Washington Update

COUNTY OF SANTA BARBARA **September 27, 2017**

AFFORDABLE CARE ACT

A last ditch effort by Senators Graham (R-SC) and Cassidy (R-LA) to approve legislation in the Senate to repeal and replace the Affordable Care Act fell apart this week when Republicans could not garner the simple majority of 50 votes that would have enabled it to pass under FY 2017 Budget Reconciliation rules. This latest proposal would have turned control of the health-care markets over to the states through block grants to be used to develop health-care systems at the State level. Under the complicated funding mechanism in the bill, States that had taken advantage of Medicaid expansion such as California would have been disproportionately hard hit, with California losing as estimated $79 billion. With the FY 2017 Budget Reconciliation rules expiring on September 30, it appears that attempts at ACA repeal will be dormant for the near future.

CHILDREN'S HEALTH

The Graham-Cassidy ACA repeal effort at least temporarily sidetracked action on legislation to reauthorize the Children's Health Insurance Program (CHIP) and the Maternal, Infant and Early Childhood Home Visiting (MIECHV) Program, both of which are set to expire on September 30. CHIP currently provides 11,000 children in Santa Barbara County with comprehensive Medi-Cal coverage. Prior to the Graham-Cassidy distraction, Senate Finance Committee Chairman Hatch (R-UT) and Ranking Minority Member Wyden (D-OR) introduced S. 1827, a bipartisan compromise that would extend CHIP for 5 years and keep in place a 23% boost in Federal matching rates for the first 2 years. However, further action has not yet been scheduled, and the House has also not taken any action on the issue. If CHIP is not reauthorized, it is estimated that existing CHIP funding for California would run out in early 2018.

TAX REFORM

House Speaker Ryan (R-WI) has released the long-awaited Republican Framework for tax reform. The nine page document provides broad principles and some details about how President Trump and GOP leaders in Congress plan to reduce tax rates and simplify the tax code. The Corporate income tax rate would be reduced to 20% and individual tax brackets would be reduced to 12%, 25% and 35%. In order to offset the revenue lost from lower tax rates, the framework indicates that most itemized deductions would be eliminated, without further specificity. However, deductions for tax exempt municipal bonds and State and local income taxes may well be at jeopardy. Mortgage interest deduction and charitable contributions are both specifically retained. Corporate tax provisions would allow for a one-time repatriation of overseas profits, which could be a source of revenue for President Trump's infrastructure initiative.

Republicans are expected to move the tax bill under the budget reconciliation process, which means a bill could pass the Senate with a simple majority. The House Ways and Means Committee and the Senate Finance Committee must now draft the actual legislation, and the House and Senate must agree on an FY 2018 Budget Resolution outlining the procedural pathway for a reconciliation package.

FARM BILL REAUTHORIZATION

We contacted the House and Senate Agriculture Committees to advocate the County's priorities in anticipation of upcoming action on a new Farm Bill, emphasizing the importance of provisions related to pest prevention programs and specialty crops grown in the County, as well as safety net nutrition programs such as the Supplemental Nutrition Assistance Program (SNAP) and Women, Infants and Children (WIC) program. Both committees have held a series of hearings on the various aspects of the bill. While they may begin drafting legislation later this fall, it is anticipated that action on the Farm Bill will roll over into 2018.

ASSET FORFEITURE

Earlier this year, Attorney General Sessions reversed restrictions put in place by the Obama Administration to curb the use of civil asset forfeiture, including the practice of State and local law enforcement agencies turning seized assets over to the Federal government, which would then return about 80% of those assets through a "pooling" process which skirted State-level restrictions on asset forfeiture. During debate by the full House on its FY 2018 Omnibus Appropriations package, Congressman Amash (R-MI) introduced a bipartisan amendment rolling back the expansion of the program announced by Sessions. The amendment was approved by voice vote, and included in the final bill. At this point a similar provision has not been adopted in the Senate.

LOW INCOME HOUSING TAX CREDIT

We are coordinating with the National Association of Housing Redevelopment Officials regarding legislation to expand and strengthen the Low Income Housing Tax Credit (LIHTC). In the Senate, Senator Cantwell (D-WA) has introduced S. 548, the *Affordable Housing Credit Improvement Act*, which would expand LIHTC by 50% and improve access to the program. In the House, companion legislation was introduced by Congressman Tiberi (R-OH) as H.R. 1661. While both measures have bipartisan support, it is uncertain how LIHTC will fare as Congress undertakes efforts to overhaul the Tax Code this fall.

FEDERAL FLOOD INSURANCE

Congress extended authorization for the National Flood Insurance Program (NFIP) through December 8 as part of the short-term Continuing Resolution enacted earlier in September. Long-term reauthorization of the program has become much more complex because the recent hurricanes have only exacerbated the roughly $25 billion of debt the NFIP has carried since Hurricane Katrina and Superstorm Sandy. If the program expires, homeowners in flood zones would not be able to obtain federally-backed mortgages. Provisions to develop a private flood insurance market as an alternative to NFIP have been included in H.R. 3823, the *Disaster Tax Relief and Airport and Airway Extension Act of 2017*, which would also temporarily extend expiring authorizations for the Federal Aviation Administration and certain health care programs. Despite receiving more than 50% of the vote, a recent attempt to pass H.R. 3823 using the expedited "suspension of the rules" failed because it did not receive the two-thirds vote margin required under that process. House leaders are now planning to take up the bill later this week under rules that will only require a simple majority.

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