

# TUCSON FEDERAL LEGISLATIVE UPDATE

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*Prepared by Bracy Tucker Brown & Valanzano*

## **Fiscal Year 2009 Appropriations Likely Completed After January 2009**

The House and Senate continued consideration of their versions of the fiscal year 2009 Appropriations bills amongst increasing expectations that the measures will not be complete until after January, when the new President is in office. Presently, we expect Congress to pass a continuing resolution (CR) to keep the government operating at FY 2008 levels until after January, when they can work out the funding agreements with a new Administration.

## **Department of Transportation Releases New Proposal**

On July 29, the U.S. Department of Transportation released a proposal to refocus the federal role in transportation. The plan entitled Refocus, Reform, Renew. A New Transportation Approach for America, states that the federal role in transportation should be smaller and more focused. The plan calls for significantly reducing more than 102 federal transportation programs, replacing them with eight comprehensive, intermodal programs.

According to BNA, the plan outlines that the Federal government should be focused on maintaining and improving the highway system, reducing congestion, investing in highway safety, improving transportation systems for public and Indian lands, using federal funds to leverage private-sector money, establishing quality and performance standards, reducing regulatory hurdles while maintaining environmental protection, and encouraging transportation research.

The plan also encourages direct user fees, such as tolls and congestion pricing. They suggest increasing public-private partnerships as a way to gradually eliminate the gas tax as the largest funding source for the highway trust fund. The proposal also suggests using tolls on the Interstate Highway System and increasing the use of private activity bonds and creating an infrastructure investment bank to help state and local governments.

The plan lacked a broad agenda for transit and proposed converting funds from the transit trust fund to cover the gaps in money in the Highway Trust Fund. The plan is likely not to be well-received in Congress.

## **Senate EPW Passes Bills Dealing With Perchlorate in Drinking Water**

Right before departing for the August recess, the Senate Environment and Public Works Committee passed the Perchlorate Monitoring and Right to Know Act (S. 24), introduced by Chairwoman Barbara Boxer (D-CA). The bill would require the Environmental Protection Agency to enact a regulation monitoring the presence of perchlorate, a hazardous chemical used in jet fuel, in drinking water. The EPA would also be required under the bill to publish a health advisory detailing the dangers of the chemical and its effects on vulnerable populations such as children and pregnant women.

Another bill dealing with perchlorate, the Protecting Pregnant Women and Children From Perchlorate Act (S. 150), also sponsored by Boxer, would require the EPA to establish a similar health advisory to that required by the previous bill.

The bill would also mandate the creation of a drinking water standard detailing the maximum amount of perchlorate allowed in a water supply. The legislation would allow the EPA to determine what that level should be.

## **President Signs War Supplemental Bill**

After months of negotiations, Congress sent to the President the last War Supplemental bill of his term.

The bill provides \$161.8 billion to support operations related to the wars in Iraq and Afghanistan. It also includes \$24.7 billion for domestic programs, including money for Midwest flood and tornado relief and to rebuild levees destroyed by Hurricane Katrina.

It would also expand veterans' education benefits,

extend unemployment benefits and delay six Medicaid regulations proposed by the administration that seek to shift some costs to the states. It did not include money for local law enforcement programs or the Low Income Home Energy Assistance (LIHEAP) program.

### **Second FY08 Domestic Supplemental bill:**

Right before the Congress left for their August recess, the Senate released details of a second Fiscal Year 2008 supplemental bill.

Congress passed a war supplemental earlier that did not include domestic items being discussed such as \$1 billion for a low-income home energy assistance program, \$490 million for state and local law enforcement agency grants, \$275 million for the Food and Drug Administration and \$451 million for the Federal Highway Administration's emergency relief program.

With the FY2009 regular appropriations bills stalled and the inevitability of a Continuing Resolution (CR) becoming more likely, leaders are crafting another supplemental that will take care of some of the pressing domestic issues that did not gain the support in previous attempts. It is unclear whether it will have the support to be signed into law.

Some of the details released on the Senate bill:

#### **Transportation:**

- \$3.6 billion for highway investments. Funding from the general fund would be sent by formula to every state to improve deficient roads and bridges. Transfers cash into the Highway Trust Fund so that it remains solvent through fiscal year 2009.
- \$893 million for transit agencies to address capital and operating needs to meet growing demand. Increases the Federal Transit Administration's contingent commitment authority to allow additional major transit projects to progress to construction in coming months.
- \$100 million to fund capital projects along Amtrak's corridors, including funding to rehabilitate inactive rolling stock.
- \$200 million for capital improvements at airports for projects that are ready to begin construction immediately.

#### **Nutrition Programs:**

- \$450 million for Women, Infants and Children (WIC) program to prevent more than 625,000 low-income families from losing benefits and prevent states from creating waiting lists due to funding uncertainty.
- \$30 million for the Commodity Supplemental Food Program, which benefits low-income seniors and families in 32 participating states and the District of Columbia; will allow USDA to replenish its food stocks, preventing smaller food packages or a forced decrease in participation.
- \$50 million for the Emergency Food Assistance Program, which allows the USDA to make free commodities available to states for distributions to food banks and homeless shelters.
- \$40 million for senior meals programs to cover increases in food and fuel costs.

