic officials, Charles Blahous and Jim Capretta, in a 2012 Wall Street Journal column. Blahous also served as a Medicare trustee under President Barack Obama.

Not so fast, Democrats and their allies said.

“There’s no double-counting involved in recognizing that Medicare savings improve the status of both the federal budget and the Medicare trust funds,” Center on Budget and Policy Priorities Senior Fellow Paul Van de Water testified before the House Budget Committee in 2011. “In the same way, when a baseball player hits a homer, it both adds one run to his team’s score and also improves his batting average. Neither situation involves double-counting.”

Van de Water cited the 1997 balanced budget (PL 105-33) and 2005 deficit reduction laws (PL 109-171), both enacted under GOP Congresses, as precedents.

So who’s right? It’s complicated.

For broader budget scorekeeping purposes, it’s pretty clear: “Double counting” offsets in such fashion passes muster with the CBO. As the agency’s then-director, Douglas Elmendorf, wrote in 2010 to then-Senate Budget ranking member Jeff Sessions, R-Ala., Medicare and other government trust funds are considered part of the unified federal budget.

Whenever the hospital insurance fund has a surplus, the excess “is turned over to the Treasury, which provides government bonds to the trust fund in exchange and uses the cash to finance the government’s ongoing activities,” Elmendorf wrote.

In other words, that surplus “represents cash that can be used to finance other government activities without requiring new government borrowing from the public.” When the bonds need to be redeemed to finance Medicare benefits, the money will have to come from somewhere else in the Treasury or new borrowing.

As Elmendorf summarizes: Medicare and other trust funds “have important legal meaning but little economic or budgetary meaning.”

As a practical matter, Elmendorf wrote to Sessions and in a separate letter to then-House Budget ranking member Paul D. Ryan, R-Wis., the actual amount of savings available in the bill to pay for future Medicare benefits — or other future spending needs — is the total amount of deficit reduction in the legislation.

So instead of \$400 billion plus interest over a decade going to shore up Medicare, it was at best \$143 billion plus interest — money that Medicare would be competing with other programs for.

“In effect, the majority of the [Medicare] trust fund savings . . . would be used to pay for other spending and therefore would not enhance the ability of the government to pay for future Medicare benefits,” Elmendorf wrote to Ryan in March 2010.

Regardless, the funds transfer proposed in the current budget package would allow the Medicare actuaries to declare the life of the program prolonged, in this case by three years, to 2031.

Parliamentary scrubbing

Democrats still need to win the Senate parliamentarian’s approval, however; inserting a provision into a reconciliation bill that takes general revenue and plunks it into a trust fund by itself could be considered a “Byrd rule” violation.

That’s because the funds transfer itself wouldn’t change the federal revenue intake, leaving it open to a surgical strike by Republicans under the Byrd rule, which among other restrictions requires each piece of a reconciliation bill to affect the budget.

There’s precedent for parking tax revenue in the Medicare trust fund in the 1993 budget reconciliation package (PL 103-66). But it’s not clear that language was ever fully subjected to a “Byrd bath” or any specific Byrd-related objections from Republicans, who nonetheless despised the Social Security benefit tax increase that was being used to shore up Medicare.

And in the 2010 health care law, Democrats consciously avoided transferring revenue from the new 3.8 percent “net investment income tax” to Medicare in the sidecar reconciliation piece of that package, leaving it a general income tax.

The original “Build Back Better” legislation (HR 5376) would have kept the tax’s expansion to pass-through business owners’ profits from actively running their operations — currently only passive investments are taxed — as part of general revenue as well. But during the latest talks with Sen. Joe Manchin III, D-W.Va., top Democrats have agreed to the financing shift.

Business opposition

The renewed talks have enlivened business community lobbying against the tax, estimated to raise around \$200 billion over a decade. The Main Street Employers Coalition, which represents individual and family-owned businesses structured as pass-throughs like partnerships and S corporations, where profits aren’t subject to corporate-level tax, said such a tax “is the kind of thing you’d do to start a recession, not prevent one.”

“Voters understand that if companies have to pay more in taxes, those costs will be passed on to consumers in the form of higher prices,” the coalition’s executive director, Chris Smith, said in a statement.

And Republicans are going after Manchin personally for giving the tax plan his blessing.

“Half the people working in West Virginia work for pass-through firms. Half of all the jobs in the state of West Virginia,” Senate Minority Leader Mitch McConnell, R-Ky., said in floor remarks Monday. “And these are the firms that Democrats want to hammer with gigantic tax hikes?”

Democrats would likely counter with the relatively tiny slice of households affected in a state like West Virginia. The tax only kicks in above \$400,000 in earnings for individuals, and at \$500,000 for joint filers.

Even when including partnership and S corporation owners earning at least \$200,000, the tax would hit less than 1 percent of West Virginia taxpayers, according to IRS data from 2019, the most recent available. Those business profits alone represent an outsized portion of total adjusted gross income in Manchin’s state that year — over 3 percent.

Meanwhile, a group of House Democrats led by Ways and Means Health Subcommittee Chair Lloyd Doggett of Texas are pushing to not only put the investment income tax expansion into Medicare, they want to transfer money from the original 2010 tax into the trust funds as well. Doggett says his proposal would shore up Medicare by about \$650 billion and extend trust solvency by perhaps a decade.

First, Democrats need some good news from the Senate parliamentarian on the Medicare trust fund fix, or the whole discussion may be moot. Look for that guidance in the coming days as Senate Democrats seek to get something done before heading home to campaign in August. David Lerman and Lindsey McPherson contributed to this report.

[AP - Manchin cites inflation concerns, roiling budget talks anew](https://apnews.com/article/inflation-joe-manchin-congress-climate-and-environment-0bfd4f4a54b1f4e57a8950980c3e13cd)

<https://apnews.com/article/inflation-joe-manchin-congress-climate-and-environment-0bfd4f4a54b1f4e57a8950980c3e13cd>

By ALAN FRAM

July 13, 2022

WASHINGTON (AP) — Sen. Joe Manchin roiled his budget talks with Democratic leaders anew Wednesday, saying the latest inflation surge makes him “more cautious than I’ve ever been” about agreeing to federal spending increases that could drive consumers’ costs even higher.

The West Virginia Democrat, who single-handedly killed Democrats’ roughly \$2 trillion, 10-year social and environment bill before Christmas, has been bargaining with Senate Majority Leader Chuck Schumer over a new economic package that would be around half that size. But Manchin said grim new inflation figures meant the energy, tax and health compromise he’s been discussing with the New York Democrat must be reviewed.

“Everything needs to be scrubbed, anything that can be inflationary,” Manchin told reporters. He said that while agreed-on provisions aimed at containing pharmaceutical prices should remain, “Is there anything more we can do? I don’t know. But I’m very, very cautious.”

It was unclear what impact Manchin's comments would have on his closed-door talks with Schumer, which have shown progress lately. But they suggested he believed the day's inflation report strengthened his leverage in that bargaining and, beyond that, in winning enough Democratic votes to push any agreement through the tightly divided Congress. Unanimous opposition seems certain from Republicans, who say the emerging plan's spending and tax increases would worsen inflation.

INFLATION

Shortly after the government reported early Wednesday that the consumer price index has grown by 9.1% this past year, Manchin released a statement citing "the pain families across the country are feeling." It was the largest annual inflation increase in four decades.

"No matter what spending aspirations some in Congress may have, it is clear to anyone who visits a grocery store or a gas station that we cannot add any more fuel to this inflation fire," Manchin said.

Other Democrats contest Manchin's assertion that the measure under discussion would make inflation worse. They say it would contain costs like drug prices and use half its roughly \$1 trillion price tag to reduce government debt.

Experts cite many factors for this year's relentless inflation increase including the trillions Washington has spent on pandemic relief, record gasoline prices and cheap borrowing from interest rates that were low until recently. Other reasons include the tight job market, global supply chain problems and disruptions to world energy and food markets from Russia's invasion of Ukraine.

Asked if Manchin's latest comments were discouraging, No. 2 Senate Democratic leader Richard Durbin of Illinois said, "I'm used to it." Durbin has been openly skeptical that the effort can be revived following Manchin's move last year to scuttle the earlier package, which was a top priority for President Joe Biden.

Even so, some Democrats have shown cautious optimism a deal with Manchin is attainable this time, if for no other reason than a reluctant acknowledgement that a more modest, imperfect election-year accomplishment would be better than none.

Asked if she was concerned that Manchin's remarks put a revived package in jeopardy, Sen. Elizabeth Warren, D-Mass., said, "We need 50 votes."

A Schumer spokesperson did not immediately provide a comment about Manchin's statements.

Democrats face other stumbling blocks as well.

A handful of moderate Democrats in the House — where leaders can lose no more than four votes — want any agreement to boost federal deductions allowed for state and local taxes. Manchin said he and Schumer have not discussed that proposal.

It remains unclear if Schumer and Manchin will be able to clinch a deal and enact it, especially before Congress begins its summer recess next month. That timetable is a goal for party leaders because if they don't do that, they will only have until Sept. 30 before special procedures expire that would let Democrats push it through the 50-50 Senate without any GOP votes.

The Schumer-Manchin talks have focused on provisions that could include protections for the fossil fuel industry and incentives for clean energy, higher taxes on top earning individuals and companies, prescription drug price curbs and a buttressing of Medicare's finances, according to people following the talks. About half the \$1 trillion would go for deficit reduction, a Manchin demand.

In his statement, Manchin said it is time for Democrats to "get unnecessary spending under control, produce more energy at home and take more active and serious steps to address this record inflation."

Asked if his statement meant it would be harder for bargainers to craft a compromise, Manchin said, "No, no, no, not tougher at all, I'm just more cautious than I've ever been."

He did not rule out extending federal subsidies for health insurance costs, favored by many Democrats, saying it depends on whether bargainers could "find a way pathway forward" that would not worsen inflation.

Manchin cited inflation fears when he brought down the original legislation in December, which was before policy makers realized that price increases taking hold then would become long lasting. He cited other factors as well including short-term savings that he called "gimmicks," a need to focus on the pandemic and objections to what he called an attempt to "dramatically reshape our society."

[Washington Post - Sen. Manchin issues Democrats new ultimatum on climate and taxes](https://www.washingtonpost.com/us-policy/2022/07/15/manchin-climate-democrats-spending-inflation/)

<https://www.washingtonpost.com/us-policy/2022/07/15/manchin-climate-democrats-spending-inflation/>

By Tony Romm

July 15, 2022

The West Virginia centrist said he could consider new spending to fight climate change, along with tax increases — but not now. Leaders face a tough choice about the fate of their economic agenda.

A defiant Sen. Joe Manchin III (D-W.Va.) on Friday said it was not “prudent” for Democrats to try to advance a sweeping health care, climate and tax package this month amid a recent sharp rise in prices nationally, putting his party on a collision course ahead of the fast-approaching midterm elections.

Instead, Manchin stressed that Democrats now have to choose: They can accept a smaller deal this July focused on health care costs, or they can try again in the coming weeks once he has had a chance to assess whether the health of the economy has improved.

The new ultimatum left Democratic lawmakers seething, fearful that once again the pivotal moderate had doomed President Biden’s economic agenda. Already, the party had abandoned its more audacious proposals to expand child care, education and a wide-array of poverty-fighting programs — only to face the reality that the concessions still weren’t enough to win Manchin’s must-have vote.

“Senator Manchin has said a lot of things. Every time, what he makes clear over and over again, is he can’t close a deal and that you can’t trust what he says,” lamented Rep. Pramila Jayapal (D-Wash.), the leader of the left-leaning Congressional Progressive Caucus, which had tussled with Manchin for months in pursuit of a larger package. The House passed its own \$2 trillion version of the legislation in November.

The latest dispute first exploded into public view late Thursday, after Manchin privately told Democratic leaders he could not at the moment support a bill that contains new spending to combat climate change or seeks to raise taxes on wealthy Americans and corporations. The senator’s stance, as first reported by The Washington Post, immediately imperiled lawmakers’ initial plans to advance a bill before the end of July.

On Friday morning, Manchin then offered new, finer detail on the exact scope of his demands. Appearing on local West Virginia radio, he said he might, indeed, support additional spending on Democrats’ top priorities, including climate change — but only after he sees the next round of inflation numbers, which will be released Aug. 10.

“Inflation is wreaking havoc on everybody’s life,” Manchin said.

Otherwise, the senator said he would only lend his immediate support to a more scaled-down effort that focused on lowering health insurance costs and reducing drug prices for seniors. That could spare roughly 13 million Americans from seeing insurance premium increases set to take effect next year, when an existing federal aid program expires.

Manchin’s approach ultimately reflected the intensity of his fiscal austerity, seven months after his concerns about spending prompted him to scuttle Democrats’ earlier, roughly \$2 trillion package, known as the Build Back Better Act. The senator only grew more troubled in recent

days, as new federal data showed that the price of gasoline, groceries and other goods surged by more than 9 percent last month compared to a year earlier.

"Can't we wait to make sure we do nothing to add to that? And I can't make that decision on basically taxes of any type and also on energy and climate," Manchin said. "But I'm not going to do something, and overreach, that causes more problems."

Still, his stance immediately left Democrats in an impossible political bind. Without his help, they cannot advance their spending bill, since they need his vote to use the process known as budget reconciliation. The tactic allows the party — with the aid of Vice President Harris's tiebreaking vote — to overcome Republicans' unanimous opposition and prevent a filibuster. If Democrats act now, opting for haste, they could achieve major health care reforms. But taking a deal this month may also foreclose their chance to secure historic spending to fight climate change. Party lawmakers had hoped to seize on their rare control of the House, Senate and White House to reduce dangerous emissions and lessen the country's dependence on fossil fuels, particularly in the event that Republicans take control of Congress this fall.

If Democrats choose to hold off, they might have one final chance to secure a larger deal with Manchin in the months ahead. But they have no guarantee that the senator ultimately would support them after more than a year of ill-fated wrangling, a seemingly endless back-and-forth that has seen Manchin seek delays or change his mind multiple times. Adding to the pressure, Democrats would have to act by Sept. 30 — or risk losing the ability to advance spending legislation using reconciliation entering the new fiscal year.

"The challenge is, do we take the short term and not get anything bigger?" asked Rep. Richard Neal (D-Mass.), the leader of the tax-focused House Ways and Means Committee. "Or do we hold our for the possibility of bringing Joe into the fold?"

Neal said he wanted a "bigger deal," describing the House-passed \$2 trillion bill — which included tax increases targeting wealthy Americans and corporations — as "very popular." But he said it would ultimately fall to Democratic leaders, including Biden, to chart the way forward. Faced with a difficult balancing act, many Democrats on Friday erupted in anger, especially those who had most fervently hoped for a sweeping deal around climate change. Some acknowledged there is no guarantee Manchin would eventually support the legislation if they waited at least a month to act.

"It's infuriating, and nothing short of tragic, that he appears to be walking away again from taking action on climate and energy," said Sen. Tina Smith (D-Minn.), a staunch advocate for investments to combat climate change, acknowledging Manchin's comments were "slightly different this morning."

"My preference continues to be to pass the best piece of legislation we can that has 50 votes," she said. "I don't feel a high degree of confidence right now the 50 votes we need are going to be any different in August [or September]."

In a rare rebuke, Sen. Martin Heinrich (D-N.M.) directly blasted Manchin for his stance — since he is the leader of the Senate Energy and Natural Resources Committee. Noting that the country has a rare “opportunity to address the crisis,” Heinrich tweeted that he was left to question “why [Manchin is] chair” of the panel.

