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TO: Mayor Robinson and City Councilmembers

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SUBJECT: Federal Legislative Update

Congress heads into the summer with the debt limit crisis averted but a long slog ahead expected to complete work on fiscal year (FY) 2024 funding bills, Farm Bill reauthorization, Federal Aviation Administration reauthorization and a host of other bills. A summary of key federal legislative and administrative activities is below.

Budget & Appropriations

Debt Limit Deal

After months of jockeying and weeks of intense negotiations, President Biden and House Speaker Kevin McCarthy reached a deal to avoid a US government default on its debt obligations. The agreement was reached within a few days of reaching the “X-date”, the date the US Treasury would not have enough cash to meet US obligations. The agreement suspends the debt ceiling until January 1, 2025. It also sets the course for federal spending through 2025.

Key details of the agreement include:

- Suspends the debt ceiling through January 1, 2025.
- Caps federal spending for FY 2024 and FY 2025:
 - ✓ Non-defense spending for FY 2024 is capped at \$703 billion (approximately the same as FY 2023 levels) and \$710.7 billion in FY 2025.
 - ✓ Defense spending for FY 2024 is increased by 3.3 percent to \$886.3 billion as proposed by Biden’s budget request. FY 2025 spending would be capped at \$895.2 billion.
 - ✓ Continuing Resolution spending in effect on or after January 1, 2024 would reduce FY 2024 funding by 1 percent less than the FY 2023 base funding. Similar requirements apply to FY 2025 funding. This is to incentivize Congress to pass funding agreements before the end of the year.
- The measure would also set 302(a) allocations for discretionary spending starting at \$1.62 trillion in FY 2026 and increasing to \$1.67 trillion in FY 2029. Appropriators would divide those amounts among the 12 spending bills. Unlike the spending caps for FY 2024 and 2025, the limits wouldn’t be enforced through sequestration.
- Rescinds \$27.1 billion in unspent COVID-related funds.
- Expand work requirements for Temporary Assistance for Needy Families (TANF) and Supplemental Nutrition Assistance Program (SNAP).



- ✓ SNAP work requirements are expanded for “able-bodied adults without dependents” to age 54 by FY 2025, from 49, while exempting homeless individuals, veterans, and certain individuals in foster care. Changes would sunset on October 1, 2030.
- ✓ Change to 2015, from 2005, the base year used to determine a state's required work participation rate for TANF recipients.
- ✓ Require the Department of Health and Human Services (HHS) to implement a pilot program to negotiate performance benchmarks measuring work and family outcomes for TANF recipients.
- Rescinds \$1.39 billion of the \$80 billion in new IRS funding authorized under the Inflation Reduction Act.
- Reinstates payment requirements on federal student loans after June 30.
- Streamlines energy permitting, including streamlining National Environmental Policy Act (NEPA) by placing a one-year deadline for producing environmental assessments and a two-year maximum for environmental impact statements.

Appropriations

The spending caps included in the debt-limit deal should have teed up the congressional appropriations process for quick, bipartisan consideration this summer. However, a protest by the ultra-conservative House Freedom Caucus has upended what could have been a smooth path forward for the FY 2024 spending bills. By taking the House floor hostage and stopping all consideration of legislation, conservatives have forced Speaker McCarthy to accept demands for steeper spending cuts, setting up a clash with the Democrat-controlled Senate and Administration. Senate Majority Leader Chuck Schumer (D-NY) said the House's spending levels won't “have much support in the Senate among Democrats or Republicans.”

House Republicans Plan Domestic Spending Cuts				
Appropriators set allocations for the 12 annual funding bills				
Subcommittee	2023 enacted (in millions)	2024 House plan	Change	Percentage change
Agriculture-FDA	\$25,480	\$17,838	\$-7,642	-30%
Commerce-Justice-Science	82,441	58,676	-23,765	-29
Defense	797,736	826,448	28,712	4
Energy and Water	54,000	52,378	-1,622	-3
Financial Services	27,556	11,311	-16,245	-59
Homeland Security	60,703	62,793	2,090	3
Interior-Environment	38,850	25,417	-13,433	-35
Labor-HHS-Education	207,367	147,096	-60,271	-29
Legislative Branch	6,900	6,746	-154	-2
Military Construction-VA	154,168	155,701	1,533	1
State and Foreign Operations	59,693	41,367	-18,326	-31
Transportation-HUD	87,332	65,208	-22,124	-25
Total	1,602,226	1,470,979	-131,247	-8

