

CITY COUNCIL STUDY SESSION

Federal Legislative Update

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*City Manager's Office***DIRECTION NEEDED FROM COUNCIL****INFORMATION
ONLY**

No formal action is required; this is an informational briefing. Congress, the Administration, and Federal agencies each year approve actions that impact the City in a broad range of areas. Staff may recommend, and/or Council may wish to direct, communication to the City's congressional delegation on a range of issues throughout the year.

RECOMMENDATION

NA

BACKGROUND & ANALYSIS

August recess is around the corner, and the President and Democrats in Congress, who control both chambers, are scrambling to develop any win possible before they hit the campaign trail in advance of mid-term primaries and the November election. Two big wins that have eluded Democrats for months are within reach, including a slimmed-down version of Build Back Better, the President's social, tax and climate package and a chips bill that will provide a \$50 billion boost to the U.S. semiconductor industry. A water resources infrastructure reauthorization bill could also move out of the Senate before the August recess. The question will be if Democrats can hold their caucus together to enact these priorities or will inner-party squabbles continue to get in the way.

Bellevue staff and federal consultants are actively working to schedule a number of conversations with Congressional staff for the August recess, with the objective of both promoting our federal priorities broadly, as well as specifically discussing a couple of our specific upcoming applications for competitive funds through the BIL.

BUDGET & APPROPRIATIONS**FY 2023 Appropriations**

The House passed six of the 12 annual appropriations bills in a minibus package on July 20th. The package (HR 8294) includes appropriations measures for Agriculture-FDA, Energy and Water, Financial Services-General Government, Interior-Environment and Military Construction-Veterans Affairs.

A few highlights of interest to Bellevue in the package include the following:

- Increase FDA funding by about 10%, including to help address the baby formula shortage

- Domestic food programs will receive \$27 million less than in FY 22 but SNAP will get a boost in funding if necessary for “unanticipated” (i.e., inflationary) costs expected in the fourth quarter.
- \$475 million for grant programs that aim to reduce gun violence, including a pilot program for states to create “red flag” laws
- \$400 million for election security grants
- Eliminate policy barring abortion coverage as part of federal employee health benefit
- \$19.9 billion increase for disasters
- \$6.4 billion for wildfire management, including \$2.55 billion in cap-adjusted funding
- Make unused green cards available for current immigrants stuck in backlog
- Omit the Hyde amendment that bars federal funding for most abortions
- Allow Title X family planning funds for contraceptives, abortion counseling or referrals
- \$60 million for research to prevent gun violence
- Make DACA recipients eligible for financial aid
- Veterans Affairs Department will receive a \$22.8 billion increase to cover more healthcare, benefits, and mental health care for veterans
- Foreign-Ops bill includes a \$1.6 billion contribution to the Green Climate Fund
- \$12.8 billion for new affordable housing and safety improvements for public and low-income housing
- More than \$1.6 billion to reduce transportation emissions and inequities
- \$1.1 billion to support new housing vouchers to address homelessness
- \$775 million for multimodal RAISE grants

The 12 House appropriations bills include 4,386 earmarks totaling \$8.2 billion. This is a significant increase from the 2,449 earmarks totaling \$3.6 billion House members received for FY 22 and a sign that the earmark process is gaining in acceptance and usage in Congress.

Senate appropriators plan to release their fiscal 2023 spending bills this week. A bicameral agreement on topline spending targets has not been reached and a key difference between the House and Senate bills is expected to be the amount allocated for defense spending. The Senate number for defense spending is expected to be higher than what the House or Administration has proposed. Other than this difference, the Senate bills, like the House bills, are expected to largely reflect Democrat priorities. Senate Republican appropriators have complained they’ve had little input on the bills. This dynamic and the overall timing of the process makes it unlikely Congress will not complete their appropriations work by the end of the fiscal year (September 30th) and a Continuing Resolution (or two) will be needed to keep the government funded. Most Appropriators predict that it will likely be November or December before an agreement can be reached on FY 2023 funding for the government.

Bellevue has two earmarks under consideration in the Senate, a \$1 million request for the NE 21st Street Flood Control Culvert Project being requested by Senator Murray and a \$1 million request for Lake Washington Lake Line Management Plan being requested by Senator Cantwell.

Budget Reconciliation: Schumer-Manchin Deal

After months of on-again, off-again negotiations, Democrat's appear poised to move a slimmed-down version of their broad social, tax and climate spending package (formerly known as 'Build Back Better'). Senate Majority Leader Schumer (D, NY) and Senator Joe Manchin (D, WV) announced a deal had been reached within hours of The Fed's announcement that it was increasing interest rates by three-quarters of a percent point, the fourth increase this year.

According to a statement released by Manchin, "The Inflation Reduction Act of 2022 would dedicate hundreds of billions of dollars to deficit reduction by adopting a tax policy that protects small businesses and working-class Americans while ensuring that large corporations and the ultra-wealthy pay their fair share in taxes."

An outline of the proposal states that it will invest over \$300 billion towards deficit reduction, \$369 billion in energy and climate initiatives and \$69 billion to extend an expansion in Affordable Care Act premium subsidies that's currently set to end at year-end. To fund the proposed investments, \$739 billion will be raised by the establishment of a 15% corporate minimum tax, increased IRS enforcement, prescription drug price reforms and closing of the carried interest loophole.

