

Van Scoyoc Associates Washington Update

June 17, 2022

WHITE HOUSE

Inflation Worries

On Wednesday the Fed delivered its biggest interest-rate hike in almost three decades, as it takes the fight against inflation into overdrive. When central bankers try this hard to slow the economy down, they often end up tipping it into outright reverse. All of this, it's worth pointing out, is happening at a time when US consumers are still flush with cash and jobless rates are near historic lows. Fed Chair Jerome Powell said Wednesday there's "no sign" of a broader slowdown. The Fed's own projections, and others highlighted by the administration, suggest a recession remains unlikely. **Biden met with** Speaker Nancy Pelosi (D-Calif.) and Senate Majority Leader Chuck Schumer (D-N.Y.) to discuss "their shared agenda of tackling inflation and lowering prices and transitioning from a historic economic recovery to stable, steady growth," according to White House statement. **Treasury Secretary Janet Yellen met** the CEO members of the Bank Policy Institute Thursday to discuss global economic outlook, and Biden administration's efforts to address inflation, according to Treasury's daily guidance

Federal Reserve Chair Jerome Powell will face lawmakers after earlier this week initiating the biggest interest rate hike since 1994, seeking to stymie the highest inflation in 40 years. Powell and the Fed have been slammed by critics for not anticipating the fastest price gains in four decades and then for being too slow to respond to them — criticism he's likely to hear a fresh chorus of in the Senate Banking Committee on Wednesday and the House Financial Service Committee on Thursday.

Biden will convene world leaders from roughly two dozen countries in a summit Friday focused on propelling the fight against climate change, even as strained energy markets and the war in Ukraine complicate action to arrest global warming. The virtual summit, which aims to bring together representatives from at least 20 countries and the European Union, is on track to be the largest gathering of world leaders focused on climate action ahead of a critical United Nations summit in Egypt this November.

Biden signed legislation on Thursday aimed at cutting overseas shipping prices, calling the new law another move by his administration to curb stubborn inflation. The law will stop "shipping companies taking advantage of American families, farmers, ranchers and businesses," the president said at a signing ceremony for the broadly bipartisan measure.

CONGRESS

Congress' Schedule Ahead

Congress returns Tuesday for its last June week of floor votes to jam in work on gun regulations, appropriations, mental health, veterans' benefits, and a bill to boost competition with China, all before jetting off for a two-week July 4 recess.

The House will vote on several bills, according to Majority Leader Steny Hoyer (D-Md.), including measures to:

• Terminate the special waiver doctors need to prescribe substance use disorder treatment medicine, require all nonfederal governmental health plans to comply with mental health insurance parity rules, and reauthorize numerous grant programs (H.R. 7666)



- Direct agencies that gather demographic data in surveys to collect voluntary data on sexual orientation, gender identity, and intersex traits (H.R. 4176)
- Establish a new agency focused on developing medical breakthroughs for diseases such as cancer (H.R. 5585)
- Enhance mental health care for veterans (H.R. 6411).
- Provide treatment for veterans who were exposed to toxic burn pits through the version of <u>H.R. 3967</u> that the Senate passed yesterday

Bipartisan talks aimed at nailing down the details of a gun safety package will continue today and possibly over the weekend to try and prepare legislation for the floor by Tuesday, Sen. Chris Murphy (D-Conn.), one of the lead negotiators, told reporters. While all-day talks ended yesterday without a final deal, Murphy said he's still optimistic he and Sen. John Cornyn (R-Texas) can resolve outstanding matters, including state funding related to red flag laws and details over taking guns from domestic partners deemed dangerous. Murphy said drafting is already underway on many other parts of the package. "We need to work through the next 24 hours, but we're operating as if we're bringing this bill to the floor," he said.

Cornyn, who left the down-to-the-wire talks to go home for the weekend, said it's time to "fish or cut bait" on the legislation. He told reporters the other negotiators already know where he stands on remaining issues and he would remain in touch by email and text.

USICA/COMPETES Update

It's even less likely lawmakers will pass legislation to boost competition with China before recess after they departed for the weekend without a deal. Rep. Judy Chu (D-Calif.), a member of the conference committee hashing out differences between the House and Senate versions of the bill (H.R. 4521), said negotiators were down to "fine print" and "reaching points of contention."

