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WASHINGTON POLICY STRATEGY

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Congress is out of town this week, but the wheels are moving to construct a foreign aid package that could pass the House later this month. Some conservative Republicans oppose providing more aid for Ukraine, but the House Republican leadership is looking to attach provisions, such as blocking the Biden administration's liquefied natural gas (LNG) export moratorium (which would be popular among conservatives), in order to secure Republican votes and repel any effort to remove Speaker Mike Johnson from the Speaker's chair.

Congress remains out of town for the Easter recess, but when it returns next week, it will face two challengers –one old challenge and a new one. The House will likely consider a foreign aid package that includes funds for Ukraine, Israel, and Taiwan. In the aftermath of the ship collision that precipitated the collapse of the Francis Scott Key Bridge, Congress will commence the debate regarding the degree of federal support that should be provided for reconstruction efforts.

Foreign Aid Bill

A foreign aid supplemental bill passed the Senate in February. That legislation has been languishing in the House as Republican leaders try to figure a way to bring the bill to the floor without triggering a revolt by conservative Republicans who might force a vote to remove Mike Johnson as Speaker. In an interview on Fox News, Speaker Johnson signaled he might consider some old-fashioned horse trading, which has fallen out of favor in Washington, to pass the bill and give political cover to conservatives who might otherwise oppose the bill. Among the ideas he floated was to reverse the Biden administration's moratorium on liquefied natural gas (LNG) exports. Adding an LNG provision could cost House Democratic votes while failing to move the needle among House Republicans, so it is not guaranteed to ensure that the foreign aid bill passes. Thus, it is far from 100% certain that the LNG provision will be added to the foreign aid bill, but we view this as a positive headline and think the chances are rising that Congress could block the administration's LNG export pause.

Other legislation could also be added to the foreign aid bill, including the Rebuilding Economic Prosperity and Opportunity for Ukrainians Act (REPO Act), which would allow for the confiscation of Russian sovereign assets that were frozen following its invasion of Ukraine. While the REPO Act might be politically popular, it also has potential downsides. First, it effectively deputizes U.S. banks, which would be required to notify the U.S. Treasury about Russian sovereign accounts at their institutions. This could put banks in an uncomfortable position vis-à-vis foreign governments, who might be concerned the U.S. government could use banks to target their assets in the future. Secondly, passing the REPO Act could cause some countries to consider alternatives to using U.S. dollars in order to avoid future U.S. sanctions and confiscations.

The House Republican leadership is facing significant pushback from its right wing against bringing a Ukraine aid bill to the floor. The leadership, however, seems to acknowledge the need to pass an aid package (including aid to Israel and Taiwan) and is moving to add sweeteners that could attract Republican support while also staving off efforts to remove Mike Johnson as Speaker.

Bridge Reconstruction Funds

These are still early days following last week's collapse of the Francis Scott Key (FSK) Bridge which has blocked the Port of Baltimore, but preliminary discussions are already underway regarding funding for a replacement bridge.

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The first priority is to remove the container ship Dali and the bridge’s remnants in order to reopen the port. Money for removal and reopening can probably be accessed through existing funds already authorized by Congress in the recent infrastructure law. The source of funds to rebuild the bridge are less clear. Existing infrastructure resources might be insufficient, which means Congress would have to approve new spending. Some conservatives might argue that Maryland, rather than the federal government, should pay for a new bridge since the structure is located entirely within the state and is not located near the border of surrounding states. The prevailing consensus will likely be that the federal government should fund a large percentage of the reconstruction costs since the bridge is part of the interstate transportation system. The debate in Washington over what share of the burden will be paid for by the federal government will likely take several months to resolve. We expect Congress will approve at least preliminary funds by the end of 2024 to start the reconstruction of the FSK Bridge.

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