



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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The “NATaT Washington Report” is a monthly 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 The Ferguson Group. Contact NATaT Federal Director Jennifer Imo at 1.866.830.0008 or jimo@tfgnet.com for more information.

THE FEBRUARY 2010 WASHINGTON REPORT CONTAINS SUMMARIES OF THE FOLLOWING ISSUES:

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CONGRESSIONAL SCHEDULE

The President submitted the FY 2011 budget recommendations on February 1 and congressional hearings were scheduled to begin when two major snow storms hit Washington, DC and shut down the federal government and Capitol Hill. The House of Representatives and Senate took the previously scheduled President's Day recess the week of February 15, and returned to Washington with great anticipation of the White House Summit on Health Care Reform.

FY 2011 appropriations deadlines and organizations lobbying on the budget dominate the discussions on Capitol Hill from February through March. The next congressional district work period/recess is scheduled for March 29 – April 12.

BUDGET and APPROPRIATIONS

Status of FY 2011 Appropriations Bills

In early February, the President submitted his FY 2011 budget to Congress calling for a three year freeze in domestic spending not related to defense, homeland security, veterans' affairs, Medicare, Medicaid, and Social Security.

In late February, the House of Representatives and Senate appropriations subcommittees began hearings on the President's FY 2011 budget recommendations. Cabinet members presented their agency budgets, recommendations for program eliminations and priorities for spending. While the President called for fewer earmarks, the House and Senate appropriations committees announced their deadlines for Member requests to be submitted for consideration.

Most Members of Congress had their individual office deadlines in February, since all the House subcommittees have a deadline of March 19. The Senate appropriations subcommittees' deadlines are the end of March through April.

Deficit Reduction Commission

Although the Senate earlier defeated an amendment authorizing a bipartisan budget commission, the White House secured congressional support and announced the establishment of a deficit reduction commission. The National Commission on Fiscal Responsibility and Reform will be chaired by Erskine Bowles, former Small Business Administration Administrator and Chief of Staff for President Bill Clinton and by former Senator Alan Simpson (R-WY). Recommendations are due by December 1, 2010. Both leaders are veterans of successful bipartisan budget agreements and have been charged with balancing spending and revenues by 2015. The 18-member commission is structured to include six Republicans lawmakers, six Democratic lawmakers and six presidential appointees, including Bowles and Simpson. Fourteen of the 18 members would have to agree on any deficit reduction plan to finalize the recommendations. House Speaker Nancy Pelosi (D-CA) and Senate Majority Leader Harry Reid (D-NV) have pledged to bring the panel's recommendations to a vote before the end of the year.

American Recovery and Reinvestment Act

Federal agencies continue to publish guidelines and announce the availability of funding provided in the \$787 billion American Recovery and Reinvestment Act (ARRA) approved by Congress in February 2009. The Ferguson Group (TFG), which manages NATaT, provides the most up-to-date federal funding information on its website to our clients. Some ARRA funding extends through the end of FY 2010. Visit the TFG Stimulus Update page at http://www.fergusongroup.us/stimulus_update.htm for the latest news and announcements. Monitoring these announcements is very important so you don't miss federal funding opportunities.

ECONOMIC DEVELOPMENT

Jobs Bill

On February 24, the Senate passed an initial stimulus/jobs bill by a vote of 70 to 28. This measure contained funding for the Highway Trust Fund, through December 31, 2010, Build America Bonds, and payroll tax relief for small businesses that hire new workers. The Jobs Bill was then sent to the House of Representatives for consideration where the chamber modified the package and returned it to the Senate, with the hope that the Senate will be able to soon clear the measure for the President's signature. The President signed legislation granting another 30 day extension of unemployment benefits and the extension of a federal tax credit to employers that allows the government to pick up 65 percent of the cost of COBRA health insurance premiums for displaced workers.

Build America Bonds

Build America Bonds (BABs) are a special type of bond created by the American Recovery and Reinvestment Act (ARRA). State and local governments are authorized to issue BABs to finance any capital expenditures for which they otherwise could issue tax-exempt bonds. Under ARRA, bonding authority is unlimited through December 31, 2010. BABs are taxable bonds that enable issuers to receive a direct payment from the federal government equal to 35 percent of the bond's interest costs.

The Build America Bonds program has been one of the most successful programs authorized by ARRA. In 2009, state and local governments issued more than \$64 billion in BABs, and financial analysts expect that more than twice as much may be issued in 2010, the program's final authorized year. To build upon this success, President Obama's FY 2011 budget request proposed extending the BAB program, making it permanent and lowering the federal subsidy to 28 percent.

