

**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**

The following is a federal legislative update as of September 20. Congress will have a busy legislative calendar this fall and through the end of the year. First up will be the federal annual spending bills and the debt limit. Federal surface transportation programs are also set to expire on September 30 unless extended or reauthorized. A continuing resolution will likely be considered as a stopgap measure to keep the government open beyond the end of the fiscal year (FY) on September 30, through the early part of December. This would provide more time for Congress to complete work on the 12 annual appropriations bills that are necessary to fund the government. The White House has also requested adding supplemental funding to the continuing resolution to fund relief efforts for Hurricane Ida (\$10 billion) and other natural disasters (\$14 billion), and for Afghan refugees (\$6.4 billion).

The national debt limit will likely be reached sometime in October. Action by Congress is necessary to prevent the federal government from defaulting. House Democrat leaders have announced they will include the debt limit legislation with the continuing resolution described above.

After being extended for one year already, federal surface transportation programs are set to expire on September 30. The bi-partisan infrastructure package that passed the Senate reauthorizes these programs for another five years. While the House is scheduled to take up the infrastructure package by September 27, a short-term extension of the programs may be needed until the House Democratic caucus is able to broker a deal between the moderate and progressive wings of the party.

Finally, approximately \$4 trillion in new infrastructure and social spending is under consideration but emerging divisions within the Democratic caucus may keep many specifics about these proposals and the probability of final passage uncertain into the fall.

## BUDGET AND APPROPRIATIONS

The federal fiscal year ends September 30 and, as stated above, a stopgap measure is expected to be taken up to avoid a government shutdown. Congressional leaders are currently contemplating a continuing resolution that will fund the government through early December. Reaching an agreement on annual spending is not expected to be easy. Democrats have a thin majority in both chambers and complications and disagreements with Republican and within the Democratic caucus have already emerged over spending limits and controversial policy riders. As in past years, wrapping up work on the annual spending bills will likely include a lot of deal-making at the end of the year.

The House has moved nine of the 12 appropriations bills thus far. A seven-bill “minibus” package passed on July 29, including Agriculture-Food and Drug Administration (FDA), Energy and Water, Financial Services-General Government, Interior-Environment, Labor-Health and Human Services (HHS)-Education, Military Construction-Veterans Affairs (VA), and Transportation-Housing and Urban Development (HUD). State-Foreign Operations and Legislative Branch passed on July 28.

A few highlights from House appropriations bills include:

<b>House FY 2022 Appropriation Proposals</b>
Department of Agriculture-FDA
<ul style="list-style-type: none"><li>• Provides \$105.8 billion for Supplemental Nutrition Assistance Program (SNAP), \$26.9 billion for child nutrition, and \$6 billion for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). The Senate proposal is similar.</li></ul>
Commerce-Justice-Science - \$81.4 billion, a 14 percent increase
<ul style="list-style-type: none"><li>• \$753.8 million for Violence Against Women Act programs, a 48 percent increase from FY 2021.</li><li>• Blocks Department of Justice grant funding unless states and local governments meet specified conditions, such as eliminating racial profiling, deadly force, chokeholds, and “no-knock” warrants in drug cases.</li><li>• Requires at least 25 percent of Byrne Justice Assistance Grant (JAG) funds be used for activities aimed at improving police practices.</li><li>• Funding to implement policing legislation (HR 1280) passed by the House in March, including:<ul style="list-style-type: none"><li>○ \$400 million for Law Enforcement Accountability Grants to help states implement laws that allow independent investigations of law enforcement officers and conduct investigations.</li><li>○ JAG grants are set aside for initiatives in the bill, including \$15 million for reporting data on police use of force and \$5 million for competitive grants to law enforcement agencies to collect data on hit rates for stops and searches.</li><li>○ \$95 million for initiatives to improve police-community relations, of which \$35 million would be for a competitive matching grant program to purchase body-worn cameras for state and local law enforcement officers.</li><li>○ \$42 million in Byrne JAG funds for police training on issues such as racial profiling, use of force, and duty to intervene.</li><li>○ \$5 million to continue developing a National Police Misconduct Registry.</li></ul></li></ul>

- \$150 million to implement firearms-related initiatives such as a pilot program to help states improve gun licensing and “red flag” laws, expand buy-back programs, etc.
- State and local justice programs: \$450 million for Community-Oriented Policing Services; \$458 million for opioid abuse reduction programs; \$140 million for Students, Teachers and Officers Preventing School Violence Act grants; etc.
- \$70.5 million for Pacific Salmon, an increase of \$3.5 million from FY 21.

