This Week In Washington

**Senate** – The Senate confirmed several nominations and passed the Federal Prison Oversight Act (H.R. 3019), the SHIELD Act of 2024 (S. 412), the Lake Tahoe Restoration Act (S.612), the Mining Schools Act (S.912), the Never Again Education Reauthorization Act (S.3448), the Affordable Prescriptions for Patients Act (S.150), the VA Home Loan Awareness Act (S.3068), the Debbie Smith Act (H.R. 1105), the Poison Control Centers Reauthorization Act (S.4351), and the Human Trafficking Survivor Tax Relief Act (S.159).

**House** – The House passed the Stop Unaffordable Dishwasher Standards Act (H.R. 7700), the Refrigerator Freedom Act (H.R. 7637), and the Safeguard American Voter Eligibility Act (H.R. 8281).

**Biden Administration** – On July 9, President Biden signed the Fire Grants and Safety Act of 2023 (P.L. 118-67) into law. The legislation authorizes appropriations for the United States Fire Administration and firefighter assistance grants. It also promotes the development of new advanced nuclear reactors.

Next Week In Washington

**Senate** – The Senate will reconvene on Tuesday, July 23, and is expected to continue processing nominees.

**House** – The House will reconvene on Monday, July 22, and may consider the Financial Services and General Government Appropriations Act (H.R. 8773), the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act (H.R. ___), the Department of the Interior, Environment, and Related Agencies Appropriations Act (H.R. ___), and the Energy and Water Development and Related Agencies Appropriations Act (H.R. ___).
TAX

Canada Enacts (But Not Yet Applies) Digital Services Tax

Key Points:
- Canada has enacted its planned digital services tax.
- The tax, which would apply to revenue over €750,000,000, would cover services tied to advertising, online marketplaces, social media, and user data; all retroactive to 2022.
- The Canadian government is expected to issue an explanatory document on the tax in the coming days.

On June 28, Canada enacted its planned digital services tax (DST). According to a release from the Canadian government, the DST would apply a 3 percent tax on revenue from large businesses’ digital services that rely on “engagement, data and contributions of Canadian users, as well as on certain sales or licensing of Canadian user data.” The tax will apply to total revenue over €750,000,000 annually and would apply to online marketplace, advertising, social media, and user data services revenue. Crucially, the tax will apply retroactively to revenue raised as far back as January 2022. The Canadian government is expected to issue an explanatory document in the following days to inform companies covered by the tax of its specific impacts and requirements. This action could generate a reaction from other countries with DSTs that have followed the OECD agreement to forestall them while work on the Pillar One effort was underway; it could also generate a response from the U.S. since the tax generally is seen as targeting U.S. tech companies and platforms. [The Trade section later in the W&J Weekly has some additional trade-related facets of the issue].

House Ways and Means Markup Considers Education, Clean Energy Tax Alterations Amid Talks of Senate Consideration of House Tax Package

Key Points:
- The House Ways and Means held a hearing on four different tax-related bills tied to higher education, 529 savings accounts, and IRA clean energy tax credits.
- Meanwhile, there has been some quiet talk about the Senate’s potential consideration of the Tax Relief for American Families and Workers Act of 2024.

On July 10, the House Ways and Means Committee held a markup that included consideration of multiple tax-related bills.
The first bill that was considered, the University Accountability Act (H.R. 8914), would impose financial punishments on tax-exempt higher education institutions if a civil judgment entered against them by a federal court found they violated students’ rights under Title VI of the Civil Rights Act. In addition, the Internal Revenue Service would be required to review the tax-exempt status of a higher education institution after it was found to have three violations. Committee Democrats raised concerns that the legislation would create an adversarial relationship between the federal government and higher education institutions in addressing such behavior on campuses. The bill was favorably reported out of the Committee, along party lines, by a vote of 24 to 12.

The second bill, the Protecting American Students Act (H.R. 8913), sought to amend the calculation of the endowment tax to reflect the definition of students eligible for financial aid under the Higher Education Act. Notably, the legislation would alter the definition of the endowment tax to place an additional 12 higher education institutions under the tax. The bill was favorably reported out of the Committee, again along party lines, by a vote of 24 to 13.

The third bill, the Education and Workforce Freedom Act (H.R. 8915), would extend the coverage of 529 savings accounts to apply towards public, private, homeschool, and religious school educational expenses. In addition, the bill would also expand coverage to include expenses associated with obtaining or maintaining recognized post-secondary credentials and licenses, including a commercial pilot’s license. While Committee Democrats like Representative Panetta (D-CA) supported additional assistance for licensing and certification expenses, they criticized the use of taxpayer funds to subsidize private elementary and secondary educational expenses. The bill was favorably reported out of the Committee, again along party lines, by a vote of 22 to 13.

Finally, the Committee considered a resolution (H.J.Res. 148) that would nullify the Treasury Department’s rule related to the sections 25E and 30D clean vehicle credits under the Inflation Reduction Act (IRA) (P.L. 117-169). The sponsor of the resolution, Representative Miller (R-WV), argued during the markup that the Treasury Department's rules around domestic content requirements for IRA tax credits on electric vehicle (EV) batteries and critical minerals were too lenient and bolstered China’s dominance over the market. In contrast, Representative Beyer (D-VA) stated that nullifying Treasury’s rule would serve to mitigate the nation's ability to learn from China's EV industry and compete with them. The resolution was favorably reported out of the Committee, again along party lines, by a vote of 25 to 14.
Meanwhile, this week there was some quiet talk within the Senate around the chamber's potential consideration in late July of the Tax Relief for American Families and Workers Act of 2024 (H.R. 7024). Although no definitive indications have been given that the Senate will hold a vote on the legislation, the bill has seen increased conversations and attention the recent days.