The Jobs Bill that passed the Senate on February 24 would expand several ARRA bond programs to structure them like BABs. Many ARRA bond programs meant to finance energy and school construction projects, including Qualified Energy Conservation Bonds, Clean Renewable Energy Bonds, Qualified Zone Academy Bonds and Qualified School Construction Bonds, were either unutilized or underutilized in 2009. The Senate legislation modifies these bond programs by allowing issuers to receive a direct federal subsidy, much like issuers of BABs. Issuers of less than \$30 million of a specific bond would receive a subsidy for 65 percent of the interest cost,

while larger issuers would be limited to subsidies of 45 percent. Unlike BABs, these bonds have authorization caps, severely limiting the amount that can be bonded by any eligible entity. The proposed modifications are expected to increase the popularity of these underutilized bond programs, if enacted into law. The House passed the Senate bill with an amendment, the bill now goes back to the Senate for consideration.

HUD Announces Plans for Sustainable Communities Funding

On February 4, the Department of Housing and Urban Development (HUD) released an Advance Notice and Request for Comment that provides details on how regions and communities may compete for \$100 million in grants to support planning efforts that effectively integrate housing, transportation, environmental impact, and economic development. HUD is seeking input from local governments and other stakeholders on its new Sustainable Communities initiative, before announcing the grant round.

HUD, the Department of Transportation (DOT) and the Environmental Protection Agency (EPA) developed the interagency Sustainable Communities partnership to help communities provide more transportation choices; promote equitable, affordable housing; enhance economic competitiveness; support existing communities; coordinate and leverage federal policies and investment; and value communities and neighborhoods. The FY 2010 HUD Appropriations bill included \$150 million to support the Sustainable Communities initiative. DOT and EPA are using existing agency funding to support the new Obama initiative.

Comments are due to HUD on March 12. HUD is expected to make a funding announcement during the week of April 12, applications are expected to be due to HUD in early June, and awards are expected by early August.

Parks and Recreation

Despite the Administration's proposed FY 2011 budget freeze on all non-defense/security discretionary spending, there are some proposed increases for key programs and a number of new initiatives that are favorable for parks and recreation. While there is hope in an apparent renewed interest in parks and recreation, funding for these programs have been on a steady, and at times rapid, decline for at least the past decade. As a result, the National Recreation and Park Association reports \$12 billion in unmet needs relative to outdoor recreation resources.

The President's FY 2011 budget includes the following programs that benefit parks and recreation agencies:

- \$434 million for the Land and Water Conservation Fund, including \$50 million for the State Assistance Program (25% increase);
- \$9.3 million for Interior's Youth in Natural Resources Initiative (New);
- \$4 billion for HUD's Community Development Block Grant Program (CDBG);
- \$150 million for HUD's CDBG Catalytic Investment Fund Competition (New);
- \$150 million for HUD's Sustainable Communities Initiative;
- \$20 million for CDC's Big Cities Initiative Program (New);
- \$102 million for CDC's Preventative Health and Health Services Block Grant; and
- \$22.4 million for the CDC's Healthy Communities Program.

\$1.5 Billion Fund to Help Homeowners, Housing Market

On February 19, President Obama announced the creation of a \$1.5 billion fund to help distressed homeowners in the states hardest hit by the foreclosure crisis, using funds set aside under the Troubled Asset Relief (TARP) that supported the nation's largest banks. President Obama put much of the blame for the housing crisis on “too many lenders that were focused on making a quick buck instead of acting responsibly. On the other hand, too many borrowers acted irresponsibly too, taking on mortgages that they knew they could not afford.”

This new program is just the latest in a series of initiatives designed to help homeowners. The government already is buying up vacant homes and converting them into affordable housing. Last year, the Administration approved a first-time homebuyer’s tax credit that put thousands of dollars into the pockets of 1.4 million Americans to help them buy their first homes. The Administration also is offering more than 1 million struggling homeowners lower monthly payments through its loan modification initiative.

The new fund is designed to help out-of-work homeowners avoid preventable foreclosures. It will help homeowners who owe more than their homes are worth find a way to pay their mortgages that works for both borrowers and lenders alike. It will also help those who have taken out a second mortgage modify their loans.

According to a fact sheet issued by the White House, the new program will apply to states that have suffered an average home price drop of more than 20 percent from the peak. State and local Housing Finance Agencies (HFAs) in each state are already familiar with the challenges facing their communities and have demonstrated the ability to address these challenges.