In the days before the discussions reached their latest impasse, Senate Democratic Leader Charles E. Schumer (D-N.Y.) haggled privately with Manchin, as the two had done for months. At one point, party officials offered to drop a key proposal setting a minimum tax on corporations in exchange for climate spending, according to a person familiar with the matter, who requested anonymity given the sensitivity of the talks. The move was meant to address Manchin’s concerns about raising taxes as inflation soared, while paving the way for new climate spending.

But the late concessions proved insufficient, the source said, as Manchin stood his ground. On Friday, he called for an energy policy that combines investments in the “cleaner” production of fossil fuels with new federal efforts to foster “cleaner technologies.”

“As far as I’m concerned, we’ve had. . . good negotiations,” Manchin told West Virginia MetroNews radio. “There’s no human being who would put themselves through this if they weren’t sincere about trying to make things good for our country.”

For the moment, Schumer has not indicated the path forward in the Senate, where work remains underway to prepare critical portions of the spending package for floor consideration. Democrats are set to confront the impasse directly at their private weekly lunch on Tuesday, two other people familiar with the matter said. They are expected to try to devise a path forward in the wake of Manchin’s demands, the aide said, at a time when tensions are running high.

Schumer aides declined to comment on Friday.

At the White House, meanwhile, top aides to Biden already had grown dismayed and cynical about the negotiations. Only seven months earlier, the last attempt at a grand bargain around an economic package ended in public acrimony, with Manchin and the White House trading sharp barbs over who was to blame for collapse in talks.

“This is how the White House has always feared this would end,” said one White House adviser, speaking on the condition of anonymity to reflect conversations with administration officials. “It really is a stunning turnaround from the dreams of a Green New Deal to this.”

On Friday, White House press secretary Karine Jean-Pierre declined to comment about the reports that Manchin would not support any new spending on climate change or new taxes. “As you’ve heard us say, we are not going to negotiate in public,” she told reporters aboard Air Force One as the president headed from Israel to Saudi Arabia. When reporters pressed her to

provide any detail on the negotiations or Biden's reaction to Manchin's stance, she responded: "We're still part of these negotiations. I'm not going to say more."

Tyler Pager and Jeff Stein contributed to this report.

[Roll Call - After Manchin tanks talks, climate action moves to life support](https://rollcall.com/2022/07/18/after-manchin-tanks-talks-climate-action-moves-to-life-support/)

<https://rollcall.com/2022/07/18/after-manchin-tanks-talks-climate-action-moves-to-life-support/>

By Benjamin J. Hulac and David Jordan

July 18, 2022

Sen. Joe Manchin III's decision to oppose at least for now provisions in his party's climate and social programs bill that would reduce fossil fuel emissions presents a dramatic but not necessarily fatal setback for the legislation and the prospect of averting what science contends will be a global climate catastrophe.

"I do not believe history will look kindly on this moment," Julie McNamara, deputy policy director for climate and energy at the Union of Concerned Scientists, a nonpartisan advocacy group, said in an interview.

"It's definitely a setback if the bill doesn't go through," Ben King, associate director for the U.S. energy team at Rhodium Group, an independent research firm, said by phone. "It's not the nail in the coffin. But it makes the path much more narrow and much more difficult. It makes every other thing have to go right."

For months, Manchin and Democratic leaders in the Senate have been negotiating passage of some scaled-down version of the House budget bill that passed that chamber in November.

Manchin appeared to leave a sliver of hope for passing climate legislation this year, but said it would have to wait until the current inflation surge abates. And the provisions he said he'll support are, according to nonpartisan climate scientists and policy analysts, inadequate to avert some of the worst outcomes of climate change.

In addition to representing West Virginia, which still relies on coal for significant employment and most of its electricity generation, Manchin has received substantial income and campaign cash from fossil fuel industries.

He reported \$491,949 in income from a coal company based in Fairmont, W.Va., in a 2020 financial disclosure, which said the company is worth between \$1 million and \$5 million. He is the top recipient in the Senate, according to OpenSecrets, a watchdog group that tracks money in politics, of campaign contributions this election cycle from the following industries: coal mining, mining, natural gas transmission, and oil and gas distribution.

Coupled with zero interest from Senate Republicans to support significant legislation to curb fossil fuel emissions, the primary driving force of planetary warming, Manchin's decision could easily tank any chance the U.S. will meet its climate goals and undermines the Biden administration as it negotiates with foreign governments on climate policy, said McNamara and other nonpartisan advocates and analysts.

Dan Lashof, director of the World Resources Institute, United States, said in an interview the Senate should not give up on passing a climate bill this Congress.

Undermining Biden

Without a strong federal climate law, the country is likely to fall short of the goal to reduce greenhouse gas emissions by 50 percent below 2005 levels by 2030 that President Joe Biden announced at the United Nations at the start of his term, Lashof said. "Without a robust federal package and a clear pathway to meet the 2030 target President Biden adopted just last year, it certainly weakens our position" at climate talks, such as the summit scheduled for the winter in Egypt.

Biden also set a goal of reaching net-zero carbon emissions by 2050.

Manchin has argued those goals are unachievable with current technology and that sustaining the U.S. economy will require burning fossil fuels — coal, oil and natural gas — for decades to come.

A 20-year timeline could be possible, Manchin said in an interview Friday with WV MetroNews.

"I'm not going to be part of eliminating what this country needs to run the economic engine and the lives of human beings throughout America, and also the support we have to give our allies around the world," he said. "I'm not going to do that."

Manchin's timeline would make it nearly impossible to reach some climate targets set by the Biden administration, such as eliminating fossil-fuel-powered electric plants by 2035.

In May 2021, the International Energy Agency, a nonpartisan international research organization, said investment in new fossil fuel production must stop immediately if the world's energy sector is going to zero-out its emissions by 2050. "Net-zero means a huge decline in the use of fossil fuels," the IEA said.

An analysis by Princeton University researchers of the House-passed version of the bill, which was more ambitious than the Senate version Manchin opposes, found it would save the average American household \$301 a year, create 2.2 million jobs and avoid 25,000 deaths due to pollution through 2030.

Enacting the House bill “would cut U.S greenhouse gas emissions by a cumulative 5.2 billion tons CO2-equivalent between 2022-2030 and put the United States within easy reach of President Biden's commitment to cut emissions to half of peak levels by 2030,” they said.

Rhodium said in a report Thursday that the U.S., historically the largest emitter of any nation, is on a trajectory to miss its climate targets absent the steps in the bill or comparable climate legislation. The U.S. was eclipsed by China as the No. 1 carbon emitter in 2010.

Without new policies, America is “on track to reduce emissions 24 percent to 35 percent below 2005 levels by 2030,” Rhodium said.

Angry Democrats

The Mountain State senator’s comments on the reconciliation package drew fury and frustration from his Democratic colleagues.

On Friday, Sen. Martin Heinrich, D-N.M., questioned in a tweet whether Manchin should continue to serve as chairman of the Senate Energy and Natural Resources Committee, while House Budget Chairman John Yarmuth, D-Ky., said if he were Majority Leader Charles E. Schumer, he would offer the role to moderate Republican Sen. Lisa Murkowski of Alaska.

Some House Democrats were skeptical that Manchin was genuine in his pledge that they could return to the discussion over climate provisions.

“I hope no one is naive enough to believe this latest Lucy and the football episode and Senator Manchin,” Rep. Jared Huffman, D-Calif., told reporters. “He may be craven and corrupt, but he’s not stupid, and he knows that we’ve got one shot at budget reconciliation left and we’ve got a problem in the ACA that we have to resolve this month.” (Federal subsidies under the Affordable Care Act, better known as Obamacare, expire at the end of 2022.)

While Manchin’s vote is critical in an equally divided Senate, other Democrats blamed Republicans for failing to support their climate proposals and said that while the filibuster is in place, big legislation is unlikely to pass.

“I don’t blame Joe Manchin for this any more than I blame a small soldier for losing a war,” Rep. Sean Casten, D-Ill., told reporters. “I blame the generals who put him in a position to lose that war and system that rewards him because our problem right now is that the majority of the senators across this platform, the majority of those senators think it is more important to defend the filibuster than to defend our planet.”

Huffman and other Democrats urged Biden to declare a climate emergency, a proposal that would allow the president to invoke federal laws including the Defense Production Act and Stafford Disaster Relief and Emergency Assistance Act.

Following Manchin's announcement, Biden said that if the Senate failed to move forward with a bill that addresses climate change and supports the domestic clean energy industry he would "take strong executive action," but did not outline specific actions.

"My actions will create jobs, improve our energy security, bolster domestic manufacturing and supply chains, protect us from oil and gas price hikes in the future, and address climate change," Biden said in a statement Friday when he was in Saudi Arabia.

Experts said the most significant steps the administration can take to arrest domestic emissions are power plant, automobile, heavy-duty truck and methane regulations at EPA, energy-efficiency regulations at the Energy Department, and a rule the Federal Energy Regulatory Commission is considering to speed electric transmission projects.

"Every part of the government has a role to play, but that includes Congress," the Union of Concerned Scientists' McNamara said, adding that no Republican senator has proposed a climate bill that matched the scientific reality of a warming world.

"There's still a full half of our Senate that has put a block on climate action. It's not just one person."

[Politico - Dems lean toward taking Manchin's small-ball deal](https://www.politico.com/news/2022/07/18/manchin-insists-hes-not-walking-way-from-talks-00046388?hpid=hp-top-news-story%3Fhpid=hp-top-news-story&hpid=hp-top-news-story)

[https://www.politico.com/news/2022/07/18/manchin-insists-hes-not-walking-way-from-talks-00046388?](https://www.politico.com/news/2022/07/18/manchin-insists-hes-not-walking-way-from-talks-00046388?hpid=hp-top-news-story%3Fhpid=hp-top-news-story&hpid=hp-top-news-story)

By MARIANNE LEVINE and BURGESS EVERETT
07/18/2022

Reality is setting in for most but not all Senate Democrats.

They're no longer betting on a climate and tax deal with Joe Manchin, although the West Virginian teased on Monday that he's still open to future talks. But at this late-hour in their 18-month majority, the lion's share of them are ready to move on and accept what they know is feasible: party-line legislation lowering prescription drug costs and health care premiums for two years.

In interviews Monday, several Senate Democrats said it's time for the caucus to cut its losses after months of negotiation with their elusive centrist and pass a health care bill before early August. And while Manchin suggested Monday that he's "not walking away" from discussions, Democrats are ready to take what they can get for now.

Sen. Jon Tester (D-Mont.) said his party has two options: Take a guaranteed agreement or wait for a better one. "I'd go with the former rather than the latter," he advised.

While many Senate Democrats criticized and blamed Manchin for abandoning talks with Senate Majority Leader Chuck Schumer that could have yielded a package on drug pricing, tax and climate change, only Sen. Martin Heinrich (D-N.M.) is openly calling for the revocation of his energy committee chairmanship. Most other Democrats aren't antagonizing Manchin, instead willing to take what they can get.

Sen. Martin Heinrich questions William Burns during his Senate Select Intelligence Committee confirmation hearing.

Sen. Martin Heinrich (D-N.M.) is openly calling for the revocation of Sen. Joe Manchin's (D-W.Va.) energy committee chairmanship. | Tom Williams/Getty Images

After more than a year of trying to guess at a deal that could both win over Manchin and accomplish the party's long standing policy goals, it was clear Monday evening that Democrats can only do so much before the midterm elections. After exhausting themselves pushing the limits of a 50-50 Senate to as far as possible, Democratic senators are done trying to chase Manchin.

"Continuing to negotiate, it's sort of like: what would be your evidence that would lead to something positive?," said Sen. Tim Kaine (D-Va.), on further climate talks. "If you want to do that, that's fine. But let's go ahead. We should have voted on some of this months ago."

Manchin did not attend a leadership meeting on Monday evening, according to a person familiar. He doesn't always attend those meetings or gatherings of the full caucus.

Manchin continued to keep the door open to future talks, even as colleagues are mentally moving on. He said that, if inflation is down next month, he'd be willing to entertain tax increases and a huge climate and energy package.

"I haven't walked away from anything. And inflation is my greatest concern because of how it has affected my state and all over this country, and that's all I have to say," Manchin told reporters. "I don't know what tomorrow brings."

'Not stringing anybody along': Manchin defends himself against criticism, laughs at party switching rumors

As soon as this month, though, Senate Democrats are expected to try to pass legislation to lower prescription drug costs and health care premiums without GOP votes, using the filibuster protections of the budget reconciliation process. While those items are both top priorities for the party, Democrats still aren't hiding their disappointment with where things stand on climate change.

Senate Majority Whip Dick Durbin (D-Ill.) made clear he was displeased with Manchin: "Joe should have made his position clear a hell of a long time ago ... we've wasted a lot of time on

negotiation.” But he cautioned against seeking any vengeance, warning it would be counterproductive politically.

“We’re not gonna go down that road. We’re in a 50-50 Senate,” Durbin said on Monday afternoon. “We shouldn’t be purging our ranks and turning over the majority.”

Sen. Cory Booker (D-N.J.), one of the few Democrats still willing to potentially entertain a deal with Manchin on climate, said Monday: “I am deeply frustrated, period, that what is perhaps one of the most existential threats to humanity that could cause trillions of dollars of damage to our country, threaten the life of the most vulnerable first — that we’re not doing anything about that right now. “

The object of all that criticism seemed unfazed. When asked about the suggestion that he lose his chairmanship, Manchin replied: “I understand there’s one person and I understand their frustration and concern. It’s a democracy. I come from another state, but also energy is something we have to have. And we can walk and chew gum. We can find a pathway forward.”

‘They’re getting killed among women’: Skeptical female voters stand in way of GOP Senate

Previously, Manchin had convened talks on a possible bipartisan energy proposal that ran aground as his talks with Schumer on a Democratic-only bill heated up. As part of any agreement, Manchin wants federal permitting policy changes that would expand domestic energy production.

After returning from a week of working from home due to Covid, Schumer did not address the stalemate with his caucus’ most conservative member. Durbin was deferential to the Democratic leader: “I can live with Chuck’s choice on this.”

Democrats are set to convene in a private caucus meeting Tuesday that some predicted would offer a clearer sense of where the party goes from here. Finance Committee Chair Ron Wyden (D-Ore.) said in a statement on Monday afternoon that he doesn’t want to give up on finding a way to approve the tens of billions of dollars in clean energy investments that were under consideration in the talks, given impending expirations for tax credits.

Wyden said that “conversations on clean energy must continue to preserve our options to move forward.”

Top House Democratic aides asked leadership staff about adding other provisions to the reconciliation legislation during a Monday meeting, and were told it was out of the question, according to a person familiar with the situation. House aides were also told to keep the first week of August flexible to accommodate potential Senate-passed health legislation.

[Axios - Manchin makes Dems ponder if they can live with a skinny health bill](https://www.axios.com/2022/07/18/manchin-democrats-health-bill-midterm-elections)

<https://www.axios.com/2022/07/18/manchin-democrats-health-bill-midterm-elections>

Jul 18, 2022 -

By Adriel Bettelheim

Sen. Joe Manchin's insistence on a skinny reconciliation bill is infuriating Democrats but forcing them to consider the power of running on health costs and coverage heading into the midterms.

The big picture: Democrats won a mandate on health care in the 2018 midterms and could improve formidable odds this year by cutting a deal with the influential centrist lawmaker on drug price reforms while avoiding a spike in the uninsured rate.