Bloomberg

The agreement McCarthy brokered with the conservative wing of his caucus will bring spending caps to FY 2022 levels, about a \$130 billion reduction from the current level funding that was agreed to in the debt-limit deal struck just weeks ago. According to an outline released by the



House Appropriations Committee, the only bills that will not face cuts are the Defense spending bill, which will get an increase compared with the current level, along with the Military Construction-VA and Homeland Security measures. All others will see reductions (see inset table above).

The unwritten agreement also directs Congress to eliminate unauthorized funds and set up a commission focused on reducing waste. The \$115 billion in funds targeted to be redirected or rescinded include funding appropriated for the IRS that will be redirected to southern border security and "resources to ... instead ... combat the scourge of fentanyl."

Thus far, the House Appropriations Committee has advanced two bills out of the full committee, Agriculture-FDA and Military Construction-VA. The Defense and Energy and Water Development bills have been approved at the subcommittee level.

House Republicans' \$57.9 billion fiscal 2023 Energy-Water spending bill features cuts to some of the Biden administration's clean energy programs. The legislation also includes several Republican priority policy riders, including termination of the waters of the U.S. rule and a prohibition of a Department of Energy efficiency rule on grid transformers. When it comes to Inflation Reduction Act (IRA) rescissions, the bill would claw back \$4.5 billion from the High-Efficiency Electric Home Rebate Program, \$1 billion from the Assistance for Latest and Zero Building Energy Code Adoption, and \$200 million from State-Based Home Energy Efficiency Contractor Training Grants. The Army Corps would receive some \$2.9 billion for construction efforts and \$5.4 billion for operation and maintenance costs, more than the \$7.4 billion proposed by the Administration.

The Senate Appropriations Committee, in contrast to its House counterpart, is looking for ways to spend above the caps set in the debt-limit deal in some areas and is hoping to take a more bipartisan approach. The committee is expected to begin its markups next week, starting with the Agriculture-FDA and Military Construction-VA bills.

FAA Reauthorization

Authorization for the Federal Aviation Administration (FAA) expires September 30. The House Transportation and Infrastructure Committee advanced a sweeping bipartisan proposal on June 14 that will authorize \$100 billion for aviation operations, equipment, workforce, and infrastructure over the next five years. HR 3935, the *Securing Growth and Robust Leadership in American Aviation Act*, includes several provisions designed to increase staffing at air traffic control, diversify the aviation workforce, alleviate flight disruptions and increase funding for airports. The House legislation would also authorize the National Transportation Safety Board, which is charged with investigating crashes.

The Senate Commerce Committee released its bipartisan FAA reauthorization package on June 12. The Senate package authorizes more than \$107 billion for the FAA over five years. Like the



House bill, there is a strong focus on improving safety, aviation sector staffing, and customer service.

Other Legislative Matters

Gas Stoves

In response to Biden Administration actions to regulate gas stoves, the House passed with bipartisan support the *Gas Stove Protection and Freedom Act* (HR 1615) and the *Save Our Gas Stoves Act* (HR 1640). The *Gas Stove Protection and Freedom Act* will block the Consumer Product Safety Commission from regulating the appliances. The *Save Our Gas Stoves Act* will prevent the Department of Energy from finalizing its proposed rule expanding energy efficiency regulations on gas stoves. The Department of Energy is aiming to finalize a regulation on gas stoves by January, 2025. Both measures were passed with bipartisan support and the bills now advance to the Senate, where Senator Joe Manchin (D-WV) joined several colleagues in introducing similar legislation. However, it's not certain Democratic leaders in the Senate will take up the legislation. The White House has expressed opposition.

Taxes

The House Ways and Means Committee approved three bills (HR 3936, HR 3937 and HR 3938) along party lines that take aim at key tax provisions included in the IRA and make changes to several tax provisions for businesses and individuals. The package does the following:

- Restores the R&D Deduction in the year incurred through 2025;
- Extends full Bonus Depreciation through 2025;
- Increases standard deductions for joint and individual filers
- Extends allowances in determining limit on business interest expenses through 2025;
- Repeals the clean electricity production and investment credits;
- Repeals credits for previously owned clean vehicles and qualified commercial clean vehicles; and
- Reinstates pre-IRA manufacturer limits for electric vehicle (EV) tax credits.

