



COUNTY OF HUMBOLDT

AGENDA ITEM NO.

M-3

For the meeting of: January 20, 2015

Date: January 6, 2015
To: Board of Supervisors
From: Phillip Smith-Hanes, County Administrative Officer *PSH*
Subject: County Administrative Officer Report: Federal Legislative Update and Various Other Topics

RECOMMENDATION(S):

That the Board of Supervisors receive an oral report from the County Administrative Officer regarding end of year 2014 legislative activity at the federal level, and various other topics, and take 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 topic for January 20 is:

1. Federal Legislative Update

The county's federal legislative advocates, Waterman & Associates, have provided the attached review of federal legislative activity during the fourth quarter of 2014. The County Administrative Officer will review this report with the Board.

Prepared by	Phillip Smith-Hanes	CAO Approval	<i>Amy Olsen</i>
REVIEW:			
Auditor	County Counsel	Human Resources	Other
TYPE OF ITEM:			
<input type="checkbox"/> Consent			
<input checked="" type="checkbox"/> Departmental			
<input type="checkbox"/> Public Hearing			
<input type="checkbox"/> Other			
PREVIOUS ACTION/REFERRAL:			
Board Order No. _____			
Meeting of: _____			
BOARD OF SUPERVISORS, COUNTY OF HUMBOLDT			
Upon motion of Supervisor <i>Sundberg</i> Seconded by Supervisor <i>Lovelace</i>			
Ayes <i>Sundberg, Lovelace, Fennell, Bass</i>			
Nays			
Abstain			
Absent <i>Bohn</i>			
and carried by those members present, the Board hereby approves the recommended action contained in this Board report.			
Dated: <i>Jan 20, 2015</i>			
By: <i>Kathy Hayes</i>			
Kathy Hayes, Clerk of the Board			

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: Fourth Quarter Report from Waterman & Associates



**HUMBOLDT COUNTY
WASHINGTON BRIEFS**

FOURTH QUARTER 2014

After spending much of the fourth quarter on the campaign trail, lawmakers returned to Washington, D.C. in mid-November for a brief albeit busy lame-duck session of Congress. With relatively few legislative days available to them, the biggest question facing congressional leaders was how to dispense with the unfinished fiscal year 2015 budget. While some Republicans had advocated putting off final spending decisions until the new year - when the GOP will control both the House and Senate - Republican leaders in the lower chamber ultimately decided to work with Senate Democrats to clear the legislative decks.

Following several weeks of intense negotiations, appropriators released in early December a sweeping \$1.1 trillion omnibus spending measure (HR 83). Although the bill's fate in the House appeared to be in doubt, the legislation advanced on a narrow 219-206 vote as 60 Democrats joined a majority of Republicans in endorsing the bill. In the Senate, 31 Democrats, 24 Republicans, and one Independent cast votes in favor of HR 83 (for a final vote tally of 56 to 40). President Obama signed the measure into law (PL 113-235) on December 16.

Overall, the Act sets fiscal year 2015 discretionary funding at \$1.013 trillion, which adheres to the nondefense and defense spending caps that were established under last year's Ryan-Murray budget deal (PL 113-67). While the law provides long-term funding - through September 30, 2015 - for programs under the purview of 11 of the 12 annual appropriations measures, it funds the Department of Homeland Security (DHS) via a short-term Continuing Resolution (CR). The CR portion of the measure, which will run through February 27, is intended as a GOP rebuke of President Obama's recent Executive Order on immigration and will likely force a partisan showdown over immigration policy early in the new Congress.

HR 83 also includes emergency funding for several high-priority activities, including \$5.4 billion for various agencies to combat the Ebola crisis in West Africa. Additionally, the Act provides \$64 billion in uncapped war spending, which includes \$5.6 billion in emergency funds for military operations against the Islamic State terrorist group.

Although budgetary matters dominated the congressional agenda in the fourth quarter, lawmakers also used the year-end session to conduct organizational meetings, which included the selection of party leaders for the upcoming 114th Congress. In the House, no changes will

be made to the chamber's hierarchy as Republicans and Democrats alike voted to reinstate their full slate of leaders. Across Capitol Hill, Senators Harry Reid (D-NV) and Mitch McConnell (R-KY) will swap jobs, with McConnell leading his party as majority leader and Reid assuming the role of minority leader.

