

# NACo Legislative Bulletin

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September 17, 2010

## [Baucus Introduces Extenders Bill](#)

## [Senate Passes Small Business Jobs and Credit Act Measure](#)

## [Rural Energy Efficiency Bill Passes House](#)

## [Airport bill](#)

## [\\$50 Billion for Transportation Infrastructure](#)

## [Senator Reid Announces Action on the DREAM Act](#)

## [Food Safety Bill Unlikely to Move before Elections](#)

### **Baucus Introduces Extenders Bill**

On September 16, Senate Finance Committee Chairman Max Baucus (D-Mont.) introduced a measure to extend several expiring provisions in a multitude of programs. Most of these provisions have passed the House or Senate in previous bills. Included in the bill were several provisions that were fairly popular in assisting state and local governments to provide critical infrastructure improvements and services. The legislation covers:

Human Services: The bill extends the Temporary Assistance for Needy Families Block Grant (TANF), the child support enforcement incentive match, TANF supplemental grants and TANF contingency fund for one year. It also provides \$1.5 billion to continue the TANF Emergency Contingency Fund program through 2011. All these provisions expire September 30, 2010.

Job Training: The bill provides \$1 billion over 10 years to allow Workforce Investment Boards to support and expand successful youth jobs programs that were funded in the American Recovery and Reinvestment Act.

It also expands the Trade Adjustment Assistance (TAA) Program to individuals that have exhausted their unemployment insurance. The current program provides grants to educational institutions to develop, offer and improve education and career training programs for workers eligible for TAA. The provisions included in the bill would expand the program by authorizing such grants to also benefit individuals who are eligible for unemployment insurance, who are likely to be eligible for unemployment insurance or who have exhausted their unemployment insurance.

Geothermal receipts formula: The bill would reinstate provisions that, for fiscal year 2010, would deposit all funds received from sales, bonuses, royalties, and rentals under the Geothermal Steam Act of 1970 in the Treasury, of which (1) 50 percent shall be used by the Secretary of the Treasury to make payments to States within the boundaries of which the leased land and geothermal resources are located; (2) 25 percent shall be



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used by the Secretary of the Treasury to make payments to the counties within the boundaries of which the leased land or geothermal resources are located; and (3) 25 percent shall be deposited in miscellaneous receipts. This provision is estimated to cost \$8 million over 10 years.

**Bonds and Housing:** The legislation extends the Build America Bonds and Recovery Zone Bonds programs for one year, as opposed to a two year extension as proposed in previous extender bills. The bill also extends for one year the exemption of interest on tax-exempt private activity bonds from the alternative minimum tax (AMT) as well as AMT relief for current refunding of private activity bonds issued after 2003 and refunded during 2009 and 2010. Furthermore, the bill extends the temporary increase in the limit that allows financial institutions to take a deduction for the portion of their interest expense that is allocable to their investments in tax-exempt municipal bonds. All of these were features of the 2009 American Recovery and Reinvestment Act (ARRA) set to expire at the end of the year.

Another provision is the extension of tax-exempt eligibility for bonds guaranteed by Federal Home Loan Banks through 2011. Similar to the ARRA provisions, this aspect from the Housing and Economic Recovery Act of 2008 was also set to expire at the end of this year.

The bill would provide a one-time capitalization of the National Housing Trust Fund (NHTF), which will provide communities with funds to build, preserve, and rehabilitate rental homes that are affordable for very low income households. This provision is estimated to cost \$1.065 billion over 10 years.

The bill would extend for one year (through 2010) the designation of certain economically depressed census tracts as Empowerment Zones. Businesses and individual residents within Empowerment Zones are eligible for special tax incentives. This proposal is estimated to cost \$304 million over 10 years.

