# NACo Legislative Bulletin

ACTION NEEDED!

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**September 23, 2011**



**Senate Appropriations Committee Passes FY 2012 T-HUD Appropriations — Big Cuts to CDBG and HOME! – *Action Needed!***

On September 21, 2011, the Senate Appropriations Committee marked up the FY 2012 Transportation, Housing and Urban Development (T-HUD) funding bill. For HUD, the bill cuts the Community Development Block Grants formula program from $3.3 billion to $2.85 billion; this is close to a $500 million decrease. The bill also reduces the HOME program funding from $1.6 billion to $1.0 billion, a $600 million cut. The bill also includes reforms to ensure that funds are used in a timely fashion, for worthy projects. In contrast, the bill adopted by the T-HUD Subcommittee in the House September 8 provides an increase in CDBG and smaller cut to HOME. Please contact your Congressional Representatives and ask them to support House Subcommittee passed numbers of $3.5 billion for CDBG and $1.2 billion for HOME. Click here for the NACo alert.

The Senate bill has better news for transportation programs with higher levels than its House counterpart. The bill provides $41.1 billion for highway funding, the same as current year funding, and $1.9 billion in emergency relief highway funding. Transit funding is $10.6 billion, a $585 million increase over FY2011. The Airport Improvement Program is funded at the current level of $3.515 billion while Essential Air Service is reduced by $6.7 million to $193 million. Amtrak operating assistance is set at $544 million, a cut of $18 million. The Amtrak capital program is funded at $937 million, a $15 million increase. During committee consideration, approval was given to an amendment offered by Senator Durbin (D-Ill.) providing $100 million for high-speed rail. The TIGER grant program is provided with $550 million.

In contrast, the House bill makes serious cuts to transportation spending. The federal highway program is cut from $41 billion to $27.7 billion. Transit spending goes down from $10.29 billion to $7.04 billion, the Airport Improvement Program is reduced from $3.515 billion to $3.335 billion and Essential Air Service is cut from $200 billion to $150 billion. There is no funding for high-speed rail, Amtrak operating subsidies are cut by 60 percent and funding for TIGER grants are eliminated.

The Senate bill includes $120 million for HUD's Choice Neighborhood Initiative, an increase above the $65 million current level. The program expands on HOPE VI to improve public housing. The bill includes $90 million for the Obama Administration's Sustainable Communities Initiative, which is currently funded at $100 million. The House

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bill eliminates the Choice Neighborhood Initiative and the Sustainable Communities Initiative.

The Senate bill includes level funding of $1.9 billion for homeless assistance grants. It provides $18.9 billion for housing choice vouchers, $500 million above FY 2011. Of this amount, $17.1 billion is for renewal of current housing vouchers, $1.4 billion for program administration, and $75 million for vouchers for homeless veterans up from the current level of $50 million.

The Senate bill also includes $60 million for HUD's housing counseling program, which was eliminated in FY 2011, and $65 million, level funding for the National Foreclosure Mitigation program. The House bill does not provided any funding for housing counseling programs.
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**Fate of Stopgap Measure Still Uncertain**
The House had to vote twice on its Continuing Resolution (H.R. 2608) this week. The first vote on September 21 rejected the measure 195-230 due in part by a revolt from members who wanted deeper spending cuts than the level agreed to in the debt ceiling negotiations.

On September 22, the leadership came up with a $100 million offset from a loan guarantee account used by the now-defunct solar panel maker Solyndra. While this offset was considered a minor tweak, Speaker Boehner was able to gather enough votes to pass the measure Friday morning 219-203.

As expected, the Senate subsequently rejected the House measure. The Senate will be voting on their version early next week. The main reason for the difference between the Senate and the House is the $1.5 billion offset for disaster relief included in the House bill.
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**Senate Committee on Appropriations Approves FY12 Labor-HHS Bill**
The Senate Committee on Appropriations approved the FY12 Labor-HHS spending bill. The bill provides $158 billion in discretionary funding, including offsets and cap adjustments, for the Labor, Health and Human Services and Education departments and related agencies. According to the committee, the 302(b) allocation and the program level are roughly $308 million below the fiscal 2011 level. The fiscal year 2011 appropriations bill eliminated 46 programs, totaling more than $1.3 billion, within the jurisdiction of this bill. In fiscal year 2012, this bill eliminates another 15 programs totaling $263.4 million.

