

CITY COUNCIL STUDY SESSION ITEM

SUBJECT

Federal Legislative Update

STAFF CONTACTS

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POLICY ISSUES

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.

ACTION



DIRECTION



INFORMATION ONLY



No formal action is required; this is an informational briefing.

Council may wish to provide direction to staff regarding legislative proposals.

BACKGROUND/ANALYSIS

After a pair of brief partial government shutdowns, Congress appears on track to complete FY18 appropriations work in the coming month. FY18 negotiations are reaching their final stage at the same time that Trump Administration officials are beginning to appear in front of Congressional committees to discuss the President's FY19 budget request. Each year, the request, which proposes sweeping changes to mandatory and discretionary spending, is seen more as a list of the Administration's priorities than an advisory document for Congressional appropriators. At the same time, Congressional leadership and the White House continue to struggle to reach a compromise on immigration that would provide certainty to Deferred Action for Childhood Arrivals (DACA) recipients, fund border security, and perhaps address other issues. Also impacting the climate in DC right now is the reemergence of the gun control debate following the school shooting in Florida as well as the ongoing investigation into Russian meddling in the 2016 election.

FY18 Appropriations

Congress passed, and the President signed, the Bipartisan Budget Act of 2018 on February 9. The measure included several major provisions, including: a fifth continuing resolution (CR) extending government funding through March 23, an increase in the debt limit through March 2019, and an agreement to lift the Budget Control Acts spending caps for FY18 and FY19. The spending caps compromise had eluded Congressional leadership for months, stalling the appropriations process and necessitating CR after CR to keep the government funded since the beginning of the federal fiscal year on October 1, 2017. With the agreement in place, the path is clear for appropriators to finalize an omnibus spending bill for FY18.

The two-year agreement increases federal funding by nearly \$300 billion over sequester levels set in the Budget Control Act. Nondefense discretionary spending will see a boost of \$63 billion in FY18 and \$68

billion in FY19. Defense discretionary spending will see a boost of \$80 billion in FY18 and \$85 billion in FY19. The increase in spending caps included in the bipartisan budget agreement is substantially larger than previous budget compromises, giving appropriators more head room as they work on final FY18 spending. For cities, the additional discretionary spending dollars mean that critical programs, like TIGER grants and Community Development Block Grants (CDBG), could see larger funding boosts.

Of note, the budget agreement also includes:

- \$20 billion for infrastructure projects
- \$6 billion to address the opioid crisis and mental health
- \$2 billion in funding for National Institutes of Health (which has been targeted for dramatic cuts by the Trump Administration)
- \$4 billion for college affordability programs
- Some mandatory spending cuts as a partial offset
- \$80-\$90 billion in disaster relief funding

FY19 Appropriations

The Trump Administration rolled out its proposed FY19 budget earlier this month. As noted above, in DC, the President's budget request is seen much more as an outline of White House policy plans and goals than as a negotiating document for appropriators. And because the two-year budget agreement also raises spending caps for FY19, the President's request for sweeping cuts is even less likely to be implemented. However, it is a useful guidepost for the Administration's plans. A closer look at several significant proposals included in the President's budget is included below.

The proposed budget would eliminate:

- Department of Housing and Urban Development (HUD) Community Development Block Grants that fund local community development activities including affordable housing, anti-poverty programs, and infrastructure development.
- TIGER Grants—these highly competitive transportation grants that fund projects with a significant impact on national or regional infrastructure.
- Advanced Research Projects Agency-Energy (ARPA-E), which is responsible for promoting and funding research and development of advanced energy technologies.
- Advanced Technology Vehicle Manufacturing Program, which supports the development of advanced technology vehicles and associated components.
- Weatherization Assistance Program that works to reduce energy costs for low-income households by improving energy efficiency in their homes.
- Legal Services Corporation which provides civil legal aid to low-income Americans.
- National Endowment for the Humanities and National Endowment for the Arts

Proposed changes to other significant programs for FY19 include:

- Eliminating future funding for Capital Improvement Grants or "New Starts". Projects like Sound Transit's Lynnwood Link, Federal Way Link, and Tacoma Link that don't have a full funding agreement in place already would be cut.

- Moving the Affordable Care Act (ACA) funding to a block grant system, similar to the Graham-Cassidy bill that was proposed during the repeal/replace debates around the ACA. The Congressional Budget Office estimated that the Graham-Cassidy bill would result in 20 million more uninsured Americans when it was under consideration in 2017.
- 25% cut to the Environmental Protection Agency's (EPA) budget mainly through elimination of programs "that create unnecessary redundancies".
- Changes to the Supplemental Nutritional Assistance Program (SNAP—formerly known as the food stamp program) to save \$214 billion. The proposal would increase work requirements for recipients. Additionally, all households receiving more than \$90 per month in food aid would receive a United States Department of Agriculture (USDA) "food package" that would include items such as shelf-stable milk, ready to eat cereals, pasta, peanut butter, beans and canned fruit, vegetables, and meat, poultry or fish".