It also extends tax-exempt eligibility for loans guaranteed by Federal Home Loan Banks. State and local governments currently face significant costs when issuing tax-exempt municipal bonds to finance state and local projects. The Housing and Economic Recovery Act of 2008 helped these municipalities by temporarily allowing bonds that are guaranteed by federal home loan banks to be eligible for treatment as tax-exempt bonds regardless of whether the bonds are used to finance housing programs. Allowing these bonds to be guaranteed by federal home loan banks has helped state and local governments obtain financing for necessary projects at a lower cost. The bill would extend this benefit for bonds issued through 2011. This proposal is estimated to cost \$148 million over 10 years.

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[Top](#)

### **Senate Passes Small Business Jobs and Credit Act Measure**

On September 16, the Senate passed by a 61-38 vote, the Small Business Jobs and Lending Act (H.R. 5297). The measure includes about \$12 billion in tax breaks to help companies invest and hire, enhanced government assistance programs and a \$30 billion small-business lending fund. The bill now heads back to the House, where it is expected to pass swiftly.

The measure, blends a \$30 billion government fund to help open up lending

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for credit-starved small businesses with bipartisan tax provisions, the \$30 billion loan fund would be available to community banks to encourage lending to small businesses, and supporters say banks should be able to use the fund to leverage up to \$300 billion in loans. The bill also offers \$12 billion in tax breaks to businesses to encourage investment, entrepreneurship and hiring.

Businesses also would be able to write off more of their costs of buying equipment or making shop improvements. Those who are self-employed could deduct healthcare costs from the self-employment tax. The bill would also continue to waive Small Business Administration loan fees that had been cut as part of the 2009 recovery package.

#### Key Provisions:

- The bill would create a \$30 billion fund designed to increase lending for small businesses. It would provide loans to community banks, which would get low interest rates if they significantly increase their lending.
- Small Business Administration loans under the 7(a) program would be larger, with several thresholds for loan size in the law more than doubling.
- The government would guarantee 90 percent of SBA 7(a) loans, up from 75 percent. The bill would also continue the elimination of fees on these loans.
- Businesses could write off half the cost of their equipment investments in 2010, as they did in 2008 and 2009.
- It expands the Small Business Administration loan program, and increases the government guarantee on Small Business Administration (SBA) loans from 75 to 90 percent.
- For 2010 only, small-business owners would be allowed to deduct the costs of health insurance for themselves and family members from self-employment taxes.
- The bill would remove a requirement from current tax law that makes cell phones provided to employees subject to extensive record keeping.

The Senate Blocked a raid on the Prevention and Public Health Fund. A motion to cut off debate on Senator Johanns' (R-Neb.) amendment to the Small Business Jobs and Credit Act (H.R. 5297) failed 52-56. Sixty votes were needed. The amendment would have offset the cost of a repeal of new 1099 reporting requirements for corporations with funds from the new Prevention and Public Health Fund. NACo opposed the offset. Democratic Senators Webb (Virginia), Warner (Virginia), Pryor (Ark.), Lincoln (Ark.), Bayh (Ind.), Nelson (Neb.) and Bennet (Colo.) joined 39 Republicans in support of the amendment with Senators Murkowski (Alaska) and Gregg (N.H.) not voting.

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[Top](#)

#### **Rural Energy Efficiency Bill Passes House**

The House passed legislation on September 16 that aims to help rural property owners retrofit homes and small businesses to make them more energy efficient. The Rural Energy Savings Program bill, H.R. 4785, passed the House by a vote of 240-172. The bill provides nearly \$5 billion worth of loans to utilities in rural areas. The utilities would then offer loans to their residential and small-business customers. Utility customers could apply for these loans and repay them over 10 years through their electric bill. The program will be administered through USDA's Rural Utilities Service.

The bill was sponsored by Majority Whip Clyburn (D-S.C.) and had bipartisan support. The loans issued will be between \$3,000 and \$7,500 and will cover sealing, insulation, heating and cooling systems, boilers, roofs and other similar building improvements. CBO scored the bill as budget-neutral because the utilities are required to pay back the loans even if its customers cannot. The Senate hopes to attach a similar bill, S. 3102, to any energy legislation that can move before the end of the year.