But doing so could forfeit a chance to enact a far bigger package that raises corporate taxes and invests hundreds of billions in clean energy.

What they're saying: "If you check the record, six months ago I made it clear that you have people like Manchin ... who are intentionally sabotaging the president's agenda, what the American people want, what the majority of us in the Democratic caucus want," Sen. Bernie Sanders said on ABC's "This Week" on Sunday, echoing widespread progressive frustration.

But Jared Bernstein of President Biden's Council of Economic Advisers was more receptive to dealing, pitching drug pricing and coverage reforms as a rallying point to slow inflation on "Fox News Sunday." "We should do that tomorrow," he said.

Where things stand: Manchin made clear last week he'll vote for a drug pricing deal he's been negotiating with Senate Majority Leader Chuck Schumer and a two-year extension of enhanced Affordable Care Act subsidies that are due to expire at the end of this year.

Those items address two big pieces of President Biden's health care agenda, which has been frozen in Congress. And the math adds up, with drug pricing reforms saving about \$290 billion over a decade while extending the subsidies would cost perhaps around \$100 billion.

Raymond James analyst Chris Meekins said it's likelier than not that Democrats could pass such a bill via the partisan reconciliation process by the August recess or, at the latest Sept. 30, after which odds would drop dramatically.

The deal, as written, wouldn't explicitly address another priority: capping the cost of insulin. And it's drawing criticism for the way it could delay price negotiations on certain biologic drugs for up to two years if there's a chance that a similar product will hit the market before the negotiated price takes effect.

Meekins said in a note to clients that nothing in the deal as written limits the launch prices of drugs, meaning projected savings from negotiations and capping price increases in Medicare will probably be offset by higher prices for newly launched drugs.

The intrigue: Democrats still have an incentive to do something since the expiration of the subsidies would bring a spike in premiums before the elections and potentially drive millions off the ACA exchanges and become uninsured.

Democratic strategist Dan Sena told the Washington Post it would be absurd to backslide on health coverage, especially with the U.S. coming out of the pandemic and Democrats planning to run on women's health following the Supreme Court's dismantling of Roe v. Wade.

They'd also be able to say they did something about soaring prescription drug prices, by having Medicare directly negotiate with manufacturers, capping premium growth and making other changes to Medicare's Part D drug benefit.

President Biden urged Democrats to take the deal as he visited Saudi Arabia, saying it would provide financial relief to millions of Americans.

What we're watching: Whether enough Democrats swallow hard and agree to Manchin's ultimatum in the next week — or if they'll roll the dice and bet economic and political conditions will change enough to allow a more sweeping package before the fall.

"Manchin's offer may seem anemic to many Dems on policy, but politically it would give them the most popular provision in [the stalled Build Back Better package] to campaign on, drug prices, and defuse their biggest land mine, sharply rising ACA premiums," Kaiser Family Foundation President and CEO Drew Altman wrote on Twitter.

[Washington Post FACT CHECKER: Biden's claim that the drug-price bill will 'help fight inflation'](https://www.washingtonpost.com/politics/2022/07/22/bidens-claim-that-drug-price-bill-will-help-fight-inflation/)

<https://www.washingtonpost.com/politics/2022/07/22/bidens-claim-that-drug-price-bill-will-help-fight-inflation/>

Analysis by Glenn Kessler

The Fact Checker

July 22, 2022

"This will not only lower the cost of prescription drugs and health care for families, it will reduce the deficit and help fight inflation."

— President Biden, in a statement on health-care provisions in pending Senate bill, July 15

After months of negotiations, the president’s expansive “Build Back Better” plan has shrunk to a handful of items, principally in the area of health care. In particular, the emerging bill would achieve a long-sought Democratic goal of allowing Medicare to begin to negotiate the price of certain prescription drugs.

With overall inflation raging at 9 percent, the White House is eager to portray any action as an element to bring price inflation down. But how likely is it that the prescription-drug provision in this bill will make a difference?

It’s a surprisingly complicated question. Let’s take a look.

The Facts

On the face of it, the latest U.S. government report would suggest prescription-drug costs are not a big part of the inflation problem.

The Bureau of Labor Statistics reported the consumer price index for All Urban Consumers (CPI-U) increased 1.3 percent in June — and over the last 12 months, the all-items index increased 9.1 percent.

Buried in the report it shows the index for prescription drug prices grew just 0.1 percent in June and 2.5 percent over the last 12 months. That’s much lower than the overall inflation rate.

These numbers reflect the fact that generic drugs now make up 90 percent of the prescriptions in the United States, according to the Congressional Budget Office. Brand-name drugs — with no generic equivalent — make up a significant portion of the spending.

In Medicare Part D, which helps cover cost of prescription drugs, the 250 top-selling drugs with one manufacturer and no generic competition amount to only 7 percent of the covered drugs but 60 percent of net total spending, according to an analysis by the Kaiser Family Foundation. Meanwhile, in Medicare Part B, which provides medical insurance, the top 50 drugs covered under Medicare Part B represent 8.5 percent of covered drug but 80 percent of Part B drug spending, the analysis said.

A separate KFF study released in February found that one-third of Medicare-covered drugs had price increases of 7.5 percent or more — which at the time was the annual inflation rate.

“Generic prices are low and falling, and brand-name prices are high and rising,” said Benjamin Rome, who teaches at Harvard Medical School and who recently co-authored a study in the *Journal of the American Medical Association (JAMA)* on prescription drug costs. “The combination of these two trends means that overall drug inflation is low.”

The JAMA study examined 95 percent of the drugs first marketed in the United States between 2008 to 2021 — a total of 548 — and found that average prices grew by 20 percent per year. “Prices increased by 11 percent per year even after adjusting for estimated manufacturer

discounts and changes in certain drug characteristics, such as more oncology and specialty drugs (eg, injectables, biologics) introduced in recent years,” the study said.

There’s often a big difference between a drug’s list (gross) price and a drug’s net price. That’s because of a variety of rebates to commercial payers, Medicare and Medicaid, discounts provided to hospitals because of the 340B Drug Pricing Program and manufacturers’ payments to pharmacy benefit managers and so forth.

Brian Newell, a spokesman for Pharmaceutical Research and Manufacturers of America (PhRMA), pointed to data on net prices by a variety of organizations to argue “the trend on drug prices is not skyrocketing.” For instance, SSR Health, an independent organization that collects and reports data on pharmaceutical prices, found that brand medicine net prices fell 0.7 percent between the first quarter of 2021 and the first quarter of 2022. And, he said, in 2020, CVS reported net drug prices grew just 1.2 percent in 2020 for their commercial clients.

Newell said there were “significant flaws” in the JAMA study, including an “apples to oranges” comparison of medicines launched recently versus those launched more than a decade ago. He said study “completely ignores savings that are generated within the system as a branded medicine overtime become generic or biosimilar products that lead to lower costs for patients and society.” (PhRMA’s full critique can be found at [this link](#).)

“The problem is that PhRMA is using generic/biosimilar savings to defend price increases on new brand-name products,” Rome responded in an email. “But the generic savings only occur after drugs have period of market exclusivity. The fact that we pay less for statins and blood pressure medications now than we did in the 1990s and 2000s really has nothing to do with the brand-name price trends.”

The Senate version of the bill backed by Biden contains two elements designed to stem price inflation by brand-name drugs. One empowers the Health and Human Services secretary to negotiate prices for selected drugs — 10 at first, with the number growing to 20 over time — that have little competition and account for substantial spending. So that likely would not have much of an impact on prices now, especially since government negotiation could take two years with manufacturers and negotiated prices would not begin until 2026.

Separately, the bill would require drug manufacturers to pay a rebate to Medicare for a drug if the price increased faster than the rate of inflation (CPI-U). The measure would apply to drugs covered under Medicare Parts B and D, and to private insurance. This would take effect in 2023.

That “could potentially dampen drug price increases starting next year,” said Tricia Neuman, senior vice president of KFF and executive director of KFF’s Program on Medicare Policy.

One wrinkle is that inflation is already pretty high. The KFF study on Medicare drug prices found that only 17 percent had price increases that exceeded 7.5 percent. So if inflation remains as high as 9 percent, not many rebates may be offered.

“Reducing drug costs helps with inflation in two ways,” said Marc Goldwein, senior vice president at the Committee for a Responsible Federal Budget. “At the microeconomic level, it directly reduces the prices in the economy. And at the macrolevel, it reduces total spending in the economy. Both effects should be disinflationary.”

He acknowledged that “not much of the effects of this particular bill take effect in the near-term. So over the next couple of years, it’s probably doing more to help prevent inflation from bleeding into drug prices (and then bleeding back into inflation) than from cutting inflation outright.” Over time, he added, the bill “will modestly reduce the risk of persistent inflation.”

The Senate bill also would eliminate the 5 percent coinsurance for people on Medicare with very high drug costs after they reach a certain threshold in 2024. It would provide a \$2,000 cap on out-of-pocket spending for Medicare Part D enrollees starting in 2025. The CBO projects the package would modestly reduce the federal budget deficit, which could also mitigate inflation.

“President Biden supports empowering Medicare to negotiate down the cost of drugs with big pharmaceutical companies,” said White House deputy press secretary Andrew Bates. “His biggest priority is to lower costs for families, and Americans are often paying 2 to 3 times as much as their peers in other countries for medicines. Undoing this special protection for Pharma would not only save consumers money, but taxpayers as well – reducing the deficit, which helps to counter inflationary pressures.”

The Pinocchio Test

Inflation is a top concern of Americans these days and the Biden administration is eager to show it is addressing the problem. At least one provision of this bill might begin to lower the cost of some expensive drugs next year, but a plan for the government to directly negotiate prices of some drugs will not begin until midway through the next presidential term. Given the complex debate over whether drugs costs are climbing as much as many believe, we will leave this unrated. But readers should be aware that any inflation impact of this bill would not be instantaneous.

[The Hill - Democrats scramble to squeeze priorities into budget bill](https://thehill.com/homenews/senate/3571066-democrats-scramble-to-squeeze-priorities-into-budget-bill/)
<https://thehill.com/homenews/senate/3571066-democrats-scramble-to-squeeze-priorities-into-budget-bill/>

BY ALEXANDER BOLTON - 07/24/22

The collapse of plans to include climate and tax legislation in a bill Democrats can pass this summer through the Senate with 51 votes has set off a scramble among Democrats to squeeze other priorities into the package.

Senate Health, Education, Labor and Pensions Committee Chairwoman Patty Murray (D-Wash.) says she wants money for more COVID-19 vaccines and therapies, which would cost at least \$10 billion.

Senate Appropriations Committee Chairman Patrick Leahy (D-Vt.) is pushing for money to fund international COVID-19 vaccination efforts, which is projected to cost another \$5 billion.

Senate Budget Committee Chairman Bernie Sanders (I-Vt.) wants to expand the prescription drug reform language to cover more medications.

Senate Banking Committee Chairman Sherrod Brown (D-Ohio) is still agitating for more money for affordable housing, something that is becoming a more urgent because of rising mortgage and rent costs.

And Sen. Bob Casey (D-Pa.), a close Biden ally, is still pushing for tens of billions of dollars to fund long-term health care for the elderly and disabled.

The competing priorities will come crashing into each other over the next two weeks as Democrats make a final push to pass a budget reconciliation package before the August recess.

Senate Majority Leader Charles Schumer (D-N.Y.) is intent on passing it early next month to help stave off raising health care premiums, which is projected to start happening in mid-August.

In reviving negotiations earlier this summer, Democrats had hoped the reconciliation package would include climate and tax provisions and were negotiating the components with Sen. Joe Manchin (D-W.Va.). But Manchin earlier this month scuttled those hopes and said he'd "unequivocally" support only a narrow package.

Schumer and Manchin have agreed to move a slimmed-down package that includes prescription drug reform and a two-year extension of Affordable Care Act premium subsidies.

That package would raise a net total of between \$240 billion and \$260 billion in revenue.

The influx in new revenue has Democratic senators lining up to get their top priorities funded.

Murray said she would "love to see" COVID-19 aid in the package.

"We need to deal with COVID," she said. "We're going to have a surge again and we're not ready."

"We know the new variants are coming, we know that we're not prepared. We know that we don't have the vaccines, the tests and everything else we need. We have to put the funding in," she added.

Murray is eager to get the funding in the reconciliation bill because Republicans say there's little chance of passing another COVID-19 package under regular order, even though Schumer and Sen. Mitt Romney (R-Utah) negotiated a \$10 billion compromise measure in March.

The political dynamics have since changed, said Sen. John Cornyn (R-Texas), an adviser to the Senate GOP leadership team.

"I don't think so," he said when asked about the prospect of getting 60 votes for any new coronavirus relief bill.

Manchin has said he wants roughly half of the money raised from the reconciliation package to go toward deficit reduction but that was a demand he made while he and Schumer were still negotiating tax increases to pay for climate-related provisions.

He declined to say Thursday whether he could support more money for COVID-19 vaccines, therapies and testing in the reconciliation package, telling The Hill: "No comment."

Sanders is making a push to expand the prescription drug reform package to give Medicare more negotiating authority to lower the costs of a broader range of drugs.

The pending compromise legislation would allow Medicare to initially negotiate lower prices for 10 drugs and later expand its authority to 20 drugs. It would also eventually cap out-of-pocket costs for consumers at \$2,000.

"The American people are extremely upset we pay by far the highest prices in the world for prescription drugs, in some cases 10 times more. I think they want to see a bold initiative and we'll see what we can do to make that happen," he said.

Brown said he hasn't given up on getting more money for affordable housing, which was supposed to be a major component of Biden's Build Back Better agenda until Manchin steadily whittled it down to just prescription drug reform and a short-term extension of Affordable Care Act subsidies.

"We did a hearing on housing [Thursday.] I don't know what the chances are but I'm always agitating for it," he said.

Rising mortgage rates have made it increasingly difficult for middle- and working-class Americans to buy homes and rental costs have steadily risen along with interest rates.

Brown pointed out at the Banking Committee hearing that recent cost increases have priced an estimated 4 million families out of homeownership and that median rents topped \$2,000 in May.

“We have underinvested in our housing and communities for decades. Now we’re seeing the consequences,” he said.

Manchin, however, has been cool toward spending tens of billions of dollars on affordable housing, at least so far.

Casey, who represents a Senate battleground state that could determine whether Democrats keep the Senate majority, said he still wants to include money for long-term home health care.

Casey last year argued that Congress would need to spend a minimum of \$250 billion to help people trapped at home because of age, illness or infirmity, but now he’s scraping to get whatever he can.

“There are several things I want, especially home- and community-based services. There are some possibilities, some options there we could have that wouldn’t be the \$150 billion we had 50 votes for in December but a version of that,” he said.

“I talked to Sen. Schumer, Sen. Manchin about that,” he added.

Casey said the prescription drug reform would raise around \$300 billion, which could help fund his goals.

“Put me down as hoping there’s an opening,” he said. “We’ll keep working to see and it’s going to be that first week of August when we’re dealing with this.”

Russia purchasing military equipment from North Korea, US assesses
More than 100 students baptized without parents’ permission at North Carolina school
Jim Kessler, executive vice president for policy at Third Way, a centrist Democratic think tank, said he and his allies are still holding out hope that something, anything can be done to address climate change.

“I know there are conversations happening but I don’t know if there’s any movement,” he said.

“For us, our priority, if there’s going to be any extra spending is climate, climate, climate,” he added. “If that’s not going to be included, there are plenty of other pieces. I know there’s housing, I know there’s COVID. There could be other things.”