#### **Housing:**

- \$52 million for the Federal Housing Administration to modernize its systems and hire additional staff.
- \$5 million for the FBI for agents to investigate claims of mortgage fraud.
- \$37.5 million for the Legal Services Corporation to provide legal assistance to families whose homes are in foreclosure.
- \$215 million for public housing agencies to address critical and urgent safety, security, and energy-related needs. Priority will be given for <funding> to be used to rehabilitate vacant rental units.

#### **Job Training:**

- \$250 million for employment and training activities for dislocated workers.
- \$250 million to support part-time jobs after school, paid internships, and community service jobs for older youth and to help low-income youth acquire work skills.

#### **Other Provisions**

- \$490 million for Byrne Justice Assistance Grants to support state and local police.

- \$100 million to help communities along the South-west border fight drug and gun crime

**LIHEAP:**

The bill would provide an additional \$2.5 billion for the Low Income Home Energy Assistance Program (LIHEAP). This would take the AZ formula from nearly \$10 million to over \$50 million, which would help the state provide low-income households with assistance on their cooling and heating utility bills.

**Housing and Economic Recovery Act of 2008:**

On July 30, the President signed into law H.R. 3221, the Housing and Economic Recovery Act of 2008.

**FHA and regulatory reform:**

The centerpiece of the bill is aimed at addressing high foreclosure rates, which will allow the FHA to guarantee up to \$300 billion in mortgages for borrowers in trouble of losing their homes.

To be eligible, the borrower cannot have intentionally defaulted on the mortgage being refinanced, must have a ratio of mortgage debt to income of greater than 31% and the mortgage being refinanced must have been originated on or before January 1, 2008. The new mortgage must be affordable to the borrower and cannot exceed 90% of the appraised value of the property. The Hope FHA program will begin October 1, 2008 and terminate September 30, 2011.

Raises FHA loan limits to create affordable mortgage loans by allowing FHA loans up to 115% of the local area median home price, and to make GSE loans more available in high cost areas by raising the permanent loan limit from \$362,790 to \$625,500.

**Government Sponsored Enterprise (GSE):**

Raises the GSE loan limits up to 115% of the local area median home price, and to make GSE loans effective in high cost areas by raising the permanent loan limit from \$417,000 to \$625,500,.

Creates a new permanent affordable housing trust fund – financed by the GSEs - to fund the construction, maintenance and preservation of affordable

rental housing for low-income individuals and families.

**Tax package:**

Includes a \$7500 tax credit first-time homebuyers that would be available for any qualified purchase between April 9, 2008 and June 30, 2009. The credit is repayable over 15 years (making it, in effect, an interest free loan).

Additionally, a temporary increase in mortgage revenue bond authority to allow for the issuance of an additional \$11 billion of tax-exempt bonds to refinance subprime loans, provide loans to first-time homebuyers and to finance the construction of low-income rental housing.

**CDBG and Counseling funds:**

The law includes \$4 billion in Community Development Block Grants for cities to buy and rehabilitate foreclosed properties.

To help families avoid foreclosure, this legislation provides \$150 million in additional funding for housing counseling. These funds will be distributed by the Neighborhood Reinvestment Corporation by the end of 2008 to ensure families can quickly get the help they need. In addition, \$30 million is provided to help provide legal services to distressed borrowers.

**CDBG Funding Overcomes Veto Threat**

A major victory in the negotiated bill was the inclusion of the \$4 billion in CDBG funding for cities to buy and rehabilitate foreclosed properties. The President had earlier threatened to veto the bill due in large part to this provision. The City of Tucson signed on to a letter to Congress in support of this inclusion.

Summary of the CDBG provision:

--The funding formula will be established by HUD not later than 60 days after enactment.

--Funding formula will be targeted to state and local governments with the greatest need based upon (1) the number and percentage of foreclosures;(2) the number and percentage of sub-prime mortgage loans; (3) the number and percentage of homes in default or delinquency

--Funding priority will be based on the above as well as areas that are likely to face a significant rise in the rate of home foreclosures.

--Funds are to be distributed not later than 30 days after the formula is established.

--States and local governments have 18 months to use the funds to purchase and redevelop abandoned and foreclosed properties

--No matching requirements.

--Funds will be targeted to low and moderate income families whose income does not exceed 120 percent of the area median income.

--Not less than 25 percent of the funds will be for the purchase and redevelopment of abandoned or foreclosed properties whose incomes do not exceed 50 percent of area median income.

--There's a provision relating to the use of funds with regard to eminent domain which states that no state or unite of general local government may use funds for any project that seeks to use the power of eminent domain, unless eminent domain is used only for a public use (i.e. not to be construed to include economic development that primarily benefit private entities).

--Nationwide distribution of funds: Each state will receive a minimum of not less than 0.5 percent of the \$4 billion provided in this measure.

Santa Cruz Valley National Heritage Area. In addition to their designation, the bill requires local management plans, an evaluation of stated goals, and continued coordination at the local and federal level. The heritage area would be authorized at \$1 million for each fiscal year, with an overall cap of \$15 million.

## **The Santa Cruz Valley National Heritage Area:**

When Congress returns it may consider the House passed H.R. 1483, which includes the establishment of the Santa Cruz Valley National Heritage Area along with a number of public lands bills. The Senate bill is a comprehensive public lands bill that includes many other designations in addition to the Santa Cruz Valley National Heritage.

The Heritage America's Act (H.R. 1483) was passed on October 24 by the House of Representatives on a 291-122 vote. While it enjoys much support, objections from property rights advocates and fiscal conservatives continue to follow it during debate.

The bill authorizes a number of additional national heritage areas, including the establishment of the