At this stage, Senate Republican opposition to the House-passed tax package seems to be holding, suggesting any vote will not receive the 60 votes needed to move the bill forward, but might still occur to give some Democratic proponents of provisions like the expanded child tax credit a chance to vote publicly for the measure.

**Republican Platform Outlines Key Tax Priorities Including Making Permanent the Expanding TCJA Provisions, Expanding 529 Saving Account Expenses**

**Key Points:**
- Republicans have issued their 2024 platform which would prioritize the permanent codification of key TCJA provisions on the Child Tax Credit and standardized deductions.
- The platform also seeks to expand 529 savings accounts to equally support homeschooling expenses.

The GOP has issued its 2024 policy platform that aims to, among other policy suggestions, permanently codify key provisions within the Tax Cuts and Jobs Act (TCJA) (P.L. 115-97). Specifically, the platform seeks to permanently codify TCJA provisions that “doubled the standard deduction and expanded the Child Tax Credit.” Furthermore, the platform seeks to eliminate taxes on tips for hospitality and restaurant workers, alongside additional unnamed tax cuts. In addition, the platform states that it seeks to expand 529 savings accounts to equally support expenses related to homeschooling as well as public and private alternatives.

*For more information about tax issues, you may email or call Christopher Hatcher at 202-659-8201. Noah Hawkins and Aubrie Chastain contributed to this section.*

**FINANCIAL SERVICES**

**Secretary Yellen Testifies Before the House Financial Services Committee**

**Key Point:**
- Republicans and Democrats expressed concern of Chinese investments in developing countries and outbound investments to China.
On June 9, the House Financial Services Committee held a hearing entitled, “The Annual Testimony of the Secretary of the Treasury on the State of the International Financial System.” Chairman Patrick McHenry (R-NC) stated the International Monetary Fund (IMF) warned that U.S. deficits to debt create a growing risk for the U.S. and the global economy. He explained that total global debt is at a record high and China is the largest creditor of the developing world and one of the largest annual borrowers from the World Bank. He said Biden is failing to leverage U.S. standing in international financial institutions to block financing for the Chinese Communist Party (CCP). He mentioned the Treasury’s notice of proposed rulemaking on outbound investment, saying it is a step in the right direction but noted the U.S. has time tested tools with sanctions. He expressed concern regarding the line drawn in the proposal between the distinction of AI use cases, including the difference between AI used in medical settings to identify cancer and drone operators using location targets imaging in a weapons setting.

Ranking Member Maxine Waters (D-CA) said Biden took on companies that impose illegal jump fees and cut child poverty in half. She stated Yellen stabilized the banking system and deployed $12 billion for Community Development Financial Institutions (CDFIs) and Minority Depository Institutions (MDIs) and $10 billion for small businesses through the State Small Business Credit Initiative (SSBCI). She warned of Project 2025, saying it would take away rights and undermine American values. She stated this plan would ban abortion, abolish the Department of Education, and allow the government to take over the Department of Justice. She noted Project 2025 will also gut agencies like the Consumer Financial Protection Bureau (CFPB) and the Federal Reserve, restructure Treasury, the Department of Housing and Urban Development (HUD), and other agencies. She said Project 2025 has plans to withdraw from international financial institutions like the IMF and the World Bank.

**Federal Reserve Chair Jerome Powell Testifies Before the House and Senate**

**Key Points:**

- More information on specifics of the Basel III Endgame proposal was requested by members on both sides of the aisle.
- Basel III Endgame comments are being reviewed by the Federal Reserve and collaborative discussions are being held by the FDIC, Federal Reserve, CFPB, and OCC.
On July 9, the Senate Banking, Housing, and Urban Affairs Committee held a hearing entitled, “The Semiannual Monetary Policy Report to Congress,” with Federal Reserve Chair Jerome Powell testifying. Chairman Sherrod Brown (D-OH) stated the U.S. economy is structured to benefit large corporations rather than the individual citizen. He explained that the Federal Reserve's tactic of raising interest rates to combat inflation does not address corporate greed. He urged that the Federal Reserve to consider the impacts of increased interest rates. He referenced the proposed update to capital requirements for large banks, expressing his support for “strong capital standards” to ensure taxpayers are not held financially responsible for poor corporate investments. He stated the Federal Reserve must finalize a rule in support of the taxpayer rather than large corporations and banks. He said the “incentive-based compensation model” is dangerous for banks in the long term, and he referenced bank failures in 2008 and 2023 Silicon Valley and Signature Bank failures to illustrate the problems with the compensation model. He emphasized the Federal Reserve’s responsibility to protect against bank mergers that lead to closures or job loss at other banks. He urged the Federal Reserve to implement improved ethical standards to prevent officials from using their knowledge of confidential monetary policy and programs to further their personal investments.

