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MEMORANDUM

To: Mayor Libby Schaaf
Council President Lynette Gibson McElhaney and Members of the City Council

From: Townsend Public Affairs, Inc.

Date: May 5, 2016

Subject: Ongoing update of the 2016-2017 State & Federal Budgets

The purpose of this memo from Townsend Public Affairs, Inc. (TPA) is to provide the City of Oakland with updates regarding Governor Brown's Proposed Budget for 2016-17, released on January 7, 2016, and President Obama's Budget, released on February 9, 2016.

State

Both the Senate and the Assembly have scheduled weekly budget subcommittee hearings leading up to the May Budget Revise. The Assembly Democrats are working on an overall budget request to address affordable/workforce housing and the Senate Democrats are working on an overall budget request to address homelessness.

As reported previously, two of the many ongoing budget efforts for TPA, in regards to the city's priorities, are housing and seismic safety. Working closely with Council Member Kalb and the Mayor's office, we are an integral part of a coalition working to create a revenue source for seismic safety upgrades. We are also working with partners to support bills for low income housing tax credits, multi-family housing, a pilot program in high cost areas, funding to help cities address homelessness, and other housing-related funding and budget programs.

Within the next two week the Governor will release his revised budget proposal for the coming fiscal year. The Legislature will then hold a series of hearings after the "May Revise" to finalize the State Budget. Per the State Constitution, Legislature is required to approve a budget bill for the Governor's consideration by June 15, which would take effect July 1, 2016. As such, we will continue to closely track housing related legislative efforts and their progress through the Assembly, Senate, and budget process, as well as their growing fiscal implications for the city.

Federal

Once again, the House and Senate are in recess. The Senate returns on May 9; the House returns May 10. This will be followed by a three week work session before another one-week recess beginning on May 30 (only 65 legislative days remain before the Presidential election according to current House and Senate calendars). Over the next month, the House leadership has promised to bring appropriations bills to the floor regardless of whether a budget has been adopted. In the

Senate, work is under way to include emergency funding to contain the Zika virus in the Transportation-HUD appropriations bill.

FY 2017 Budget & Appropriations

- House

House Republicans continue to seek a budget resolution, though there are few signs of progress. Rep. Jim Jordan (R-OH), Chair of the House Freedom Caucus, has indicated caucus members' unwillingness to back down from their desired \$30 billion in cuts to offset mandatory entitlement spending. Jordan has publicly stated that his Caucus will not be placated by companion bills that include the cuts but have no chance of becoming law. House leaders are eager to resolve the budget impasse quickly in order to ensure the votes necessary to pass appropriations bills with Republican-favored policy riders. Without a deal, House Democrat votes will be necessary to pass bills, eliminating the possibility of including these riders.

However, hope of reaching a budget deal may soon evaporate for two reasons. First, under the 1974 Budget Act, appropriators are allowed to bring any of the 12 annual spending bills to the floor after May 15 without the need for a budget deal or deeming resolution. Second, rank-and-file members are pushing appropriators to abandon their attempts to return to "regular order," and instead pass a Continuing Resolution that would keep government running until after the November elections.

Nevertheless, Appropriations Committee Chairman Hal Rogers (R-KY) continues to push his subcommittees to write bills and send them to the full committee. Rodgers has indicated he intends to bring bills to the floor for a vote as soon as May 15 with the goal of passing all 12 bills by the end of June. Thus far, only the Energy and Water (\$37.4 billion; \$168 million above the President's budget request) and the Agriculture (\$21.3 billion; \$281 million below the President's budget request) bills have advanced out of the full committee.

- Senate

The Senate Appropriations Committee continues to make steady progress reporting out bills to the floor. To date the full committee has passed the following FY2017 spending bills:

- Transportation, Housing and Urban Development, and Related Agencies (\$56.5 billion; \$2.9 billion below the President's budget request)
- Commerce, Justice, Science, and Related Agencies (\$56.3 billion; \$1.6 billion above the President's budget request)
- Energy and Water Development (\$37.5 billion; \$261 million above the President's budget request)
- Military Construction, Veterans Affairs, and Related Agencies (\$83 billion; \$160 million above the President's budget request)

However, progress on the floor slowed last week when Senate Majority Leader Mitch McConnell (R-KY) withdrew a motion to proceed to the Transportation-HUD appropriations bill, after he failed to achieve cloture on the Energy & Water appropriations bill. The Energy & Water bill stalled when the White House threatened to veto the measure if it included an amendment by Senator Tom Cotton (R-AR) which would have blocked the U.S. from purchasing "heavy water" from Iran, a key part of the administration's Iran deal. Failure to move both bills throws into question whether McConnell will be able to achieve a return to "regular order" on appropriations, and could lead to a reevaluation of how the Senate will allocate scarce floor time prior to the July 15th recess.