Transportation & Infrastructure

Infrastructure Package – The White House rolled out its much-anticipated infrastructure package on February 12. The proposal would direct \$200 billion in federal funding to leverage state, local, and private investment of \$1.3 trillion for a total of \$1.5 trillion in infrastructure investment over 10 years. State and local governments would be expected to raise new revenue for projects. Many state and local government leaders were looking for the package to include more federal dollars to assist with infrastructure maintenance and the backlog of new projects that have been stalled due to funding constraints at the state and local level. The \$200 billion is proposed to be allocated as follows:

- \$100 billion on an incentives program to reward states and local governments that invest more on infrastructure. The incentive program would provide competitive grants for up to 20% of the total project cost.
- \$50 billion on rural infrastructure programs dispersed to states as block grants.
- \$20 billion for "transformative projects".
- \$3 billion to expand loan programs, including Private Activity Bonds and the capital financing fund.

The infrastructure package also proposes an overhaul to the permitting process to cut down on project development and approval timelines. Notably, federal agencies would switch from sequential reviews of projects to concurrent reviews with a single designated agency leading the effort.

Waters of the US Rule – Amid ongoing litigation over the Obama Administration's controversial waters of the US rule that extended federal jurisdiction over waterways, the EPA and the U.S. Army Corps of Engineers are officially delaying the effective date of the rule for two years. During that time, the agencies will reconsider which bodies of water will be covered by the rule, which has faced opposition from many municipalities that stand to lose oversight of water bodies they are accustomed to regulating as well as many business and agriculture interests.

National Flood Insurance Program – Authorization for the National Flood Insurance Program (NFIP), which is responsible for providing flood insurance where the private market will not, for improving floodplain management, and developing maps of flood hazard zones, was extended through March 23 as part of the most recent CR. While there is broad agreement that the program needs to be reformed, the consensus ends there and there is little agreement around long-term solutions for the stability of the program. It is unlikely that those differences will be resolved before the stopgap reauthorization expires, and another short-term extension will likely be necessary.

Tax & Finance

Private Activity Bonds – The proposed infrastructure package (outlined above) would expand the use of Private Activity Bonds (PABs) as one avenue to increase the leveraging of federal dollars for infrastructure projects across the country. The move would expand access to the popular financing tool for state and local governments as part of financing a range of projects, including affordable housing, water and sewer systems, transit, and transportation infrastructure. PABs were under consideration for elimination in the Tax Cuts and Jobs Act, but ultimately were retained in the final bill.

Advanced Refunding – The tax exemption for advanced refunding bonds was eliminated in the Tax Cuts and Jobs Act that became law last year. Earlier this month, leaders of the Municipal Finance Caucus introduced legislation to restore the exemption for advanced refunding bonds in recognition of the need for flexible tools for states and local governments to use to invest in infrastructure. From the Washington State delegation, Representatives Adam Smith, Dave Reichert, Susan DelBene, Pramila Jayapal, and Dereck Kilmer are members of the Municipal Finance Caucus.

Online Sales Tax – The Supreme Court agreed to hear a South Dakota case challenging the long-standing *Quill* decision, which found that a retailer can only be forced to collect sales tax in a state where the company has a physical presence, has opened a new venue in the efforts of state and local governments to tax internet sales. The Court’s decision is expected at the end of its current term in June. At the same time, Treasury Secretary Steven Mnuchin told the House Ways and Means Committee during a hearing earlier this month that President Trump supports action to allow states to collect sales tax on internet sales. The remarks could breathe new life into efforts to pass the Marketplace Fairness Act, Remote Transactions Parity Act, or similar legislation that has been stalled in Congress for several years. The Government Accountability Office estimates that states and local governments could have collected up to \$13 billion in additional revenue in 2017 were it not for the *Quill* decision’s impact on e-commerce.

Health Care

Program Authorizations – The authorization for the Children’s Health Insurance Program (CHIP), which provides insurance coverage for low-income children who don’t qualify for Medicaid, was extended in the budget act and now expires in 10 years. A previous FY18 CR had extended the popular program for six years. This is important news for Washington state which was considering ways to fill the gap in federal funding that would have resulted from a failure to reauthorize the program. After a lapse in authorization, the Community Health Centers (CHCs) fund was also extended in the budget, with the two-year budget agreement providing \$3.8 billion in the current fiscal year and \$4 billion in FY19, up from \$3.6 billion in FY17. There are dozens of CHCs in Washington state, including several in Bellevue, providing medical and dental care for mostly low-income individuals.

ALTERNATIVES

N/A

RECOMMENDATION

N/A

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ATTACHMENTS

N/A

AVAILABLE IN COUNCIL DOCUMENT LIBRARY

N/A