



AGENDA ITEM NO.

M-1

# COUNTY OF HUMBOLDT

For the meeting of: February 10, 2015

Date: February 4, 2015

To: Board of Supervisors

From: Phillip Smith-Hanes, County Administrative Officer *PSH*

Subject: County Administrative Officer Report: Federal Budget, Recent Conference Attendance and Various Other Topics

### RECOMMENDATION(S):

That the Board of Supervisors receives an oral report from the County Administrative Officer regarding the proposed federal budget for 2016, recent conference attendance, and various other topics, and takes action as may be required.

SOURCE OF FUNDING: N/A

### DISCUSSION:

The County Administrative Officer will provide a brief oral report to the Board on various topics. Anticipated topics for February 10 are:

#### 1. Federal Budget

On February 2, President Obama released his proposed budget for federal fiscal year 2016. The County's federal legislative advocates, Waterman & Associates, have prepared the attached analysis of the proposals.

Prepared by Phillip Smith-Hanes

CAO Approval

*Amy Olsen*

REVIEW:

Auditor \_\_\_\_\_ County Counsel \_\_\_\_\_ Human Resources \_\_\_\_\_ Other \_\_\_\_\_

TYPE OF ITEM:

Consent

Departmental

Public Hearing

Other \_\_\_\_\_

PREVIOUS ACTION/REFERRAL:

Board Order No. \_\_\_\_\_

Meeting of: \_\_\_\_\_

**BOARD OF SUPERVISORS, COUNTY OF HUMBOLDT**  
Upon motion of Supervisor \_\_\_\_\_ Seconded by Supervisor \_\_\_\_\_

Ayes \_\_\_\_\_  
Nays \_\_\_\_\_  
Abstain \_\_\_\_\_  
Absent \_\_\_\_\_

**Per Order of the Chair**

and carried by those members present, the Board hereby approves the recommended action contained in this Board report.

Dated: *Feb. 10, 2015*

By: \_\_\_\_\_  
Kathy Hayes, Clerk of the Board

*Kathy Hayes*

**2. Recent Conference Attendance**

An oral report will be provided on the County Administrative Officer's recent attendance at the annual League of California Cities City Managers' Department/County Administrative Officers Association of California joint conference and information gained that is of benefit to the County.

FINANCIAL IMPACT:

There is no financial impact to hearing the oral report. Some topics discussed may have positive or negative financial impact on the County.

OTHER AGENCY INVOLVEMENT: None.

ALTERNATIVES TO STAFF RECOMMENDATIONS: Board's discretion.

ATTACHMENTS: February 3, 2015, Memo from Waterman & Associates



MEMORANDUM

TO: Amy Nilsen  
Deputy County Administrative Officer, Humboldt County

FROM: Joe Krahn, Tom Joseph, and Hasan Sarsour  
Humboldt County Washington Representatives

CC: Phil Smith-Hanes  
County Administrative Officer, Humboldt County

DATE: February 3, 2015

SUBJECT: Analysis of President Obama's Fiscal Year 2016 Budget

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On February 2, the Obama administration delivered its fiscal year 2016 budget request to Congress. Release of the tax and spending blueprint represents the first official step in the budget and appropriations process for the fiscal year that begins on October 1. In the coming weeks, White House officials will be appearing before various congressional committees to discuss - and in some cases, defend - the administration's fiscal policies.

As previewed by President Obama in his recent State of the Union Address, the central theme and overriding goal of the fiscal year 2016 budget proposal is to "bring middle-class economics into the 21st Century." According to the White House, the budget is designed to help working families achieve economic security by, among other actions, reforming the tax code, tripling the child care tax credit, ensuring access to health care, and bolstering job-training initiatives.

In addition to emphasizing policies that will spur continued economic recovery, the president's budget proposes to focus federal resources on a variety of administration priorities, including combating climate change, modernizing the nation's infrastructure, fighting terrorism, and preventing and stopping the spread of infectious diseases. The Obama budget also highlights the need for tax reform.

As expected, the president's budget request received a chilly reception from GOP congressional leaders. With Republicans squarely in control of both chambers of Congress, very little of the administration's proposal is expected to become law. However, a number of key features of the budget plan - particularly on the tax-reform side - may very well lay the foundation for a broader

tax deal between the White House and GOP leaders. Additionally, the president's budget will serve as a benchmark for congressional Democrats as they push their party's federal spending priorities.