Ranking Member Tim Scott (R-SC) highlighted the adverse effects of inflation on the average American family for necessities like groceries, gas, and housing. He noted that President Biden is blaming the Federal Reserve for high interest rates rather than the Administration’s economic policy, and he explained that government interference in the economy raises prices. He said the Basel III Endgame proposal is an example of government overregulation, and he explained that it would deny access to funds to those in need, such as first-time home buyers and small business owners. He emphasized the importance of transparency, and he urged the Federal Reserve to rewrite the entire Basel III Endgame proposal such that it benefits rather than hurts the American public.

The following day, the House Financial Services Committee held a hearing entitled, “The Federal Reserve’s Semi-Annual Monetary Policy Report.” Chair Patrick McHenry (R-NC) said inflation was a result of President Biden’s policies. He said the development of Basel III endgame proposal is “a mess” because of opaque standards, and timelines set at meetings of unaccountable global governance bodies. He said Powell said in the Senate, the Board supports reissuing the updated proposal for public comment. He expressed his concern that the Federal Reserve will tuck changes to the proposal into this study. He noted the study would then be issued for feedback with a limited comment period. He said broad and material changes for the Basel III endgame necessitate a full stop. He said failure to do so will result in an immediate Congressional Review Act vote.
Ranking Member Maxine Waters (D-CA) mentioned the housing package she introduced which includes the Housing Crisis Response Act (H.R.4233), which would provide $150 million in fair and affordable housing and investments that would create 1.4 million affordable and accessible homes and bring down costs. She warned Project 2025 will dismantle democracy, the economy, and bring about a second American revolution. She compared the rhetoric surrounding Project 2025 to that of January 6, 2021. She said Project 2025 brings radical ideas to undermine or abolish the Federal Reserve.

**Senate Banking Committee Holds Hearing on Biden Nominees**

**Key Points:**
- President Biden nominated four individuals to positions with.
- Democrats widely supported the nominees to the SEC, FDIC, Treasury, and FSOC, but Republicans voiced some criticism of the FDIC and SEC nominees.

On July 11, the Senate Banking, Housing, and Urban Affairs Committee held a hearing entitled, “Nominations Hearing.” The Committee considered the following nominees: the Honorable Christy Goldsmith Romero to be Chairperson and Member Designate, Board of Directors of the Federal Deposit Insurance Corporation (FDIC); the Honorable Caroline Crenshaw to be Member Designate, Securities and Exchange Commission (SEC); the Honorable Kristin Johnson to be Assistant Secretary Designate, Treasury; and Mr. Gordon Ito to be Member Designate, Financial Stability Oversight Council (FSOC).

Chairman Sherrod Brown (D-OH) stated Goldsmith Romero, Crenshaw, and Johnson had already been confirmed unanimously for the Senate. He said Goldsmith Romero was confirmed by every member of the Senate multiple times. He said they have received strong statements of support across the financial sector. He stated the nominees bring years of experience and strong dedication to public service. He discussed Goldsmith’s background at the Commodity Futures Trading Commission (CFTC), the SEC, and as the Special Inspector General at the Troubled Asset Relief Program (SIGTARP). He said her nomination comes at a pivotal time as there have been long-standing issues of harassment and misconduct at the Federal Deposit Insurance Corporation (FDIC). He said the president has renominated Caroline Crenshaw to the SEC, noting Trump appointed her to the SEC board in 2020 and she was unanimously confirmed by the Senate. He said the president nominated Johnson to serve as the Assistant Secretary for financial institutions at the Department of Treasury. He noted the position Johnson would have handles a broad portfolio including financial institution policy, insurance, cyber security, and community economic development. He mentioned her time as a Commissioner at the CFTC and works as a voice for reliable market participants. He said Ito was nominated by the President to serve as the independent...
insurance expert on Financial Stability Oversight Council (FSOC). He mentioned Ito’s service in Hawaii’s insurance division, the National Association of Insurance Commissioners (NAIC), and private law.

Ranking Member Tim Scott (R-SC) acknowledged the Senate’s important role in the nomination process but said this nomination hearing is a classic case of stubbornness. He noted the Administration wanted to “safeguard its progressive agenda no matter the cost.” He noted Chair Gruenberg has been leading the FDIC for nearly two decades and has allowed for “rampant harassment, discrimination, and foul behavior to flourish.” He stated Gruenberg should resign immediately and not wait for someone to replace him. He noted a bipartisan coalition has asked Gruenberg to step down. He stated Chair Gruenberg is refusing to step down until a Biden nominee is confirmed. He said the White House has put forward three additional nominees to “advance his progressive regulatory agenda.” He said he firmly believes this is occurring under a false sense of urgency, but emphasized the Committee would evaluate the nominees on merit to fulfill constitutional responsibilities. He stated Goldsmith Romero’s background lacks the necessary regulatory experience needed at the FDIC. He noted Crenshaw has been renominated to serve another five-year term as an SEC Commissioner. He highlighted respect her deep knowledge of capital markets but expressed concern about her views on “what appears to be the limitless authority of the SEC.”

**Biden to Nominate CFTC Commissioner**

*Key Point:*

- President Biden announced his intention to nominate Julie Siegel to the CFTC but is expected to.

President Biden is expected to nominate Office of Management and Budget (OBM) official Julie Siegel for a Commissioner position at the Commodity Futures Trading Commission (CFTC). The Commissioner position has potential to open with CFTC Commissioner Kristin Johnson nominated for a position at the Treasury and CFTC Commissioner Christy Goldsmith Romero nominated to be Chair the Federal Deposit Insurance Corporation. Siegel previously served as the Deputy Chief of Staff at Treasury and an aide for Senator Elizabeth Warren (D-MA).
McHenry and Waters Speak out about H.J.Res 109 on House Floor

Key Point:
- Waters opposed the override of President Biden’s H.J.Res 109 veto while McHenry expressed support for it.

