



HARRY REID GOES NUCLEAR

In a move that is sure to raise the partisan rancor in Washington even more, this week Senate Majority Leader Harry Reid invoked the so-called nuclear option eliminating the use of the filibuster on all Presidential nominees except Supreme Court nominations.

By a vote of 52-48, the Senate approved the change, which means Presidential nominees will no longer have to clear the traditional 60-vote threshold. Three Democrats voted against changing the rules — Sens. Carl Levin of Michigan, Joe Manchin of West Virginia and Mark Pryor of Arkansas.

Republicans reacted swiftly and strongly to the unprecedented change to Senate rules. Senate Minority Leader Mitch McConnell (R-KY), who tried to recess the Senate for the day before the rules change, could get a vote. He said after: "I don't think this is a time to be talking about reprisal. I think it's a time to be sad about what has been done to the United States Senate."

Republicans also circulated previous statements from both Reid and President Obama opposing the exact rule change they now supported.

Democrats and the White House tried to paint the move as a way to stop Republican "obstruction." In remarks delivered after the nuclear option was invoked, President Obama said:

"It's no secret that the American people have probably never been more frustrated with Washington, and one of the reasons why that is, is that over the past five years, we've seen an unprecedented pattern of obstruction in Congress that's prevented too much of the American people's business from getting done. Today's pattern of obstruction just isn't normal. We can't allow it to become normal."

[Click here](#) to view the *Washington Business Brief* -- The Doc Fix, Budget Update, and the Nuclear Option

BUDGET CONFERENCE COMMITTEE UPDATE

From the moment the Budget Conference Committee was created — as part of the deal to end the government shutdown — most of Washington has assumed that it would fail. While most of Washington remains pessimistic about getting a deal done, there were some signs of optimism from the committee this week.

While there is almost zero chance of a "big deal," there were some rumblings of optimism this week that the committee could reach a "small deal."

According to sources familiar with the negotiations, Rep. Paul Ryan (R-WI), who co-chairs the committee with Senate Budget Chair Patty Murray (D-WA), has developed several different frameworks that would replace the sequester for different lengths of time. While the outlines of the agreement are certainly far from solid, they could include some mandatory savings, along with revenue — but no new taxes.

Revenue raisers being discussed include increased Transportation Security Administration fees and money generated from wireless spectrum sales, according to sources in both parties. As an extra bargaining chip, Republicans would consider including an extension of extended unemployment benefits, which expire on Dec. 28.

The House and Senate negotiators are trying to bridge the gap between the two chambers' top-line spending numbers: the House number is \$967 billion, while the Senate number is \$1.058 trillion.

While there is some new confidence, others are already preparing a plan B, should the Budget Conference Committee fail to reach a deal. Senate Minority Leader Mitch McConnell has put in place a working group for such a scenario - interestingly enough this working group includes two members of the Budget Conference Committee: Senator Kelly Ayotte (R-NH) and Senator Ron Johnson (R-WI).

Ayotte and Johnson are already discussing alternatives, also signaling just how much a potential deal relies upon private negotiations between the two chairs, Rep. Paul Ryan (R-WI) and Sen. Patty Murray (D-WA).

WHAT'S BEHIND THE DELAY OF THE VOLCKER RULE

The so-called Volcker Rule, a provision in the 2010 Dodd-Frank financial-reform law that would ban banks from making risky bets with their own money, was supposed to be ready in 2011. And the federal government did release a lengthy proposal laden with hundreds of questions from Wall Street and chased by thousands of comment letters. Then, the final rule

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was supposed to be ready in 2012. Now it's supposed to be ready in 2013 - but so far, it isn't.

What is behind this delay? Many say that the biggest problem in implementing the rule may be the cultural gaps between the five agencies charged with writing the Volcker Rule.

The Dodd-Frank requires that the Federal Reserve Board, the Federal Deposit Insurance Corp, the Office of the Comptroller of the Currency (OCC), the Securities and Exchange Commission (SEC), and the Commodity Futures Trading Commission (CFTC) work together to write the Volcker rule.

The greatest cultural divide is between the three banking regulators (the Fed, the FDIC and the OCC) on one side and the two market regulators (the SEC and the CFTC) on the other. The banking types have historically worked confidentially to examine institutions' practices and correct them when they're out of line. These officials cooperate and even embed staff at the banks themselves, so it stands to reason they prefer flexibility on this rule and other parts of financial-regulatory reform, said former officials and financial-regulation experts who asked to speak anonymously in order to generalize. The market regulators, on the other hand, are focused on investor protection and disclosure; they like to draw bright, easily enforceable lines, the officials say.