[CQ - Health care budget bill to face open-ended 'vote-a-rama'](https://plus.cq.com/doc/news-7534645?2&srcpage=home&srcsec=ina)

<https://plus.cq.com/doc/news-7534645?2&srcpage=home&srcsec=ina>

July 27, 2022

By Paul M. Krawzak

The Senate may be preparing to take up a single-issue, health care budget package under the jurisdiction of a single committee — Finance. But the nature of the budget reconciliation process means the bill will be open for amendment on virtually any topic the original legislation was intended to address, from climate change to taxes to child care.

The unusual circumstances under which the reconciliation bill came together mean that senators can offer amendments during the upcoming “vote-a-rama” that extend far beyond the drug pricing and health insurance affordability measures expected to form the core of the Democrats’ bill.

The original fiscal 2022 budget resolution (S Con Res 14) provided “instructions” to the Senate Finance panel that their part of the bill must lower deficits by at least \$1 billion over a decade.

A full CBO score wasn’t yet available for the not-yet-released Senate substitute text. But under the publicly unveiled parameters of a deal struck between Majority Leader Charles E. Schumer, D-N.Y., and Joe Manchin III, D-W.Va., it will contain drug pricing provisions that will reduce “on-budget” deficits – the part that counts toward meeting reconciliation directives — by \$277 billion over a decade.

Adding two years of expanded health insurance premium subsidies is expected to cost somewhere in the ballpark of \$40 billion, reducing the net deficit reduction.

Still, that leaves plenty of room for senators to offer amendments, including on things like extending expiring Trump-era tax cuts (PL 115-97), provided they don’t go below \$1 billion in Finance Committee deficit reduction. GOP senators could offer other amendments, including on energy policy, to try and put Democrats in a tough spot ahead of midterm elections this November.

Alternatively, there’d be room for Democrats to try to expand spending within Finance’s jurisdiction. They could seek to add a paid leave program, expanded child tax credits, funding for home- and community-based care under Medicaid, or Medicare hearing benefits that were in earlier versions — as well as tax increases to pay for it all.

And that’s just the tip of the iceberg, as 11 other Senate panels received reconciliation instructions enabling them to add as much as \$1.75 trillion to deficits over the decade ending fiscal 2031.

The Health, Education, Labor and Pensions panel has room to add as much as \$726.4 billion; that panel’s Democrats released a version in December that would cost \$474.6 billion, with four-fifths of that for a new child care and universal prekindergarten program.

Other panels received smaller instructions, such as \$25 billion to the Small Business Committee. That panel’s chairman, Benjamin L. Cardin, D-Md., has been pushing for financial relief to the restaurant industry for months, and reconciliation could be an attractive vehicle.

Still, ultimate veto power on any amendments lies with Manchin, who could sink the entire package with a “thumbs down” at the end of the vote-a-rama. So Schumer would have to either enforce strict party discipline on amendments or offer a managers’ amendment at the end of the process to strike any unwelcome additions that could jeopardize passage — a tactic that’s been employed before.

'Merely incidental'

And any amendments would need to comply with the “Byrd rule,” the 1985 statute that limits reconciliation bills to provisions that affect spending or revenue.

Further, provisions must have budgetary changes as their primary purpose — budgetary effects can’t be “merely incidental” to a broader policy goal. So amendments to codify *Roe v. Wade*, for instance, would likely be ruled out of order. That is, unless the presiding officer decides to ignore the parliamentarian’s advice and rule that such an amendment complies with the Byrd test — a ruling that would take 60 votes to overturn.

There was strong pressure on Democrats to ignore parliamentary advice when it came to minimum wage provisions in the pandemic relief reconciliation package (PL 117-2) last year, but they ultimately backed down.

Similarly, the fiscal 2022 budget resolution allows for up to \$107.5 billion in Senate Judiciary Committee provisions that could be used to liberalize immigration restrictions — but the parliamentarian’s office last year rejected several proposals to write a Byrd rule-compliant immigration title.

Another option for Republicans wouldn’t require them to meet budget targets or even outline specific policy changes. They could offer “motions to commit” the package back to the committees of jurisdiction, 11 out of 12 of which won’t have met their reconciliation instructions or reported out any legislation.

Sen. Bill Hagerty, R-Tenn., used such a tactic when the \$1.9 trillion pandemic relief measure was on the floor in March 2021; the Senate simply took up the House-passed bill and opened that up for amendment, rather than going through the typical markup process. Hagerty offered motions to send the measure to the 11 committees that received instructions in the fiscal 2021 budget resolution (S Con Res 5).

“I am still new here, but what is the purpose of the Senate’s system of expert committees if—as we consider one of the largest spending packages ever before this body—we are just going to act as if those committees don’t exist,” Hagerty, a freshman, said at the time.

The 11 motions were rolled into one that was rejected on a party-line vote, 49-50.

Republicans are unlikely to offer such motions next week to get the committees of jurisdiction to increase spending. But they could offer motions with instructions for panels to report out alternatives, such as spending cuts, as the reconciliation instructions don't place a limit on how much deficit reduction can occur.

Unusual circumstances

A potential amendment free-for-all during next week's marathon vote session could have been avoided had the various Senate committees acted as they were instructed under the fiscal 2022 budget resolution.

Under the standard process, which the House observed on both the COVID-19 relief bill and the current measure, formerly known as "Build Back Better," the Budget committees would staple the pieces together after the various markups ended and report out a combined package.

That could have narrowed the scope significantly. For instance, if a Senate Budget-reported bill was limited just to prescription drug pricing and health insurance exchange provisions, amendments on other topics could be considered nongermane.

But as with the 2021 relief package, the Senate Democratic majority is constrained in that partisan committee ratios are tied 50-50, like the broader Senate.

In theory a deadlocked committee vote would still allow Schumer to offer a motion to discharge the legislation from committee, requiring a simple majority on the floor. However, if Republicans denied Democrats a quorum in committee, a bill couldn't even get to the point of a tie vote eligible for a motion to discharge. Thus Democrats skipped Senate markups for both reconciliation bills in the 117th Congress.

It's not the first time Senate panels have bypassed committee markups for multipronged reconciliation measures.

In 2010, the "sidecar" budget bill (PL 111-152) accompanying the main text of what became President Barack Obama's health care law (PL 111-148), as well as education provisions, went straight to the Senate floor after House passage. Similarly, Senate Republicans in 2015 and again in 2017 took their health care law repeal, and subsequently "repeal and replace," bills straight to the floor with behind-the-scenes submissions from the Finance and HELP panels.

But it would be unprecedented going back to at least 1989, according to the Congressional Research Service, for the Senate to take up a reconciliation bill that multiple Senate committees receiving instructions never submitted recommendations for. That's thanks to the deal with Manchin that substantially cut the scope of the bill.

Limited debate, unlimited votes

The process will begin with a motion to proceed to the House-passed budget bill. If adopted, Schumer would be recognized to make the Senate's substitute amendment the pending

business, which would narrow the scope of the bill from what the House passed. But senators could still offer amendments under the jurisdiction of any of the dozen Senate panels that received budget instructions.

After the motion to proceed is adopted, there would be 20 hours of debate, equally divided between the parties unless one or both yielded back time. Then the vote-a-rama would ensue – theoretically ending only when individual senators run out of steam to offer amendments or motions.

That's typically in the wee hours of the morning or the following afternoon. For example, the 2010 health care and education reconciliation debate saw 29 roll call votes, wrapping up at 2:55 a.m., according to Senate records. The March 2021 rescue plan debate saw 37 roll call votes, finishing at 1:05 p.m. the following day after consideration was held up for hours by final negotiations with Manchin.

Wall Street Journal - Manchin-Schumer Deal Would Have Moderate Inflation-Fighting Effect, Economists Say

<https://www.wsj.com/articles/manchin-schumer-deal-would-have-moderate-inflation-fighting-effect-economists-say-11659039488>

By David Harrison

July 28, 2022

Most inflation benefits of bill—which cuts drug costs, subsidizes healthcare premiums and reduces the deficit—would come in future years, according to estimates

Senate Democrats' tax and spending proposal would likely help cool inflation slightly but most of the effects won't be felt until later this decade, economists said.

Sen. Joe Manchin (D., W.Va.) and Senate Majority Leader Chuck Schumer (D., N.Y.) have framed the agreement as a way to fight galloping inflation, which hit 9.1% in June, a four-decade high.

The deal announced Wednesday raises some taxes and limits prescription drug price increases, both of which would help slow inflation, economists said. But it also raises government spending on climate and healthcare programs, which could add more upward pressure on prices. Overall, the agreement reduces the federal deficit by about \$300 billion over a decade, according to Senate Democrats.

The net effect, economists said, would likely restrain price increases. But that effect will be relatively small and won't show up for several years.

“You add it all up, it will lean against inflation,” said Mark Zandi, chief economist at Moody’s Analytics. “This is by no means a game-changing piece of legislation. It’s relatively small in the grand scheme of things.”

Economists at Goldman Sachs estimate the proposal’s overall spending and revenue effects would represent less than 0.1% of the U.S. economy in the first part of the decade and about 0.2% after 2028.

The proposal will likely not offer much short-term help to the Federal Reserve in its effort to cool inflation this year. Still, if enacted, it could take some pressure off Fed officials in later years, economists said.

“I personally think that we’re going to be wrestling with inflation for many years to come,” said Jason Furman, an economist at Harvard University. “So help two years from now is welcome.”

Treasury Secretary Janet Yellen said during a press conference Thursday that she didn’t have a specific estimate for the extent to which the bill could reduce inflation. But she said the proposals’ measures to reduce the cost of prescription drugs and subsidize healthcare premiums would lower costs.

“These are two important contributions that we should see come into play as soon as the legislation is passed and put into effect. Beyond that there is deficit reduction in the bill, and over time I see deficit reduction as an appropriate accompaniment to the policy changes the Fed is putting into effect,” she said.

The Fed is raising interest rates aggressively to combat inflation. Officials agreed Wednesday to lift rates by three-quarters of a percentage point, the second straight rate increase of that magnitude. Chairman Jerome Powell told reporters after the meeting that the central bank was committed to bringing inflation down to its 2% target, even if it meant slowing economic growth.

The Senate proposal “is not going to have a transformative effect on inflation,” said Marc Goldwein, senior policy director at the Committee for a Responsible Federal Budget. “What it can do is make it a little easier for the Fed to do its job.”

There are several ways elements of the deal could ease pressure on prices, economists said. First, the agreement calls for a 15% minimum corporate tax rate and higher taxes on certain forms of income. It also includes money to beef up tax enforcement at the Internal Revenue Service. By reducing the amount of money people and businesses have available, the plan would lower overall demand in the economy, which, in theory, should relieve some price pressure.

Likewise, the overall reduction in the federal deficit in the proposal would have a similar effect of curbing the country’s total demand for goods and services.

“It’s the flip of stimulus,” Mr. Zandi said. “It’s fiscal restraint.”

Second, the deal contains several provisions to lower the price of prescription drugs. It would allow the government to negotiate with drug companies for lower prices for prescription drugs purchased through the Medicare program. It would also require rebates to prevent drug companies from raising prices faster than overall inflation.

According to the Kaiser Family Foundation, half of all drugs covered by Medicare between 2019 and 2020 had price increases above inflation.

Senate Democrats estimate the prescription drug parts of the plan would reduce federal spending by \$288 billion over 10 years. It is unclear how much consumers would save.

Prescription drug prices account for roughly 1% of the overall inflation index measured by the Labor Department. In the past, prices have risen at a substantially higher rate than overall inflation, notably between 2014 and 2017. Over the past few months, however, prescription drug price increases have lagged behind overall inflation.

But many of the changes to drug prices aren’t set to take full effect until later this decade, said Omair Sharif, president of Inflation Insights LLC. “At the end of the day, this is a step in the right direction in terms of trying to lower inflationary pressures in the economy, but it’s not clear this is going to have an immediate effect,” he said.

The Senate framework could have some short-term effect on inflation if it holds down consumers’ and businesses’ expectations of future inflation, said Mr. Furman.

Economists closely follow inflation expectations because they can feed into actual inflation in the future. If workers and businesses expect inflation to accelerate, they will be more likely to ask for higher wages or raise their prices. Likewise, if they expect more moderate inflation they will perhaps accept slower wage and price increases.

Rapidly rising consumer prices over the past few months have started to push up consumer inflation expectations, according to the New York Fed.

Some analysts said parts of the plan could lower inflation expectations.

For instance, a provision to extend federal subsidies under the Affordable Care Act would continue to transfer some of the cost of health insurance from households to the federal government. Even if the total amount of money spent on health insurance under the ACA goes up, individuals would pay less than they otherwise would.

“It’s going to reduce the premium that people face, which is going to reduce their perception of the rise of health insurance,” said Mr. Goldwein.

Bloomberg - ‘Inflation Reduction Act’ Has Little Inflation Help, UPenn Study Says

<https://www.bloomberg.com/news/articles/2022-07-29/-inflation-reduction-act-has-little-inflation-help-study-says?sref=ohmtMHdW>

Erik Wasson & Ramsey Al-Rikabi

July 29, 2022

The Inflation Reduction Act of 2022, the breakthrough US legislative deal on key parts of President Joe Biden’s agenda, likely won’t reduce inflation at all, according to a study.

And that’s coming from researchers influential with the senator whose vote was crucial to sealing the deal, Joe Manchin of West Virginia.

The study, from the Penn Wharton Budget Model, estimates the act would cause inflation to “very slightly” rise until 2024 then slide after that.

Overall, the researchers said in the report Friday, there’s “low confidence that the legislation will have any impact on inflation.”

The surprise deal late Wednesday, hammered out between Manchin and Majority Leader Chuck Schumer, hinged partly on Manchin’s demands that it not add to inflation.

“Reduction” in the title is also a bit of branding aimed at one of the biggest concerns among voters heading into the November midterms.

Republicans may capitalize on public angst over consumer prices cruising at 40-year highs, the economy contracting and, according to a recent Census Bureau survey, four in 10 Americans saying it’s somewhat or very difficult to cover usual household expenses.

Manchin in the past has leaned on the economists and data scientists at the University of Pennsylvania’s Wharton school rather than using the government’s own estimates, including from the nonpartisan Congressional Budget Office.

In December, Manchin had cited Penn Wharton findings that the expanded child tax credit in Biden’s earlier, more expansive, “Build Back Better” proposal would add to inflation as a reason to oppose it.

The newly proposed bill, which doesn’t yet have all Senate Democrats on board, would impose a 15% domestic corporate minimum tax, funnel \$80 billion to the Internal Revenue Service to increase tax audits, and raise taxes on carried interest.

The revenue from these tax changes, along with savings from allowing Medicare to negotiate drug prices, is designed to fund \$370 billion in spending on climate and energy programs and

three years of premium subsidies for Obamacare beneficiaries. It would also go toward deficit reduction.

Estimated Impact

In its report Friday, Penn Wharton estimates the bill would reduce the budget deficit by \$248 billion over 10 years, less than the \$300 billion estimate provided by Senate Democrats. An official score by the CBO is not yet available.

The researchers added that if Obamacare subsidies are extended to 10 years, rather than three years in the bill now, then the deficit would shrink by just \$89 billion.

They also flagged that estimating the overall impact of the new, slimmed-down bill is challenged “by the smaller size of the program’s spending and taxes relative to the overall U.S. economy.”

According to their modeling, the personal consumption expenditures index -- the main inflation gauge watched by the Federal Reserve -- may rise over the first few years, up to 0.05 percentage points in 2024. It would then create a 0.25 percentage point fall later in the decade.