"There is great pressure to finish it up," Chu said. "We were hoping next week—probably will not be next week. Probably will be in July." Rep. Darren Soto (D-Fla.) said provisions "will start dropping out" to reach a deal before the August recess, but no decisions have been made. Senate Banking Chair Sherrod Brown (D-Ohio) said that to get it done by next week, "we need to get the principals together on this."

House appropriators will tackle their first full committee markups of fiscal 2023 spending bills covering the Agriculture-FDA, Defense, Homeland Security, Legislative Branch, and Military Construction-Veterans Affairs measures, all of which were approved this week. Six subcommittees — Commerce-Justice-Science, Energy and Water Development, Interior-Environment, Labor-HHS-Education, State-Foreign Operations, and Transportation-Housing and Urban Development — are scheduled to mark up their bills.

- Agriculture-FDA: 134 earmarks totaling \$191.2 million.
- **Defense:** 16 earmarks totaling \$54.2 million.
- **Financial Services:** 99 earmarks totaling \$79.5 million.
- Homeland Security: 92 earmarks totaling \$213.5 million.
- Military Construction-VA: 28 earmarks totaling \$381.2 million.

Popular Wildlife Conservation Bill to Aid States Passes House

- Measure would dedicate \$1.4 billion per year for projects
- Senate panel advanced companion legislation in April



The House passed bipartisan wildlife conservation legislation which would establish roughly \$14 billion over the next decade for species recovery and habitat. The vote on Tuesday was 231-190. The measure (H.R. 2773) would dedicate approximately \$1.4 billion per year for states, tribes, and territories to identify and manage conservation projects. The money would come from penalties collected for environmental violations rather than through annual congressional appropriations. The Recovering America's Wildlife Act would amend the 1937 Pittman-Robertson Wildlife Restoration Act.

BIPARTISAN INFRASTRUCTURE LAW

EPA Announces New Drinking Water Health Advisories for PFAS Chemicals, \$1 Billion in Bipartisan Infrastructure Law Funding to Strengthen Health Protections

The U.S. Environmental Protection Agency (EPA) released four drinking water health advisories for per- and polyfluoroalkyl substances (PFAS) in the latest action under President Biden's action plan to deliver clean water and Administrator Regan's PFAS Strategic Roadmap. EPA also announced that it is inviting states and territories to apply for \$1 billion – the first of \$5 billion in Bipartisan Infrastructure Law grant funding – to address PFAS and other emerging contaminants in drinking water, specifically in small or disadvantaged communities. These actions build on EPA's progress to safeguard communities from PFAS pollution and scientifically inform upcoming efforts, including EPA's forthcoming proposed National Primary Drinking Water Regulation for PFOA and PFOS, which EPA will release in the fall of 2022.

Bipartisan Infrastructure Law Funds for Apprenticeships

The U.S. Department of Labor, Employment and Training Administration's Office of Apprenticeship (OA) and U.S. Department of Transportation (DOT) will host a webinar to share ways state apprenticeship expansion grantees may utilize the Infrastructure Investment Job Act (IIJA) funding to further Registered Apprenticeship expansion in the infrastructure sector. Wednesday, June 22, 2022 Register <a href="https://example.com/here-en/linearing-new-months/en/linear

SCIENCE, RESEARCH, AND DEVELOPMENT

House Appropriations Committee markups FY2023 Financial Services and General Government funding

The legislation provides annual funding for the Department of the Treasury, the Judiciary, the Executive Office of the President, and other independent agencies, including the Small Business Administration. For fiscal year 2023, the bill includes \$29.8 billion in funding, an increase of \$4.3 billion – 17 percent – over fiscal year 2022. The text of the draft bill is here. The legislation:

- Assists small businesses and entrepreneurs through the Small Business Administration and Community Development Financial Institutions
- Protects our democracy with Election Security Grants to ensure the integrity and safety of our elections
- Rebuilds the Internal Revenue Service to finally crack down on big corporations and the wealthy who are not paying their fair share and to provide better customer service to working families navigating the tax system
- Supports working and middle-class families by increasing funding for consumer protection activities at the Consumer Product Safety Commission and the Federal Trade Commission
- Confronts the climate crisis by providing funding to start the transition of the Federal vehicle fleet to electric and zero emission vehicles