All told, the president's budget proposes to spend nearly \$4 trillion in fiscal year 2016 while assuming same-year revenues of \$3.53 trillion. The resulting \$474 billion deficit would equate to 2.5 percent of gross domestic product (GDP), slightly down from the estimated 2.6 percent in fiscal year 2015. Over ten years, the administration estimates that its budget policies would reduce cumulative deficits by \$1.8 trillion.

Notably, President Obama's budget would effectively scrap the post-sequester discretionary spending caps that were established under the 2011 *Budget Control Act* (BCA, PL 112-25). Pursuant to the administration's plan, base discretionary spending would amount to \$1.091 trillion in fiscal year 2016, or \$75 billion above the \$1.016 trillion allowed under the BCA. The additional outlays - which would amount to a seven percent funding increase - would be split almost evenly between defense and non-defense programs (\$38 billion and \$37 billion, respectively). The plan also would repeal the post-sequester caps through their scheduled end in 2021.

To pay for the increased spending, the White House is proposing a combination of offsetting budget cuts and tax-code adjustments. On the budget reduction side of the ledger, the administration would trim various mandatory and discretionary programs by roughly \$600 billion over 10 years, with about 70 percent of total savings coming from proposed changes to mandatory health care programs. Among the targeted discretionary spending cuts are reductions to the Community Development Block Grant, elimination of the State Criminal Alien Assistance Program, and cuts to the Environmental Protection Agency's Clean Water State Revolving Fund.

With regard to new revenues, the administration's sequester replacement plan would raise nearly \$640 billion in tax proceeds by limiting itemized reductions for the wealthy. Additional revenue raisers, including higher taxes on capital gains for upper-income taxpayers and a new tax on large financial institutions, would be used to pay for other administration priorities and for long-term deficit reduction.

To follow are highlights of President Obama's fiscal year 2016 budget request.

#### **SECURE RURAL SCHOOLS**

The budget includes a five-year reauthorization of the Secure Rural Schools (SRS) program, with funding provided through mandatory appropriations beginning in fiscal year 2015. It should be noted that Congress failed to provide funding for the SRS program in the current fiscal year. In the absence of such funding, the law reverts to the *Twenty-Five Percent Fund Act of 1908*, which requires that the federal government share with states 25 percent of the receipts generated on national forests. In January, the Department of the Interior (DOI) announced that would distribute approximately \$50 million to 746 timber counties under the 1908 Act. In the previous year, by comparison, DOI distributed approximately \$300 million under the SRS program.

### PAYMENTS-IN-LIEU-OF-TAXES

For fiscal year 2016, the president's budget proposes a one-year extension of mandatory Payments-in-lieu-of-Taxes (PILT) funding at the full entitlement amount. If fully funded, the program is expected to total \$452 million, slightly more than the fiscal year 2015 enacted level of \$442 million. The budget acknowledges that a sustainable, long-term funding solution for PILT must be developed.

### TRANSPORTATION

The administration's budget includes an ambitious, \$478 billion six-year surface transportation reauthorization plan. Under the White House proposal, highway and transit spending would increase by roughly 30 percent and 75 percent, respectively over the life of the program. The increased infrastructure investment would be paid for through a combination of gas-tax receipts and a one-time infusion of \$238 billion generated by a tax on overseas corporate profits.

Pursuant to the administration's proposal, the Highway Trust Fund would receive roughly \$40.1 billion in fiscal year 2016 from so-called repatriated tax funds, as well as \$39.6 billion from federal fuel taxes. The administration would boost trust fund spending to \$60.5 billion, or nearly \$7 billion more than the current fiscal year, which would leave the fund with a \$20 billion balance at the end of next fiscal year.

The budget also would expand financing options under the Transportation Infrastructure Finance and Innovation Act (TIFIA), which leverages federal dollars by facilitating private participation in transportation projects and encouraging innovative financing mechanisms to help advance infrastructure projects. The proposal calls for providing \$6 billion over 6 years, which would result in roughly \$60 billion of direct loans.

The proposal also would place the Department of Transportation's competitive TIGER grant program outside of the purview of the congressional appropriations process. Under the administration's budget, TIGER grants would receive \$1.25 billion next year, or more than double the amount the program is receiving in the current fiscal year.