State Housing Finance Agencies (HFAs) must submit a program design to the Treasury Department. Programs may include measures for unemployed homeowners; programs to assist borrowers owing more than their home is now worth; programs that help address challenges arising from second mortgages; or other programs encouraging sustainable and affordable homeownership. The Housing Finance Agencies will determine the priorities facing their local markets. Programs will be under strict transparency and accountability rules, such as the rule that all funded program designs must be posted online. Programs must meet the funding requirements under the Emergency Economic Stabilization Act of 2008 (EESA), enacted as part of TARP. These include the requirement that the recipient of funds must be an eligible financial institution and that the funds must be used to pay for mortgage modifications or for other permitted uses under EESA.

HEALTH CARE

Health Care Reform

Following the much anticipated White House Health Care Reform Summit on February 25, President Obama released a new set of proposals which include recommendations from Republican lawmakers and called on Congress to enact health care reform before March 19. Both the House of Representatives and the Senate had approved health care reform bills in 2009, but conference committee action stalled after the January election of Senator Scott Brown (R-MA) to replace Senator Ted Kennedy and Senate Democrats no longer have a 60 vote margin. The timing issue is driven by the budget reconciliation process. In order to use a process that

would require 51 votes in the Senate, rather than 60, the health care reform bill must be approved before a new FY 2011 Budget Resolution is enacted.

To date, the legislative strategy is to have the House approve the Senate bill and then pass a new bill under budget reconciliation rules that will fix many of the concerns in the original Senate bill. The Senate would then approve the new bill. The two bills would be signed into law together as a package. However, the House distrust of the Senate, the lack of a concise package agreed upon by the House and Senate leaders and lack of votes in the House to support the original Senate bill causes major problems for the White House and congressional leaders.

Congress Looks to Extend Health/Human Services Relief

The American Reinvestment and Recovery Act provided a temporary increase in federal funds for most public health and social services programs through an increase in the Federal Medical Assistance Percentage (FMAP) through June 2010. Increasing the FMAP rate is the most effective way for Congress to provide supplemental federal funding to the states during these difficult budget times. Senator Jay Rockefeller (D-WV) has sponsored S. 3000 with 35 cosponsors. The bill would extend the recent increases in FMAP by an additional six months through December 31, 2010 and extends the entire recession adjustment period through December 31, 2011. Senator Rockefeller and the cosponsors are looking into offering this bill as an amendment to any further jobs or economic development legislation. Their strategy will depend on whether they feel they can secure 60 votes needed for procedural adoption as an amendment or as a stand alone bill.

Childhood Obesity Summit

On February 9, First Lady Michelle Obama introduced a national initiative to combat childhood obesity, “Let’s Move.” The White House will dedicate up to \$1 billion a year over the next 10 years for the program. It seeks to engage all segments of society to participate in an effort to update child nutrition policies in a way that addresses the best available scientific information, ensuring access to healthy, affordable food in schools and communities, as well as increasing physical activity and empowering parents and caregivers with the information and tools they need to make good choices for themselves and their families. In addition to the conference, the White House issued a Presidential Memorandum that established a national task force on childhood obesity. The Departments of Agriculture, Education, Health and Human Services, and Interior will work together to identify needed changes in national policy to help achieve the goal of reducing childhood obesity. An inter-departmental plan is expected in three months.

The Initiative’s core components include healthier schools, physical activity, healthy food, health food financing, and health choices. Healthy schools includes reauthorization of the Child Nutrition Act, with \$10 billion over 10 years being committed to improve school lunches, with \$25 million set aside for schools to renovate their kitchens by replacing deep fryers with equipment needed to store more produce and serve more nutritious food. Physical Activity includes the use of celebrity spokespeople, mainly from professional sports, to encourage children to exercise at least 60 minutes a day. Accessible and affordable healthy food makes low-cost, healthy food options accessible to people of all income levels. The healthy food financing initiative establishes innovative financing to bring grocery stores to underserved areas. Healthy choices informs the food and beverage consumers, especially parents, with clearly labeled nutritional information on the products they buy for themselves and their children.