#### Energy and Water - \$53.2 billion (Senate proposal \$53.6 billion)

- Energy programs increase to \$16.8 billion from \$12.4 billion (Senate proposal: \$16.9 billion).
- Energy efficiency and renewable energy increases to \$3.768 billion, a \$906 million increase.
- Army Corps of Engineers funded at \$8.66 billion, an increase of \$827 million over FY 2021. Senate proposal is \$8.97 billion.

#### Interior-Environment - \$43.4 billion, a 20 percent increase

- \$5.66 billion in Interior Department and U.S. Forest Service funding to combat wildfires, including reserve funds.
- \$3.23 billion for the Clean Water and Drinking Water state revolving funds, an increase of \$464 million.
- \$900 million in mandatory funding from the Land and Water Conservation Fund

#### Labor-HHS-Education - \$237.5 billion

- \$119.8 billion for HHS, a \$22.9 billion increase from fiscal year 2021.
  - \$3.9 billion for the Low-Income Home Energy Assistance Program (LIHEAP), a \$150 million increase.
  - \$12.2 billion for Head Start, a \$1.43 billion increase over fiscal 2021.
  - \$7.38 billion for the Child Care and Development Block Grant, a \$1.47 billion increase.
  - \$2 billion for State Opioid Response grants, a \$500 million increase.
  - \$1.83 billion in discretionary funding for Community Health Centers, a \$148 million increase.
  - \$1.58 billion for the Community Mental Health Services Block Grant, an \$825 million increase.
  - Omits the Hyde amendment that prohibits use of federal funds for abortions.
- \$102.8 billion for the Education Department, a \$29.3 billion increase.
  - Limits federal funding for for-profit colleges and charter schools.
- \$14.7 billion for the Labor Department, a \$2.18 billion increase.
- Makes Deferred Action for Childhood Arrivals recipients and others with temporary protected status eligible for federal financial aid.

#### Transportation-HUD - \$162.6 billion, an increase of \$8.69 billion over FY 2021.

- Increases highway and transit funding consistent with the “INVEST in America Act” ([H.R. 3684](#)) passed by the House in July.
- Provides \$100 million for a new Thriving Communities program to address transportation barriers.
- \$1.2 billion for RAISE discretionary surface transportation grants
- Includes funds to purchase more than 300 zero-emission buses and 400 diesel buses.
- HUD gets \$6.82 billion more than in FY 2021.
- \$3.7 billion for Community Development Block Grants, and increase of \$265 million over FY 2021.
- \$1 billion to support more than 125,000 new incremental housing vouchers to address homelessness.
- \$50 million for a new down payment assistance program for first-time homebuyers.

The House has yet to pass the Commerce-Justice-Science, Defense and Homeland Security bills.

The Senate is starting to consider appropriations measures. Before the August recess, the Senate Appropriations Committee marked up three of its 12 bills: Agriculture-FDA, Energy and Water, and Military Construction-VA. It is uncertain when other bills will be taken up.

Bellevue has one appropriations earmark request in play: a request for \$915,900 for a Community Crisis Assistance Team to assist Bellevue Police and Fire respond to 9-1-1 calls. The request was submitted by Senator Cantwell to the Senate Commerce-Justice-Science appropriations subcommittee. The committee has not yet released its FY 2022 proposal nor announced a markup.

### **INFRASTRUCTURE - \$500 billion Bi-partisan Senate Package**

In July the Senate reached agreement and passed out a \$500 billion bi-partisan infrastructure package. This package reauthorizes federal surface transportation programs for another five years and provides new investments into roads, bridges, transit, water resources, broadband, etc. While the bill is broad, the Senate bi-partisan infrastructure package is narrower in scope and size than the infrastructure bill that passed out of the House earlier this year. It also does not include any earmarks.