### INDIAN AFFAIRS

The White House budget once again includes language that would overturn the U.S. Supreme Court's *Carcieri v. Salazar* decision. In *Carcieri*, the Court ruled that the secretary of the Interior's trust land acquisition authority is limited to those tribes that were under federal jurisdiction at the time of the passage of the *Indian Reorganization Act of 1934*. The president's budget does not propose any reforms to the Bureau of Indian Affairs' (BIA) land-into-trust process.

### TAX EXEMPT STATUS OF MUNICIPAL BONDS

The administration is proposing to cap the value of the tax exemption for interest paid by municipal bonds. Under the budget, the value of tax benefits would be limited for the top two percent of earners to 28 percent from the current 35 percent. This is the fourth time that the Obama administration has suggested capping the value of the tax exemption for high-income earners. The independent, bipartisan tax-reform group, known as Bowles-Simpson, also proposed limiting the tax break.

### **DROUGHT RESPONSE**

The president's budget notes that in 2015 the Bureau of Reclamation is implementing its Drought Response program, which is a comprehensive approach to drought planning and implementation actions. The program includes such actions as water marketing solutions to address municipal water shortages, installing water measurement devices to improve efficiency and measure drought impacts, and other small-scale improvements to increase water supply reliability. In 2016, the administration is proposing to increase funding for drought response activities.

The president also is proposing to increase funding for the Department of the Interior's WaterSMART initiative, which is designed to enhance water supplies and help identify adaptive measures to address the impacts of climate change. Specifically, the budget includes \$58.1 million for water sustainability efforts, an increase of \$7.5 million. The budget also includes \$31 million for the U.S. Geological Survey WaterSMART Availability and Use Assessment initiative, a \$14.6 million increase.

Additionally, the budget notes that the Departments of the Interior, Agriculture, and Commerce are continuing to work with the State of California in an effort to accelerate water transfers and exchanges, provide operational flexibility to store and convey water, expedite environmental review and compliance actions, and pursue new or fast-track existing projects that might help stretch California's water supplies.

### **WILDFIRE FIGHTING AND PREVENTION**

The administration's budget calls for a new funding framework for wildland fire suppression, which would allow certain wildfires to be treated as natural disasters and enable emergency funding resources to be used to suppress such fires.

To follow are charts that provide a comparison between the president's fiscal year 2016 budget request and the current enacted level of funding for select programs. The numbers in the charts are in millions of dollars.

### **FISCAL YEAR 2016 PRESIDENT'S BUDGET KEY PROGRAMMATIC FUNDING LEVELS**

<b>WATER RESOURCES</b>		
	<b>FY 2015 ENACTED</b>	<b>FY 2016 PRESIDENT'S BUDGET</b>
<b>KLAMATH PROJECT<sup>1</sup></b>	\$18	\$18
<b>WATER RECLAMATION &amp; REUSE PROJECTS</b>	\$21.5	\$20
<b>WATERSMART GRANTS</b>	\$19	\$23.4
<b>ESA RECOVERY IMPLEMENTATION</b>	\$21.2	\$24.4
<b>CLEAN WATER STATE REVOLVING FUND</b>	\$1,450	\$1,116
<b>DRINKING WATER STATE REVOLVING FUND</b>	\$907	\$1,186

<sup>1</sup> The Klamath Project supports studies and initiatives to improve water supplies to meet the competing demands of agricultural, tribal, wildlife refuge, and environmental needs.

<b>DEPARTMENT OF JUSTICE</b>		
	<b>FY 2015 ENACTED</b>	<b>FY 2016 PRESIDENT'S BUDGET</b>
SCAAP	\$185	--
COPS HIRING GRANTS	\$180	\$249.5
METHAMPHETAMINE ENFORCEMENT	\$7	\$11
BYRNE/JAG	\$376	\$388
RESIDENTIAL SUBSTANCE ABUSE TREATMENT	\$10	\$14
OFFENDER REENTRY PROGRAMS	\$68	\$120
JUVENILE ACCOUNTABILITY BLOCK GRANT <sup>2</sup>	---	\$30
PART B - STATE FORMULA GRANTS	\$55.5	\$70
TITLE V - DELINQUENCY PREVENTION	\$15	\$42
PRISON RAPE PREVENTION/PROSECUTION	\$13	\$10.5
YOUTH MENTORING GRANTS	\$90	\$58

