Summary of Federal Legislative Report – August 5

Two-Year Budget and Debt Ceiling Agreement Reached

Prior to departing for their annual summer recess, House and Senate lawmakers voted to approve a new two-year budget deal (HR 3877) that will suspend the debt ceiling and lift the spending caps put in place by the *Budget Control Act* (PL 112-25). Pursuant to the legislation, which was signed into law by President Trump on August 2, discretionary spending is set to increase by approximately $320 billion over the next two years. In addition, the limit on federal borrowing will be suspended through July 31, 2021, ensuring that the Treasury will be able to meet its debt obligations.

Under the terms of the budget agreement, nondefense discretionary spending will increase by roughly 4.5 percent over current levels (rising from $605 billion in FY 2019 to $632 billion in FY 2020). For FY 2021, funding for nondefense programs will be set at $634.5 billion. Without the adjustments to federal spending caps, funding for both domestic and defense programs would have been in line for automatic cuts, known as sequestration, totaling roughly 10 percent beginning this January.

While the new budgetary framework will grease the wheels for the fiscal year 2020 appropriations process to advance in earnest, there is no *guarantee* that Congress will pass all 12 spending bills by the start of the new fiscal year. In the House, lawmakers have cleared 10 of the annual funding measures, though adjustments will likely need to be made to reflect the terms of the new budget deal. Across Capitol Hill, Senate appropriators have not yet approved a single FY 2020 spending measure.

Infrastructure Update

On July 30, the Senate Environment and Public Works (EPW) Committee unanimously approved a five-year highway reauthorization bill (S 2302). The bipartisan legislation, entitled *America's Transportation Infrastructure Act* (ATIA), would authorize a total of $287 billion for roads and bridges between fiscal years 2021 and 2025. The proposed investment represents an increase of over 27 percent compared to the current levels authorized under the FAST Act, which is set to expire in September of 2020.

In addition to the increased funding levels, ATIA includes a number of provisions that would benefit Solano County. For example, the legislation places a major emphasis on measures to improve the resiliency of transportation infrastructure, including a new initiative called the Promoting Resilient Operations for Transformative, Efficient, and Cost-saving Transportation (PROTECT) grant program. Under the program, $786 million would be made available to States on an annual basis via formula grants; another $200 million in resiliency funds would be available on a competitive basis.

S 2302 also would expand eligibility under the Emergency Relief (ER) program to include projects such as relocating roadways in floodplains to a higher elevation, stabilizing slide areas and slopes, improving drainage, and installing seismic retrofits. Under the bill, projects like these would be eligible for a maximum Federal share of up to 100 percent.

Furthermore, ATIA would authorize $6.6 billion for a new Bridge Investment Program that would assist local governments in rehabilitating or replacing structurally deficient bridges. Of this amount, $3.3 billion would be dedicated funding from the Highway Trust Fund with the remaining $3.3 billion available via the annual appropriations process. It should be noted that S 2302 would maintain the current set-aside for local bridges that are located *off* the federal-aid highway system.

With regard to streamlining, the Senate bill would codify core elements of the Trump administration's "One Federal Decision" policy (Executive Order 13807) for highway projects, including a two-year goal to complete all environmental reviews, as well as a 90-day timeline for related project authorizations. The legislation also seeks to avoid duplication by requiring a single environmental document and record of decision to be signed by all participating agencies.

Additionally, S 2302 would provide $3.5 billion for formula and competitive grants to expand investments in transportation improvements that are designed to reduce carbon emissions, as well as $250 million over five years for a new grant program for projects designed to reduce the number of wildlife-vehicle collisions.

Finally, it should be noted that there is currently no consensus or leading plan on how to finance the new highway spending. For his part, Finance Committee Chairman Chuck Grassley (R-IA) has indicated that his committee will not move forward with a revenue title unless Majority Leader Mitch McConnell (R-KY) agrees to allow the chamber to vote on a gas tax increase. At this point, McConnell appears unwilling to make such a commitment.

Mare Island Cemetery Amendment Included in House NDAA

Congressman Mike Thompson recently secured an amendment to the House-passed *National Defense Authorization Act* (NDAA) that would authorize the Secretary of Defense to provide up to $250,000 per year for the maintenance, preservation, and operation of the Mare Island Naval Cemetery. The amendment stipulates that the funding may only be provided to a historic preservation foundation, which would need to be designated by the City of Vallejo.

It should be noted that the amendment language is somewhat similar to Congressman Thompson's stand-alone Mare Island cemetery bill. That particular piece of legislation (HR 578) – along with a companion bill By Senator Dianne Feinstein (S 127) – would transfer control of the cemetery from the Vallejo to the U.S. Department of Veterans Affairs.

USDA Proposes to Cut CalFresh Eligibility

The U.S. Department of Agriculture (USDA) recently published a proposed rule – Revision of Categorical Eligibility in the Supplemental Nutrition Assistance Program (SNAP) – that would tighten automatic eligibility requirements for SNAP/CalFresh. Under current law, states can automatically deem people eligible for SNAP if they qualify for similar federal benefits, such as the Temporary Assistance for Needy Families (TANF) program.

According to USDA, some states have expanded this categorical eligibility so that even those households receiving nominal, one-time benefits or services would qualify for SNAP. USDA Secretary Sonny Perdue contends that this has resulted in individuals receiving benefits who would not typically qualify under regular program rules. Therefore, the administration's proposal seeks to limit categorical eligibility to those who receive "ongoing and substantial benefits" from TANF. Specifically, a household would have to receive a TANF benefit of at least $50 per month for a minimum of six months to qualify for automatic SNAP eligibility.

USDA estimates that eliminating the state option would reduce Federal spending by nearly $9.4 billion over the next five years, although it would also substantially increase administrative costs. It should be noted that the proposal indicates that the rule may negatively impact food security, pushing 3.1 million individuals off the SNAP program, including approximately 13.2 percent of all SNAP households with elderly individuals. If the rule is finalized, it's projected to impact over 120,000 Californians.

Interested parties are encouraged to submit written comments to the agency before the September 23 deadline.

Senate Cannabis Banking Hearing

On July 23, the Senate Banking Committee held a hearing to discuss the challenges that state-legal cannabis businesses face when attempting to access traditional banking services. Senators Cory Gardner (R-CO) and Jeff Merkley (D-OR) spoke on the first panel and urged the committee to consider bipartisan legislation – the *SAFE Banking Act* (S 1200) – which would help provide cannabis-related businesses with legal access to banking services. The bill also would exempt depository institutions and their employees from federal prosecution or investigation solely for providing banking services to a state authorized cannabis-related business. This so-called "safe harbor" is intended to provide certainty for financial institutions to offer their products and services to well-regulated cannabis-related businesses. The House Financial Services Committee approved a companion bill (HR 1595) earlier this year.

In addition to Senators Gardner and Merkley, the committee heard from representatives of the Credit Union National Association (CUNA), the American Bankers Association (ABA), the Cannabis Trade Federation, and Smart Approaches to Marijuana. With the exception of Mr. Garth Van Meter, who testified on behalf of Smart Approaches to Marijuana, all of the witnesses expressed support for the *SAFE Banking Act*. Mr. Van Meter instead voiced concerns about efforts to legalize cannabis, including its public health ramifications and potential for addiction.

For his part, Committee Chairman Mike Crapo (R-ID) acknowledged that a strong case was made for approving safe harbor legislation, although he also indicated that this is a complex issue that Congress needs to get right. It should be noted that Senator Crapo has previously refused to consider such legislation, so long as cannabis remains illegal at the federal level. Therefore, his willingness to continue the conversation is considered a major development.