The package faces an uncertain future because members from both sides of the aisle have expressed concerns. Democrats oppose the repeal of the clean energy tax credits and conservative House Freedom Caucus members have expressed concerns about the cost of the package. Democrats are likely to push their own tax agenda to include proposals such as the expanded child tax credit, State and Local Tax (SALT) deductions cap, and foreign tax credits.

Agency and Administrative Actions

Guidance and Proposed Rules



- Clean Energy Tax Credits - Treasury released guidance on June 14 on key provisions in the IRA to expand clean energy tax credits. See information here: [Clean Energy Tax Credits Elective-pay and Transferability](#)
- CHIPS Investment Credit - Treasury has released rules on June 14 for taxpayers seeking to utilize the elective payment option to more quickly gain the benefits of the section 48D Advanced Manufacturing Investment Credit (CHIPS ITC), which was established by the Creating Helpful Incentives to Produce Semiconductors (CHIPS) and Science Act of 2022. Proposed rule: [Elective Payment of Advanced Manufacturing Investment Credit](#)
- Treasury and IRS [also released](#) a Notice of Proposed Rulemaking for the Low-Income Communities Bonus Credit program

Sustainable Pavements Program - FHWA is soliciting applications to support its Sustainable Pavements Program through a cooperative agreement. Application deadline is June 26. [NOFO](#)

Ride and Drive Electric Program – USDOT and Department of Energy have announced funding for programs in certain areas for: EV charging resiliency planning for continuity of operations and services for all EV users; equitable business model development and deployment for EV charging; workforce development to support EV charging; increased industrial capacity, competition, and redundancy for validation testing and certification in the United States of Alternating Current (AC) Level 2 and/or Direct Current (DC) fast chargers; and assessing performance and reliability of DC fast charging stations. Concept Paper Submission deadline: 6/16/23; Application deadline: 7/28/23. [NOFO](#)

Wildlife Crossing Pilot Program - \$111.8 million is available for projects that seek to reduce the number of wildlife-vehicular collisions. Deadline: 8/1. [NOFO](#)

PROTECT Community and Evacuation Program and Planning Grants.

\$45 million is available for each program. The Promoting Resilient Operations for Transformative, Efficient, and Cost-saving Transportation (PROTECT) Program will support projects to strengthen and protect critical evacuation routes. Deadline: 8/18. [NOFO PROTECT program](#). The Planning Grants will support technical capacity building and general evacuation planning. Deadline is 8/18. [NOFO PROTECT Planning Grants](#)

PROTECT Resilience Grants - \$638 million is available for projects to protect surface transportation assets by enhancing resiliency. Deadline: 8/18. [NOFO](#)

National Fish Passage Program - \$38 million is available for dam removal, public safety barrier removal and river ecosystem restoration to improve fish passage. Deadline: 12/31. [NOFO](#)



Bellevue Federal Activities

Senator Murray Visit

Senator Murray came to visit Bellevue Fire Station #1 last month to learn more about Bellevue's initiative with Redmond to electrify our fire stations, making them safer for our firefighters and for our community and reducing our climate-warming emissions.

Federal Agenda Update

The Council adopted an updated Federal Priorities document that outlines the city's federal policy and funding priorities. The city's 2023-2024 federal priorities align with the city's adopted vision and reflect the city's funding and policy requests and proposals currently under consideration in Congress and the federal agencies. It also outlines key city initiatives, such as the Grand Connection and Eastrail, that the city is moving forward and will be seeking federal support for in the near future.

June DC Trip

Deputy Mayor Jared Nieuwenhuis and Genesee Adkins, Chief of External Affairs, visited Washington, DC to meet with Bellevue's federal delegation members. Meetings were held with Rep. DelBene, Rep. Smith, as well as the offices of Senator Cantwell, Senator Murray, and Rep. Newhouse. The purpose of the trip was to provide Bellevue's federal delegation with an update on the city, share the city's federal priorities and thank our delegation for their support and partnership on the city's key initiatives, including pending and upcoming grants and earmark requests still in process.