In California, 47 members of the state's 53-member congressional delegation will be returning to Washington D.C. in January. Despite four very close races, all of California's incumbent House members were re-elected to office. With regard to the state's six open seats, all but one will continue to be represented by a member of the same political party.

WATER RESOURCES

The Senate Energy and Natural Resources Committee (ENR) approved this past quarter the *Klamath Basin Water Recovery and Economic Restoration Act* (S 2379). The legislation, which was formally endorsed by the Humboldt County Board of Supervisors, would provide the necessary congressional authority to implement the Klamath Basin Restoration Agreement (KBRA), the Klamath Hydroelectric Settlement Agreement (KHSA), and the Comprehensive Upper Basin Agreement. Although the Klamath legislation cleared the ENR Committee in November, it did not ultimately advance to the Senate floor.

Notably, during committee consideration, ENR Ranking Member Lisa Murkowski (R-AK) expressed her appreciation for the bipartisan work that went into crafting the measure. She noted her ongoing concerns, however, regarding the removal of the four dams in the Klamath system, as well as the estimated federal cost of implementing the agreements. Nevertheless, Senator Murkowski pledged to continue working with interested parties to move the bill forward. It should be noted that Murkowski will chair the ENR Committee in the 114th Congress.

Across Capitol Hill, House Natural Resources Committee (NRC) Chairman Doc Hastings (R-WA) continues to have reservations about the Klamath legislation. Like Senator Murkowski, Hastings has concerns about the dam removal aspect of the Agreements and the expected cost of implementation. In addition, the bill faces opposition from other Republican members of the committee, namely Representatives Tom McClintock (R-CA) and Doug LaMalfa (R-CA). Furthermore, Congressman Greg Walden (R-OR), who represents much of the Upper Klamath Basin, has been noncommittal despite persistent outreach from Oregon stakeholders.

In other news, Congress adjourned without granting approval to legislation that would have blocked the Environmental Protection Agency (EPA) and the Army Corps of Engineers from finalizing regulations expanding the scope of federal jurisdiction under the *Clean Water Act*. Several different proposals emerged in the House this year that would have prevented the Obama administration from implementing its controversial "Waters of the U.S." (WOTUS) proposal.

In the House, lawmakers approved in September legislation (HR 5078) that would have barred the administration from moving forward with the WOTUS rule. Thirty-five Democrats joined nearly every House Republican in voting for the bill. In addition, both the House fiscal year 2015 Interior appropriations bill (HR 5171) and the 2015 Energy & Water spending legislation (HR 4923) included language that would have precluded EPA and the Corps from spending any funds on WOTUS implementation.

According to EPA, the pending rule would not protect bodies of water that have not historically been covered and merely clarifies which waterways and wetlands are under federal jurisdiction. Critics of the proposal, however, including many state and local governments and agricultural interests, contend that the rule would vastly expand federal regulatory oversight and permitting requirements, resulting in unnecessary delays to both public works projects and private development.

PAYMENTS-IN-LIEU-OF-TAXES

In a victory for Humboldt County, Congress approved \$442 million in fiscal year 2015 discretionary spending for the Payments-in-Lieu-of-Taxes (PILT) program, slightly more than the previous fiscal year. The funding was included in two separate measures - the *Buck McKeon National Defense Authorization Act* (HR 3979) and the year-end omnibus appropriations law. It should be noted that the Department of the Interior will need to make adjustments to counties' PILT payments for fiscal year 2015 should Congress fail to extend or reauthorize the Secure Rural Schools (SRS) program in a timely manner.

For its part, Humboldt County and its federal advocates continued to work with lawmakers to ensure that PILT would be fully funded in fiscal year 2015, including urging members of the County's congressional delegation to make PILT a top budgetary priority. In doing so, the Board of Supervisors encouraged Representative Jared Huffman (D-CA), as well as Senators Dianne Feinstein (D-CA) and Barbara Boxer (D-CA), to sign onto letters to House and Senate leaders calling on them to provide full funding for PILT. Recent correspondence spearheaded by Representatives Jaime Herrera Beutler (R-WA) and Joe Garcia (D-FL) garnered the signature of 41 lawmakers, including Congressman Huffman. A similar letter to Senate leaders - drafted by Senators Tom Udall (D-NM) and Mike Crapo (R-ID) - was signed by 34 members, including Senators Feinstein and Boxer.