“These point estimates, however, are not statistically different than zero,” they wrote.

[CQ - Democrats confident about budget vote as GOP plans amendments](https://plus.cq.com/doc/news-7542436?2&srcpage=home&srcsec=cqn)

<https://plus.cq.com/doc/news-7542436?2&srcpage=home&srcsec=cqn>

By Lindsey McPherson and Laura Weiss

Aug. 2, 2022

Senate Democrats are confident they’ll be able to pass their health care, climate and tax package early this month, as Republicans plot amendments they’ll offer in an attempt to undermine the bill and boost their election-year messaging.

The Senate parliamentarian is still vetting the package, which on net would reduce deficits by roughly \$300 billion, to ensure all the provisions Democrats proposed comply with the budget reconciliation rules. Still, Senate Majority Leader Charles E. Schumer, D-N.Y., insists the chamber is “on track” to take up the bill (HR 5376) later this week.

Lead negotiators Schumer and Sen. Joe Manchin III, D-W.Va., separately said Tuesday they are in touch with Arizona Democrat Kyrsten Sinema, who has yet to say whether she supports the bill.

“I’m very hopeful we’re all going to stay united and pass this bill,” Schumer said.

Manchin told reporters after he spoke with Sinema Tuesday afternoon they “had a nice talk.”

“She’ll make a decision based on the facts,” he said. “She’s extremely bright. She works hard. She makes a good decision based on the facts. And I’m relying on that.”

Manchin initially said he and Sinema were “exchanging text back and forth,” but he later clarified that was not about changes to the legislative language but rather sharing analyses and other information on the bill. “Whatever I have that she hasn’t seen,” Manchin said.

Sinema previously opposed taxing investment fund managers’ share of their clients’ capital gains — known as carried interest — the same as ordinary income. Manchin fought to include that provision, which would lengthen the holding period required to benefit from more generous tax treatment. It would raise an estimated \$13 billion over 10 years.

Manchin said last week he would not drop the carried interest tax increase to get Sinema’s support. But after speaking with Sinema, Manchin declined to take that hard of a line against changing the carried interest provision if needed to get her vote.

“Everyone’s still talking,” he said, while explaining the provision is about ensuring investment fund managers aren’t receiving the same preferential tax benefits as their clients, who are the ones putting their own money on the line. “That doesn’t seem right.”

In addition to carried interest, Sinema is likely anxious to see whether the prescription drug pricing provisions change significantly during the parliamentarian’s review. Democrats are adding insulin provisions and making other tweaks, like replacing a 95 percent excise tax penalty on drugmakers who won’t negotiate under the terms of the bill with a civil monetary penalty.

Schumer said he didn’t know the specific details on the excise tax matter but his aides and staff for the Finance and Budget panels are working with the parliamentarian. “We’re optimistic we will get good outcomes,” he said.

The excise tax was designed to be so onerous it would force pharmaceutical companies to lower prices, so lawmakers like Sinema, who helped draft the bulk of the drug pricing provisions last year, will undoubtedly be interested in how the monetary penalty is structured.

If Sinema and all 50 Senate Democratic caucus members ultimately sign off on the package, passage likely becomes just a matter of timing. Majority Whip Richard J. Durbin, D-Ill., returned to the Senate Tuesday after recovering from COVID-19, meaning Democrats will have full attendance for votes on the reconciliation package so long as no one else falls ill.

Schumer said he doesn’t have a plan B should another Democrat test positive.

“We’re going to stay healthy,” he said, noting the caucus is holding meetings over Zoom this week to limit opportunities for the virus to spread.

GOP amendment strategy

Republicans, meanwhile, are beginning to outline the issues they’ll target during the “vote-a-rama,” when senators can offer unlimited amendments. GOP senators want to force Democrats into tough political votes ahead of November’s midterm elections.

“You can expect a lot of challenging votes,” Senate Budget ranking member Lindsey Graham, R-S.C., said.

Sen. Rob Portman expects votes on “dozens” of amendments. The Ohio Republican said he’ll focus on the bill’s tax pieces, likely targeting an issue Republicans have seized on over the last week — how the 15 percent minimum tax on corporate income reported to shareholders could undercut tax breaks for companies buying assets like machinery. Some purchases of tangible assets qualify for faster write-offs as an incentive, but that benefit isn’t exempted from Democrats’ minimum tax.

Finance’s top Republican, Idaho Sen. Michael D. Crapo, declined to detail his party’s strategy. But he confirmed that recent Joint Committee on Taxation analyses he’s touted, including a distributional table showing how the bill would impact taxpayers in each income category and another showing half of the corporate minimum tax would be paid by manufacturers, would factor in.

“You can be sure that that’ll be in there,” Crapo said.

Sen. Todd Young, R-Ind., said he is planning a “clever but characteristically fair” amendment that would ensure “regular Americans aren’t bearing the burden of Democrats’ tax and spend policies.”

The JCT tables don’t factor in provisions like an extension of expanded health insurance premium tax credits, benefits for home energy-efficiency upgrades and for purchasing electric vehicles, which could reduce the tax hit on lower- and middle-income households, Democrats pointed out.

And Treasury Secretary Janet L. Yellen wrote to congressional leaders that the bill’s tax increases would have no direct effect on what households earning less than \$400,000 actually owe to the IRS. The JCT analysis assumes part of any corporate tax increases ultimately affect workers’ wages, but Democrats argue that’s not a literal tax increase and that households in that income category are specifically protected.

And citing separate JCT data, Senate Finance Democrats argued that nearly half of the manufacturing-related firms affected by the minimum tax would fall into categories such as apparel, software and pharmaceuticals that are paying little tax on their overseas profits.

Climate, health amendments

Republicans also plan to take aim at Democrats' climate and health care provisions.

Finance member Sen. Bill Cassidy, R-La., said he's interested in forcing an audit of how Democrats' bill would impact carbon emissions overseas. He argued emissions are likely to climb elsewhere if Democrats' new minimum tax leads manufacturers to relocate to Asia or increases demand for products made in China.

Sen. Marco Rubio, R-Fla., said in a news release that he'll aim to tighten restrictions on credits for buying electric vehicles, blocking access to vehicles that source any critical minerals or battery components from China. In Democrats' bill, restrictions aimed at limiting sourcing from China heighten over time.

Rubio also said he'll offer an amendment to ensure the reconciliation measure can't pass ahead of a permitting overhaul Schumer promised Manchin a vote on before Oct. 1. He is also planning one that would increase police funding, seeking to divide Democrats over the "defund police" issue that hurt the party in 2020.

Sen. Rand Paul, R-Ky., said he'll have "at least one" amendment, which will aim to broaden access to health savings accounts by allowing anyone with health insurance to open one. HSAs allow pre-tax dollars to be stowed to pay for medical expenses, but they're only allowed for people with high-deductible insurance plans.

[Click here to see full coverage and documents associated with the fiscal 2023 budget reconciliation process.](#)

Lauren Clason, Aidan Quigley and Caroline Simon contributed to this report.

[Bloomberg - Yellen Says Manchin Bill Won't Raise Taxes for Families Earning Less Than \\$400,000 a Year](#)

<https://www.bloomberg.com/news/articles/2022-08-02/yellen-wades-into-debate-over-tax-hit-from-manchin-schumer-bill>

By Christopher Condon

August 2, 2022

Treasury Secretary Janet Yellen waded into the congressional debate over proposed economic and climate legislation, saying it won't raise taxes for families earning less than \$400,000 a year. "The legislation would either reduce or have no effect on the taxes due or paid by any family with income less than \$400,000," Yellen wrote Tuesday in a letter to House Speaker Nancy Pelosi obtained by Bloomberg News. "In fact, the clean energy tax credits and the expanded premium tax credit will cut taxes for millions of Americans."

Yellen wrote to Pelosi after an analysis by the Joint Committee on Taxation, an official congressional scorekeeper, found that some middle- and low-income households could pay additional taxes next year under the bill, unveiled last week between West Virginia Senator Joe Manchin and Senate Majority Leader Chuck Schumer.

The \$400,000 income threshold is crucial for the White House, as President Joe Biden promised during his election campaign not to raise taxes for households below that line. While Democrats have disputed the estimates, Republicans have used the JCT figures to amplify their opposition to the bill.

In her letter, Yellen didn't respond directly to the JCT's analysis on the distributional effects of the bill's tax changes. Instead, she reviewed each of the legislation's major components and said the tax changes would only affect "large corporations and investment professionals making \$400,000 or more per year."

[Politico - Key pieces of Democrats' climate bill could wash out in the Byrd bath](https://subscriber.politicopro.com/article/2022/08/key-pieces-of-democrats-climate-bill-could-wash-out-in-the-byrd-bath-00049340?)

<https://subscriber.politicopro.com/article/2022/08/key-pieces-of-democrats-climate-bill-could-wash-out-in-the-byrd-bath-00049340?>

BY JOSH SIEGEL, KELSEY TAMBORRINO

08/02/2022

Some key elements added to Democrats' expansive climate, health and tax bill at the behest of Sen. Joe Manchin could have trouble passing muster with the Senate's strict reconciliation rules, according to procedural experts.

As senators engage with the parliamentarian on the text of the bill, H.R. 5376 (117), ahead of a possible vote in the coming days, provisions that attach strings to how energy is developed on public lands and waters and how electric vehicle subsidies are doled out may face particular challenges comports with the "Byrd rule" that prohibits "extraneous matters" unrelated to the budget from being considered under reconciliation rules, which allow a bill to pass with a simple majority.

The measures in question include a requirement that states the Interior Department cannot offer rights of way for solar and wind projects on public lands unless it auctions at least 2 million acres within a year for onshore oil and gas leases. The legislation also ties offshore wind leasing to an oil and gas lease sale of 60 million acres in the year prior.

Another vulnerable component of the bill imposes domestic content requirements on electric vehicles to qualify for a \$7,500 tax credit. EVs would receive the full credit only if their batteries

were made with materials and components from the U.S. and allied countries with which it has trade agreements, under a content threshold that rises over time.

The problem with these conditions, procedural experts say, is that the parliamentarian could determine they represent policy decisions that override the budgetary impact of the provision in question.

“Where the budgetary effects are merely incidental, [that] could be the kinds of things that pop up,” said Maya MacGuineas, president of the Committee for a Responsible Federal Budget. MacGuineas cautioned that she is “relatively optimistic” that the bill would comply with reconciliation rules, particularly given Democrats have put thought into how to make the legislation Byrd-compliant since its inception.

Both the leasing and EV provisions are compromises that address Manchin’s policy concerns. For example, Manchin has insisted that Democrats offer an “all of the above” approach to producing energy on public lands that doesn’t favor renewables over oil and gas.

“To me that’s policy,” said Bill Hoagland, former staff director of the Senate Budget Committee who is now senior vice president at the think tank Bipartisan Policy Center. “I don’t see a direct connection to a budgetary consequence. That measure could fall.”

That same issue may be factor for the provisions Democrats imposed on EV credits that are intended to address Manchin’s concerns about the U.S. industry’s dependence on China, which dominates EV supply chains.

Those conditions emerged from closely held negotiations between Manchin and Senate Majority Leader Chuck Schumer that did not appear in earlier iterations of the bill, so they may not have been scrutinized in the same way other core parts of the clean energy tax incentive package have been.

Republican senators told POLITICO they expect the electric vehicle provisions in particular to be vulnerable.

“That could be problematic,” said Sen. Kevin Cramer (R-N.D.). “It’s pure policy.”

“I am sure they are trying to strike that out in the Byrd bath,” said Sen. Shelley Moore Capito (R-W.Va). “My question on the battery issues is that the mining of the minerals has to be in this country. Who is going to site a mine in this country for that?”

POLITICO reported earlier this week that Democratic and Republican staffers were preparing for private meetings with the Senate parliamentarian to last through Wednesday. Democrats’ drug pricing provisions alone have already taken more than a week and were expected to drag into Tuesday.

Procedural experts note that the Senate parliamentarian, Elizabeth MacDonough, has previously rejected Democrats' attempt to push a minimum wage increase through the reconciliation process, and she has been skeptical about measures that she perceives to represent a policy change.

"Given the way she has been very strict on this balance of doing policy and revenue impact, it does seem to me one can look at this and say this is actually targeted at trade and not necessarily fiscal policy," said a former Democratic aide to the Senate Energy and Natural Resources Committee, referring to conditioning EV tax credits on domestic content requirements.

Josh Freed, senior vice president for Third Way's climate and energy program, said the domestic content requirements for the host of clean energy tax credits are "clearly" conditions for spending and have a direct impact on the budget, and should be ruled in order. But he said he anticipates Republicans will try to get those provisions ruled out of order.

But that's a risky political strategy, he added.

"They will be going after provisions that increase American manufacturing and will reduce energy costs for Americans," he said. "It's just nonsensical."

Since the Byrd rule isn't "self executing," Republicans would have to actively file a challenge against a particular provision for the parliamentarian to strike it from the package. Fighting against policies promoting oil and gas development and domestic content are at odds with Republican stances that generally favor onshoring U.S. supply chains and boosting domestic fossil fuels.

"It'll certainly be interesting to see if Republicans challenge things like domestic content requirements and restricting imports from 'countries of concern.' I'm not positive that's the particular hill they want to die on in this political environment," said the former Senate Democratic aide.

[Roll Call - Democrats line up behind budget bill while GOP pledges 'hell'](https://rollcall.com/2022/08/05/democrats-line-up-behind-budget-bill-while-gop-pledges-hell/) <https://rollcall.com/2022/08/05/democrats-line-up-behind-budget-bill-while-gop-pledges-hell/>

Schumer says Democrats will have the votes; debate set to begin Saturday

By Lindsey McPherson and Laura Weiss

August 5, 2022

The Senate is "on track" to start debating a roughly \$300 billion deficit-reducing budget package Saturday after Democrats reached agreement late Thursday on changes to the bill needed to secure 50 votes, Senate Majority Leader Charles E. Schumer said.

The changes, the New York Democrat said at a news conference Friday, include dropping a provision modifying the taxation of “carried interest,” providing exemptions to the 15 percent corporate minimum tax that would reduce its estimated revenue raised over 10 years from \$313 billion to \$258 billion, and adding some climate provisions related to drought.

"We're feeling pretty good," Schumer said, noting he believes the agreement will have the votes to pass.

If so, the bill would then go to the House, which is expected to reconvene Aug. 12 to vote on it, according to a notice Friday from Majority Leader Steny H. Hoyer, D-Md.

Schumer acknowledged that the late changes to the bill were made to secure support from Democratic centrist Sen. Kyrsten Sinema of Arizona. In particular, he lamented the loss of a \$13 billion revenue raiser that would have lengthened the holding period for investment fund managers' share of their clients' capital gains required to benefit from more generous tax treatment.

"I believe strongly in [closing] the carried interest loophole. I have voted for it. I have pushed for it. I pushed for it to be in this bill," Schumer said. "Sen. Sinema said she would not vote for the bill, not even move to proceed unless we took it out. So we had no choice."

[Sinema ready to advance budget bill after tax changes]

Schumer did not provide details on the corporate minimum tax exemptions that would drop the revenue intake of the provision by \$55 billion, but Sinema's statement on the deal Thursday noted a plan to "protect advanced manufacturing."

That's likely a reference to allowing businesses to factor accelerated depreciation, or faster writeoffs of equipment purchases, when they calculate the minimum tax, which is based on income reported to shareholders. On financial statements, the cost of an asset is spread over its usable life, but the tax code allows deductions faster, so the change would likely protect that treatment in some form.