The bill provides discretionary program level funding of $12.69 billion for the Department of Labor, a $300 million increase from FY11 levels of $12.66 billion. Highlights of the Labor Department funding highlights include:

- $59.9 million to conduct re-employment and eligibility assessments and UI improper payment reviews; and
- $100 million to continue the Workforce Innovation Fund (WIF), which is intended to help reform the workforce investment system and improve the delivery of training programs to workers. Created in the fiscal year 2011 appropriations bill, WIF will provide competitive grant funding to support innovative, systemic and evidence-based job training reforms/initiatives to place low-income adults and youth in jobs.

Highlights of the HHS $70.18 billion discretionary budget include:

- A significant reduction in the Low Income Home Energy Assistance Program, from $4.7 billion to $3.6 billion;
- A decrease of $190 million for the National Institutes of Health, which would be funded at $30.5 billion;
- Discretionary funding for Community Health Centers at $1.6 billion, which combined with mandatory funding comes to $2.8 billion, an increase of $200 million;
- The Community Services Block Grant, which the President proposed to cut in half, is preserved at its current level of $678.6 million;
- Dedicates $280 million, an increase of $135 million, from the Prevention and Public Health Fund for Community Transformation Grants;
- Level funding for the senior nutrition programs at a total of $817.8 million.


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Highlights of the Department of Education $68.43 billion discretionary budget include:

- Level funding, $14.5 billion, for Title I grants to local education agencies;
- Level funding, $11.5 billion, for grants to states under the Individuals with Disabilities Education Act;
- Maintaining the Pell Grant award level at $4860 for the 2012-2013 school year, which combined with mandatory funding would provide up to $5550 per grant.

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**TANF & Child Welfare Legislation Sent to the President**
On September 21, the House approved H.R. 2883 by a vote of 395-25, which reauthorizes child welfare programs and waiver authority. The Senate cleared the measure by voice vote on September 22.

The House passed H.R. 2943 on September 22 by voice vote, which extends the Temporary Assistance for Needy Families (TANF) program through December 31, 2011. The measure does not include reauthorization of the TANF supplemental grants which expired several months ago. Only two of the county-administered states, Colorado and North Carolina, receive this funding. The Senate passed H.R. 2943 September 23.
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**E-Verify Approved by House Judiciary Committee**
The House Judiciary Committee on Wednesday advances a controversial labor proposal that would require all U.S. businesses to systematically confirm the legal status of new hires. The Committee approved along party lines (22-13), the Legal Workforce Act (H.R. 2885), which will likely pass the House but has little chance in the Senate.

The Legal Workforce Act, amends the Immigration and Nationality Act to make mandatory and permanent requirements relating to the use of an electronic employment eligibility verification system, and for other purposes. The legislation contains a provision (Sec. 2) which would require re-verification of all local government employees who were not previously certified under the E-Verify program. This unfunded mandate would require states and localities to determine the employment eligibility of nearly all workers.
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**GASB Extends Deadline Two Weeks for Submitting Comments on Pension Accounting and Financial Reporting Proposals**
The Governmental Accounting Standards Board (GASB) has extended the deadline for commenting on the Board's proposals on pension accounting and financial reporting to Friday, October 14. The deadline was previously September 30. In announcing the deadline extension, GASB Chairman Robert H. Attmore said that, in light of when the proposals became available for public review and comments, and in response to requests for additional time, the Board concluded that potential respondents to the proposals should have the benefit of this longer period to complete their submissions. NACo, along with a number of state and local employer groups, had previously submitted a request to extend the field testing and comment period.