On July 10, House Financial Services Committee Chairman Patrick McHenry (R-NC) and Ranking Member Maxine Waters (D-CA) took to the House floor to discuss the potential override of President Biden’s H.J.Res 109. H.J.Res. 109 nullifies the Securities and Exchange Commission’s Staff Accounting Bulletin (SAB) 121 which “provides accounting and disclosure guidance for entities related to their obligations to safeguard cryptoassets held for users of its platform.” Chairman Patrick McHenry (R-NC) expressed support for the overturn stating, “SAB 121 is one of the most glaring examples of the regulatory overreach that has defined Gary Gensler’s tenure at the SEC. It limits consumers’ options to safely custody their digital assets, upends decades of bank custody practices, and increases concentration risk. Congress used the mechanism available to us, the Congressional Review Act (5 U.S.C Chapter 8), to overturn this harmful so-called guidance.... Despite all of the recent progress and bipartisan agreement—President Biden vetoed the first digital asset specific legislation to ever pass the House and Senate.”

Ranking Member Maxine Waters (D-CA) criticized a potential overturn stating, “The SEC Staff Accounting Bulletin or SAB 121 is an informal guidance intended to clarify confusion raised by market participants. One prong of SAB 121 that would be repealed by today's resolution is about giving the public disclosures to increase transparency about these crypto assets. This kind of transparency helps prevent the kind of fraud and mishandling of crypto that led to the collapse of companies like FTX, and a dozen other crypto firms, that were handling and safeguarding customers’ assets. The second part of SAB 121’s guidance advises companies to record crypto assets as liabilities on their balance sheets and to ensure those liabilities correspond to the fair value of the crypto assets they are obligated to safeguard. This ensures that the company providing custody has sufficient resources to secure these assets for the users against any loss or misuse. The SEC has explained that this guidance is prudent due to the unique risks and uncertainties associated with crypto assets. Those risks include hacks, theft, and technical failures.”
Upcoming Hearings and Meetings

July 24

**SEC:** SEC Chair Gensler will participate in a [Fireside Chat](#) with the Office of Minority and Women Inclusion.

July 30

**SEC:** The SEC will hold a [Small Business Capital Formation Advisory Committee Meeting](#) to discuss “matters relating to rules and regulations affecting small and emerging businesses and their investors under the federal securities laws.”

For more information about financial services issues you may email [Joel Oswald](mailto:joel.oswald@williams-jensen.com) or [Mahlet Makonnen](mailto:mahlet.makonnen@williams-jensen.com). Ashley Kinder contributed to this section.

**ENERGY & ENVIRONMENT**

House Passes Two Bills Targeting Appliance Standards

**Key Points:**
- **On June 9, the House passed bills to impose requirements on the Department of Energy’s promulgation of energy efficiency mandates for refrigerators and dishwashers.**
- **Republicans argue that the standards, along with others issued by the Biden Administration, result in appliances that are too expensive and perform poorly.**
- **Democrats assert that the standards save consumers money and reduce energy consumption and associated greenhouse gas emissions.**
- **The Senate will not pass the bills.**

This week, the House of Representatives voted on two bills targeting Biden Administration appliance energy efficiency regulations:
- **Dishwashers:** On Tuesday, the House voted [214-192](https://www.congress.gov/bill/117th-congress/house-bill/7700/text) to pass the “Stop Unaffordable Dishwasher Standards Act” ([H.R. 7700](https://www.congress.gov/bill/117th-congress/house-bill/7700)). The legislation prohibits the Secretary of Energy from promulgating or enforcing “new or amended energy conservation standard[s]” for dishwashers unless the standards are: “technologically feasible and economically justified”; “not likely to result in additional net costs to the consumer”; and expected to result in “significant conservation of energy.”
- **Refrigerators:** Also on Tuesday, the House voted [212-192](https://www.congress.gov/bill/117th-congress/house-bill/7637/text) to pass the “Refrigerator Freedom Act” ([H.R. 7637](https://www.congress.gov/bill/117th-congress/house-bill/7637)). The bill would impose the same restrictions regarding
technological feasibility, consumer costs, and energy conservation on Department of Energy standards for refrigerators.

In House floor debate on H.R. 7700, Representative Jeff Duncan (R-SC), Chairman of the House Energy and Commerce Committee’s Energy, Climate, and Grid Security Subcommittee, argued that “the Biden administration wants to lower your standard of living by telling you what appliances you can have in your home, and they want you to pay more for it.”

Energy and Commerce Committee Ranking Member Frank Pallone (D-NJ) contended that the legislation would “increase home energy bills on the average American family” and would “gut popular energy efficiency standards for dishwashers”.

Congress enacted the “Energy Policy and Conservation Act (EPCA)” (P.L. 94-163) in 1975, which created the federal appliance efficiency standards program. The Department of Energy in the Biden Administration has promulgated a series of new appliance standards since taking office. Energy and Commerce Committee Republicans, in the report on H.R. 7700 (H.Rept. 118-455), contend that the Department of Energy “has continuously ignored the consumer protections built into the underlying statute, EPCA, when setting efficiency standards.”

