

WASHINGTON REPORT

FEBRUARY 2021

Welcome to 2021, the Biden administration, and the Democratic controlled 117th Congress

We expect the year ahead to be a test of whether campaign rhetoric can overcome the realities of governing and be implemented. We will soon see if President Biden is able to make good on his pledge/desire to usher in a new era of bipartisan cooperation and professionalism.

Following the results of the two runoff elections in Georgia, the Senate is split 50/50. The two sides have negotiated a power sharing agreement which outlines the Senate operating rules, and with the tie breaking vote of Vice President Kamala Harris, Democrats control the Senate. The power sharing agreement establishes that the lead Democrat on each committee will be the chair of the committee and the members will be split evenly between the parties.

With control, Democrats have the important ability to set the legislative agenda and hearing schedule, and largely control the process. However, as we are already seeing with the ongoing debate on the reconciliation process and COVID-19 relief package, moderate Democrats are expected to serve as a tempering force on the legislative agenda and the always important Senate rules package.

Sen. Joe Manchin (D-WV) and Sen. Kyrsten Sinema (D-AZ) already made an impact with their opposition to eliminating the Senate filibuster rules. For that reason, most bills will require 60 votes, meaning the support of at least 10 Republicans will be required for passage of legislation. Democrats will likely need to scale back many of their legislative priorities in order to garner bipartisan support.

COVID-19 RELIEF AND BUDGET RECONCILIATION

President Biden recently met with 10 Senate Republicans who proposed a \$618 billion plan as an alternative to the President's \$1.9 trillion proposal. The president rejected this plan as being too small and Democrats moved ahead with their plan to use the budget reconciliation process to get around the 60-vote threshold needed for most legislation in the Senate. The House and Senate have each completed the important first step of approving the budget resolution, which will allow them to begin drafting a COVID-19 relief bill under the budget reconciliation process.

Congressional leadership has set an ambitious goal passing the bill by mid-March when the current extended unemployment assistance will expire. The budget reconciliation process has complex rules and requirements, so adhering to the timeline will be difficult, especially in the Senate. The next step in the process will be for the House to consider the \$1.9 trillion package compiled by the House Budget Committee. House leadership has set a tentative date of February 22 for the House to vote on the package. Following the House's action, the package will move to the Senate where we expect most of the debate and negotiations to take place, much of it likely behind closed doors.

Even with the use of the reconciliation process, Democrats will still need the support of all 50 of their party in the Senate,

which is far from guaranteed. The White House will continue its efforts to garner Republican support and President Biden will push his party to work across the aisle, but it remains unclear whether those efforts will be successful. This will be an early test of President Biden's pledge to bring bipartisanship back to Washington.

SENATE BANKING, HOUSING, AND URBAN AFFAIRS COMMITTEE

New chairman Sherrod Brown (D-OH) will put the committee's focus on consumer protection, creating more equity in housing and access to financial services, and stronger oversight of Wall Street. With the additions of Sen. Jon Ossoff (D-GA) and Sen. Raphael Warnock (D-GA.), seven members of the committee now represent states within FHLBank Atlanta's district.

HOUSE FINANCIAL SERVICES COMMITTEE

Rep. Maxine Waters (D-CA) returns to chair the committee. Her priorities, in addition to COVID-19 relief, are expected to include the expansion of public and affordable housing, and reforming housing finance to promote economic justice and equity in the system. She also believes fair lending laws should be strengthened and more should be done to ensure reinvestment in communities of color. Under Rep. Waters' leadership, the committee's focus on diversity and inclusion in corporate America is also expected to continue.

In the House, Democrats have a narrow majority and they will control the policy and Congressional oversight agenda. However, even with the ability to pass legislation without Republican support, the Democrats will have a hard time advancing a bold progressive policy agenda due to the aforementioned limitations in the Senate. This has the potential to frustrate the progressive wing of the party, who believe they were sent to Washington to execute just such an agenda. We do expect the House to pass legislation that is important to leadership, however, the more controversial measures are unlikely to see the light of day in the Senate. As a result, we expect to see an aggressive hearing schedule to bring attention and oversight to Democratic causes and issue focus areas.

When it comes to the Republican agenda, we expect them to focus primarily on playing defense. It remains to be seen whether House Minority Leader Kevin McCarthy (R-CA) or Senate Minority Leader Mitch McConnell (R-KY) will have any incentive to work with the Biden administration or Congressional Democrats. Republicans will be betting on their chances of taking back the House in the midterms, as the party in power usually has difficulty in their first midterm election after winning the presidency. However, Republicans in swing districts will likely need some accomplishments to point to, not just obstruction, to help them win reelection.

CONCLUSION

As we move forward into 2021, we will be watching closely to see if moments of bipartisanship develop in the Washington political environment. We are hopeful that it can happen in a meaningful way. As the budget reconciliation process gets further down the path, it will provide a clear indication whether President Biden can bring Republicans back to the negotiating table. If not, we may be in for more of the partisanship and government gridlock that we have experienced in recent memory. Only time will provide us the answer.

Either way, we will be here to provide updates as there are new developments and outlooks to share. Until then, please contact us with your questions or comments.

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