Looking ahead to the new Congress, Humboldt County is once again poised to work with key lawmakers in an effort to secure long-term, mandatory PILT funding.

REAUTHORIZATION OF THE SECURE RURAL SCHOOLS (SRS)

Although congressional leaders agreed to address PILT as part of the omnibus budget bill, the package did not include an extension of funding for the SRS program. House Speaker John Boehner (R-OH) and Majority Leader Kevin McCarthy (R-CA), however, both pledged to work with the new GOP majority in the Senate to devise a long-term solution that would provide

certainty for rural forested communities. In the interim, House Republican leaders have assured their colleagues that an SRS extension would be considered an early priority for the new Congress.

In an effort to show support for such a strategy, Representatives Jared Huffman, Doug LaMalfa (R-CA), Derek Kilmer (D-WA), and Chris Stewart (R-UT) organized a letter to House leaders urging swift action in 2015 to extend and reauthorize the SRS program. The letter, which was endorsed by Humboldt County, was signed by a total of 35 lawmakers.

It should be noted that if SRS is not renewed, county payments will return to a revenue-based system. Consequently, Humboldt County could be left with significantly less funding than in recent years. Lawmakers have been considering options for reauthorizing or modifying SRS for fiscal year 2015 and beyond, though it has been difficult for key policymakers to reach a bipartisan consensus on how best to move forward.

MAP-21 REAUTHORIZATION

Several key lawmakers and transportation advocates continued to call on Congress to approve a long-term highway and transit bill during the fourth quarter. For her part, Senate Environment and Public Works Committee Chairwoman Boxer wrote to House Ways and Means Committee Chairman Dave Camp (R-MI) to urge him to move a long-term transportation measure during the lame duck session. The Ways and Means Committee, which has jurisdiction over the Highway Trust Fund (HTF), is responsible for the financing portion of MAP-21.

Despite the urging of Senator Boxer and others, congressional authorizers opted not to act on a multi-year transportation program renewal. Instead, with the current extension of MAP-21 running through May of next year - and absent agreement on a funding mechanism to pay for new infrastructure investment - lawmakers will need to renew the reauthorization discussion in 2015.

It should be noted that the current MAP-21 extension (PL 113-159) also provides \$10.9 billion to keep the HTF afloat through the end of May. The bailout represents the sixth time since 2008 that Congress has had to rescue the trust fund, as spending from the account has continued to far exceed its revenues.

Incidentally, the Government Accountability Office released this past quarter a new analysis on the HTF. According to the report - which examined highway program grants in fiscal year 2013 - only 10 percent of funds obligated by the Federal Highway Administration for road and bridge projects went for new construction. The balance of funds were allocated for maintenance and reconstruction of existing, outdated infrastructure.

Looking ahead, lawmakers will need to continue to wrestle with the question of how to pay for future investments in transportation. Additionally, authorizing committees will be examining potential policy-related adjustments to MAP-21.

Finally, although funding for most surface transportation programs is set by MAP-21 (and therefore not subject to the appropriations process in the traditional sense), there are some transportation programs that are purely discretionary. One such initiative is the competitive TIGER grant program, which the omnibus funds at \$500 million in fiscal year 2015 (a \$100 million decrease). Settling on a final funding level for TIGER grants was one of the last remaining sticking points in negotiations on the transportation title of the spending bill.

REMOTE SALES TAX

Despite intense pressure from advocates of an internet sales tax, House Speaker Boehner declined to bring the *Marketplace Fairness Act* (MFA; S 743) to the House floor. The measure, which has been endorsed by Humboldt County, would give states the ability to collect sales taxes from out-of-state Internet retailers. Speaker Boehner continues to have significant concerns with the bill and will defer to the House Judiciary Committee to examine the issue in the new Congress.