Republicans and business groups had raised alarms about the disproportionate impact the minimum tax would have on manufacturers if they could not claim those deductions. Although business groups welcomed the change, they did so qualifying that they needed to see the legislative language and that they still oppose other aspects of the bill, like the drug pricing provisions.

Neil Bradley, U.S. Chamber of Commerce executive vice president and chief policy officer, issued a statement giving Sinema credit for recognizing that “taxing capital expenditures — investments in new buildings, factories, equipment, etc. — is one of the most economically destructive ways you can raise taxes.”

Substitute tax

To make up for the lost revenue from the corporate minimum tax exemptions and dropping the carried interest provision, Democrats added a 1 percent excise tax on stock buybacks, which Schumer said would raise \$74 billion over 10 years.

"I hate stock buybacks. I think they're one of the most self-serving things that corporate America does," Schumer said. "Instead of investing in workers and in training and in research and in equipment, they just simply ... artificially raise the stock price by just reducing the number of shares. They're despicable."

The Chamber of Commerce opposes the stock buyback tax. Bradley said it "will only distort the efficient movement of capital to where it can be put to best use and will diminish the value of Americans' retirement savings."

Despite the prospect of tax increases, some companies are calling on Congress to quickly pass Democrats' bill because of investments it would make in clean energy. About 40 companies, including U.S. divisions of European oil giants BP Plc and Shell Plc; automaker Ford Motor Co.; apparel companies VF Corp. and Levi Strauss and Co.; and ride-booking app Lyft Inc., signed onto a statement Friday backing the bill.

"This package promises to unleash American innovation and ingenuity — and to foster the creation of millions of jobs as a result," the statement said.

In addition to the tax changes to the bill, Schumer confirmed there would be a climate addition on drought resilience that Sinema pushed for, but he said the details were still being worked out.

Schumer did not mention potential changes being made based on feedback from Senate Parliamentarian Elizabeth MacDonough about what complies with the "Byrd rule," which mandates reconciliation provisions have more than a "merely incidental" impact on spending or revenues. But Schumer said MacDonough and her team were working all day Friday, scrubbing the bill "to make sure the Senate's ready to act."

Later on Friday, a trio of Democratic senators up for reelection this year in drought-stricken Western states — Mark Kelly of Arizona, Catherine Cortez Masto of Nevada and Michael Bennet of Colorado — announced that \$4 billion for the Bureau of Reclamation to combat drought would be added to the package.

Republican appeals

Republicans, meanwhile, spent Friday putting pressure on Sinema and fellow Democratic centrist Joe Manchin III of West Virginia to back GOP-favored edits to the bill or reconsider their support entirely. Both Democrats have backed the package after a year of negotiations in which they flexed their power in the 50-50 Senate to shape and shrink the legislation.

“To Manchin and Sinema, thank you for holding the line on the Senate filibuster; thank you for doing some things to make America a less radical place,” Lindsey Graham, Senate Budget’s ranking Republican, said during a GOP news conference. “But you are going to be held accountable by your voters on this issue.”

Graham specifically targeted Manchin, saying Republicans may not go along with including a permitting overhaul in a stopgap measure to keep the government open after current funding expires Sept. 30. Democratic leadership promised to try to move provisions to speed up energy projects by Oct. 1 as part of their deal with Manchin on reconciliation.

“I will not vote for a continuing resolution that is part of a political payback scheme,” Graham said.

He added that if he could get priorities added for his home state of South Carolina he’d consider going along and urged other senators to demand the same. If not, Graham said he’ll need to see a “clean” measure.

Schumer declined to comment on Graham’s CR threat other than to say, “It’s a long time away.”

'Vote-a-rama'

Republicans also pledged to force tough votes during the “vote-a-rama” process, in which they can offer unlimited amendments to Democrats’ bill before final passage.

“Energy, inflation, the border and crime — expect to see amendments on all of those things,” said Wyoming Sen. John Barrasso, a member of Republican leadership.

Republicans are also expected to target the new taxes in the bill, attempting to put Democrats on the record backing tax increases on households earning less than \$400,000 — the line Democrats have pledged not to cross.

Senate Finance ranking member Michael D. Crapo, R-Idaho, released new Joint Committee on Taxation data Friday showing that even with an extension of bigger tax credits to help purchase health insurance, low- to middle-income households still face tax increases.

The analysis, which incorporated the more onerous corporate minimum tax before it was scaled back, showed that about 78 percent of households earning between \$50,000 and \$75,000 next year would see their tax bills rise by at least \$100, for instance. A little over 3 percent of households in that income category would see tax cuts on average.

The analysis didn't incorporate the bill's "Superfund" tax on oil production and imports, or the stock buyback tax, which Republicans said could add to the burden on households.

But it also didn't include benefits that would lower costs for some taxpayers, Democrats point out, like home energy-efficiency and electric vehicle credits, and savings from lower prescription drug prices.

"The administration has been very careful to say that the 'individual income tax rate' would not change for anyone making less than \$400,000 per year, yet everyone knows that the corporate tax burden falls on workers and consumers, as well as owners," Crapo said in a statement.

At Friday's news conference, Republican Whip John Thune of South Dakota called on Manchin and Sinema to oppose a "wrap-around amendment" that would likely come from Democratic leadership at the end of the vote-a-rama to wipe out any successful GOP amendments.

Thune said if Republican amendments stick, they "could make it better. Might make it harder to pass in the House, who knows."

Graham suggested Republicans may want to force harder votes after some backed the bipartisan "chips and science" bill, only for Manchin and Schumer to unveil their reconciliation deal hours later. Some Republicans had threatened not to move forward on that issue while Democrats were pursuing their own tax and spending package.

"Before the ink is dry on that bill, they drop this," Graham said. "So what will vote-a-rama be like? It'll be like hell."

[CQ - Parliamentarian blesses energy tax piece of reconciliation bill](https://plus.cq.com/doc/news-7546532?3&srcpage=home&srcsec=cqn)

<https://plus.cq.com/doc/news-7546532?3&srcpage=home&srcsec=cqn>

Aug. 6, 2022

By Laura Weiss

Senate Democrats' \$270 billion package of clean energy tax credits secured approval from the chamber's parliamentarian, according to an statement from Finance Chair Ron Wyden early Saturday morning.

Wyden, D-Ore., announced that Parliamentarian Elizabeth MacDonough had vetted that portion of the climate, tax and health care package (HR 5376) that Democrats are prepping for votes through the weekend. The guidance protects the energy tax provisions from being vulnerable to budget points of order, which require 60 votes to waive.

"The Finance Committee's clean energy tax package adheres to Senate rules, and important provisions to ensure our clean energy future is built in America have been approved by the parliamentarian," Wyden said. "I'm especially pleased that our prevailing wage provisions were approved. These provisions guarantee wage rates for clean energy projects. Clean energy jobs will be good-paying jobs."

The parliamentarian's ruling means Democrats cleared a key hurdle to moving forward with their bill under a process that allows them to avoid a filibuster in the 50-50 Senate. Under the budget reconciliation rules, legislation can pass by simple majority vote, but the "Byrd rule" requires that all pieces have a more than "merely incidental" impact on spending or revenues.

Democrats included language on various energy tax credits that sets wage or sourcing requirements for businesses or other recipients to get a maximum payout. It was unclear ahead of the "Byrd bath" to vet the bill's provisions if such provisions would survive.

For the measure's green energy production and investment credits and certain incentives to make energy-efficient home and building upgrades, the current text would provide a "base" credit and a "bonus" credit.

The bonus credit is worth five times the base credit, but in order to qualify eligible recipients have to meet prevailing wage standards for workers in the area where the project is located, which Republicans have criticized as a "payoff to union bosses." Also, a certain percentage of workers on qualifying projects have to be part of registered apprenticeship programs run by federal agencies.

The bill would also require project developers to use domestic iron and steel, and ensure that certain percentages of components used in manufacturing have to be sourced from within the U.S.

And to benefit from the measure's electric vehicle credits, a substantial share of critical minerals and component parts used to make the car's batteries have to be produced in North America or other countries in which the U.S. has a free trade agreement. Those requirements have drawn concerns from some automakers and the Michigan congressional delegation, which has been pushing for changes.

It wasn't immediately clear whether the parliamentarian had issued further rulings. Provisions intended to lower costs of prescription drugs were the other major portion of Democrats' package that were at higher risk of running into Byrd rule issues. Already, Democrats chose to make changes to that section of the bill after meeting with MacDonough.

Arizona Sen. Kyrsten Sinema has backed her party's tax and spending package after securing changes, but said she would move forward "subject to the parliamentarian's review." Majority Leader Charles E. Schumer, D-N.Y., has said he plans to hold a vote on the motion to proceed to the bill Saturday afternoon.

A summary of the bill's energy tax package is [here](#). For more coverage and documents related to the budget reconciliation, see [here](#).

Politico - Senate Democrats head toward pivotal vote with climate agenda intact

<https://www.politico.com/news/2022/08/06/democrats-health-care-climate-tax-bill-00050201>

By CAITLIN EMMA and MARIANNE LEVINE

08/06/2022

Democrats' health care, tax and climate bill is heading for a key procedural vote on Saturday with energy provisions like an electric vehicle tax credit intact — but no answers yet on whether drug pricing reforms can stay in the package.

The Senate parliamentarian — the upper chamber's nonpartisan rules referee — has not said whether the prescription drug provisions meet strict budget rules allowing Democrats to pass their signature spending package without the threat of a GOP filibuster. The Senate is set to convene at noon on Saturday, with a pivotal vote to move forward on the bill expected later in the afternoon.

An unfavorable ruling on Democrats' drug pricing plan could set off a scramble, prompting major revisions while the package hurtles toward the Senate floor. Democrats did receive some good news early Saturday morning, however: Senate Finance Committee Chair Ron Wyden (D-Ore.) announced that his panel's energy provisions, which include the electric vehicle tax credits and a bonus tax credit to encourage clean energy developers to pay the prevailing wage, cleared Senate budget rules.

Some budget experts had surmised that certain conditions placed on the electric vehicle tax credits, including restrictions on where car battery materials must be sourced, ran afoul of the budget rules guiding the process that Democrats are using to pass their bill with a simple majority and evade a filibuster.

Under the current proposal, a car is only eligible for full credit if the batteries were made with materials from the U.S. or countries that have trade agreements with the U.S. — a requirement that some experts argue will make it very difficult to obtain the tax credit.

But those provisions can apparently remain in the package — a decision likely to please Sen. Joe Manchin (D-W.Va.), who wanted the restrictions in order to curb the electric vehicle industry's reliance on China.

"The Finance Committee's clean energy tax package adheres to Senate rules, and important provisions to ensure our clean energy future is built in America have been approved by the parliamentarian," Wyden said in a statement. "I'm especially pleased that our prevailing wage provisions were approved. These provisions guarantee wage rates for clean energy projects. Clean energy jobs will be good-paying jobs."

Saturday's procedural hurdle, once cleared by Democrats, will trigger up to 20 hours of debate evenly divided by both Democrats and Republicans. But both sides aren't expected to use their full time.

Rather, senators are likely eager to get started with a marathon amendment process known as vote-a-rama, in which the GOP will mount a series of politically tricky votes for Democrats in the hopes of amending the party-line package more than a year in the making. The Senate must endure the amendment marathon before Democrats can finally approve it.

Democrats are waiting to see whether they can include provisions that allow Medicare to negotiate the price of certain high-cost drugs and whether they can penalize drug companies for raising prices on individuals with private health insurance faster than inflation.

Republicans have argued that the savings yielded by the mandate involving the private insurance market, in particular, could be considered a budget side effect of the policy rather than its main purpose, which would break Senate budget rules.

INFLATION REDUCTION ACT

AP - Biden, Democrats bet on long-term goals for short-term boost

<https://apnews.com/article/biden-technology-china-government-and-politics-1f8c7901c14c1894856c98968f2b837a>

By SEUNG MIN KIM, JOSH BOAK and CHRIS MEGERIAN

August 9, 2022

WASHINGTON (AP) — President Joe Biden’s legislative victories have aimed to position the U.S. to “win the economic competition of the 21st century,” but his investments to boost the nation’s technology, infrastructure and climate resilience over the next decade are set against a 90-odd-day clock until the midterms.

From turbocharging the U.S. computer chip sector to shifting the nation to a greener economy, the achievements from Biden will take years to come to fruition -- reflecting the sheer scope of his ambitions that, taken together, put Biden among the most legislatively productive presidents in recent memory.

Yet Democrats are also gambling that the rapid clip of recent accomplishments will persuade an electorate that’s downcast about the economy and the general direction of the country to vote nonetheless in their party’s favor. Particularly critical, they say, is being able to illustrate to voters what Democrats can accomplish when they hold the levers of power in Washington, even if energy bills don’t decline right away or a new bridge takes years to be completed.

“I do think this bill will have immediate political impact, but not because people will feel the effects in the next six weeks,” Sen. Brian Schatz, D-Hawaii, said of the big health care, climate and economic package making its way through Congress. “It’s because they know we are lawmakers who weren’t making very many laws over the last six months.”

Schatz added, “It’s a vibe, and the vibe is winning.”

The White House views the legislative victories as interlocking pieces fulfilling the agenda Biden laid out when he ran for president in 2020 on the promise of helping the country out-compete a rising China. The policy proposals were focused on addressing generational threats and creating long-term opportunities — especially after what Biden viewed to be troubling setbacks during the Trump years.

A 50-year veteran of Washington and a former senator and vice president, Biden also aimed to avoid governing by executive order, a crutch of presidents for both parties when legislative dysfunction is high. Executive orders can be rewritten or overturned by a president’s successors — and they’re often constrained by how much they can do without Congress acting. Biden, White House aides said, aimed not just for altering the country’s trajectory, but keeping it on that path, a move that required legislating, not emergency declarations.

On Tuesday, as he signed a \$280 billion bill bolstering U.S. competitiveness against China, Biden said he was enacting a once-in-a-generation investment whose impact will resonate for decades. The law sets aside \$52 billion to bolster the semiconductor industry, which manufactures the diminutive chips that power everything from smartphones to computers to automobiles.

“The CHIPS and Science Act is going to inspire a whole new generation of Americans to answer that question: What next?” Biden said. “That’s why I’m confident that decades from now, people are going to look back at this week, with all we’ve passed and all we’ve moved on, that we met the moment at this inflection point in history.”

Speaking with reporters Monday, Biden said the Democrats’ massive climate and health care package — poised for final House passage Friday — would help his party ahead of the November midterms, pointing in particular to its drug pricing provisions.

“Now, some of it is not going to kick in for a little bit, but it’s all good,” Biden said in Dover, Delaware. “When you sit down at that kitchen table at the end of the month, you’re going to be able to pay a whole hell of a lot more bills because you’re paying less in medical bills.”

Biden likes to talk up the bill’s provisions capping drug costs for seniors on Medicare at \$2,000 annually, although that won’t occur until January 2024. White House officials are also touting an extension of subsidies that would help an estimated 13 million people purchase coverage under the Affordable Care Act, assistance that would have expired this year and subsequently spike out-of-pocket costs.

Other aspects of the climate and health care bill will take much longer to see. An analysis from the Rhodium Group, an independent research firm, said the measure could reduce consumer energy costs in the longer term, with households saving between \$730 to \$1,135 per year, but not until 2030. The Congressional Budget Office has also said the inflation-reducing aspects of the “Inflationary Reduction Act” will be negligible in the short term.