For more details on the proposal please see the following links from Senate Majority Leader Schumer's office:

- [Inflation reduction](#)
- [Closing tax loopholes](#)
- [Prescription drug pricing reforms](#)
- [Energy security and climate change investments](#)

To review bill text: [Inflation Reduction Act of 2022 bill text](#)

Enactment of the package remains uncertain in the evenly divided Senate where every Democrat vote is needed for passage. As of this writing, Senator Kyrsten Sinema (D, AZ), a key moderate member, has not stated a position on the bill yet. The package also doesn't include an increase on the limit of state and local tax deductions (SALT), which key members from high-tax states such as New York, California and New Jersey had previously stated would be required in order to have their support on any reconciliation package. House Progressives had also hoped for a much broader and bigger bill and it's uncertain if they will accept this much smaller package without demanding additions. With Democrat leaders trying to tee up votes for final passage before the August recess, the Leader's and Whip's offices in both chambers and the White House will be working overtime in the coming days to secure every Democrat vote needed.

CLIMATE

With major climate change action stalled in Congress after months of negotiations, the President announced a series of Executive Orders designed to push forward federal action on climate change. The Executive Actions include:

- \$2.3 billion released by the Federal Emergency Management Agency (FEMA) for its Building Resilient Infrastructure and Communities (BRIC) program for Fiscal Year 2022. The BRIC program was created in the infrastructure packaged passed by Congress last year. The funding will help communities increase resilience to heat waves, drought, wildfires, flood, hurricanes, and other hazards by preparing before disaster strikes.
- Department of Health and Human Services (HHS) issued guidance to expands how the Low-Income Home Energy Assistance Program (LIHEAP) can help lower cooling costs for communities experiencing extreme heat.
- Department of the Interior proposed the first Wind Energy Areas in the Gulf of Mexico, a step toward expanding offshore wind opportunities to another region of the United States.
- HUD will enable families in HUD-assisted rental housing to subscribe to local community solar where available.
- The Department of Energy (DOE) and HHS announced that **Colorado, Illinois, New Jersey, New Mexico, New York, and Washington, D.C.** have signed up to pilot the [Community Solar Subscription Platform](#) which is designed to connect community solar electric bill savings projects to households participating in the Low-Income Home Energy Assistance Program (LIHEAP).
- HUD launched a new initiative to help small rural housing authorities make money-saving energy efficiency upgrades.
- DOE announced \$10 million in funding is available from the Bipartisan Infrastructure Law's [Advancing Equity through Workforce Partnerships](#)
- DOE announced the [Sunny Awards for Equitable Community Solar](#), a new awards program to recognize communities that are implementing best-in class community solar programs and projects that lower costs and increase access for families.
- HUD announced stakeholder meetings to highlight federal sources that can be used to support public facilities and increase affordable housing supply that improves energy efficiency.

HOUSING

Treasury has released new guidance to provide additional clarity and flexibilities in the use of State and Local Fiscal Recovery Funds (SLRF) to boost the supply of affordable housing. The American Rescue Plan (ARP) created the SLRF, making \$350 billion available to state and local governments.

This latest guidance follows efforts by the Administration's [Housing Supply Action Plan](#), which was release in May. The objective of the Housing Action plan is, "to increase the nation's housing supply by filling financing gaps, helping localities reform zoning and land use policies to increase housing production and deploying additional federal resources and regulatory tools to increase the housing supply and bring housing costs down in the long term."

This latest guidance by Treasury will:

- Permit governments to use SLRF funds to fully finance long-term affordable housing loans, including the principal of any such loans, subject to certain conditions. These changes will facilitate significant additional financing for affordable housing projects, including those that would be eligible for additional assistance under Treasury’s Low Income Housing Credit (LIHTC).
- Expand presumptively eligible affordable housing uses to further maximize the availability of SLFRF funds for affordable housing. This will expand the list of federal programs, beyond the initial two HUD programs, that local governments can presumptively use and leverage for affordable housing. HUD and Treasury have released a [“How-To” Guide](#) to help governments easily combine American Rescue Plan funds with other sources of federal funding. Treasury will also be conducting a series of webinars and briefings in the coming months.
- Clarify that SLFRF funds may be used to finance the development, repair, or operation any affordable rental housing unit that provides long-term affordability of 20 years or more to households at or below 65% of the local area median income.

WATER INFRASTRUCTURE

The House and Senate are close to completing work on legislation to reauthorize water projects around the country. The bipartisan 2022 Water Resources Development Act (WRDA) will authorize billions in Corp of Engineer projects covering flood control, dam safety, ecosystem protection and restoration projects, navigation, and other projects related to U.S. waterways.

Several provisions in the bill are of interest to the Puget Sound region, including funding for Howard Hanson Dam, the Ballard Locks, flood control measures, dredging of water ways, language related to the Columbia River Treaty, etc. The House bill also contains 100 new water-related infrastructure projects such as wastewater treatment facilities, water supply, and stormwater management, including a \$200 million allocation to counties in western Washington.

The House passed its version of the bill by a 384-37 vote on June 8. The Senate completed negotiations on its version of the bill on July 27 and could take up the measure before the August recess, if a reconciliation bill doesn’t take precedence for floor time. Once the Senate completes its work the House and Senate will reconcile their bills and prepare for final passage.

POLICY & FISCAL IMPACTS

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OPTIONS

N/A

ATTACHMENTS & AVAILABLE DOCUMENTS

N/A

AVAILABLE IN COUNCIL LIBRARY

N/A