For his part, Judiciary Committee Chairman Bob Goodlatte (R-VA) was close to finalizing his own online sales tax proposal, which he will likely introduce early next year. Goodlatte and other critics of S 743 have expressed concerns about the challenges faced by businesses in collecting and remitting sales taxes to thousands of different jurisdictions. They also have stressed the need for safeguards to ensure that states cannot discriminate against out-of-state retailers.

In a related development, the final budget Act temporarily extends a law that prevents local governments from taxing broadband internet access. The current moratorium was set to expire on December 11, 2014, but will now remain in place until October 1, 2015. In the new year, key lawmakers will once again attempt to link Internet sales tax legislation to a long-term extension of the Internet access tax moratorium.

PROPERTY ASSESSED CLEAN ENERGY PROGRAM

Congress was unable to advance legislation this year that would help expand residential Property Assessed Clean Energy (PACE) programs nationwide. The bipartisan bill (HR 4285), sponsored by Representatives Mike Thompson (D-CA), Peter King (R-NY), and Sean Patrick Maloney (D-NY), was cosponsored by 28 members of Congress, including Congressman Huffman.

The impetus for the legislation is a 2011 Federal Housing Finance Agency (FHFA) directive, which objects to local governments holding the first lien on residential PACE homes. In FHFA's view, such a practice represents a significant risk to Fannie Mae and Freddie Mac. To address the agency's concerns, HR 4285 would have established important national program standards to limit any financial risk to the lenders. The bill also directs FHFA to rescind its 2011 policy guidance.

It should be noted that the legislation is modeled after California's successful Loan Loss Reserve Fund. The state-backed fund helps to ensure that PACE assessments are paid off in the event of a mortgage default. Similar to language included in HR 4285, PACE programs enrolled in the Reserve Fund must meet basic structural criteria, comply with certain underwriting standards, and contribute a modest annual premium.

While the Loan Loss Reserve Fund will help mitigate any potential loss to Fannie Mae and Freddie Mac, FHFA continues to have concerns. As such, the Agency has not publicly changed its position. However, reports are surfacing that FHFA may be willing to ease its formal stance on PACE programs, so long as mortgage lenders agree to repurchase any of the home loans that default. At this point, preliminary discussions are underway, but no official announcement has been made.

HEALTH AND HUMAN SERVICES

Earlier this year, Congress approved and President Obama signed into law the *Preventing Sex Trafficking and Strengthening Families Act* (HR 4980; PL 113-183). The bipartisan measure includes a number of initiatives to establish protocols for identifying and serving youth involved in sex trafficking, as well as several new foster care practice mandates. With respect to sex trafficking, the law requires State plans for foster care and adoption assistance to include policies and procedures for identifying, screening, and determining appropriate services for children who are believed to be victims, or are at risk of being victims. The Act also requires sex trafficking data to be reported to the federal government.

Effective one year after the law's enactment, the measure requires child welfare agencies to provide foster youth who are exiting care (and who were not adopted or returning to live with family) with a birth certificate, a Social Security card, health insurance information, medical records, and a driver's license or state-issued ID.

The law also amends the adoption assistance program to include, for the first time, incentive awards of \$4,000 for subsidized guardianship placements. Additionally, the Act includes a safeguard ensuring that a child placed with a guardian could continue to be cared for by a successor guardian if a relative dies or is incapacitated, instead of going back to court.

Humboldt County's Washington representatives participated in a meeting earlier in December with the Health and Human Services' Associate Commissioner for the Children's Bureau to discuss statutory issues needing further federal guidance for the successful implementation of the new law.

In other developments, fiscal year 2015 funding for Labor, Health and Human Services programs were included as part of the omnibus spending package. In general, the measure maintains the previous fiscal year's funding levels for human services programs, including the Social Services Block Grant and the Community Services Block Grant.

Of particular note is first-time funding of \$4 million for the Elder Justice Act to provide state competitive grants addressing adult protective services. The Act also included an extension of the Temporary Assistance for Needy Families (TANF) program through the end of fiscal year 2015.

We hope this information is useful to Humboldt County officials. Please do not hesitate to contact our office if you have any questions or need additional information.