Chris Wilson, a Republican strategist, said the legislation won’t help Democrats’ chances when voters already disapprove of Biden’s handling of the economy.

“Joe Biden and the Democrats are taking a big risk pushing out a major taxing and spending bill on the eve of an election,” he said.

The administration has been sensitive to criticism that it will take years to fully realize its policies.

One senior administration official, insisting on anonymity to discuss private conversations, stressed that 18 months of talks and negotiations were required for the computer chip funding to pass. Because it could take a decade to build semiconductor plants and shift more advanced

chip production to the U.S., the official said America would have been much further ahead in the process if Congress passed the measure earlier. The official said the administration was essentially moving as fast as it could given the speed of politics.

The chips bill was more than a year in the making, but finally cleared Congress late last month with significant bipartisan margins. The Senate passed it 64-33, with 17 GOP senators supporting it, while the House followed suit with a 243-187 vote that included 24 Republicans in favor, even though party leaders began urging their ranks to vote against it after Democrats advanced the separate bill focused on climate and health care.

The White House sought Tuesday to begin selling the immediate impacts of the semiconductor measure, noting that Micron, a leading U.S. chip manufacturer, will announce a \$40 billion plan to boost domestic production of memory chips, while Qualcomm and GlobalFoundries will unveil a \$4.2 billion expansion of an upstate New York chip plant.

“We are working hand-in-hand with private companies who are already announcing new investments here at home,” White House press secretary Karine Jean-Pierre said. Asked when Americans will see new jobs or other impacts of the new competitiveness law, Jean-Pierre declined to say, noting the White House would have details “very soon.”

But there is also a limit as to how fast the administration can pump money into the economy for technological breakthroughs and new infrastructure. Commerce Secretary Gina Raimondo has stressed that the goal is ensuring funding for broadband and economic development is properly spent, not just ushered out the door quickly. Her department will take the lead on implementing the chips law.

Mitch Landrieu, the former mayor of New Orleans who is coordinating the release of infrastructure money, has said the goal is not necessarily to achieve political gains in midterms but ensure that state and local governments get the money they urgently need.

“I didn’t get hired to be a political prognosticator,” Landrieu said in a May interview, noting that even Republicans who opposed the infrastructure spending are now touting its benefits and “that’s OK with us because this was done for the American people.”

Tuesday’s sweltering South Lawn ceremony celebrating the competitiveness bill was the latest White House event running through a veritable checklist of recent accomplishments. Biden will host another Wednesday to sign legislation offering care for veterans suffering from exposure to toxic burn pits. The White House is also expected to hold an event after the climate and health care package clears the House.

“We know there are those who focus more on seeking power than securing the future,” Biden said as he signed the chips measure. But he added that with the new law, “the future of the chip industry is going to be made in America.”

Politico - Democrats in array at last, with domestic agenda in bloom

<https://www.politico.com/news/2022/08/12/democrats-domestic-agenda-00051231?>

By SARAH FERRIS and JORDAIN CARNEY

08/12/2022

Democrats have notched their biggest victory since taking full control of Washington 19 months ago. The November fragrance of their late political bloom remains to be seen.

Every House Democrat on Friday evening gave final approval, along party lines, to a health care, climate and tax bill, delivering on a key campaign promise of Joe Biden's presidency and capping more than a year of talks on the Hill.

The legislation represents the largest investment in addressing climate change in U.S. history, allows Medicare to negotiate with pharmaceutical companies on the costliest prescription drugs and extends health care subsidies through the 2024 election. Biden is expected to swiftly sign the bill.

Minutes after voting, progressive Rep. Chuy García (D-Ill.) summed up the day like this: "Just when you thought nothing big would happen, turned out that something big could happen ... it's a great day."

Republicans sharply opposed the package, which is financed largely by tax increases on large corporations and would reduce the U.S. deficit over time, according to nonpartisan analysis.

"I've been saying for a long time now that Joe Biden is to this country what Harry Truman was back in the 1940s," House Majority Whip Jim Clyburn (D-S.C.) said, while acknowledging that the bill isn't everything Democrats wanted: "But I've always said a half loaf is better than no loaf. You come back and get the other half if we can have a successful election in November and get the numbers we need."

House Democratic Caucus Chair Hakeem Jeffries (D-N.Y.) was more blunt in his Friday floor speech: "It's a big effing deal."

Of course, it's uncertain whether one bill is enough to turn around the historic headwinds and inflation angst that have put the House majority out of reach for Democrats this fall and imperiled their control of the Senate, according to most polls. And the party must now sell the bill to voters who won't see much of its benefits for years — not to mention its own progressive base, where there's keen awareness of how many priorities got dropped.

Even so, three months before Election Day, many party lawmakers are the most upbeat they've been in months about their chances to defy, or at least temper, the GOP's advantage.

“I do think we have a really good story to tell. And we need to sing it from every rooftop over the next couple of months,” said Congressional Progressive Caucus Chair Rep. Pramila Jayapal (D-Wash.).

Democrats walked a winding and occasionally treacherous path to this moment, pressing past months of internal tension between liberals and centrists over the scope of the bill once called “Build Back Better” and now redesigned as the “Inflation Reduction Act.” Now that their legislation is on the verge of becoming law, the terrain ahead could be similarly tough without an aggressive push to promote it.

Lawmakers have already warned that the party’s previous sales jobs, such as last year’s effort to promote the \$550 billion bipartisan infrastructure law, fell flat.

And privately, many Democrats are looking to Biden for a clearer plan this August — perhaps even the kind of nationwide tour that never happened to promote Obamacare a decade ago. Biden’s administration has pledged to House Democrats that they’ll dispatch Cabinet officials to barnstorm during this month’s abbreviated break from Washington.

But such plans for the president have yet to be announced as he embarked on a week-long post-Covid vacation in South Carolina.

Whatever messaging Democrats mount to tout their bill will compete against a bevy of GOP attack ads targeting their vulnerable incumbents in November. So far, Republicans are feeling most confident about their attacks on the bill’s credits designed to promote “luxury” electric vehicles; Democrats slam that as a lie, since only people below certain income levels will qualify for the credits.

Top Democrats, meanwhile, argued the party-line bill wasn’t designed to protect their majorities this fall. Asked about whether it would help the party in the midterms, Speaker Nancy Pelosi insisted that the bill’s policy measures are most important: “This probably could be helpful [in November], I don’t know. But I do know that it will be helpful to America’s working families and that’s our purpose.”

When the Dems officially got the votes, a huge group of activists outside the Capitol burst into cheers. Earlier, Democrats including Reps. Jamaal Bowman (D-N.Y.) and Sharice Davids (D-Kan.) were running up and down collecting high-fives from supporters

Pelosi and her leadership team rounded up every single Democrat to back the package, a notable achievement for the sprawling caucus. Two moderates that leadership was most concerned about — Rep. Jared Golden (D-Maine) and Rep. Vicente Gonzalez (D-Texas) — both ultimately voted yes.

The removal of a narrowed tax break for investment managers known as carried interest, at the behest of Sen. Kyrsten Sinema (D-Ariz.), “angers me,” Golden said in an interview before the

Senate passed the bill on Sunday. “At least they’re not doing” the repeal of limits on state and local tax deductions, he added. “I’ll give ‘em credit for that.”

Extended subsidies for insurance buyers under the Affordable Care Act had been a key priority for a group of moderate Democrats who worried that, without action by Congress this month, insurers would start warning of price hikes just before the midterms.

The bill’s health care provisions — including allowing the U.S. government to negotiate the costs of the priciest drugs in Medicare — are among its most popular elements, according to polls. But the negotiated prices won’t start to kick in until 2026, underscoring the dilemma for Democrats.

“One of the top issues we hear from folks is the cost of prescription drugs. I think people have been talking about that for years and wanting to see progress there,” said Rep. Suzan DelBene (D-Wash.), who chairs the moderate New Democrat Coalition, urging her party to make health care one of its chief selling points for the bill heading into November.

The GOP has focused its attacks, so far, on charges that the bill’s spending will spark higher taxes and inflation at a time when spiking prices remain a major concern for voters. They’ve also hammered Democrats over the bill’s new Internal Revenue Service funding to hire additional enforcement personnel, which they say will result in more tax scrutiny for regular Americans. Democrats counter that the increased IRS enforcement will focus on large corporations and wealthy Americans.

“Do they not understand the concept of pouring gas on the fire?” said Rep Bob Good (R-Va.), who railed against the bill in a floor speech and then proceeded to argue that climate change was a “hoax,” that fossil fuels are “a wonderful thing” and that Democrats wanted to hire thousands of armed IRS agents.

The speech prompted a raucous rebuke from House Budget Chair John Yarmuth (D-Ky.), who called the remarks “lies.”

But in the battle over lower health care costs, Democrats have their own midterm pitch to go up against Republicans’ inflation-minded message heading into November.

“I wouldn’t want to go home and explain to my constituents why I voted against lowering their prescription drug costs. If they want to do that, if that’s their platform, then have at it,” Rules Committee Chair Jim McGovern (D-Mass.) said.

“November is a long time away,” he added. “But clearly I think this is something that’s very, very popular.”

NPR - Inflation Reduction Act aims to lower costs in multiple areas of the economy

<https://www.npr.org/2022/08/08/1116264116/inflation-reduction-act-aims-to-lower-costs-in-multiple-areas-of-the-economy>

August 8, 2022

NPR's A Martinez talks to Brian Deese, director of the National Economic Council, about the Senate passing a major climate, health care and tax bill. Deese discusses what's in it and what isn't.

A MARTINEZ, HOST:

Let's turn now to a top economic adviser to President Biden. Brian Deese is director of the National Economic Council.

Director, how exactly does the Inflation Reduction Act reduce inflation?

BRIAN DEESE: Well, it does it in two ways. The first is it lowers costs for families. And so millions of families out there who are thinking about how to make their monthly budget add up - it will lower prescription drug costs. It will lower health care premiums. And it will lower energy costs - what people pay on their utility bills or they pay for other things like how to get around. And the second thing it does is it lowers the deficit. By making the tax reforms that you were just discussing, it actually will bring down the federal deficit. And that will be complementary to what the Federal Reserve is trying to do on inflation. And that's why even Democrats and Republicans, former Treasury secretaries, economists across the board have said that this bill will make a positive impact on inflation while also tackling some of the biggest and longstanding issues facing our country, like prescription drugs and like tackling climate change.

MARTINEZ: When it comes to lowering those costs you mentioned and having an impact on inflation, as you mentioned, will that happen this year? When is that expected to be felt by Americans?

DEESE: Well, that's what's so important about the structure of this bill. Some of the elements will take place in impact right now. For example, there are 13 million Americans who this fall in just a couple of months are to see lower health care premiums as a result of this legislation. And in fact, this legislation will make it possible for millions more to actually gain health insurance as a result. People are going to feel that impact right now. And at the same time, it makes the kind of long-term investments in our energy security that we have been - we've failed to make as a country for a year.

And by doing that, it will help us build more reliable, more secure and cleaner energy here in the United States, increase the supply of energy. That will bring down costs for families not just in the short term, but over the course of multiple years as well. So this bill is designed to

provide some relief on issues that matter to families right now, but also to tackle these longstanding problems. And I do want to underscore, it's been decades that people have tried to address the climate crisis in a way that increases our energy security. This bill will finally do that.

MARTINEZ: Director, then how are we supposed to square the Congressional Budget Office saying it's going to have little to no impact on inflation this year and Senator Chris Coons saying that Americans might not feel the bill's cost-saving effects this year or even next?

DEESE: Well, respectfully, I think you can look again at a wide range of assessments across the board. Former Treasury secretaries from Republican and Democratic administrations endorsed this bill because they believe it's the right economic prescription for our country. Hundreds of economists stood up and said, what we need right now in our economy is to provide working families a break. Bring the costs down that they face, and also bring costs down at the federal budget level as well.

And it is the case, as Senator Coons mentions - while some of the provisions will take effect immediately, like those health care premium reductions I was talking about, like the out-of-pocket cap that will go into place for people with chronic conditions - don't have to pay more than \$2,000 a year on their prescription drugs, this bill also tackles the long-term issues that we face. And it doesn't shy away from the fact that to tackle climate change and increase energy security, we need to make a long-term commitment. And that's what this bill does.

MARTINEZ: So on climate change, the spending, about \$370 billion - how will that be spent?

DEESE: Well, you can think about this in a couple of ways. The first is tax credits to families and businesses to go clean, to upgrade their own homes and businesses, to buy electric vehicles, to buy energy-efficient appliances, to help Americans actually save money while also reducing their emissions footprint. And second is tax credits to utilities and businesses for building the clean energy economy here in the United States. So that's for things like wind and solar, but also hydrogen, carbon capture and sequestration. And importantly, those tax credits are long term - that provides businesses the long term certainty they need to build those facilities here in the United States at prevailing wages, creating millions of jobs, and also positioning the United States to be a global leader in these innovations, these technologies that are going to need to be exported around the world if we can provide lower energy around the world and also fight climate change internationally.

MARTINEZ: Right. But as we heard from NPR's Deirdre Walsh, there's going to be also new leases for gas and oil production in that bill. So how does this bill get the U.S. closer to cutting global warming pollution in half by 2030 yet continue to allow for gas and oil production?

DEESE: Well, that structure of long-term tax incentives that I just mentioned - independent experts have confirmed that that will put us on a path to lower emissions by at least 40% by the end of this decade. And we believe with the additional actions that we can take, we are on

track to hit the president's goal. This is the first time in decades that the United States has stepped up and passed legislation that would meet the moment on climate change, it would put us in a position where we can confidently say we will meet our climate goals. That's important for the country. It's important for families here in United States. But it's important for the world because, ultimately, we then need to bring that U.S. leadership globally and encourage other countries to take more action as well. But this bill will do that. It will meet the moment, and it will put us in a position to meet our goals.

MARTINEZ: And quickly, one other thing - Kyrsten Sinema agreed to support the measure in part because it left a tax break on certain investors that would have raised \$14 billion. How can that money be recovered somewhere else?

DEESE: Well, the good news is the legislators yesterday figured it out. They put additional tax increases into the bill. Bottom line - this bill has a 15% minimum tax on corporations, a fair and balanced tax reform that will raise enough revenue to more than pay for all of the initiatives and reduce the deficit. So there's always a couple of moving pieces at the end. But they found a way to make it work with deficit reduction and the investments that we need.

MARTINEZ: Brian Deese is the director of the National Economic Council at the White House. Thank you very much.

DEESE: Thank you.

[NY Times - Democrats Designed the Climate Law to Be a Game Changer. Here's How.](https://www.nytimes.com/2022/08/22/climate/epa-supreme-court-pollution.html)

<https://www.nytimes.com/2022/08/22/climate/epa-supreme-court-pollution.html>?

By Lisa Friedman

Aug. 22, 2022

In a first, the measure legally defines greenhouse gases as pollution. That'll make new regulations much tougher to challenge in court.

When the Supreme Court restricted the ability of the Environmental Protection Agency to fight climate change this year, the reason it gave was that Congress had never granted the agency the broad authority to shift America away from burning fossil fuels.

Now it has.

Throughout the landmark climate law, passed this month, is language written specifically to address the Supreme Court's justification for reining in the E.P.A., a ruling that was one of the court's most consequential of the term. The new law amends the Clean Air Act, the country's

bedrock air-quality legislation, to define the carbon dioxide produced by the burning of fossil fuels as an “air pollutant.”

That language, according to legal experts as well as the Democrats who worked it into the legislation, explicitly gives the E.P.A. the authority to regulate greenhouse gases and to use its power to push the adoption of wind, solar and other renewable energy sources.

