



The National Association of Towns and Townships'

# WASHINGTON REPORT

A MONTHLY REPORT ON THE ISSUES AFFECTING THE NATION'S SMALL COMMUNITIES

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**AUGUST 9, 2011**

*The "NATaT Washington Report" is an email newsletter that provides timely information to town and township officials on the legislative, regulatory, funding, and policy decisions in Washington that could affect your communities. The Washington Report focuses on federal issues that affect local governments, including towns and townships. The Washington Report is produced by NATaT's federal representative in Washington, The Ferguson Group. For more information on the legislation described in this report, see <http://thomas.loc.gov/> or contact NATaT Federal Director Jennifer Imo at 1.866.830.0008 or [jimo@tfgnet.com](mailto:jimo@tfgnet.com).*

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## **THE WASHINGTON REPORT JULY-AUGUST 2011**

<b>NATaT CONFERENCE</b>
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**Register now for NATaT's annual meeting, America's Town Meeting, in Washington, DC September 6 - 8, 2011.** The deadline to take advantage of the reduced room rate at the Hyatt has been extended to Tuesday, August 16. America's Town Meeting provides participants with an important opportunity to meet Administration officials and members of Congress and help make the voice of towns and townships heard in Washington, DC. The Conference also provides opportunities for NATaT members to network with their colleagues around the country and share

best practices, lessons learned, and strategies for success. This year, our featured state is Minnesota, who will be hosting an evening reception. We have a number of optional tours lined up to help you and your guests make the most of your time in our nation's capital. To learn more about the conference and to register for this event, please go to our website at [www.natat.org](http://www.natat.org).

Of note, this is the last large annual conference that NATaT will host. In the future, we will be organizing smaller, more targeted legislative fly-ins for NATaT members to spend their time in Washington actively advocating for our priority issues. So, join us for what is sure to be a great send-off to a long-standing NATaT tradition.

## **CONGRESSIONAL SCHEDULE**

Both the House of Representatives and Senate began August recess conducting pro-forma sessions with no votes expected until they return to Washington on September 6 after Labor Day. Such Senate action prevents President Obama from making any recess appointments.

On August 2, Congress enacted and the President signed the Budget Control Act to raise the debt ceiling and cut government spending, ending a bitter partisan stalemate that had threatened to plunge the nation into default and downgrade credit ratings for many local and state governments. On August 4, congressional leaders announced a compromise to approve a short-term extension until September 16 for the Federal Aviation Administration reauthorization restoring 4,000 agency workers who were on furlough and 70,000 people in construction related jobs that were out of work.

Chairmen of the House and Senate Appropriations Committees are recalculating their budget targets for each of the 12 subcommittees based on the spending parameters included in the debt ceiling/deficit reduction package. With limited legislative days before October 1, the beginning of FY 2012, multiple continuing resolutions and an omnibus bill are likely.

Congressional leaders also are focused on efforts to boost employment and stabilize the economy. The Senate will consider three pending free-trade agreements with South Korea, Columbia and Panama, Trade Adjustment Assistance to help workers who lose their jobs due to foreign competition, infrastructure bank legislation and the House passed patent reform bill when they return. The House legislative schedule has not been announced.

## **BUDGET, APPROPRIATIONS & FISCAL POLICY**

### **Debt Ceiling/Deficit Reduction Raised and Budget Parameters Put Into Place**

The Budget Control Act was reached by including significant cuts in spending levels over the next decade. On August 1, the House of Representatives voted 269-161 in support of the legislation, with 95 Democrats and 66 Republicans opposing the bill. On August 2, the Senate voted 74-26 in support of the bill, with 6 Democrats and 19 Republicans opposing the measure. The President signed the bill on August 2 and submitted the necessary documentation to avert a default.

Details of the agreement include an immediate increase in borrowing limits for federal obligations of \$900 billion, with additional increases in borrowing authority of between \$1.2 and \$1.5 trillion, as requested by the President that would last until after the 2012 election cycle. The Congress could block the second debt limit increase with a 2/3 vote in both the House of Representatives and the Senate.