Additional information regarding the public hearings and user forums and on providing input to the GASB, as well as the pension proposals themselves, is available on the GASB website at www.gasb.org.
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**President Obama Unveils Deficit Reduction Plan**
On September 19, President Obama proposed a broad deficit reduction plan that is intended to reduce government borrowing by about $3.2 trillion over a decade, beyond the $1.2 trillion that the Joint Deficit Reduction Committee is charged with finding. According to the Office of Management and Budget (OMB), the proposal would generate $580 billion in savings from mandatory programs, almost $1.6 trillion in tax increases—including offsets for the American Jobs Act of 2011—and almost $1.1 trillion in expected savings from reduced military costs. The plan would generate an additional $430 billion in savings by limiting the amount borrowed by the government and thus reducing the interest owed on government debt.

The plan includes $320 billion in savings from federal health programs, the bulk of it – $248 billion – come from changes to Medicare. Medicaid and other health programs, including the Prevention and Public Health Fund, would be targeted for $73 billion in savings.

Proposed Medicaid cuts include:

- Reducing the amount that states are permitted to tax health care providers in order to raise funds to draw down additional federal Medicaid match funding, beginning in 2015.
- Applying a single “blended” matching rate to Medicaid and CHIP starting in 2017, for a savings of $14.9 billion over ten years. An earlier version of this proposal was estimated to cut $65 billion.
- Limiting Medicaid reimbursement for durable medical equipment (DME) based on Medicare rates.
- Strengthening third-party liability for Medicaid beneficiary claims.
- Re-basing Medicaid disproportionate share hospital (DSH) allotments in 2021 in order to continue the DSH cuts imposed by the Affordable Care Act past the ten year budget window.
- Amending modified adjusted gross income (MAGI) for health insurance assistance programs to include Social Security benefits.
- Reducing waste, fraud, and abuse in Medicaid by:

    o Requiring manufacturers that improperly report items for Medicaid drug coverage to fully repay States;
    o Tracking high prescribers and users of prescription drugs in Medicaid;
    o Enforcing Medicaid drug rebate agreements;
    o Increasing penalties on drug manufacturers for fraudulent non-compliance with Medicaid drug rebate agreements;
    o Requiring drugs to be properly listed with the FDA to receive Medicaid coverage; and
    o Prohibiting States from using Federal funds as the State share of Medicaid or CHIP, unless specifically authorized by law.

- Streamlining and coordinating Federal Government oversight of State Medicaid programs and expanding State flexibility.

NACo has strongly opposed cuts to the already lean Medicaid program because of the inevitable cost shifting that would occur within county health care safety net systems. Medicaid supporters and advocates are cautiously optimistic that the smaller scale of the cuts proposed may bode well for the program’s future in the current round of deficit reductions negotiations.

The President’s proposal saves an additional $3.5 billion by capping the Prevention and Public Health Fund at $1.5 billion per year instead of $2 billion per year. Full funding for the fund, which provides dedicated funding to state and local evidence-based health promotion and disease prevention activities, is one of NACo’s health priorities.

The plan includes the tax hikes Obama previously proposed to pay for in the American Jobs Act of 2011—those proposals ranged from limits on deductions for wealthy filers to an end to certain corporate loopholes and subsidies for oil and gas companies, and it includes an expiration of tax cuts for families making more than $250,000 a year. One proposal that was mentioned in previous bulletin articles on the Jobs Act, the 28 percent limitation on certain deductions and exclusions, is billed as one of the provisions to bring fairness to the individual tax code. This limitation however, results in what would essentially be a partial income tax on otherwise tax-exempt interest since it includes new and already outstanding municipal securities. Although it only applies to high-income earners, there is concern that this would result in higher borrowing costs for state and local governments since those investors would seek higher returns because of the partial loss in tax-exemption.

The President’s plan would cut agriculture programs significantly. The White House stated a net savings of $33 billion would come from agricultural programs over 10 years. The plan proposes eliminating direct payments to save $30 billion, as well as $8.3 billion in cuts to crop insurance. Another $2 billion would be saved in conservation. That’s $40.3 billion in total cuts to agriculture programs, but the plan also extends the Supplemental Revenue Assistance (SURE) program through 2016, which negates some of the savings.