<b>DEPARTMENT OF HOMELAND SECURITY*</b>		
	<b>FY 2015 ENACTED</b>	<b>FY 2016 PRESIDENT'S BUDGET</b>
STATE HOMELAND SECURITY PROGRAM	\$446	--
URBAN AREA SECURITY INITIATIVE	\$600	--
NATIONAL PREPAREDNESS GRANTS <sup>3</sup>	--	\$1,043
ASSISTANCE TO FIREFIGHTER GRANTS	\$680	\$670
EMERGENCY MGMT PERFORMANCE GRANTS	\$350	\$350

\* The Department of Homeland Security is currently funded under a Continuing Resolution that will expire on February 27, 2015.

<b>DEPARTMENT OF TRANSPORTATION</b>		
	<b>FY 2015 ENACTED</b>	<b>FY 2016 PRESIDENT'S BUDGET</b>
FEDERAL-AID HIGHWAY OBLIGATION LIMIT	\$41,000	\$50,070
TIGER GRANTS	\$500	\$1,250
TRANSIT FORMULA PROGRAM	\$8,600	\$13,900
CAPITAL INVESTMENT GRANTS	\$2,100	\$3,250
GRANTS-IN-AID FOR AIRPORTS	\$3,350	\$2,900

<b>HUMAN SERVICES</b>		
	<b>FY 2015 ENACTED</b>	<b>FY 2016 PRESIDENT'S BUDGET</b>
TANF	\$16,500	\$16,500

<sup>2</sup> The omnibus zeroed out the JABG program. However, the legislation provided \$55.5 million for Part B-State Formula Grants, \$10 million of which can be used for JABG-related activities, including building, expanding, renovating, or operating temporary or permanent juvenile correction facilities.

<sup>3</sup> For the fourth year in a row, the administration's budget includes a proposal to consolidate several current state and local preparedness grant programs (such as State Homeland Security Grants and the Urban Area Security Initiative) into a comprehensive National Preparedness Grant Program (NPGP).

FOSTER CARE	\$7,343	\$7,601
SSBG	\$1,700	\$1,700
LIHEAP	\$3,390	\$3,390
CHILD SUPPORT ENFORCEMENT	\$4,038	\$4,215
HEAD START	\$8,598	\$10,118
CHILD CARE DEVELOPMENT FUND	\$2,435	\$2,805
OLDER AMERICANS ACT PROGRAMS	\$1,200	\$1,300
ELDER JUSTICE ACT	\$4	\$25
COMMUNITY SERVICES BLOCK GRANT	\$674	\$674
SNAP/FOOD STAMPS	\$81,800	\$83,692
WORKFORCE INVESTMENT ACT PROGRAMS	\$2,843	\$2,951

HEALTH PROGRAMS		
	FY 2015 ENACTED	FY 2016 PRESIDENT'S BUDGET
MEDICAID	\$328,525	\$344,447
RYAN WHITE HIV/AIDS PROGRAM	\$2,319	\$2,323
MATERNAL & CHILD HEALTH BLOCK GRANT	\$637	\$637
PREVENTIVE HEALTH/HEALTH SERVICES GRANT	\$160	--

HOUSING AND URBAN DEVELOPMENT		
	FY 2015 ENACTED	FY 2016 PRESIDENT'S BUDGET
CDBG	\$3,000	\$2,800
HOME INVESTMENT PARTNERSHIPS PROGRAM	\$900	\$1,060
CHOICE NEIGHBORHOODS INITIATIVE	\$80	\$250
HOMELESS ASSISTANCE GRANTS	\$2,135	\$2,480

DEPARTMENT OF AGRICULTURE		
	FY 2015 ENACTED	FY 2016 PRESIDENT'S BUDGET
USDA RURAL DEVELOPMENT PROGRAMS	\$2,674	\$2,875
USDA WATER & WASTE DISPOSAL GRANTS	\$465	\$448
RURAL COMMUNITY FACILITIES GRANTS	\$27	\$62
RURAL BROADBAND GRANTS	\$10	\$20
DISTANCE LEARNING AND TELEMEDICINE	\$22	\$25

We hope this information is useful to you. Please do not hesitate to contact us if you have any questions.