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[Top](#)

### **Airport bill**

Congress has been working on an airport reauthorization bill since 2007. While the House and Senate have passed their respective bills, working out a compromise has been a challenge. Many of the differing issues have been resolved yet several remain and may very well jeopardize getting a final bill to the President prior to the November elections. The two most contentious issues are an increase in the Passenger Facility Charge (PFC), which local airports can levy to raise funds for capital improvements, and allowing more flights to the western part of the U.S. from Washington's Reagan National Airport. The current PFC limit is \$4.50 per flight segment-the House bill raises that limit to \$7.00 while the Senate legislation does not include any increase. NACo supports an increase in the PFC. More flights from National Airport to the west is supported, not surprisingly, by senators from western states and opposed strenuously by Virginia and Maryland senators along with others who see more flights to the west as having a negative impact on national infrastructure and taking business away from Dulles and BWI airports.

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[Top](#)

### **\$50 Billion for Transportation Infrastructure**

President Obama recently proposed \$50 billion in new spending for transportation as a way to improve the nation's infrastructure and to create additional jobs. The initiative proposes to rebuild 150,000 miles of roads, lay and maintain 4000 miles of railroad track, restore 150 miles of airport runways, and would fund the next generation of the air traffic control system. It would also create an infrastructure bank, something proposed in the past. Many of the details of this proposal have yet to be worked. It is somewhat unclear whether this proposal would be folded into the reauthorization of the federal highway-transit program reauthorization or whether an effort will be made to pass it as a separate piece of legislation. With only a few weeks remaining prior to Congress recessing for the elections, the Obama proposal is unlikely to be considered by Congress prior to the November elections.

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[Top](#)

### **Senator Reid Announces Action on the DREAM Act**

Senate Majority Leader Harry Reid (D-Nev.) announced that he wants to offer the DREAM Act (S. 729, H.R. 1751) as an amendment to the FY2011 defense authorization bill (S. 3454), which is expected to be considered next week. The DREAM Act would allow states to offer in-state tuition to undocumented children who have been in the country since before their 16th birthday. It would also make them eligible for citizenship if they join the military or go to college. NACo approved a resolution in support of the

DREAM Act at our annual conference in July.

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[Top](#)

### **Food Safety Bill Unlikely to Move before Elections**

Citing GOP opposition, Senate Majority Leader Harry Reid (D-Nev.) said on July 16 that the Senate is unlikely to consider food safety legislation before it leaves for the midterm elections. Sen. Tom Coburn, (R-Okla.), revealed this week that he will hold up the bipartisan bill because of concerns about burdensome regulations and the cost of the bill. The Food Safety Modernization Act, S. 510 appeared ready to clear the Senate with the introduction of a bipartisan managers' amendment in August. However, other roadblocks to passage include controversial Democratic amendments. Senator Dianne Feinstein (D-Calif.) proposes to ban the use of bisphenol-A, a common plastic additive known as BPA, and Sen. Jon Tester's (D-Mont.) amendment would exempt food producers that generate less than \$500,000 in sales per year or sell food directly in a farmer's market from new regulations.

NACo supports the bill's provisions which help to strengthen support for local food safety efforts and improve the safety of imported food, especially through the inspection of foreign food facilities. The nationwide egg recall that occurred in August has bolstered interest in the legislation. The bill is similar to H.R. 2749, the Food Safety Enhancement Act of 2009 which passed the House by a wide margin in July 2009.

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[Top](#)



### **About**

National Association of Counties (NACo) is the only national organization that represents county governments in the U. S. NACo provides essential services to the nation' s 3,068 counties. NACo advances issues with a unified voice before the federal government, improves the public's understanding of county government, assists counties in finding and sharing innovative solutions through education and research and provides value-added services to save counties and taxpayers money.

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