The President vowed to veto any package that cuts into Medicare without raising “serious revenues” from wealthy Americans and corporations. To view the President’s Deficit Reduction Plan click here.

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**Refugee Legislation Introduced**
On Thursday, September 22nd, Senator Charles Schumer (D-N.Y.) introduced legislation (S. 1618) to extend Supplemental Security Income eligibility to poor, elderly and disabled refugees who are about to lose their benefits September 30th because they have reached their time limit. The legislation is considered to be on a fast track for passage, but it is unclear whether it will pass as a stand-alone bill or be included in a new version of the continuing resolution.
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**NACo Releases Joint Rural Development Priorities with Campaign Partners**
On September 22, the NACo led Campaign for a Renewed Rural Development called on Congress to include a strong and comprehensive Rural Development Title in the 2012 Farm Bill to create jobs and promote economic growth in rural America. The campaign, a diverse coalition of 32 national organizations touching nearly every building block of the U.S. economy, released its legislative priorities to guide lawmakers as they begin work on writing the new Farm Bill. [Senate letter / House letter]

The campaign sent its Rural Development Priorities for the 2012 Farm Bill http://www.ruralcampaign.org/content/file-bin/rd_campaign_farm_bill_principles_statement.pdf to leaders of the House and Senate Agriculture Committees. The six key priorities outlined in the document fall under the following broad themes:

- Clarify the Mission of USDA Rural Development
- Provide Flexibility and Incentives for Regional Collaboration
- Maintain Rural Development Investments
- Maintain and Improve Technical Assistance
- Improve Metrics and Accountability
- Streamline Application and Reporting Processes

The 32 organizations in the coalition are working individually and collectively to support rural development programs and strategies that promote rural prosperity. The upcoming Farm Bill reauthorization is a key opportunity for Congress and the Administration to work in partnership with communities and local leaders to ensure that federal investments in rural America through USDA Rural Development programs are as effective as possible.
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**JSC Holds Hearing on Revenue Options and Reforming the Tax Code**
On September 23, the Joint Select Committee on Deficit Reduction (the Supercommittee) held a hearing to explore issues related to tax code reform and to the role that revenue should play in the deficit-cutting equation. The sole witness for Thursday's hearing was Thomas Barthold, chief of staff of the Joint Committee on Taxation. Although the hearing covered the complex topic of the tax code, it lasted only a few hours, demonstrating the time constraint that the committee finds itself under. In general, all committee members agreed that comprehensive reforms to the tax code were needed. But as demonstrated during the hearing, the ideas on how those reforms should be implemented lack any sort of consensus. To view a recording of the hearing, click here.
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**Administration Announces Waivers Under No Child Left Behind**
On September 23 the Administration announced that states may apply for waivers from No Child Left Behind provisions on the 2013-2014 timeline 100 percent proficiency; district and accountability requirements; and flexibility in the use of funds. In order to be eligible for these waivers, the states must have in place a rigorous and comprehensive plan on college and career-ready standards; differentiated recognition, accountability and support to recognize high achieving school and intervene in low achieving schools; and basic guidelines for teacher and principal evaluations. More information on the waiver announcement and requirements can be found at the Department of Education's website.
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**IRS Issues Guidance on Employer-Provided Cell Phones**
On September 14, IRS issued guidance to clarify the tax treatment of employer-provided cell phones. Section 2043 of the Small Business Jobs Act of 2010 removed cell phones from the definition of listed property for taxable years beginning after December 31, 2009. As a result, the heightened substantiation requirements that apply to listed property no longer apply to cell phones. In response to additional questions, the IRS issued this guidance to further clarify the treatment of when an employer provides an employee with a cell phone primarily for non-compensatory business reasons. The IRS

will treat the employee's use of the cell phone related to the employer's trade or business as a working condition fringe benefit, the value of which is excludable from the employee's income. For further information and to access the notice, click here.
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**About NACo**
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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