The Senate is not expected to consider either of the appliance standard bills approved by the House.

**Bipartisan House Bill Would Collect Data on the Emissions Intensity of Imports**

*Key Points:*

- **On Tuesday,** bipartisan House Members introduced the “PROVE IT Act”, which would require federal agencies to review and report on the carbon intensity of domestically-produced products, as well as the equivalent imports.
- **Bipartisan Senators introduced a similar bill in 2023,** which the Senate Environment and Public Works Committee marked up, and favorably reported, in January.

On July 9, Representatives John Curtis (R-UT) and Scott Peters (D-CA) introduced the “Providing Reliable, Objective, Verifiable Emissions Intensity and Transparency (PROVE IT) Act” (H.R. 8957). The legislation would direct the Department of Energy, along with other agencies, to study and report on “the average product emissions intensity” of specified products produced domestically and those that are imported.
As described in a press release, the legislation includes the following provisions:

▪ “Emissions Intensity Study: The Department of Energy, in coordination with other federal agencies, will publish a study within two years to identify the emissions intensity of covered products produced in the U.S. and compare it with those produced internationally.”

▪ “Transparency and Accountability: The study will provide detailed, specific, and transparent data on emissions, helping to hold countries with less stringent environmental standards accountable.”

▪ “Supporting American businesses: By showcasing the lower emissions intensity of American products, the PROVE IT Act will bolster arguments for promoting U.S. manufacturing and energy production over foreign competitors.”

▪ “No new taxes or reporting requirements: The legislation explicitly states that it does not provide any authority to impose new taxes or establish new mandatory reporting requirements on domestic production.”

On June 7, 2023, Senator Chris Coons (D-DE) introduced the Senate version of the “PROVE IT Act” (S. 1863). The Senate Environment and Public Works Committee voted to report S. 1863 to the Senate on January 18, 2024.

Upcoming Hearings and Events

July 24


July 25

FERC Open Meeting: The Federal Energy Regulatory Commission (FERC) will hold its monthly open meeting.

September 10-11

Electric Generation Interconnection: FERC will hold a workshop on “Innovations and Efficiencies in Generator Interconnection”. FERC intends for the workshop to “provide a public forum for the presentation and discussion of opportunities for further innovation and increased efficiency in the generator interconnection process.”
For more information about energy and environment issues you may email or call Frank Vlossak at 202-659-8201.

**HEALTH**

**CMS Proposes Physician Payment Rule**

**Key Points:**
- On July 10, the Centers for Medicare and Medicaid Services (CMS) proposed new policies for the 2025 Physician Fee Schedule (PFS).
- The proposal reduces payment rates under the PFS by 2.93 percent in 2025, resulting in an estimated conversion factor of $32.36.

On July 10, the CMS proposed new policies for the 2025 PFS. The proposal would strengthen primary care, maintain telehealth flexibilities, and expand access to behavioral health, oral health, and caregiver training services. According to CMS Administrator Chiquita Brooks-LaSure, “The Calendar Year 2025 Physician Fee Schedule proposed rule supports physicians and other practitioners in delivering care that meets the needs of people with Medicare, including through telehealth flexibilities, strengthened primary, behavioral, and oral health care, and improved access to caregiver training services.”

The proposal reduces payment rates under the PFS by 2.93 percent in 2025, resulting in an estimated conversion factor of $32.36.

A fact sheet is available here. The proposed rule is available here.

**House Appropriations Committee Marks Up FY25 LHHS Bill**

**Key Points:**
- On July 10, the House Appropriations Committee held a markup and favorably reported the FY25 Labor, Health and Human Services, Education, and Related Agencies Act, as amended, by a vote of 31-25, and the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, as amended, by a vote of 29-26, to the House.
- The Chairman’s mark of the FY25 funding bill for the Department of Health and Human Services (HHS) decreases funding levels by seven percent from the current enacted levels.

On July 10, the House Appropriations Committee held a markup and favorably reported the following bill to the House:
The Chairman's mark of the FY25 funding bill for HHS decreases funding levels by seven percent from the current enacted levels. The bill also proposes a major restructuring of the National Institutes of Health (NIH). Subcommittee Chair Robert Aderholt (R-AL) noted the bill reduces social spending and represents meaningful progress in restoring fiscal sanity and fighting inflation. Representative Steny Hoyer (D-MD) offered and withdrew an amendment that would strike the provisions of the bill to defund and restructure the Advanced Research Projects Agency for Health (ARPA-H) and the NIH. In her opening statement, Ranking Member Rosa DeLauro (D-CT) stated that the Democrats would accept nothing less than a one percent increase for the Departments and a dollar-for-dollar parity for any further increases in defense spending.

**FTC Releases Report on PBMs**

*Key Points:*
- On July 9, the Federal Trade Commission (FTC) released preliminary findings from a study into the six largest pharmacy benefit managers (PBMs).
- In the interim report, the FTC blamed concentration and vertical integration among PBMs for fueling high costs and putting financial pressure on independent pharmacies.