COMPOUNDING BILL PASSES SENATE, HEADS TO PRESIDENT'S DESK

A bill that would strengthen safety standards for drug-compounding pharmacies easily passed the Senate this week — garnering 97 votes. The bill, which previously passed in the House by a wide margin, now heads to President Obama's desk for his signature.

The legislation was spurred by a tragedy last year when a compounding facility in Massachusetts distributed a deadly mixture of steroid injections that caused a nationwide outbreak of fungal meningitis and led to 64 deaths.

The bill was backed by the U.S. Chamber of Commerce, the American Society of Health-System Pharmacists, the Federation of American Hospitals, and about two dozen other outside organizations.

HOUSE PASSES BILL EASING PERMITTING TO DRILL

On Wednesday, the House of Representatives passed a bill authored by Rep. Doug Lamborn (R-CO) that would speed up onshore-drilling permits. The proposal passed, 228-192, but is unlikely to move in the Senate. President Obama has also **threatened to veto** the bill.

The bill would give the Interior Department 60 days to review onshore-drilling permits before they are considered automatically approved. It would also open more federal lands to energy projects and charge fees for drilling protests.

PATENT BILL UPDATE

This week, the House Judiciary Committee voted down a Democratic patent reform amendment during a markup of the Innovation Act, authored by Chairman Bob Goodlatte (R-VA).

Rep. Goodlatte's bill, which is supported by some Democrats on the Committee, seeks to cut down on abusive patent lawsuits by, among other things, requiring companies bringing lawsuits to be more transparent about their financial backing and limiting the kinds of burdens they can impose on the companies and people being sued.

A provision that would have also allowed companies being sued for infringing certain kinds of software patents to ask the Patent Office to reexamine the validity of those patents was removed this week by Goodlatte via a managers amendment.

The Democratic alternative offered by ranking members of the Judiciary Subcommittee on Intellectual Property, John Conyers (D-MI) and Rep. Mel Watt (D-NC), would have required more transparency from the companies bringing infringement suits and ensure that the Patent Office gets to keep the fees it collects.

Conyers and Watt offered the amendment after concerns from some in the legal community. Conyers said the Goodlatte legislation "would make sweeping and unnecessary changes to patent litigation and encroach upon the independence of the federal judiciary."

CABINET UPDATE

On Thursday, the Senate Banking Committee approved Janet Yellen's nomination to become the first woman to lead the Federal Reserve, sending it to the full Senate for a final vote. The vote was 14 in favor and 8 against — with 3 Republicans joining all but 1 Democrat in voting to move the nomination forward.

Also this week, President Obama announced the following nominations:

Debo P. Adebile – Assistant Attorney General for Civil Rights, Department of Justice

Marc Kastner – Director of the Office of Science, Department of Energy

Mark E. Lopes – Member, Board of Directors of the Inter-American Foundation

Vivek Hallegere Murthy – Surgeon General, Department of Health and Human Services

Franklin Orr – Under Secretary for Science, Department of Energy

Political bits:

House

Louisiana 5th Congressional District Special: Businessman Vance McAllister, a Republican, secured **nearly 60 percent of the vote** against Republican state Sen. Neil Riser to win a seat in Congress.

Senate

Wyoming: Liz Cheney (R-WY), daughter of former VP Dick Cheney, who is challenging incumbent GOP Senator Mike Enzi (R-WY), is embroiled in a public feud with her openly gay sister Mary Cheney over her opposition to same-sex marriage.

A look ahead:

The House and Senate will be in recess next week

Washington by the numbers

40 - The **percentage of the health insurance marketplace** that is still incomplete.

They said what?

"I want to see it because I barely remember it. I was very, very inebriated." – Toronto Mayor Rob Ford, on the video of him smoking crack cocaine. (**Today**)

Washington humor

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"Here we go again. Freshman Congressman Trey Radel of Florida has been arrested for possession of cocaine in Washington, D.C. He admitted he is an alcoholic and pled guilty to possession of cocaine. The judge sentenced him to four years as Mayor of Toronto." –Jay Leno

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