Washington Update

COUNTY OF SANTA BARBARA **March 11, 2011**

FUNDING FOR REMAINDER OF FY 2011

The Federal government once again faces a potential shutdown on Friday, March 18 as the most recent short term Continuing Resolution (CR) for FY 2011 expires. In late February, the House approved H.R. 1, the *FY 2011 Full Year Continuing Appropriations Act*, by a largely party-line vote of 235-189. The measure, which would have funded the Federal government through the remainder of FY 2011, proposed drastic reductions to federal programs of importance to local governments. The litany of programs is long - FEMA emergency management grants, Army Corps flood control projects, training and employment service grants, WIC, Maternal and Child Health, Community Health Centers, Public Health Preparedness, CDBG and CSBG, and transportation infrastructure are some of the cuts that could affect local services in the County. However, the measure was rejected by the Democrat-controlled Senate, and Congress passed the current CR to keep the government running past the previous deadline of March 4. Congressional leaders from the House and Senate are working to negotiate a compromise but the sides are far apart and the negotiations are contentious. Another short term CR is being prepared to extend the upcoming deadline, and additional CRs may be necessary before a final resolution is reached. In anticipation of the end game, we arranged and participated in meetings for Supervisor Wolf to advocate in support of funding for a variety of programs during the NACo Conference, including youth employment, homeless, and elderly-related programs.

FY 2012 BUDGET PROCESS

On February 21, President Obama released his FY 2012 Budget request, and we provided background material to County staff provided at briefings by the various Federal agencies. As anticipated, the Budget proposes substantial cuts in several programs of significance to local governments, while proposing increases in others. For example, CDBG formula grants would be decreased by 7.5%, the Community Services Block Grant (CSBG) would be cut by 50% to $350 million, the Low Income Home Energy Assistance Program (LIHEAP) would be reduced by 49%, and SCAAP would be reduced by $190 million, to $139 million. However, funding would be increased by 50% for community health centers, HIV/AIDS programs would see an $85 million increase, and several public safety and emergency response programs would receive level funding or nominal increases.

Along with the non-binding Congressional Budget Resolution, the President's Budget provides a framework for debate. Binding decisions will not be made until Congressional deliberations begin on the various *FY 2012 Appropriations* bills, probably in the spring. However, both the House and Senate Appropriations Subcommittees have already begun hearings in anticipation of drafting their respective bills.

3% TAX WITHHOLDING MANDATE

We continued to work with NACo and other national advocacy groups on legislative efforts 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. The requirement was mandated by the Deficit Reduction Act (DRA) of 2005, and after a couple of extensions, is scheduled to be implemented for 2012. Working with County staff, we identified that the County issued payments to 8,345 vendors totaling $456,732,424 in FY 2009-10, and the impact will be significant. We contacted the House and Senate committees of jurisdiction to advocate the repeal of the provision, arguing that it is a substantial unfunded mandate on the County, will be harmful to the County's small vendors in particular, and may inflate the costs of County contracts. We also arranged and participated in meetings for

CEO Wallar during the NACo conference with the committees and the local Delegation to lobby the issue. Legislation to repeal the requirement has been introduced in the House as H.R. 674 by Congressman Herger (R-CA), who is second in seniority on the committee of jurisdiction, and in the Senate as S. 89 and S.164 by Senators Vitter (R-LA) and Brown (R-MA), respectively. While there is significant support for repeal, the major stumbling block is in identifying a potential offset for the projected revenue from the requirement.

ENERGY EFFICIENCY PROGRAMS

In follow-up to meetings that Supervisor Carbajal held during his January advocacy trip to Washington, D.C., 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. That decision has impacted PACE programs across the nation, including AB 811-related efforts in California and locally in the County. Amongst others, Supervisor Carbajal met with staff for Congressman Thompson (D-CA) who introduced the *PACE Assessment Protection Act* in the previous Congress to resolve the issue. We have provided Congressman Thompson's office with additional information, and encouraged them to re-introduce their proposal this year. We are also working with NACo on the issue, and Executive Director Larry Naake has signed a joint letter with the National League of Cities urging Congressional action to enable local governments to be able to exercise liens for their PACE programs.

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