The deal also requires a mandatory reduction in federal spending levels of at least \$1.2 trillion, and if this level of cuts is not enacted, a “sequestration budget” process would be triggered to cut the difference in spending. The deal calls for a joint, bipartisan congressional committee, some are calling the super-committee, to be named in two weeks and be tasked with finding \$1.8 trillion in savings that can include changes to entitlement programs and revenue increases over the next nine years that would be recommended to Congress and voted on without further amendment. Finally, as part of the deal, Congress would be required to vote on a joint resolution proposing a balanced budget amendment to the Constitution no sooner than October 1, but before end of this year. Only a vote on the balanced budget amendment is required; passage is not.

### **FY 2012 Appropriations Process**

The FY 2012 appropriations process was put on hold as Congress and the Administration worked to resolve the debt ceiling/deficit reduction crisis. Because the debt ceiling/deficit reduction package projects spending cuts over a ten year period, and requires immediate cuts, the House and Senate Appropriations Committees must reevaluate spending targets for FY 2012. In effect, this legislation serves as a two year budget resolution for FY 2012 and FY 2013. It also establishes a firewall between security and non-security funding with savings targets from both.

To date, the House of Representatives has approved its FY 2012 Agriculture, Defense, Energy and Water, Homeland Security, Legislative Branch, and Military/Veterans bills. Appropriations bills for Commerce/Justice/Science and Financial Services have been approved by the Appropriations Committee and are awaiting floor action. The Interior/Environment bill was being considered by the House when action was suspended to consider the debt ceiling/deficit reduction bill. Consideration will continue in September. The House subcommittees have not yet considered Labor/HHS/Education, State Department/Foreign Operations or Transportation/ HUD.

The Senate has only voted to approve its FY 2012 Military Construction/Veterans Affairs bill. Some subcommittees may actually see improved spending targets for FY 2012 based on the Budget Control Act and Chairman Daniel Inouye (D-HI) is preparing a markup schedule for September to consider the remaining bills.

## **ECONOMIC DEVELOPMENT**

### **HUD to Provide \$95 Million for Sustainable Planning Projects**

On July 28, the Department of Housing and Urban Development (HUD) released Notice of Funding Availabilities (NOFAs) for its Sustainable Communities Regional Planning and

Community Challenge Planning Grant Programs. These programs support local and regional planning efforts in order to expand housing choices, improve connections between employment centers and homes, and reduce barriers to achieving affordable, economically vital and sustainable communities. All applicants that receive a minimum threshold score in their submissions to either programs will receive Preferred Sustainability Status, which will provide these entities with bonus points on future funding opportunities from HUD, and potentially the Environmental Protection Agency (EPA) and the Department of Transportation (DOT) sustainable community programs.

NOFA and application forms for both grants are currently available on [www.grants.gov](http://www.grants.gov). A press release on both programs is available at [HUD](#).

## HEALTH CARE

### Medicare and Medicaid

The Budget Control Act does not enact any immediate cuts to Medicare or Medicaid due to the strong grassroots lobbying efforts of advocacy groups, hospitals and health care provider associations. However, the process established in the debt ceiling/deficit reduction package sets up the super-committee and establishes automatic spending cuts if an agreement on spending cannot be reached by December 2011. Without agreement, the Office of Management and Budget (OMB) is tasked with trimming Medicare payments to hospitals, doctors and insurance companies.

Any automatic cuts triggered by the stalemate could reduce established payment formulas to hospitals, doctors and other providers, such as nursing homes, with a cut of two percent or less to reimbursement. It could also reduce payments to Medicare Advantage plans and prescription-drug plans under Medicare Part D by two percent or less. The debt ceiling/deficit reduction package also does not address a scheduled 29 percent cut to Medicare doctors' reimbursement payments that are scheduled for January 1, 2013. The package does protect Medicaid by making it exempt from any automatic cuts, if the deficit committee fails to get \$1.2 trillion in savings. The debt ceiling/deficit reduction deal also protects one of the few Medicare items Democrats and Republicans can agree on: protecting the program from fraud and abuse.

