



TO: Nick Chiulos, Annette D'Adamo

FROM: Brent R. Heberlee

DATE: October 5, 2016

RE: Federal Legislative Update

This memo provides a Federal Legislative Update on the items appearing on the agenda for the October 10, 2016, Legislative Committee meeting.

A. FY2017 Budget and Appropriations

Just one day before it faced a government shutdown, Congress passed a short-term Continuing Resolution (CR) to keep the government operating through early December. Members then headed home to campaign for re-election, but they will have to return in mid-November for a lame-duck session with just a few weeks to resolve FY2017 spending. The measure's passage comes after months of impasse over FY2017 appropriations as congressional leaders wrestled over numerous provisions, particularly over funding for the Flint, Mich. drinking water crisis and language that would have prevented Zika funds from going to Planned Parenthood affiliates.

The CR provides \$1.1 billion in emergency funding to combat the Zika virus. Approximately \$400 million is specifically dedicated to help prevent and respond to the Zika virus, including backfilling state and local public health departments for previous cuts and paying health care costs for those most affected by the virus. The CR also extends funding for the Payments in Lieu of Taxes (PILT) program for the duration of the CR. While this is far short of the necessary amount to fully fund PILT, it will allow the Department of the Interior to begin the administrative process to determine PILT payments for FY2017.

Funding in the current CR runs out on December 9th for most of the government. The CR included full-year appropriations for military construction and veterans programs, leaving Congress with 11 more annual funding measures to go. Republican leaders in the House and Senate want to move those in "minibuses," or packages of appropriations bills bundled together to help ease passage, rather than one large omnibus measure.

Rep. Sam Farr was able to secure two important provisions in the FY2017 MilCon-VA portion of the CR -- a change in federal rules to improve access to licensed marriage and family therapists for Veterans and \$21.5 million for an emergency services center at Fort Hunter Liggett (FHL). The emergency services center at FHL will consolidate base police, fire, crash rescue and EMT into a single, modern facility to improve response times and coordination.

B. Legislative/Regulatory Updates

1. Payments in Lieu of Taxes (PILT) Program Appropriations

The Board of Supervisors recently sent letters to Rep. Farr and Senators Feinstein and Boxer urging their support for developing a funding solution for the PILT program for FY2017 and beyond. As noted above, the CR contains some FY2017 funding for PILT, but Congress will have to find nearly \$480 million to fully fund the program for the remainder of the fiscal year. In FY2016, Monterey County received \$876,176 through the PILT program.

2. Substance Abuse and Mental Health Services Administration (SAMHSA) Program Appropriations

The Board of Supervisors recently sent letters to Senators Feinstein and Boxer in support of S. 2680, the Mental Health Reform Act of 2016. The bill maintains funding for the SAMHSA Mental Health Services and Substance Abuse Prevention and Treatment block grants and also authorizes other important grant initiatives, including Jail Diversion, treatment and Recovery for Homeless Individuals, and Primary Care Behavioral Health Integration.

3. Municipal Bond legislation

Bipartisan legislation (S. 3404) was recently introduced in the Senate to allow high quality municipal debt to be classified at a level equivalent to debt issued by corporations. The legislation is part of a congressional response to a rule issued in 2014 by federal banking regulators that established minimum liquidity requirements for large banking organizations. The rule identified high quality liquid assets (HQLA) that banks could hold to meet the requirement. As the rule is currently designed, however, debt sold by states and local governments does not count as HQLA and large banks are not able to count them towards the rule's requirements. Not recognizing municipal securities as HQLA creates a disincentive for banks to hold them, which may result in increased costs for state and local governments to issue bonds for critical needs like infrastructure.

The House has already unanimously approved similar legislation, and with the introduction of the bipartisan Senate bill it is possible this legislation could see action in the lame duck.

4. Water Resources Development Act (WRDA)

The House passed its version of WRDA by a wide, bipartisan margin after funding was added to the bill to provide emergency assistance for the drinking water crisis in Flint, Michigan. The base bill would authorize \$9 billion for 31 Army Corps of Engineers water resources projects throughout the country. The Senate passed its version of WRDA last month by a vote of 95-3. Congress hopes to pass a final bill in the lame duck session.

Both House and Senate versions of WRDA contain modifications to the Water Infrastructure Finance and Innovation Act (WIFIA). WIFIA is a relatively new water infrastructure financing program administered by EPA that provides low-interest loans for large water infrastructure projects. WIFIA may be a financing tool for the Interlake Tunnel project if alternative funding sources are needed.

C. White House Call for Fleet Electrification Commitments

The White House is seeking to accelerate electric vehicle adoption in the United States, an initiative that includes gathering commitments from local governments on their fleet electrification and fleet charging infrastructure goals. The County is in the process of compiling the information requested by the White House.

D. U.S. Forest Service funding for Nacimiento-Fergusson Road

Rep. Sam Farr's office is renewing its effort to have the U.S. Forest Service identify funds for repairs of Nacimiento-Fergusson Road.