NACo Legislative Bulletin

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August 5, 2011

The Debt Limit Impact on 2012 Budget-Many Questions to be Answered
During the first months of this year the Congress and administration wrangled over adoption of a budget resolution, ventually passing a continuing resolution with budget reductions. This week the Congress decided to "up the ante" on budget cuts as part of the debate over increasing the debt ceiling. The debt ceiling agreement signed by the President August 2 leaves many questions to be answered about how the Congress will implement the reductions agreed upon and the impact on county budgets. Yet to be determined is how Congress will meet the savings targets in the new debt limit deal.

The process at this time does not reveal the size and scope of reductions to individual program accounts. The budget deal signed this week gives overall figures that over the next 30 days will be translated to the budget committees. They will then make the allocations to the appropriations committees, who will have the discretion to reduce or eliminate programs. To accomplish this, the agreement requires a reduction of $917 billion over 10 years and that by December 31 there needs to be another $1.2-$1.5 billion in reductions over 10 years to be made as well.

The agreement basically would change the 2012 budget resolution ($24 billion above the House-passed 2012 budget resolution). The House and Senate Appropriations Committees will do the necessary work on allocating funds.

As for future years, the legislation creates a special "super committee" that will identify spending cuts to be taken in future years. In order to protect the current fragile economy the agreement is back loaded, meaning that the reductions will be lower in FY 2012 and 2013 years and will increase in the out years.

The required cuts in federal "non-security discretionary" funding will eventually hit states and local governments hard. The debt limit deal likely will lead to well over half a trillion dollars in cuts in non-security discretionary funding over the next ten years. A cut of about $7 billion in discretionary funding is seen for 2012 compared to 2011.

Some important dates and facts to be watching through the end of this year include:

August 2 – President signed the legislation.-Upon enactment, new statutory caps on discretionary spending are set in law for the next ten fiscal years (FY 2012-FY 2021).

As soon as practicable – the Chair of the Senate Budget Committee must report allocations for FY 12 to the Appropriations Committee based on the new discretionary caps set forth in the Act.

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August 16 – The House Speaker, House Minority Leader, Senate Majority Leader and Senate Minority Leader each appoint three members to the Joint Select Committee on Deficit Reduction (the Joint Committee). Also by that date the Speaker of the House and the Senate Majority Leader each must name a co-chair of the Joint Committee from among the Committee members.

September 16 – The Joint Committee shall hold its first meeting.

Between October 1 and December 31 – House and Senate must vote on a balanced budget amendment to the constitution.

By November 23 – Joint Committee shall vote on language to achieve $1.5 trillion in deficit reduction covering 2012-2021. If they reach agreement with at least 7 votes they must make recommendations to the Congress and the President by December 2.

December 23 – House and Senate deadline for voting on the agreement without amendments.

There are a number of other important dates carrying over into 2012 and 2013. Of note is January 2, 2013. If Congress has not adopted the joint committee's report to reduce the deficit by at least $1.2 trillion, "sequestration" (automatic spending cuts) of both defense and non-exempt domestic programs will occur as calculated by OMB and ordered by the President. The exact percentage cuts will not be known until the time of the sequester calculations, because it will be based on the final FY 2012 spending levels. However, it is projected that the cut to defense spending will be around 8.4% and the cut to non-exempt, domestic programs (other than Medicare) will be around 6.7%.

Of concern to many counties is the likelihood that the super committee created by the agreement will recommend large Medicaid "savings" that shift costs to states and counties. While the deal exempts Medicaid (as well as Social Security and several other programs such as TANF, SNAP, Foster Care and SCHIP) from the automatic, across-the-board cuts triggered if the second deficit reduction goal is missed, the super committee will almost certainly have to consider large reductions in federal Medicaid spending in order to meet the $1.5 trillion goal. Cuts on this scale would require states and counties to increase their own Medicaid spending to compensate – which could require tax increases – or to make painful cuts to providers and beneficiaries or to other programs.

We are in for a long ride of budget uncertainty in protecting our programs. Keep the pressure on your congressional delegations because at some point meetings will occur over the next few months that will make the actual cuts. We will be watching.
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FAA Shutdown Resolved
On August 5, the Senate passed a unanimous consent agreement to extend the Federal Aviation Administration (FAA) program, ending the shutdown which had furloughed 4,000 FAA employees, halted airport capital improvement projects and suspended collection of airline ticket taxes and other related taxes.

Under the compromise, the Senate agreed to the House-passed version of the bill (H.R. 2553) by unanimous consent, since it remains in pro forma session. As part of the deal Transportation Secretary Ray LaHood also agreed to exercise his waiver authority under the House bill to continue funding the Essential Air Service (EAS) program for airports which were cut in the House bill. NACo had sent a letter to Congress urging that a clean extension without any policy changes be passed immediately so that county owned airports can continue working on projects and that airline taxes can be collected. The extension expires on September 16 and the underlying issues that have stymied a full FAA reauthorization remain.
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Main Street Fairness Act Introduced
On July 29, Sen. Dick Durbin (D – Ill.) introduced the Main Street Fairness Act (S. 1452). The legislation seeks to level the playing field between brick-and-mortar businesses and online vendors. By requiring online retailers to collect the same sales tax that traditional retailers already do at the point of sale, the

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legislation creates a level of fairness among businesses regardless of the medium chosen without raising any new taxes. And because the taxes are already owed, consumers will be relieved of the current burden to report to state tax departments the sales taxes owed on online purchases. In a positive development, the bill received support from Amazon.com Inc., the nation's largest online retailer. H.R. 2701, introduced by Rep. John Conyers (D – Mich.) is the House companion bill.

This year alone for state and local governments, the loss in revenue in sales taxes not collected by online retailers is stimated to be between $10.1B and $11.3B. At a time when state and local governments are struggling to fill budget gaps, the potential revenue could help relieve some of the fiscal pressure.

As we move into the August recess and Congressional members head to their districts, please reach out to your delegation members and ask them to support these legislative efforts.
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House Passes Nurse Visa Extension
On August 1, the House of Representatives passed H.R. 1933, which reauthorizes the H-1C temporary visas for registered nurses. The program, which originally gave 3-year visas to 500 nurses a year to work in specifically designated facilities, expired in 2009. The new bill would only allow 300 nurses a year, but the three-year visas could be extended for an additional three years. The nurses would also be able to move to other hospitals, provided the facility is eligible for the program. In order to be eligible for the program, a facility must have at least 190 acute care beds, be in a health professional shortage area, 35 percent of its patients must be eligible for Medicare and 28 percent for Medicaid.
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Treasury reopens SLGS Window
In May, the U.S. Treasury announced several measures that would be employed in anticipation that a deal on the debt limit would not be reached (see May 6, 2011 Legislative Bulletin). The suspension of the issuance of State and Local Government Series (SLGS) nonmarketable securities was among those announced. Since a deal on the debt limit was reached earlier this week, Treasury announced that the sale of SLGS would resume as of 5PM EDT on August 2.
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NOTE: Next Legislative Bulletin to be published once Congress reconvenes in September.

NACo National Association of Counties
The Voice of America's Counties

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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