DOE Releases Strategy for Building Cyber-Resilient Energy Systems

The U.S. Department of Energy (DOE) <u>released</u> the congressionally-directed National Cyber-Informed Engineering (CIE) Strategy to provide a framework for enhancing engineering training, tools, and practices to build resilient clean energy systems designed to withstand cyber threats. The Strategy encourages the incorporation of cybersecurity technology early in the design lifecycle of engineered systems to reduce cyber risks and vulnerabilities including threats by foreign actors. Securing a strong and reliable clean energy grid is a key component of achieving President Biden's goal of a net-zero carbon economy by 2050.

NSF Increases Access to Quantum Computing Resources

The National Sciences Foundation (NSF) recently reiterated its support for supplemental funding for access to cloud-based quantum computing resources via Amazon, IBM, and Microsoft. The latest Dear Colleague Letter (DCL) on the topic is very similar to one issued in 2020, which initiated the program. Reprinted below is a portion of the most recent NSF DCL issued earlier this month. NSF recommends PIs use CloudBank to manage the requests for access/funding to quantum resources: "The benefits of using CloudBank include no indirect costs on cloud spend; a multi-cloud, pay-per-use billing model; automated account management; help desk support; and tools to help monitor cloud spend. PIs requesting to use CloudBank will separate their proposed quantum costs from their institutional budget and the total of both may not exceed the budget limit described in this DCL (see below)."

Solar R&D Projects Part Of U.S. Investment In Clean Energy Industry

With President Biden issuing presidential determinations on June 6 to provide the U.S. Department of Energy (DOE) the authority to utilize the Defense Production Act (DPA) to accelerate domestic production of five key energy technologies, a flurry of activity around clean energy is expected. The focus of the President's action is on the following technologies:

- Solar
- Transformers and electric grid components
- Heat pumps
- Insulation
- Electrolyzers, fuel cells, and platinum group metals

DPA authority, with the necessary funding appropriated by Congress, will allow the federal government to invest in companies that can build clean energy facilities, expand clean energy manufacturing, process clean energy components, and install clean energy technologies for consumers. DOE announced that it had selected 19 projects across 13 U.S. states, with a total funding of \$6 million, that will pursue targeted, early-stage ideas in solar energy research and development. The projects were selected through the <u>Solar Energy Technologies Office (SETO) Small Innovative Projects in Solar (SIPS) 2022 Funding Program</u>.

ECONOMIC DEVELOPMENT

Hub for military vets coming to Virginia Tech's new Alexandria campus

Boeing and Virginia Tech will <u>establish</u> a workforce development center in Alexandria to help military veterans transition to civilian life and build careers in the technology and defense industries, the two entities announced Monday. The center, which will be housed at Virginia Tech's new graduate engineering campus in the Potomac Yard neighborhood, marks yet another example of how local officials are hoping to grow and diversify Northern Virginia's pipeline of engineering talent as the region shapes up into a major tech hub.

The UAE's Increasing Role as a Regional FinTech Hub



Home to two booming international financial centers — emirates Abu Dhabi and Dubai — the United Arab Emirates (UAE), the third-largest economy in the Arab League after Saudi Arabia and Egypt, is increasingly becoming a key regional facilitator of FinTech innovation, as the country continues its shift from a post-oil economy to tech-focused industries. With India, the country has inked the Comprehensive Economic Partnership Agreement (CEPA) which went into effect in May and is aimed at helping to build bridges between the business communities of the UAE and India and significantly boost trade between the two countries. In addition to that cross-border collaboration initiative, another key factor contributing to this rapid acceleration in FinTech innovation has been at the government level, with millions being pumped into the startup ecosystem in recent years through sovereign wealth funds (SWF) like the Abu Dhabi Investment Authority (ADIA), one of the world's largest SWFs with nearly \$700 billion in assets.