Drought Relief Legislation

In response to the slow progress on the Senate's western drought bill, House Republicans have included language in the FY2017 Energy and Water Development Appropriations bill to compel action in a must-pass bill. The language parallels provisions from Rep. David Valadao's drought bill (H.R. 2898), which was passed by the House in July 2015. However, some provisions contrast with language included in Senator Dianne Feinstein's drought bill (S. 2533). One particularly controversial provision included in the House appropriations bill would require maximum Delta pumping by the Bureau of Reclamation *unless* it were to jeopardize the long-term survival of the Delta smelt or Chinook salmon. The House bill would also prohibit the use of federal funds to implement the San Joaquin River Restoration Settlement Agreement, the deal which ended decades of litigation between water users and environmental groups. Last, the bill would establish permanent changes, whereas the Feinstein bill's emergency operations provisions would expire either September 30, 2017 or when Governor Brown declares an end to the Drought State of Emergency.

Over the next few months, House and Senate Appropriators will meet to decide whether to include the provisions in the conference report, which must be adopted by both bodies. Senate Democrats are expected to strongly oppose these provisions, potentially preventing the overall bill from being enacted. Meanwhile, outside the appropriations process, the Senate Energy and Natural Resources Committee continues to work on a western water bill, which is expected to include components (or potentially the entirety) of Senator Feinstein's drought bill. However, with a July 15 recess looming, there is relatively little time to pass the bill out of committee and onto the Senate floor, and conclude conference committee negotiations before the session ends.

TPA will continue to track progress on drought legislation, and any potential opportunities to access federal resources for the city's water needs.

Water Resources Development Act of 2016

On April 28, the Senate Environment and Public Works Committee passed the Water Resources Development Act of 2016 (WRDA). The bipartisan bill was drafted by Chairman Senator James Inhofe (R-OK) and Ranking Member Senator Barbara Boxer. The bill:

- Authorizes 25 critical Army Corps of Engineers projects in 17 states, which have undergone Congressional scrutiny and have completed reports of the Chief of Engineers. These include projects related to navigation, flood risk management, storm damage risk reduction and environmental restoration. Three California projects were included-- Encinitas-Solana Beach (coastal storm damage reduction), South San Francisco Bay (flood risk reduction), and Los Angeles River (environmental restoration);
- Authorizes 26 project studies and modifications submitted to Congress by the Corps and four project modifications recommended by the Corps. The six California studies included in the bill pertain to the Santa Ana River Basin, Cache Creek Basin, Coyote Valley Dam, Del Rosa Drainage Area, Merced County, and the Mission-Zanja Drainage Area.
- Addresses California's drought by directing the Secretary of the Army to review proposals to increase water supply, storage capacity and access to released water.
- Provides emergency assistance to Flint, Michigan and other similar communities across the country facing drinking water contamination. WRDA 2016 would establish a variety of financial assistance packages to states and public drinking water systems where a federal or state emergency has been declared because of lead or other contaminants in the water.
- Requires the Corps of Engineers to provide Congress with a plan for expeditiously completing projects to restore ecosystems, such as the Salton Sea, that address an

identified threat to public health and restore habitats for federally protected species, including migratory birds.

- Invests in innovative technologies to address drought, including desalination, water recycling, and groundwater recharge.
- Makes permanent the Water Infrastructure Finance and Innovation Act (WIFIA), which was included as a pilot program in the WRRDA 2014. This program helps leverage investment in critical drinking water and wastewater infrastructure projects.

TPA will continue to track progress on the Water Resources Development Act, and any potential opportunities to access federal resources for the city's water, drought, and flood mitigation needs.

FAA Reauthorization

On April 19, the Senate passed the Federal Aviation Administration (FAA) reauthorization bill (S. 2658) extending agency programs through 2018. However, the bill faces an uncertain future in the House, where lawmakers have eyed much more ambitious changes to the FAA. The House "Aviation Innovation, Reform, and Reauthorization Act" or "AIRR Act," includes a controversial provision that would privatize the nation's air traffic control system under a new federally chartered nonprofit corporation. Approximately 38,000 FAA air traffic control employees would be impacted. The House must pass its own bill or accept the Senate version prior to July 15, when the short-term authorization bill approved in March expires.

Regulation of commercial and recreational drones is likely to be a focal point when the House and Senate conference the bill. The Senate-passed bill includes the first significant regulation of the industry, requiring the FAA to develop standards for drone manufacturing, safety and operation. However, local and state governments have expressed concern with Section 2152, which both prohibits local and state governments from enacting or enforcing laws relating to drone operation but also asserts that nothing in the bill preempts local or state authority to enforce nuisance and public safety laws related to drone use. Senator Feinstein was unsuccessful in passing an amendment to strike the provision, but issued a press release that she received assurances from the chairman and ranking member of the Commerce Committee, Senators John Thune (R-ND) and Bill Nelson (D-FL), to work with her to address the issue when the bill is negotiated with the House of Representatives.

Next Steps

Although the days of earmarks are behind us, advocating for dollars at the Federal level is very much an option. TPA recommends expressing to our federal and state leaders to continue or increase funding levels for programs that directly benefit the City. *Please let us know your top programs and we will start crafting our message. Together we will advocate directly through Federal representatives for agencies to adopt work plans which focus on the City's needs.*