On July 9, the FTC released preliminary findings from a study into the six largest PBMs. The FTC launched the study in June 2022 amid pressure from consumers and independent pharmacies. In the interim report, the FTC blamed concentration and vertical integration among PBMs for fueling high costs and putting financial pressure on independent pharmacies. According to FTC Chair Lina Khan, “The FTC’s interim report lays out how dominant pharmacy benefit managers can hike the cost of drugs—including overcharging patients for cancer drugs,” and “squeeze independent pharmacies that many Americans—especially those in rural communities—depend on for essential care. The FTC will continue to use all our tools and authorities to scrutinize dominant players across healthcare markets and ensure that Americans can access affordable healthcare.”

According to reports, the FTC is preparing a lawsuit against the three largest PBMs over the use of rebates for insulin and other drugs following the findings from the report. The
complaint is still being drafted but could be filed as soon as this month. However, the lawsuit would need approval by the five FTC commissioners before it can be filed.

The full interim report can be found here.

For more information about health care issues you may email or call Nicole Ruzinski Bertsch at 202-659-8201. Windsor Warlick and Maddy Suna contributed to this section.

CYBERSECURITY, PRIVACY, AND ARTIFICIAL INTELLIGENCE

Biden Administration Wants to Increase Cyber Funds for Fiscal Year 2026

Key Point:

- The Biden Administration recently distributed a memorandum calling on all federal agencies to increase their funding requests to boost the nation’s cybersecurity posture. The document expands on the Administration’s National Cybersecurity Strategy.

This week, the Biden Administration distributed a memorandum to all federal agencies urging them to increase their funding requests for fiscal year 2026 as part of an administration-wide effort to improve the nation’s cyber defenses. The document, signed by Office of Management and Budget (OMB) Director Shalanda Young and National Cyber Director Harry Coker Jr., “directed agencies to review and align incoming budget requests to fit the Biden Administration’s national cyber strategy and implementation plan” (CyberScoop).

The memo expands on the Biden Administration's broader National Cybersecurity Strategy (NCS), which highlights five key pillars to enhance U.S. cybersecurity posture: (1) defend critical infrastructure; (2) disrupt and dismantle threat actors; (3) shape market forces to drive security and resilience; (4) invest in a resilient future; and (5) forge international partnerships to pursue shared goals. “Sustained investments across these five pillars are critical to mitigate cybersecurity risks and should be addressed within the FY 2026 Budget guidance levels,” the memo said.

Specifically, the guidance states that “agencies with federated networks should prioritize investments in department-wide, enterprise solutions to the greatest extent practicable in order to further align cybersecurity efforts, ensure consistency across mission areas, and enable information sharing.” Young and Coker further urge agencies to prioritize resources and responsibilities in the critical infrastructure sector, develop and improve baseline
cybersecurity requirements, and employ the necessary resources to strengthen the cyber workforce.

While the federal government continues its efforts to develop and harmonize cyber standards across industries, new legal obstacles may make the effort more challenging. Following the Supreme Court's recent decision in *Loper Bright Enterprises v. Raimondo*, experts indicate the “ruling means that existing cybersecurity regulations may now be more vulnerable to court challenges, particularly ones that rely on reinterpretation of older statutes or ambiguous statutes used to write cybersecurity rules” (CyberScoop).

**Bipartisan Senate Bill Seeks to Address “Overly Burdensome” Cybersecurity Regulations**

*Key Point:*
- Senator Gary Peters (D-MI) and Senator James Lankford (R-OK) introduced new legislation to help streamline and harmonize the nation’s patchwork of cybersecurity regulatory regimes. The bill responds to recent reports highlighting the significant compliance burden imposed on U.S. businesses, which must currently comply with myriad reporting requirements and directives.

This week, a pair of bipartisan Senators introduced legislation to establish an interagency committee intended to harmonize U.S. cybersecurity regulatory regimes, an issue that has been top of mind for lawmakers across Capitol Hill.

The “Streamlining Federal Cybersecurity Regulations Act” (*S. 4630*), introduced by Senator Gary Peters (D-MI) and Senator James Lankford (R-OK), responds to a hearing held last month by the Senate Committee on Homeland Security and Governmental Affairs. Officials described an overly complicated patchwork of cybersecurity rules that hurts companies' ability to fend off threats. Nicholas Leiserson, the Office of the National Cyber Director's (ONCD) Assistant National Cyber Director for Cyber Policy and Programs, called for legislation. The new bill seeks to address these concerns.

Specifically, the bill would “establish a comprehensive framework for harmonizing cybersecurity regulations across the federal government...[to] mitigate challenges associated with conflicting, contradictory cybersecurity compliance requirements by establishing an interagency Harmonization Committee” at the ONCD (HSGAC Press Release).
In recent public statements, Senators Peters and Lankford weighed in on the regulatory burden posed by patchwork standards and requirements. “In order to properly combat the threat of cyberattacks, federal agencies must have comprehensive, coordinated cyber regulations in place. My bill will harmonize federal cybersecurity regulations to ensure our government and regulators are working together to address cybersecurity threats in the most effective way,” explained Senator Peters.

Senator Lankford remarked, “Bureaucratic red tape shouldn’t get in the way of preventing a cyber attack, but complicated regulations are making it more difficult to address the major cyber threats facing our national security and critical infrastructure. Harmonizing these efforts will make sure that federal requirements are focused on actually improving security instead of imposing a convoluted set of compliance challenges.”