The House Democrats' infrastructure bill included earmarks for Bellevue's Transit Center project (\$1 million) and the Eastrail Wilburton Critical Crossing (\$1.7 million). Both earmarks were included by Representative Adam Smith. Previously, it was assumed that the House might try to include its infrastructure earmarks into a final infrastructure package or the budget reconciliation package. That is looking unlikely at this time. The Senate-passed bi-partisan bill is the current moving vehicle and changes to it are not likely.

In an agreement with moderate Democrat House members, Democratic leaders agreed to take up the bi-partisan infrastructure measure in the House by September 27. The path to final passage in the House, however, remains uncertain. House progressives have expressed disappointment in the bill's level of investments in climate-change and transit, among other areas. Progressives and Democrat leaders had also planned to tie passage of the infrastructure package to the larger \$3.5 trillion social "infrastructure" reconciliation package to keep the caucus united. At this time, members of the Progressive Caucus plan to withhold their support for the infrastructure package until and unless they have assurance that the \$3.5 trillion reconciliation package of social spending programs can be moved by both the Senate and the House. It will be telling what direction progressives and Democratic leadership will take when the House takes up the bill on September 27. If the House doesn't have the votes at that time, a continuing resolution will likely be needed to extend surface transportation programs beyond the September 30 deadline and a final vote on the package could be delayed.

A few key proposals in the package that may be of particular interest to Bellevue include the following:

- \$65 billion for Broadband. This includes Senator Patty Murray's proposal to provide \$2.75 billion to states to develop digital equity plans and for digital equity projects.

- \$5 billion for Senator Murray's Clean School Bus proposal to allow school districts to transition to zero-emission buses.
- Funding for electric grid resiliency, energy sector cybersecurity and funding to promote clean energy. This includes \$500 million to schools to improve energy efficiency, air quality or involve renewal energy technologies or alternative fuels.
- Transportation: authorizes surface transportation programs through 2026 without a gas tax increase, including:
  - Highway programs authorized at \$273.2 billion over 5 years from the Highway Trust Fund.
  - Bridge Investment - \$6.54 billion from the Highway Trust Fund and general fund.
  - Nationally Significant Multi-Modal Freight and Highway Projects (formerly INFRA) - \$4.8 billion. Makes several changes to the INFRA grant program, including directing at least 15 percent of funds, instead of 10 percent, toward smaller projects, and establishing set-asides for projects with a higher nonfederal match or that would address certain critical freight needs.
  - \$1.25 billion for the Transportation Infrastructure Finance and Innovation Act (TIFIA) program. Extends eligibility for TIFIA loans to airport projects and economic development projects related to rail stations, among other program changes.
  - \$570 million to construct ferry boats and terminal facilities.
  - \$500 million for a pilot program offering grants to explore removing or retrofitting transportation facilities that created community barriers to mobility or economic development.
  - Resilience - \$8.7 billion for the Promoting Resilience Operation for Transformative, Efficient and Cost-saving Transportation (PROTECT) program and \$500 million for the Transportation Resilience and Adaptation Centers of Excellence.
  - \$5 billion Safe Streets for All program for states and localities.
  - \$250 million for a pilot program to provide grants for electric or low-emitting ferries
  - \$47.3 billion in supplemental emergency appropriations for highway infrastructure programs.
- Transit - \$89 billion
  - \$39.15 billion will be allocated for public transit, including an estimated \$1.79 billion for Washington.
  - \$18.4 billion for state of good repair grants to support maintenance, replacement, and rehabilitation projects.
  - \$15 billion for Capital Investment Grants. Federal cost cap for small starts increases to \$150 million and on total capital costs increases to \$400 million.
  - \$3.16 billion for bus and facility formula grants.
  - \$5.25 billion for the Low-No Emission Grant program to provide funding for projects replacing old buses with zero-emission and low-emission buses.
  - Housing must be considered as part of the metropolitan planning process.
  - Emergency Supplemental Appropriations for Transit Infrastructure Grants (\$10.3 billion) and Capital Investment Grants (\$8 billion). Includes \$1 billion for ferry service in rural areas.