State, local officials buoyed by glowing report on Md. tech industry

A new report has found that Maryland has had the highest tech workforce growth since May 2021 and is tied for the lowest gender gap in technology jobs. The report from the Technology Councils of North America was greeted with enthusiasm by Baltimore and Maryland civic and business leaders who are seeking to ramp up development in the tech industry, an effort made difficult by the fact that some 20,000 technology jobs in the area are open. Still, leaders in the region say, the report is evidence that companies are beginning to realize the potential of Baltimore and are willing to move their businesses to the area.

HEALTH

Work Continues on Mental Health

As we have previously reported, the House will vote on a mental health/substance use package next week. The House Rules Committee will <u>meet</u> on Tuesday to tee up debate by the full House. The bill was approved by the House Energy and Commerce Committee last month.

Meanwhile, the Senate Finance and Health, Education, Labor and Pensions (HELP) Committees continue to work on developing legislative packages. This week, Senators Wyden (D-OR), Crapo (R-ID), Carper (D-DE) and Cassidy (R-LA) released a <u>discussion draft</u> on youth mental health. This draft follows the release of a discussion draft on telehealth and Chairman Wyden had indicated that multiple drafts might be released prior to Committee consideration.

While the Committees had hoped to consider bills this month, the timeline seems to be slipping into July with the Senate on recess for the 4th of July over the last week in June and the first week in July. One staffer indicated this week that he thinks a final agreement could be included on an end-of-year package.

Senate HELP Passes Major FDA Bill, Bicameral Talks Next

On Tuesday, the Senate Health, Education, Labor, and Pensions Committee (HELP) passed the Food and Drug Administration Safety and Landmark Advancement Act (FDASLA). The core of the legislation is a five year reauthorization of the user fee programs for the Food and Drug Administration's (FDA) prescription drug, generic drug, biologic/biosimilars, and medical device programs. However, in addition to the user fee programs, FDASLA included important reforms at FDA in the fields of infant formula, cosmetics, dietary supplements, and diagnostic testing.

The debate on and amendments to FDASLA primarily focused on efforts by senators to address the costs of prescription drugs and to rectify the recent infant formula shortage. One of the most debated amendments was an amendment by Senator Bernie Sanders (I-VT) to allow for the importation of prescription drugs from Canada to lower drug costs for



Americans. Supporters and opponents of the amendment crossed partisan lines, discussing price controls, Canadian drug safety, and other matters related to the amendment. The amendment was ultimately tabled on a 10-7 vote.

Another key amendment was offered by Senator Tommy Tuberville (R-AL) which would exempt academic medical centers from the VALID Act (the diagnostic testing reform piece of FDASLA). Supporters argued that academic medical centers already validate the safety and accuracy of a test under the Clinical Laboratory Improvement Amendments (CLIA) standard. They argued these innovative labs should not be double regulated by FDA in the future as well. The opponents of the amendment argued it was too broad and could lead to academic medical centers seeking exemptions from other FDA requirements. The amendment was tabled 12-10.

As amended, the entire FDASLA legislation was passed by the Committee on a 13-9 vote. Surprisingly, Ranking Member Richard Burr (R-NC) voted against the legislation which included so many of his own proposals on the grounds he worries FDA is not able to do the work Americans expect from them. Now, the HELP Committee and the House Energy and Commerce Committee look to negotiate a user fee package with the goal to get such a bill signed early in August, before FDA has to issue pink slip notices to their staff. VSA has heard talks are expected to begin next week. There is expected to be substantial horse trading involved in the areas outside the traditional user fees, including dietary supplements, cosmetics, diagnostic tests, and infant formula.

Senate HELP Holds Hearing on Administration's COVID Response

Yesterday, the HELP Committee held a <u>hearing</u> with Administration officials on the ongoing response to the COVID-19 pandemic. Throughout the hearing the Administration witnesses continued to reiterate that the federal government needs additional dollars and that all Americans need booster shots. Ranking Member Burr (R-NC) accused the witnesses of dodging questions posed to them and said their responses were unacceptable.

Hospitals Ask Congress to Address July 1st Sequestration

On July 1st, a series of significant cuts are scheduled to go into effect under various Medicare programs as a result of long-delayed sequestration cuts. This week, the <u>American Hospital Association wrote Congress</u> asking that they act quickly to address the scheduled cuts. In the letter, hospitals express that sequestration cuts would be even more damaging now due to the current inflationary challenges which have reduced their purchasing power. At this point, it is unclear if and how Congress will act on the scheduled sequestration cuts.