“The language, we think, makes pretty clear that greenhouse gases are pollutants under the Clean Air Act,” said Senator Tom Carper, the Delaware Democrat who led the movement to revise the law. With the new law, he added, there are “no ifs, ands or buts” that Congress has told federal agencies to tackle carbon dioxide, methane and other heat-trapping emissions from power plants, automobiles and oil wells.

This month, in the hours before the bill passed the Senate, Republicans waged a last-minute, mostly unsuccessful predawn battle to remove the language from the legislation. Later that day, the Senate approved the climate-and-tax bill by a vote of 51 to 50, along party lines, with Vice President Kamala Harris casting the tiebreaking vote.

Republicans objected to the language, and to the fact that it appeared in a budget bill, a category of legislation focused on government spending and revenue.

“It’s buried in there,” Senator Ted Cruz, Republican of Texas, said on Fox Business Network ahead of the Senate vote. “The Democrats are trying to overturn the Supreme Court’s West Virginia vs. E.P.A. victory,” he added, referring to the ruling that curbed the E.P.A.’s ability to tackle global warming. Mr. Cruz did not respond to requests to discuss his opposition.

Conservative organizations that have challenged the Environmental Protection Agency’s authority in the past said the new law would not stop future lawsuits. Robert Henneke, executive director of the Texas Public Policy Foundation, a conservative nonprofit group, said “sneaking in this verbiage” into the new law “is probably just going to set up future regulatory fights.”

Legal experts, on the other hand, said those fights would almost certainly be harder to win.

Jody Freeman, a professor at Harvard Law School and an expert on the Clean Air Act, said the language cemented E.P.A.’s authority and would be “a powerful disincentive” to new lawsuits.

The new law includes about \$370 billion over 10 years to expand the use of electric vehicles, jump-start renewable energy such as solar and wind power, and develop newer energy sources like clean hydrogen. It is the largest investment in climate-change solutions in United States history, and it is expected to help cut emissions about 40 percent below 2005 levels by the end of this decade.

That gets close to Mr. Biden's goal of cutting emissions roughly in half during that time period, but White House officials have said they intend to pursue new regulations through the Environmental Protection Agency to close the gap.

Among other things, the law provides billions of dollars to the E.P.A. to reduce emissions from power plants and helps to fund the development of wind, solar and power sources that don't emit carbon dioxide. The law also encourages states to adopt California's aggressive plan to phase out gas-powered vehicles by 2035.

Republican attorneys general and conservative allies in states that rely heavily on fossil fuels are pursuing legal efforts to limit the federal government's power to cut emissions, in part by challenging the legal doctrine by which Congress has delegated authority to federal agencies to regulate the environment.

Mr. Henneke of the Texas Public Policy Foundation called the billions of dollars in the climate law "a total end run" around the Supreme Court decision limiting the E.P.A. He described it as a continuation of what he called "the war on coal, the war on energy, the war on fossil fuels."

The Clean Air Act was enacted in 1970, at the birth of the environmental movement, and is the primary law defining the E.P.A.'s responsibilities for protecting and regulating air quality. It was significantly expanded in 1990 to curb other major environmental threats like acid rain and urban smog.

The act does define greenhouse gases in some sections, but does not explicitly direct the Environmental Protection Agency to regulate carbon dioxide. Rather, it more broadly asks the agency to regulate pollutants that "endanger human health." In 2007, the Supreme Court, in *Massachusetts vs. E.P.A.*, No. 05-1120, ordered the agency to determine whether carbon dioxide fit that description. In 2009, the E.P.A. concluded that it did.

That conclusion meant carbon dioxide could be legally defined as a pollutant and regulated. The Obama and Biden administrations used that finding to justify regulations on gasoline-powered vehicles and coal and gas-burning power plants, and several Supreme Court cases subsequently upheld that authority.

Yet, because Congress had never before directly addressed the issue, challenges have continued. In *West Virginia vs. E.P.A.*, No. 20-1530, the landmark ruling this year, conservative Supreme Court justices made clear that if lawmakers really wanted the government to move away from fossil fuels, they should say so.

"One threshold assumption in the ruling was that Congress had not made it abundantly clear that E.P.A. had a responsibility to address climate pollution from the power sector," said Vickie Patton, general counsel for the Environmental Defense Fund. "Well, it is now abundantly clear," she said.

Some experts played down the effect of the provisions. Jeff Holmstead, an energy lawyer who served in the E.P.A. during both Bush administrations, said there was a near-zero chance that legal efforts by some conservative groups to eliminate the government's ability to regulate climate pollution would have prevailed anyway.

"I don't think it changes anything," Mr. Holmstead said of the law's effect on the Supreme Court ruling. But he called the clean energy incentives in the bill "very significant," saying, "those tax credits certainly will make it easier for companies to transition away from fossil fuels."

The E.P.A. didn't respond to a request for comment on what effect the law might have on agency regulations.

In the hours before the legislation passed the Senate, Republicans fiercely fought the language behind closed doors, according to three Senate aides who were involved in the discussions.

Environmental advocates noted that the language had appeared in an early version of the climate and tax package that passed the House in November. It didn't change when two Democratic senators, Chuck Schumer of New York and Joe Manchin III of West Virginia, announced in mid-July that they had reached a new deal, which they called the Inflation Reduction Act.

Republicans first tried to persuade the Senate parliamentarian, Elizabeth MacDonough, the nonpartisan referee whose job it was to check the bill against the intricate rules for passing budget bills, that there should be no explicit references to greenhouse gases as pollutants.

Seated around a long table in the ornate Lyndon Baines Johnson Room, just off the Senate floor, on Aug. 3, top Republican and Democratic aides faced off for more than three hours. Ultimately Ms. MacDonough allowed that language and other provisions amending the Clean Air Act to go through.

Later, on the Senate Floor, Senator Shelley Moore Capito, a West Virginia Republican, successfully cut from the package \$45 million that she argued would have expanded E.P.A.'s authority and did not meet the complex rules for passing a budget bill. But Democrats and legal experts said the fundamental changes to Clean Air Act and amendments to it remained intact.

[Atlantic - The Inflation Reduction Act could change the world in at least five ways.](https://www.theatlantic.com/science/archive/2022/08/inflation-reduction-act-america-world-diplomacy/671293/)

<https://www.theatlantic.com/science/archive/2022/08/inflation-reduction-act-america-world-diplomacy/671293/>

By Robinson Meyer

AUGUST 31, 2022

Nearly seven years ago, a single mischosen word nearly killed the Paris Agreement.

With only hours left to go on the final day of the talks, American diplomats noticed a discrepancy in the new climate agreement's text. Where previous drafts of the pact had said that rich countries "should" take the lead on preparing greenhouse-gas reductions plans, the final draft replaced that word with the more definitive "shall." If the new treaty had created new binding legal requirements for the United States, President Barack Obama would have had to submit it to the Republican-controlled Senate, which would have surely rejected it. After some tense bargaining, a revision was rushed through at the last moment.

The episode reflected just how central the United States has been to international climate diplomacy: Although 174 countries agreed to the Paris Agreement, it was tailor-made to accommodate America.

For decades, climate policy makers have had to navigate two extremes. On the one hand, humanity probably can't solve climate change without the United States, and the rest of the world knows it. America is simply too big, too rich, and too powerful to ignore. On the other, America has treated the climate with tremendous negligence: Few countries have thwarted global climate policy—or done as much to cause the climate problem—as has the U.S.

That may have started to change this month with the passage of the Inflation Reduction Act. The first comprehensive climate law in American history, the IRA mostly focuses on the domestic economy, aiming to cut emissions by supercharging the development of clean technology.

But it will also influence the international politics of climate change. For the first time since the modern era of climate politics began more than 30 years ago, the United States can credibly claim to be a leader on climate change.

"Genuinely, my view is that this is possibly the biggest thing to happen in international climate diplomacy in decades," Joseph Curtin, the managing director for power and climate at the Rockefeller Foundation and a former climate adviser to the Irish government, told me. "That sounds quite dramatic, especially given that [the law] doesn't have an international dimension. But it establishes the U.S. bona fides on the international stage."

Over the past week, I've talked with international climate experts working in the United States and around the world. They agreed that the IRA will permanently alter the world's fight against climate change, even if it is not yet clear exactly how. Here are five takeaways from our conversations.

1. The law finally gives America some climate credibility.

Fighting climate change has been one of President Joe Biden's biggest foreign-policy goals. During his first 100 days in office, he held a "Leaders Summit on Climate" from the White House, where he committed to cutting the country's annual emissions by at least 50 percent by 2030 compared with their all-time high. In international meetings, his administration has beseeched other countries to increase their emissions-reduction targets.

This is a continuation of America's approach to climate under previous Democratic presidents, most notably Obama. Yet for years, America has almost never matched its rhetoric with its action. Congress has repeatedly failed to pass a bill aimed explicitly at reducing U.S. carbon pollution; its pro-climate regulations have flailed in court. And since April of last year, the Biden administration has continued to promise major emissions cuts by 2030—while being unable to furnish any actual policy that will lead to those cuts.

Read: Biden's climate law is ending 40 years of hands-off government

The IRA has changed that dynamic. "We definitely needed something for the U.S. to have a modicum of credibility," said Claire Healy, a former British Labour Party adviser who now leads the Washington, D.C., office for E3G, an international climate think tank. "There's now a plan. And before, there wasn't a plan; there was a gaping hole."

For years, America's lack of credibility weakened the force of any pronouncements it made about climate change, and could (reasonably!) give the impression that Americans wanted only to pay lip service to the climate problem. Now its diplomats have a leg to stand on when they spar with their peers from other countries or talk to the world directly. "The U.S. can come to [this year's UN climate conference] with the position of We're not only talking the talk; we're walking the walk," Curtin said.

2. It will reshape America and China's relationship over climate change.

Perhaps the only idea that has defined Biden's foreign policy more than climate change—and that unified Biden's and Donald Trump's approaches to the world—is that America is locked in a global competition with China and must strengthen its position accordingly.

The IRA fuses those two ideas, creating a new national industrial policy designed to reshore certain clean-energy industries and nurture U.S. competitors to Chinese EV companies. It joins other efforts, such as the recent bipartisan CHIPS and Science Act, that enact a more muscular U.S. industrial policy than the country has seen in a generation.

That makes the new U.S.-China competition real in a way that it wasn't before, Alex Wang, a UCLA Law professor and expert on Chinese climate policy, told me. "There's a lot of discussion from Biden about competing with China, but you'd have to say that it felt like talk, because the U.S. wasn't acting. This is necessarily a big action. It should make everyone take the U.S. much more seriously," he said.

At the same time, the IRA more closely resembles China's own approach to climate policy—that is, the law tries to decarbonize by making strategic investments in certain industries, not by regulating or taxing carbon emissions. “It’s a validation of that approach, which, in a sense, China has been doing all along, for the past 15 years,” Wang said.

Chinese leaders will take note of the fact that U.S. clean-energy companies may soon compete with their own, he said, but they may also enjoy the indirect endorsement that America has just given their style of economic management. Other countries are paying attention too. “I think that’s positive—that state support is not viewed as a dirty word in the U.S.—and hopefully it validates that approach around the world,” he said.

3. But America's allies are wary of the law's protectionist impulses.

The IRA attempts to remake several clean-energy industries in ways that will benefit America's trade balance. Some of its subsidies, such as its aggressive solar-manufacturing or hydrogen incentives, are available only to American firms making things on American soil, and it all but tries to entirely reshore the battery industry.

That made allies' response to the bill “a bit muted,” Healy, the E3G analyst, told me. “Other countries must be looking at this and [getting] worried about those local-content requirements,” she said, referring to provisions in the bill that say EVs will qualify for some subsidies only if the minerals used in their batteries were mined and processed in the United States or countries that it has a free-trade agreement with.

But America's free-trade pacts don't cleanly overlap with its list of security allies: The U.S. has free-trade agreements with Australia, Canada, and Mexico, for instance, but not with Japan, South Korea, Germany, or the United Kingdom. Representatives of those countries may now want to negotiate with the U.S. to see how they can soften the blow to their own industries, a process that will wind up integrating U.S. climate policy with the larger apparatus of American state power. The future may see more agreements like last year's U.S.–European Union steel arrangement, where each jurisdiction agreed to subject its steel industries to higher environmental standards in exchange for looser trade restrictions.

4. It will help developing countries by reducing the cost of green technology.

Although a handful of places—such as China, the U.S., and the EU—dominate global emissions today, that won't be the case in the future. By the middle of the century, some of the world's most populous countries—such as Indonesia, Pakistan, and Nigeria—will contribute a much larger share of the world's emissions. (That's assuming, at least, that they follow the same carbon-intensive development path that China, Japan, and the United States did before them.)

Although the IRA is targeted domestically, it may help set up a green vortex, lowering the cost of wind, solar, batteries, and other crucial technologies for decarbonizing. That would make them easier for poorer countries to purchase, Fabby Tumiwa, an Indonesian climate expert and

the executive director of the Institute for Essential Services Reform, an Indonesian energy think tank, told me.

Read: The best evidence yet that the climate bill will work

The IRA, he said, “is really good for a developing economy like Indonesia due to spillover effects because of lower costs.” Over the past decade, China and Europe have driven most of those spillover effects: They’re chiefly responsible, for instance, for the tenfold decline in solar prices that has helped fuel that technology’s explosive growth around the world. Now the IRA might fuel a huge boom in supply and demand from the U.S., driving further declines.

In the Indonesian economy, Tumiwa said, those cost declines are crucial, because the cost of energy must be kept low as the country industrializes. One of Indonesian policy makers’ biggest concerns is that “the cost of energy will increase” too much at once, he said. “That will cause the loss of our competitiveness.”

“In an emerging economy like Indonesia ... we see emission reductions” as really having “to come from developed economies,” Tumiwa told me. “We need more time. So if developed countries like the U.S. and some EU members can make a significant reduction by 2030, I think that is good.”

5. The IRA doesn’t help with one of the biggest hurdles to global decarbonization.

In sub-Saharan African and several other regions of the world, the greatest obstacle to decarbonizing today is not the cost of an individual solar panel or wind turbine. “The key issue is not the cost of technology; it is the cost of money,” Saliem Fakir, the director of the African Climate Foundation, told me.

In general, renewables can sometimes be more expensive to operate in sub-Saharan Africa than they are elsewhere in the world—not because the technology is any different, but because the financing costs are much higher, Fakir said. What these countries need above all, he said, is access to loans and other forms of financing at rates similar to those the United States and Western European countries can access. Not only do cheaper borrowing costs make it easier for countries to build more renewables in general, but they also hasten the arrival of the moment when it’s less expensive to build new clean-energy sources than it is to operate existing fossil-fuel power plants.

The IRA does nothing to change that status quo, even though this problem has been on the radar of policy makers in the West. Last year, the U.S. and several European countries agreed to help South Africa secure financing for its clean-energy transition, Curtin told me. But so far, the richer countries haven’t yet coughed up the promised capital.

This is the inevitable problem with laws such as the IRA that are domestically oriented. For the past few years, Western governments have announced huge spending bills devoted to solving climate change or recovering from the COVID-19 recession, Healy said. But that money was always meant to help their own economies.

“So if I was sitting in another part of the world, I’d say, ‘Great shakes, you’ve pulled out a pot of money to deal with COVID for Europeans and Americans, then you’ve pulled out another pot of money for climate. Where’s the pot of money for us?’ Where is the offer to those countries to build the modern economy?”