## PUBLIC SAFETY and HOMELAND SECURITY

### FY 2012 Homeland Security Appropriations

*NATaT has been working with a broad array of stakeholders to reverse cuts that were included in the House of Representatives' FY 2012 Homeland Security Appropriations bill.* Proposed funding for state and local governments would be \$2 billion less than the FY 2010 and FY 2011 enacted levels. Furthermore, the House proposed to consolidate several programs including UASI, State Homeland Security Grant Program, Metropolitan Medical Response Systems (MMRS), etc. into a single stream of funding and would allow the Homeland Security Secretary to determine which individual programs would receive funding. NATaT has been working with a coalition that includes the National League of Cities, National Association of

Counties, International City/County Managers Association, National Emergency Managers Association, and others to oppose these cuts. Our advocacy will continue and intensify when Congress returns from the August recess.

### **Next Generation 9-1-1 Bill Introduced**

Representatives Anna Eshoo (D-CA) and John Shimkus (R-IL) recently introduced legislation, H.R. 2629, to provide grants to local governments for next generation 9-1-1 equipment, services and training, including sensors and alerting devices. If passed and funded, this program will provide \$50 million annually in grants to state and local governments to update local equipment and training to ensure reliability and improve emergency response times. These flexible funds will support a wide range of technologies from communications infrastructure to gunshot location systems.

### **Volunteer Responder Incentive Protection Reauthorization Act**

On May 10, Senator Charles Schumer introduced the Volunteer Responder Incentive Protection Reauthorization Act (S. 933), which would extend existing tax benefits for volunteer fire and EMS personnel through 2013; these tax benefits expired on December 31, 2010. S. 933 would exempt all property tax benefits provided to volunteer fire and EMS personnel by state and local governments, and exempt the first \$600 per year of any other type of benefit received by those volunteers. S. 933 would apply retroactively to January 1, 2011.

H.R. 2353, the House companion bill to S. 933, was introduced on June 24 by Representative John Larson (D-CT). The bill currently has four cosponsors, Representatives Tammy Baldwin (D-WI), Tom Latham (R-IA), Michael Michaud (D-ME) and David Reichert (R-WA). *This is a legislative priority for NATaT, and we encourage you to contact your Representatives and Senators and ask that they cosponsor these important bills for volunteer first responders. Please call the U.S. Capitol Switchboard at (202) 224-3121 and ask for your Representative's or Senator's office.*

<b>TRANSPORTATION</b>
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### **FAA Reauthorization Extended**

As the issue of raising the federal debt ceiling/deficit reduction swirled around the Capital, the latest extension of the Federal Aviation Administration (FAA) reauthorization legislation was allowed to expire on July 23, thereby shutting down the activities at FAA supported by the Airport and Airway Trust Fund. This included furloughs for more than 4,000 FAA employees and halting major airport construction projects around the country estimated to impact more than 70,000 workers. On August 4, congressional leaders announced an agreement for the Senate to approve H.R. 2553 extending the authority until September 16. Although the House passed bill includes \$16 million in cuts to the Essential Air Service (EAS) Program, Department of Transportation Secretary Ray LaHood will then use his authority to waive the rural subsidy reductions. This will restore funding from the Airport and Airway Trust Fund and the collection of taxes that supports the Trust Fund.

## **Transportation Reauthorization Bill - Outlines Released**

On July 7, House Transportation and Infrastructure Committee Chairman John Mica (R-FL) released an outline of a bill to reauthorize federal surface transportation programs, currently known as SAFETEA-LU, and also pledged to release the legislative language and to markup the bill in July. However, the transportation bill was another victim of the debt ceiling/deficit reduction debate which delayed consideration. The outline of the bill proposes a six year bill containing \$230 billion in spending for surface transportation programs, which represents a 19.5% cut from the \$286 billion in the SAFETEA-LU legislation. The outline further provides that Chairman Mica would consolidate and eliminate nearly 70 of the existing 100 transportation programs.

On July 21, Senate Environment and Public Works Committee Chairman Barbara Boxer (D-CA) held a hearing titled Legislative Issues for the Transportation Reauthorization, where she announced that she would be introducing a two year reauthorization bill (MAP-21) and having a markup on July 27, but no bill and no markup happened due to the debt ceiling/deficit reduction debate. Senator Boxer's bill will be \$12 billion above current Highway Trust Fund revenues.

With the debt ceiling/deficit reduction debate now ended, most observers expect a renewed attempt by the House and Senate to re-engage on this issue in September when Congress returns from its August recess. Few expect that a reauthorization bill can be enacted this year, which will necessitate a further extension when current funding expires on September 30, 2011.