- Water Resources -- \$23.4 billion for drinking water and wastewater infrastructure and \$8.3 billion for western water infrastructure.
- \$172 million for the Pacific Coastal Salmon Recovery Fund, \$400 million for fish passage barrier removal grants through National Oceanic and Atmospheric Administration and \$200 million for U.S. Fish and Wildlife Services Fish Passage Program.
- \$1 billion for Senator Maria Cantwell's proposal for the National Culvert Removal, Replacement and Restoration grant program.
- \$3.4 billion to federal agency wildland fire fighting efforts and \$500 million for burned area rehabilitation.

### **SOCIAL INFRASTRUCTURE – \$3.5 trillion Reconciliation Package**

House Democrats have taken their first steps to advance a \$3.5 trillion social spending and tax package to implement President Joe Biden's social economic agenda, the American Families Plan.

In August, Senate and then House Democrats passed a FY 2022 budget resolution (S. Con Res. 14), instructing committees to report legislation by September 15 that would increase or decrease the deficit by specified amounts over 10 years to support certain policy priorities. Thirteen House committees released legislation to be included in a reconciliation package that can be used to pass Democrats' priorities without Republican support. The House Budget Committee will now assemble the measures approved by the various committees into a reconciliation bill that could be considered by the House later this fall. The Senate will likely work on any package that eventually comes out of the House.

Below are highlights of the approved measures:

#### **Health, Human Services and Education**

- Extending an expanded version of the child tax credit through 2025 and making it permanently refundable.
- Child Care
  - \$15 billion in state grants to help providers improve childcare facilities and funding for grants to supplement the wages of qualified childcare providers.
  - Capping childcare costs at a maximum of 7 percent of family income, using a sliding scale that would apply to all income levels. It would provide \$90 billion over the first three years and then such sums as may be necessary for the next three years.
  - Requiring childcare providers that receive federal assistance to provide at least a living wage to staff.
  - Providing free preschool to all three- and four-year-old children.
- Providing up to 12 weeks of paid family leave.
- \$35 billion for child nutrition, including expanding eligibility for free school meals and funding for a Summer Electronic Benefits Transfer for Children program.
- \$111 billion for higher education by providing two years of free community college through grants to states and eligible tribal colleges and universities, increasing the maximum Pell grant by \$500, \$9 billion for retention and completion grants to states and tribal colleges and

universities to support students, and additional support to historically Black colleges and universities and minority-serving institutions.

- Immigration – makes green cards and a pathway to citizenship available to Dreamers and allows roll over of green cards from year to year, allowing for additional visas to be issued following years when the numerical caps aren't reached—as happened during the COVID-19 pandemic.
- Expanding Medicare coverage to include dental benefits beginning in 2028, hearing benefits beginning in 2023, and vision benefits beginning in 2022.
- \$80 billion for workforce development and training programs and increased civil penalties for employers who violate labor laws.

## Housing

- Increasing state Low-Income Housing Tax Credit allocations.
- Establishing a neighborhood homes credit for rehabilitating homes in certain lower-income areas.
- \$77.3 billion for formula and needs-based public housing programs.
- \$75 billion for incremental Housing Choice Vouchers and support services, including for individuals at risk of homelessness and for survivors of domestic violence and sexual assault.
- \$36.8 billion for the Housing Trust Fund and \$34.8 billion for the HOME Investment Partnerships Program to fund the construction of affordable housing for low-income people.
- \$15 billion for project-based rental assistance.
- \$10 billion to offer down payment assistance to first-generation homebuyers.
- \$10 billion for a new Housing Investment Fund to leverage private-sector investments to create and preserve affordable homes.
- \$10 billion to address lead paint and other health hazards in housing for low-income families.
- \$18 billion to support home energy efficiency and appliance electrification rebates.