Upcoming Hearings & Events

June 23: House Appropriations Committee Labor-HHS Subcommittee markup of the FY23 Labor-HHS bill

June 30: House Appropriations Committee full committee markup of the FY23 Labor-HHS bill

FDA Authorizes COVID-19 Vaccine For Kids Under 5

This week, the Food and Drug Administration (FDA) <u>approved</u> Moderna and Pfizer's COVID-19 vaccines for children ages 6 months to 4 years old. That age group has been the only population ineligible to be vaccinated. A Centers for Disease Control and Prevention (CDC) advisory panel will meet today and tomorrow for the final step in the process, and assuming all goes well, vaccines will be going into tiny arms as soon as next week.

It is being <u>reported</u> that all states except for Florida pre-ordered vaccines with deliveries to pediatricians, hospitals and community health centers expected to start as soon as Monday. At a press conference in Miami, Florida Governor



DeSantis confirmed that the state did not place an order and said "I would say we are affirmatively against the COVID vaccine for young kids."

HHS Releases Audio-Only Telehealth HIPAA Guidance

On Monday, the Department of Health and Human Services' Office for Civil Rights (OCR) issued <u>guidance</u> on how HIPAA rules permit covered health care providers and health plans to use remote communication technologies for audio-only telehealth after the public health emergency concludes. Under the COVID-19 emergency, HIPAA-covered entities have been allowed to use a wider array of technology to provide care. The guidance is intended to help individuals continue to benefit from audio-only telehealth by clarifying how covered entities can provide these services in compliance with the HIPAA Rules and by improving public confidence that covered entities are protecting the privacy and security of their health information. OCR's guidance says the HIPAA security rule requiring safeguards applies to audio-only telehealth when it is conducted electronically, but not over landlines. It also says that providers have to enter a business associate agreement with apps that store protected health information. In a <u>press release</u>, OCR Director Lisa Pino touted audio-only telehealth as a way to reach rural patients and people with disabilities.

Supreme Court Strikes Down HHS 340B Rule

On Wednesday, the Supreme Court issued its ruling on the case of American Hospital Association v. Becerra. This case questions whether the Department of Health and Human Services (HHS) has the authority to cut payments to hospitals participating in the 340B drug discount program. 340B generally requires that drug companies provide discounts on their drugs to hospitals which participate in the 340B program providing health services to vulnerable populations. However, in 2018, HHS decided to recapture some of the 340B savings to participant hospitals. They changed the discount rate from average sales price plus 6% to average sales price minus 22.5%. In the high court's ruling, the justices stated that HHS does not have the statutory authority to vary its 340B payments under its 2018 model. While this is a victory for 340B hospitals, the ruling does leave open the possibility that HHS could reduce the discount rate if they undertake a nationwide hospital acquisition cost survey.

HIGHER EDUCATION

CONGRESS

House Education and Labor Committee

On June 14, the Committee held an oversight hearing on the Department of Labor. Secretary Walsh was the sole witness. The next day, Secretary Walsh appeared before the Senate Appropriations Committee.

Secretary Walsh emphasized the department's focus on registered apprenticeships and pre-apprenticeships as an important workforce development model to get more Americans into good-paying jobs more quickly and without a required college degree. He also stressed that business and industry, community colleges, workforce development boards in each locality must determine what training programs should be created and identify the skill sets students will need. Republicans on the committee criticized the department for not expanding the apprenticeship programs to include industry-recognized apprenticeship programs that were promoted by the Trump administration and may have supported the nursing and health care fields.

Several lawmakers also asked Walsh about the lack of affordable child-care options, which may be keeping a considerable number of Americans from seeking jobs. The secretary acknowledged the challenge many parents faced during the Covid pandemic that prompted the closure of many child care facilities. He said a robust child care industry will require a partnership between federal, state and local governments as well as private entities.



Sen. Roy Blunt (R-MO) said he was surprised that the administration is seeking an overall DOL budget that is 13% higher than the funding bill for the current fiscal year that was approved just a few months ago. "I wouldn't expect to see that, if I was you," Blunt said.