## **Transportation Infrastructure**

House Transportation and Infrastructure Committee Chairman John Mica's (R-FL) transportation reauthorization bill focuses on leveraging private sector dollars by expanding programs such as the Transportation Infrastructure Finance and Innovation Act (TIFIA), which provides direct loans, loan guarantees and lines of credit for infrastructure projects of national and regional significance. The bill would increase funding from the current estimated \$122 million to \$1 billion annually over six years. Additionally, the House bill will endorse the principle of infrastructure banks, but use a different approach than the one taken by the Administration and the Senate. The bill would direct funds to State Infrastructure Banks (SIBs) using traditional apportionment formulas and raise the amount that states can currently allocate for SIBs from 10% to 15%. States that do not have an infrastructure bank would not receive any of this money.

With Congress gearing up to begin work on the authorization bill in earnest, we are seeing increased activity in the introduction of bills that would provide innovative financing for transportation infrastructure. Senator Ron Wyden (D-OR) introduced legislation, S. 1436, on July 28 that would create a tax credit bond program specifically for transportation infrastructure, including roads, bridges, transit, rail, and ports. The Transportation and Regional Infrastructure Project Bonds Act, or TRIP Bonds Act, provides \$50 billion in tax credit bonds over six years. States would be required to provide matching contributions of at least 20 percent of the cost of the project and these bonds would be issued by SIBs, which have been in place since the mid-

1990s, avoiding the need to establish a new federal agency. Earmarks are prohibited under this program. Rather, states determine the eligible uses within the parameters established in the legislation. This concept has been endorsed by a wide range of state and local officials, as well as business and labor leaders and may be considered in the context of the upcoming reauthorization of the Transportation Authorization bill.

### **TIGER III Grant Notice Released**

On July 1, the Department of Transportation (DOT) published an interim notice for the third round of the Transportation Investment Generating Economic Recovery (TIGER III) grant program, which awards competitive funds for highway, bridge, transit, port infrastructure, and freight infrastructure project. The DOT has a total of \$562 million to award. As in the last round, a pre-application is required, which is due by October 3, 2011, and a final application is due by October 31, 2011.

There are three significant changes from the TIGER II round: no funding is available solely for planning of capital projects; any applicant that is applying for a TIGER Transportation Infrastructure Finance and Innovation Act (TIFIA) payment must also submit a TIFIA letter of interest along with the application; and eligible applicants may only submit three applications as the lead applicant, under this round of TIGER.

*In the first round of TIGER grants, NATaT secured a 20% set aside for rural communities. This set-aside is also included in the TIGER III program. NATaT communities are encouraged to apply.*

TIGER III awards are expected to be announced in early 2012.

<b>WATER AND NATURAL RESOURCES</b>
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### **House Restricts EPA Authority Over State Water Standards**

The House dealt a stinging rebuke to the Environmental Protection Agency (EPA) to rewrite the Clean Water Act to give states the final say in decisions concerning water pollution regulation, wetlands protection and mountaintop-removal mining. In a 239-184 vote, the House approved the Clean Water Cooperative Federalism Act of 2011, [H.R. 2018](#), a bill sponsored by Representative John Mica (R-FL) and Representative Nick Rahall (D-WV), the top Republican and Democrat on the Transportation and Infrastructure Committee.

The bill stands little chance of becoming law given that it faces strong opposition from Democrats who control the Senate and a veto threat from President Obama made the day before the bill went to the House floor. Representatives Mica and Rahall championed the measure as an antidote to what they characterized as regulatory overreach in their home states that has cost jobs, stifled economic recovery and upset the balance of state-federal responsibility for enforcing the Clean Water Act.

### **Flood Insurance Rewrite Passes House**

On July 12, by a vote of 406 to 22, the House of Representatives overwhelmingly approved H.R. 1309, the Flood Insurance Reform Act of 2011. The bill would give authority to temporarily suspend mandatory purchase requirements for those in special flood hazard areas and provide a five year phase in of flood insurance rates for newly mapped areas. Under the measure, local governments may request an extension of 12 months, with the opportunity to receive up to two extensions. During consideration of the measure, the House approved an amendment offered by Representative Doris Matsui (D-CA) that would ease the impact of flood insurance rate increases over the next five years.