



Legislative Outlook – January 2024

FY2024 Funding

Speaker Mike Johnson and Majority Leader Chuck Schumer came to an agreement over the weekend on top line funding discretionary spending numbers for FY2024. The agreement roughly mirrors the dollar amounts agreed upon in last summer's Fiscal Responsibility Act - \$1.659 trillion, with \$773 billion for non-defense and \$886 billion for defense. Importantly, the approximately \$69 billion side car agreement for non-defense funds stays in tact. Speaker Johnson was able to extract \$16 billion in savings - \$10 billion in an accelerated IRS cut that will be enacted in FY24 instead of FY25 and a rescission of \$6.1 billion in unspent COVID funds.

This gives Congress 11 days to turn this top line agreement into actual spending bills before four appropriations bills – Ag, Energy and Water, MilCon, and THUD – expire. Johnson told House Republicans in a dear colleague that he will continue to fight for policy riders in the coming appropriations bills, which won't fly with Senate Democrats. Working through policy riders – Democrats call them poison pills – could complicate timing on these bills.

Conservatives, the House Freedom Caucus, and others are quite upset by this deal. With a two vote margin in the House, Speaker Johnson won't be able to pass this legislation under a rule because he won't be able to pass a rule on the floor - or potentially through the Rules Committee itself – as rule votes are almost always partisan and some Republicans would, if given the chance, vote against the rule as a way to sink the underlying measure. That means the bill will have to pass under suspension of the rules with 2/3 support of the House.

Democrats are likely to support the deal, but Republicans are facing the reality that their preferred speaker candidate who once led the conservative Republican Study Caucus can't deliver every legislative win they want. House Republicans are likely to vote no in droves, particularly if and when Speaker Johnson doesn't land the policy wins conservatives are demanding in the bills themselves. So, while this deal makes a government shutdown less likely, it is far from a done deal. Less resistance is expected in the Senate.

Border + Ukraine + Israel + Taiwan Supplemental

The deal does not resolve the Ukraine funding supplemental/border deal being pursued by a handful of Senators and the White House. What's more, some conservatives are now threatening to link border security with government funding instead of supplemental funds for Ukraine. However, most of those Members are likely to vote against government funding in nearly any circumstance, so their threat might ring hollow.

While a small handful of bipartisan senators continued to meet virtually over the holidays to negotiate a potential deal on border security, there's still no agreement on a border deal that at this point is a near necessity to pass supplemental funds for Ukraine, Israel, and Taiwan. Because of the looming government funding deadlines, it seems increasingly likely that changes to border policy plus any supplemental funds are going to occur alongside FY2024 funding negotiations. This could either make the supplemental slightly more likely as Congress works best when it is facing a deadline, or slightly less likely because of the complicated nature of negotiating border security, supplemental assistance to Ukraine and Israel, plus government funding writ large. Negotiators are signaling that they may have text this week, but negotiations remain far from over.

Increasing pressure, particularly from the left, on the Biden Administration to make funding to Israel contingent upon human rights, further complicates matters. Even if the Senate cuts a deal, there's no guarantee that House Republicans will accept it. Negotiators and Senate leadership hope to cut a deal that both gets bipartisan support and has enough Senate Republican yes votes that it is easier for House Republicans to swallow, but even under that instance there's no guarantee Speaker Johnson would put that deal on the floor for a vote.