Chairman Bobby Scott (D-VA) Opening Statement
Ranking Member Virginia Foxx (R-VA) Opening Statement

Student Loan Forgiveness

Republican lawmakers request information to determine whether Biden administration political appointees have a potential conflict of interest and whether they or their family members would benefit from a policy they are pushing President Biden to enact. Press Release

Republican Education Committee leaders sent a <u>letter</u> Secretary Miguel Cardona demanding clarity on the Department's statutory authority for its recent and proposed executive actions on student loans. <u>Press Release</u>

Senate Health Education Labor and Pensions Committee

The full committee held a markup on several bills including S. 4353, *Retirement Improvement and Savings Enhancement to Supplement Healthy Investments for the Nest Egg (RISE & SHINE) Act.* The measure was approved by voice vote. The bill is now cleared for consideration by the full Senate, where it is expected to be merged with forthcoming legislation by the Senate Finance Committee. The House and Senate bills will be merged into a final bill, which is not expected to pass until later this year, likely in a lame-duck session after the November elections. More coverage here.

Next Week:

Full Committee Hearing: "Supporting Students and Schools: Promising Practices to Get Back on Track" To be held on June 22, 2022.

ADMINISTRATION

<u>GAO Report:</u> Export Controls: Enforcement Agencies Should Better Leverage Information to Target Efforts Involving U.S. Universities. GAO was asked to review agencies' efforts to address risks associated with foreign students and scholars who may seek to evade export control regulations. This report examines the extent to which agencies are assessing universities' risk of unauthorized deemed exports to prioritize outreach. GAO made recommendations to strengthen Commerce's, DHS's, and FBI's ability to prioritize outreach to at-risk universities.

Federal Support to Uvalde School District

The department approved a \$1.5 million School Emergency Response to Violence (Project SERV) grant to the Uvalde Consolidated Independent School District (UCISD) to meet the district's acute needs and restore the learning environment. Funds may be used for mental health services for staff and students, overtime pay for teachers, counselors, and security staff, and summer programming.

National Parents and Families Engagement Council

The department launched a new Council that is to be composed of parent, family, or caregiver organizations of students in public schools, charters, private schools, and homeschools. They are to work with the department to identify constructive ways to help families engage at the local level. A list of organizations included in the council is provided on the Press Release



FEDERAL REGISTER

Office of Postsecondary Education

<u>Comment Request;</u>: FY 2022 Child Care Access Means Parents in School Annual Performance Report Package. Comments due by August 15, 2022.

<u>Applications for New Awards</u>; Promoting Postbaccalaureate Opportunities for Hispanic Americans Program. Deadline for Transmittal of Applications: July 28, 2022.

LEGISLATION

House Education and Labor Committee Republican Leader Virginia Foxx (R-NC) cosponsored the *Educational Choice for Children Act*, introduced by Rep. Jackie Walorski (R-IN), which would support parents' right to choose school options that work for their family. Specifically, this legislation would expand education freedom and opportunity for millions of students by providing a charitable donation incentive for individuals and businesses to fund scholarship awards for students to cover expenses related to K-12 public and private education, amounting to \$10 billion on an annual basis.

Press Release

Senators Burr, Casey introduced the *College Savings Recovery Act*. The measure would allow families to transfer unused funds in their college savings accounts, also known as 529 accounts, into a Roth IRA without being penalized. Press Release

<u>S.4410</u> — A bill to amend the Higher Education Act of 1965 to provide for comprehensive student achievement information. Sponsor: Sen. Romney, Mitt [R-UT]

S.1098 — Joint Consolidation Loan Separation Act. This bill allows two borrowers, who had previously received a joint consolidation loan for their federal student loan debt, to submit a joint application to the Department of Education to sever their consolidated loan into two separate loans. Sponsor: Sen. Warner, Mark R. [D-VA] Latest Action: Senate - 06/15/2022 Passed Senate with an amendment by Unanimous Consent.

H.R.8076 — To prohibit the mass cancellation of student loans. Sponsor: Rep. DesJarlais, Scott [R-TN-4]

H.R.8086 — To amend the Workforce Innovation and Opportunity Act to provide direct hire authority for Job Corps graduates, and for other purposes. Sponsor: Rep. O'Halleran, Tom [D-AZ-1]

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