**Several DOD IT Programs Still Lack Cybersecurity Strategies, GAO Finds**

*Key Point:*

- *This week, the Government Accountability Office released its annual report assessing the Department of Defense’s information technology spending patterns, highlighting several programs that do not have an approved cybersecurity plan.*

On Thursday, the U.S. Government Accountability Office (GAO) released its annual assessment of the Department of Defense's (DOD) information technology (IT) spending patterns, which found that several programs within the agency’s IT business arm still lack approved cybersecurity strategies. The investigation builds on prior GAO reports, which “recommended that DOD’s Chief Information Officer (CIO) ensure that programs each develop” a cyber strategy.

Most of the 21 assessed DOD IT programs reported conducting full cyber assessments, which included tabletop exercises, penetration tests, and static code and privacy impact assessments. However, some programs’ lack of an approved strategy poses a significant security concern. “DOD’s IT infrastructure presents a target-rich environment for cybercriminals and nation-state hackers because the department’s personnel data can be easily connected back to sensitive or classified information, including intelligence data, national security assessments or closed-off weapons designs” (Nextgov/FCW).

The new GAO assessment follows other similar investigations produced in recent years. In its 2022 report, the government watchdog found that “10 of DOD’s major IT business programs had not demonstrated having an approved cybersecurity strategy,” with that figure falling to six in 2023. Although the document does not provide a specific number of
programs still lacking an approved plan, the findings indicate that the agency is moving in the right direction. “Ensuring that approved strategies are in place should help position the programs to effectively manage cybersecurity risks and mitigate threats. Doing so should also reduce the risk of adverse impacts on cost, schedule, and performance,” the report concluded.

Moving forward, the DOD faces its own “2027 deadline to implement a framework focused on zero trust, a cybersecurity management blueprint that assumes all users on a network cannot be trusted and should always be verified when moving across systems” (Nextgov/FCW). On Thursday, GAO indicated that it would continue to monitor DOD’s progress on implementing these critical systems.

**Upcoming Hearings and Meetings**

**July 15**

**AI and the DOD:** The Center for Strategic and International Studies holds a virtual discussion, beginning at 1:30 p.m., on "Artificial Intelligence Transformation at the DOD."

**July 16**

**General Services Administration:** General Services Administration holds a virtual meeting of the Federal Secure Cloud Advisory Committee for presentations on updates to the Office of Management and Budget’s draft memorandum titled "Modernizing the Federal Risk Authorization Management Program (FedRAMP)" and for a program update by FedRAMP.

**Cyber Competition with China:** The Hudson Institute holds a discussion on "Leading in the Cyber Competition with China."

**July 17**

**Intelligence and National Security Alliance:** The Intelligence and National Security Alliance holds a forum on "The New IC (intelligence community) focusing on "workplace issues impacting women in the intelligence and national security communities."

**Information Security and Privacy Advisory Board:** The National Institute of Standards and Technology (NIST) holds a virtual meeting of the Information Security and Privacy Advisory Board.
July 18

**AI and Intelligence:** The Intelligence and National Security Alliance holds a virtual discussion on issues including the use of open source intelligence in intelligence analysis, AI and emerging technology in support of the OSINT workstream, interagency coordination and the future of data sharing and engaging the private sector on developing OSINT technology.

**Chemical Security:** The Homeland Security Department’s Cybersecurity and Infrastructure Security Agency (CISA) hosts the virtual 2024 Chemical Security Seminars on July 11 and July 18.

**AI and National Security:** The Center for a New American Security holds a virtual discussion, beginning at 2 p.m., on "AI catastrophic Risks and National Security: Taking Stock of Perceptions and Approaches."

For more information about cybersecurity issues you may email Mahlet Makonnen or Frank Vlossak. Gray Eisler contributed to this section.

**TRADE**

**Ways and Means Republicans Call for Section 301 Investigation Following Canada’s Implementation of Digital Services Tax**

*Key Points:*
- *Shortly following the enactment of Canada’s digital services tax, House Ways and Means Republicans have called for a Section 301 investigation of the practice.*
- *Within their letter to USTR Tai, the signatories warn that the practice harms U.S.-Canada bilateral relations and uniquely harms U.S. businesses.*

On June 28, Canada’s planned digital services tax (DST) was enacted into law. According to an official release from the Canadian government, the tax would apply a rate of 3 percent on certain revenue from large businesses’ digital services that rely on the “engagement, data and content contributions of Canadian users, as well as on certain sales or licensing of Canadian user data.” Notably, the DST will apply to taxpayers that surpass a total revenue threshold of €750,000,000 and would tax online marketplace services revenue, online advertising services revenue, social media services revenue, and user data revenue. Moreover, the tax will retroactively apply to revenues dating back to the beginning of 2022.
The Canadian government is expected to provide an explanatory document in the coming days that would provide additional information for companies covered by the tax.

Following the enactment of the DST, House Ways and Means Republicans issued a letter calling on the U.S. Trade Representative (USTR) to initiate a Section 301 investigation of the tax. The letter, which was led by House Ways and Means Chairman Jason Smith (R-MO), states that the Biden Administration must pursue a “quick and decisive response” to Canada’s DST. The letter further states that the U.S. must not allow its trading partners to levy taxes that “uniquely target our firms and workers” and run counter to the “substantial bilateral, economic, diplomatic, and security” ties. In turn, the signatories caution that a weak response from the USTR would harm American interests while allowing additional measures to sprout up across the world. In addition, the correspondence states that the Biden Administration should also pursue recourse through the U.S.-Mexico-Canada Agreement.