## Transportation/Infrastructure (for additional information see [House T&I Reconciliation Summary](#) and [House T&I Amended Committee Bill](#))

- Infrastructure financing and community development tax proposals
  - Allowing state and local governments that issue qualified infrastructure bonds to receive a tax credit for a portion of the interest they pay, similar to Build America Bonds under the 2009 American Recovery and Reinvestment Act (Public Law 111-5). The credit would be 35 percent of interest paid for bonds issued from 2022 through 2024, phasing down to 28 percent for bonds issued in 2027 and later years.
  - Restoring a tax exemption for interest on advance refunding bonds, which was repealed by the 2017 tax overhaul (Public Law 115-97). State and local governments used those bonds to refinance their debt and access lower interest rates.
  - Establishing a 30 percent tax credit for state, local, and tribal governments to operate and maintain government-owned broadband systems.

- Making permanent and expanding the New Markets Tax Credit, offered to taxpayers that invest in lower-income communities.
- Establishing a 30 percent tax credit for individuals and businesses that participate in a qualified wildfire resilience program.
- \$5 billion for grants to replace school buses, garbage trucks, and other heavy-duty vehicles with zero-emission vehicles.
- \$4 billion transportation carbon reduction grants - \$50 million Community Climate Investment grants, grants to states, \$3 billion for grants to non-state entities, etc.
- \$3.9 billion Neighborhood Access and Equity Grants to improve walkability, safety and transportation access.
- \$6 billion for local surface transportation priority projects. Additional details are not available yet on this program.
- \$13.5 billion for electrical vehicle charging infrastructure.
- \$30 billion to replace every lead water service line in the U.S.
- \$2 billion to invest in sewer overflow and stormwater reuse projects, of which \$1 billion will go to municipal grants.
- \$9 billion to improve the reliability and resiliency of the electric grid.
- Flood Insurance: eliminates \$20.5 billion in debt owed by the Federal Emergency Management Agency (FEMA) for money it borrowed to pay claims through the National Flood Insurance Program. It also would provide \$3 billion for flood mapping and \$1 billion for FEMA to offer flood insurance discounts to low-income policyholders.
- \$31 billion for climate resilience, conservation, and other environmental initiatives. This includes \$3 billion to create a Civilian Climate Corps and \$100 million in competitive grants to local communities to enhance access to parks or outdoor recreation facilities in urban areas.
- \$900 million for wildfire management.
- \$400 million to NOAA for Pacific Salmon climate resilience, habitat protection, and restoration projects.

## **Tax Policy**

\$2.1 trillion in tax increases are proposed to raise revenue for the package.

- Raising the top marginal personal income tax rate to 39.6 percent, from 37 percent, for individuals making more than \$400,000 and joint filers making more than \$450,000. A 3 percent surtax also would be imposed on individuals with adjusted gross incomes of more than \$5 million.
- Increasing the capital gains tax rate to 25 percent from 20 percent for “certain high-income individuals.”
- Replacing the flat 21 percent corporate income tax rate with graduated rates: 18 percent on the first \$400,000 of income, 21 percent on income up to \$5 million, increasing to 26.5 percent for income after that.

- Generally requiring investment funds to hold assets for more than five years, rather than three years, for managers to get a preferential tax rate on their share of profits, known as carried interest.
- Reinstating a 16.4 cents-per-gallon tax on crude oil and imported petroleum products to fund Superfund cleanups of hazardous sites. It also would double the tax rate on sales of certain chemicals.
- Barring taxpayers from claiming losses on digital assets, such as cryptocurrencies.
- Increasing the current rate of excise taxes on cigarettes, small cigars, and roll-your-own tobacco, as well as on nicotine extracted, concentrated, or synthesized in tobacco products.
- Providing \$78.9 billion in additional funding for the Internal Revenue Service to increase audits on wealthy individuals.
- Making permanent expanded versions of the earned income tax credit for childless workers and the child and dependent care credit under the American Rescue Plan.
- Creating a refundable income tax credit for union-made electric vehicles placed into service before January 1, 2027, and extending several tax credits related to renewable energy production, including the production and investment credits.

## **POLICY & FISCAL IMPACTS**

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.

## **OPTIONS**

N/A

## **ATTACHMENTS & AVAILABLE DOCUMENTS**

N/A

## **AVAILABLE IN COUNCIL LIBRARY**

N/A