First Responder FY 2011 Funding Falls Short

In late February, members of both parties took aim at President Obama's FY 2011 budget for the Department of Homeland Security (DHS), in congressional oversight hearings. Homeland Security Secretary Janet Napolitano testified before the House of Representatives Homeland Security Committee on February 25 to discuss the scope of the budget request. Committee Chairman Bennie Thompson (D-MS) was openly skeptical as to whether the budget contained enough funds to continue implementing provisions of the September 11 commission recommendations, including 100 percent screening of all maritime cargo entering the country. The Secretary noted that DHS will very likely not be able to meet the 2012 deadline for 100 percent screening and that Congress might need to change that deadline to reflect this reality. Committee members from border states questioned the Secretary on several border security issues along with what they characterized as a decline in the enforcement of workplace laws. Secretary Napolitano responded that the change in outcomes was more a function of the state of the economy and high unemployment than it was about enforcement resources of the Department. Committee Ranking Member Peter King (R-NY) criticized the budget's elimination of funding for the Securing the Cities initiative, which sought to protect the New York City metropolitan area with radiation-detection monitors on the region's transportation infrastructure.

In oversight hearings before the Senate Homeland Security and Governmental Affairs Committee, the Secretary ran into similar complaints. Senators complained about lack of adequate funding for the Coast Guard, disaster relief, maritime cargo screening, state and local grants, and cybersecurity. There were large scale objections to the President's requested increase in funding for full-body scanning equipment at airports and security funding for the trial of the suspected 9/11 terrorists. Senate Committee Chairman Joseph Lieberman (I-CT) and Ranking Member Susan Collins (R-ME) criticized the overall funding decrease for grants for state and local governments. Both suggested that the President shift the funding increases away from the terrorism trails to support the shortfall in requests for First Responders.

Interoperability Funding Criticized

In a new report, the Center for Public Integrity criticized the Department of Homeland Security's management of federal interoperability programs, saying that there is little to show for the billions of dollars invested in improving communications among First Responders. According to the report, spending has included training, technology such as multiband radios, and network bridges to link systems. The report accused contractors of benefiting from these programs far more than state and local governments. Citing this, the report concluded that the money spent has been poorly managed. It also criticized Congress for focusing on equipment acquisition over planning and organization. The Project 25 radio communications standard was cited as being particularly problematic.

TRANSPORTATION

Surface Transportation Reauthorization

SAFETEA-LU, the major piece of federal legislation that funds federal highway, transit and road safety programs, expired on September 31, 2009. In absence of enactment of a legislative

extension, the Federal Highway Trust Fund shut down on February 28, 2010. Accordingly, some 2,000 Department of Transportation employees whose salaries are paid out of the Highway Trust Fund were furloughed from work. The situation was rectified by passage of legislation, H.R. 4691, that provides for a thirty-day extension of SAFETEA-LU. On Tuesday, March 2, President Obama signed the bill.

Additionally, this week both the Administration and the Senate shed some light on their plan to proceed with a new, multi-year authorization bill. The Department of Transportation Secretary Ray LaHood told reporters that the Obama Administration will present its principles for a new six-year surface transportation bill within 90 days. The Administration's principles for reauthorization would precede actual White House legislation, which is expected next year. Secretary LaHood also commented that the \$450 billion price tag of the House of Representatives proposal is too high right now, stating "that kind of money doesn't currently exist." A gasoline tax increase and a mileage tax have risen to the top of the debate over revenue options, but the Administration has said it does not support either of those options right now.

Senate Environment and Public Works Committee Chairwoman Barbara Boxer (D-CA) stated that the Senate also will start working on its own multi-year authorization bill, building on existing House legislation. Senator Boxer pledged to Republican colleagues that her panel will hold a series of hearings and write a transportation reauthorization bill this year, using as a starting point the bill sponsored by Representative James Oberstar (D-MN) that was approved last year by the House Transportation Committee's highways and transit panel.

TIGER Projects Announced by DOT

On February 17, the one year anniversary of the signing of the American Recovery and Reinvestment Act (ARRA), Secretary of Transportation Ray LaHood announced the awarding of \$1.5 billion in multi-modal transportation projects under the Transportation Investment Generating Economic Recovery (TIGER) Discretionary Grant Program.

The 51 awards made under the program included road, bridge, rail, port, transit, and intermodal facility projects and were selected from more than 1,400 applications from all 50 states, territories and the District of Columbia requesting funding for almost \$60 billion worth of projects – 40 times the amount available through the program.

Awardees were selected based on their contribution to economic competitiveness of the nation, improving safety and the condition of the existing transportation system, increasing quality of life, reducing greenhouse gas emissions, and demonstrating strong collaboration among a broad range of participants, including the private sector. Projects were funded in large cities, as well as rural and tribal communities and were selected based on merit and for projects that are often overlooked by the existing funding system.