**Speaker of the House Outlines Plan to Hold Votes on De Minimis, Outbound Investment Legislation by End of 2024**

*Key Points:*

- Speaker of the House Johnson has noted his plans to have the House vote on legislation to remove de minimis applicability for goods covered by Section 301 tariffs, which would generally impact products imported from China.
- In addition, he has called for legislation to restrict outbound investments into China.

On July 8, Speaker of the House Johnson (R-LA) stated at an event held by the Hudson Institute that Congress must pass a bevy of legislative solutions to contest China’s “threat to global peace.” At the event, Speaker Johnson warned that “Congress must keep our focus on countering China with every tool at our disposal,” specifically stating that the House will be voting on numerous bills to empower the next administration to “hit our enemies’ economies on day one.” Notably, he outlined that the House would vote on legislation to “rein in the de minimis privilege” for all goods subject to Section 301 tariffs to “stymie China’s attempts to exploit American trade.” In addition, he stated that the House will build a sanctions package that considers options to restrict outbound investment into China. Speaker Johnson explained at the event that he intends to have a significant package of China-related legislation enacted by the end of 2024 and aims to do so in a bipartisan manner. Further, he outlined his intent to renew the House Select Committee on the CCP in the 119th Congress, arguing that it is “instrumental ... in exposing the dangers of the CCP.”
Speaker Johnson’s push for additional outbound investment policy was followed by the filing of an amendment for the Senate version of the National Defense Authorization Act for Fiscal Year 2025 (S. 4638) that would also tighten outbound investment into foreign countries of concern. The amendment’s introduction indicates that members of the Senate are also likely to push for the adoption of outbound investment policy generally akin to that advocated by Speaker Johnson; though there remain different approaches (e.g., an export control approach versus a CFIUS-style approach), and Congress has not yet settled on a consensus approach.

**U.S. and Mexico Announced Joint Actions to Counter Steel and Aluminum Producers from Evading U.S. Tariffs.**

*Key Points:*
- President Biden and President Obrador released joint statements explaining that the U.S. will require countries importing steel and aluminum to melt and pour them in North America.
- In turn, Mexico will now force steel producers to provide country-of-origin information for steel products entering their market.

President Biden and President Obrador have reached agreements to prevent steel and aluminum producers from avoiding U.S. tariffs. Within a joint statement, both leaders noted that many countries import steel and aluminum to Mexico to avoid U.S. tariffs. The U.S. has subsequently included new requirements that steel and aluminum imports from Mexico must be melted and poured in the U.S., Mexico, or Canada to avoid a 25 percent tariff.

On July 10, the White House released proclamations on steel and aluminum which outlined new adjustments for imports. According to one of the proclamations, aluminum from Belarus, China, and Iran will face a 10 percent tariff, while Russian aluminum will face a 200 percent tariff. Both proclamations explain that steel and aluminum producers’ capacity utilization remain under 80 percent while imports from Mexico continue to increase. The measures taken by both nations’ leaders are expected to help the U.S. improve national security by preventing transshipment and discouraging excessive steel and aluminum production. Within Mexico, steel producers will need to provide country-of-origin information for products entering the market. This action adds to Mexico’s recent increases in tariffs from non-free trade countries. Within their joint statement, both Presidents emphasized their commitment to coordinate to prevent unfair trade practices in the steel and aluminum industries.
Industry Coalition Calls on White House to Seek Additional Trade Agreements Amid Steel Industry Calls for Legislation to Address Trade Remedies

Key Points:
- Industry coalitions call for a meeting with White House officials to discuss improvements in free trade negotiations.
- Steel industry representatives recently met with legislators to urge them to pass the Leveling the Playing Field Act 2.0.

On July 11, a coalition of industry leaders wrote a letter to the National Security Council and the National Economic Council for the White House calling for a meeting to discuss the advancement of future additional traditional free trade agreements. The signatories, which include the U.S. Chamber of Commerce and the National Association of Manufacturers, requested the meeting with White House staff to discuss how the nation’s economy and national security can benefit from effective trade policy. The letter notes that trade policy leaders across various sectors of government have recognized that trade agreements with U.S. allies and partners can help “secure the U.S. investments in allies and partners that the Administration has called for” and “facilitate compliant trade with trusted leaders, while focusing enforcement against riskier trade.” In addition, the signatories argue that trade agreements “advance U.S. democratic norms of governmental accountability and good governance.” The letter further cautions that free trade negotiations have halted, and China has increased efforts for new and existing free trade agreements with some of the nation’s closest partners and allies. It further asserts that effective trade policy foundations should push the nation's strengths but prioritize the importance of participating in foreign markets while creating strong rules-based frameworks.

The day prior to the letter’s issuance, steel industry representatives visited Capitol Hill to urge lawmakers to improve U.S. trade remedy laws. Representatives of the steel industry called for the passage of the Leveling the Playing Field Act 2.0 (S. 1856), which would serve to address Chinese trade practices that have harmed U.S. industries and the nation’s ability to seek trade remedies via antidumping and countervailing duties. The legislation would allow the Commerce Department to improve its enforcement abilities for companies that shift production to other countries to evade duties. Specifically, American Iron and Steel Institute CEO Dempsey advocated for the legislation to be included in any China-related legislative package considered by Congress before the end of the year.

For more information about trade issues you may email or call Christopher Hatcher at 202-659-8201. Noah Hawkins and Aubrie Chastain contributed to this section.