



City of Phoenix

To: Mayor and Council
Executive Team

Date: January 29, 2009

From: Karen Peters
Government Relations Director

Subject: FEDERAL UPDATE: JANUARY 23 – JANUARY 29, 2009

This memorandum provides an update of the past week's federal activities – Congressional action, lobbying and national meetings. Please let me or Tom Remes know if you have any questions or need further information on specific legislation or issues.

JANUARY 23– JANUARY 29, 2009

American Recovery and Reinvestment Act of 2009

Yesterday the House passed the \$819 billion *American Recovery and Reinvestment Act of 2009* (HR 1) (ARRA). The measure passed on a strict party-line vote, 244-188 with no Republicans supporting the bill, and only 11 out of 255 Democrats opposing it. HR 1 includes approximately \$544 billion in federal program spending and \$275 billion in tax relief. The bill's funding would flow to the states and localities through normal grant and formula processes, existing agency mechanisms, as well as the Water and Drinking Water State Revolving Funds. The bill prohibits states from using the funds to pay off debt or for uses other than what is prescribed in the bill. Arizona is slated to receive just over \$10 billion under the bill, about \$1.3 billion of which is targeted toward backfilling the state's budget shortfall.

Lawmakers on the House Transportation and Infrastructure Committee expressed disappointment that the package – once touted as a public works spending measure – now provides only \$64 billion for transportation-related projects. The panel held a day-long hearing to accumulate evidence to disprove a Congressional Budget Office (CBO) report saying that states could not handle the huge influx of funding in the 90-day timeframe that Chairman Jim Oberstar has proposed for transportation projects to start. A "use it or lose it" clause in the bill requires that if states have not used the money within 90 days it will be redistributed. CBO said the "use it or lose it" plan would actually slow down spending since most states could not obligate that much in that timeframe and the process of reclaiming and redistributing funding to other states would delay the process.

State and local governments also would get a range of assistance through the tax code. The largest provision, at \$18.3 billion, would allow state and local governments to issue tax credit bonds instead of tax-exempt bonds in 2009 and 2010. Instead of receiving tax-exempt interest, bond holders would receive a federal tax credit which would spare

state and local governments the cost of paying interest. The provision would also allow state and local governments to receive direct federal subsidies instead of having bond holders get tax credits, in a nod to the difficulties in the bond and tax credit markets. An additional \$25 billion in tax credit bonds would go to states and regions based on their job losses, to be spent in targeted “recovery zones” on infrastructure, job training and other investments. A side-by-side comparison of funding levels in HR1 and the Senate version, SR 1, will accompany this update, as well as a short description of the House bill’s tax provisions.

Transit Amendment to HR 1 Adds Additional Funding

Before final passage on Wednesday, the House voted to add \$3 billion in additional funding for transit projects in the economic stimulus package. Rep. Jerry Nadler's (D-N.Y.) amendment, passed by a voice vote, increases transit funding from \$9 billion to \$12 billion by adding \$1.5 billion each to the transit capital improvement program and the new starts transit program. The American Public Transportation Association (APTA) estimates that the distribution of these funds to the Phoenix-Mesa metro area could be **\$14,889,558**.

HR1 Highway Amendment

Another amendment added to the House bill, proposed by Rep. Bill Shuster (R-Pa.), clarified the legislation to ensure that the federal cash received from the rescue package for highway maintenance is not used to replace existing funds that had already been put in place for transportation projects. The amendment provides that if a governor fails to certify that the state will maintain its previously scheduled efforts on transportation spending, the state would lose its funding under the bill. The reported bill contained a provision requiring such certification from state governors, but contained no forfeiture of funds. The “maintenance of effort” requirement has been pushed by the transportation construction industry, which wants to ensure that federal funding does not replace planned state funding.

Fiscal Year 2009 Appropriations Bills

The FY 09 Appropriations bills are scheduled to be on the House floor sometime next week. In addition, the House Appropriation Committee’s deadline for FY 10 appropriations requests will probably be in late March or early April. Although this is subject to change, it is expected that Member deadlines will be sometime in mid-March if not earlier.

President Signs First Bill Into Law

This morning President Obama signed *S. 181 - Lilly Ledbetter Fair Pay Act of 2009* into law. The law expands the time frame in which workers can sue for pay discrimination they have experienced based on gender, race, national origin or religion. It makes clear that workers may bring a lawsuit for up to six months after they receive any paycheck that they allege is discriminatory. The City of Phoenix Law, Personnel and Equal Opportunity Departments are aware of the new law.

Harris Washington Trip

Public Safety Manager Jack Harris and the City’s federal lobbyists met with Congresswoman Kirkpatrick, Congressman Shadegg, Congressman Mitchell, and staff in Senators Kyl and McCain’s and Congressman Pastor’s offices to discuss the City’s four FY 10 public safety priorities and Community Oriented Policing Services (COPS)

funding in the stimulus proposal. On the latter issue, Chief Harris explained that the 25% local match requirement for COPS hiring funding in HR 1 could not be used by many police departments, including Phoenix, because of current local budget constraints. The following day the House amended the COPS language to remove the 25% local match requirement.

Blagojevich Impeached

On Thursday afternoon, Rod Blagojevich, the embattled Illinois governor who went before the state Senate on a last-ditch attempt to save his job, was impeached anyway. He will be removed from office immediately. Blagojevich will be replaced by Lt. Gov. Patrick Quinn, a fellow Democrat. No other Illinois governor has been impeached, let alone convicted in a Senate trial. Mr. Blagojevich was arrested last month on a variety of federal corruption charges, including scheming to benefit from appointing President Obama's Senate replacement and demanding campaign contributions in exchange for state services.

New Restrictions Make Lobbying More Difficult

In response to backlash from the Troubled Asset Relief Program (TARP) legislation, a bailout to aid struggling financial institutions, the Obama administration in conjunction with the Department of Treasury, has put various safeguards in place to keep lobbyists and special interest groups away from the proposed \$819 billion dollars that will start to flow with passage of ARRA. This move stems from the Obama administration's strict "no earmark" policy for ARRA. Some lobbyists contend that their clients have a right to a portion of these federal dollars and should not be punished for the mistakes made with TARP. The issue is under legal review.