

Washington Update

COUNTY OF SANTA BARBARA

November 29, 2011

DEFICIT REDUCTION

The highly publicized failure of the Joint Select Committee on Deficit Reduction to reach agreement on budget savings of at least \$1.2 trillion by the Thanksgiving Day recess leaves Congress with two options for addressing the deficit reduction mandates established by the Budget Control Act of 2011 last August. First, they could take legislative action to repeal or modify those mandates, although President Obama has already indicated that he would likely veto any such action at this point. Secondly, they can allow the process of "sequestration" laid out in the Budget Control Act to proceed. Under sequestration, the \$1.2 trillion deficit reduction will be attained by government-wide, automatic cuts in spending over nine years, with the first sequester in January, 2013. After taking into account interest savings, the annual spending reduction is estimated to be \$109 billion. The reductions will be 50% from domestic programs and 50% from defense programs, and the Office of Management and Budget (OMB) will be responsible for allocating the cuts. While Social Security, Medicaid and some low income programs are exempt, Medicare could be susceptible for cuts of up to 2%. The collapse of the deficit reduction package will have a broader impact on the Congressional agenda for the rest of this year, as it was seen as a potential legislative vehicle for a variety of other initiatives, including efforts to foster economic growth.

FY 2012 APPROPRIATIONS

On November 18, President Obama signed into law H.R. 2112, the first of the so-called FY 2012 Appropriations "Minibuses," which includes the *FY 2012 Agriculture, Commerce, Justice, Science, and Transportation/HUD Appropriations* bills. The Senate had developed the minibus concept combining several funding bills in order to avoid the negative connotations associated over the last several years with passage of a single omnibus appropriations bill, often well into the new fis-

cal year. However, work on the second minibus, which would have included the *FY 2012 Energy and Water, Financial Services, and Department of State/Foreign Operations* bills, bogged down, and it now appears that Congress will once again focus on a single omnibus package for the nine remaining appropriations bills. H.R. 2112 included a Continuing Appropriations Resolution (CR) that funds Federal agencies and programs through December 16, theoretically allowing Congress time to finish the remaining appropriations bills before they adjourn for the year.

3% TAX WITHHOLDING MANDATE

We continued to work with NACo, the US Chamber of Commerce, and other advocacy groups in lobbying to repeal the requirement that all local, State, and Federal government agencies withhold 3% of payments to vendors and contractors for Federal income tax purposes. We emphasized the substantial unfunded mandate it would place on the County, the negative impact on County vendors, and the potential for keeping smaller vendors from competing for County business. After the House overwhelmingly approved legislation to repeal the requirement as H.R. 674, we turned our efforts to the Senate. We urged Majority Leader Reid to expedite full Senate consideration of the proposal, and asked Senators Boxer and Feinstein to support it. After the bill was amended to include provisions authorizing tax credits for hiring veterans, it was approved by a vote of 95-0, and the House subsequently concurred with the Senate amendments. President Obama signed H.R. 674 into law on November 21.

HOMELESS GRANT FUNDING

On November 15, HUD announced its allocations under the FY 2011 Emergency Shelter Grant program. We have been informed that the County will receive \$138,242, which can be used for emergency shelters and transitional housing that helps people reach independent living. We also provided the County

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with a HUD interim rule that establishes regulations for the Emergency Solutions Grants program, which replaces the Emergency Shelter Grants program. The rule reflects the change in the program's focus from addressing the needs of homeless people in emergency or transitional shelters to assisting people to quickly regain stability in permanent housing after experiencing a housing crisis and/or homelessness

ENERGY EFFICIENCY PROGRAMS

We continued to advocate in support of efforts to reverse Federal Housing Finance Agency (FHFA) regulations that will not allow residential property owners with Fannie Mae and Freddie Mac mortgages to participate in Property Assessed Clean Energy (PACE) programs. While Senate companion legislation to Congresswoman Hayworth's (R-NY) H.R. 2599, the *PACE Assessment Protection Act*, has not yet been introduced, we contacted the Senate Banking, Housing and Urban Affairs Committee to lobby the issue in anticipation of their November hearing on Fannie Mae and Freddie Mac. During the hearing, Senator Bennett (D-CO) specifically questioned FHFA officials on the issue. We also discussed PACE with Senator Boxer's staff, as the Senator sponsored legislation in the 111th Congress. They are continuing to work with the committee and FHFA to reach some type of resolution. Recently, the Federal District Court in Oakland ruled that FHFA must conduct a rulemaking process for the disputed regulation, which it failed to do when implemented. However, FHFA has appealed the decision and is waiting for a review by the Ninth Circuit Court of Appeals before taking any additional action on rulemaking.

PAYMENTS IN LIEU OF TAXES

The existing authority for the Payments in Lieu of Taxes (PILT) and Secure Rural Schools (SRS) programs expires this year, and we are joining NACo in advocating for legislation to extend their authorizations. PILT partially offsets the impacts of national forests and other public lands in the County, and SRS can be used for County road improvement and maintenance projects. After Senate Energy and Natural Resources Committee Chairman Bingaman (D-NM) introduced S. 1692, the *County Payments Reauthorization Act*, we contacted the committee to urge expedited action on the measure. Senators Boxer and Feinstein have both signed on as cosponsors of S. 1692. We also contacted the House Natural Resources Committee and our local Congressional delegation to advocate for PILT and SRS extension. While companion legislation has not yet been introduced in the House, the committee held a hearing on PILT in October.

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