



City of Phoenix

To: Mayor and Council
Executive Team

Date: July 14, 2009

From: Karen Peters
Government Relations Director

Subject: FEDERAL UPDATE: JULY 3 – JULY 14, 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.

JULY 3 – JULY 13, 2009

Congress Returns

The House and Senate returned to work after the 4th of July recess. The Senate resumed legislative business on Monday, July 6 with work on the FY 10 Legislative Branch Appropriations bill, the Homeland Security Appropriations bill and the Defense Authorization bill while the House returned on Tuesday, July 7 and is tackling the Agriculture Appropriations bill.

Sotomayor Hearings

On Monday, U.S. Supreme Court nominee Judge Sonia Sotomayor began the process of being interviewed by the Senate Judiciary Committee for confirmation. This news story is likely to dominate the media for the coming weeks. After a day of introductory comments, Republicans and Democrats are debating who won Day One, with Democrats arguing that the GOP stayed largely away from attacking Sonia Sotomayor's hefty judicial record, and Republicans saying that her opening comments leave many questions unanswered. Monday was largely scripted, but on Tuesday and Wednesday each member will have 30-minutes to ask questions of the nominee.

Federal Highway Administration Appointment

On July 10, 2009, the Senate confirmed Victor Mendez, former Arizona Department of Transportation Director, as the new Federal Highway Administrator. He will officially begin work in his new position on July 17. Mr. Mendez called the City to share his appreciation for our support of his nomination.

Stimulus II?

House and Senate leaders are debating the necessity of a second stimulus package as economists and local elected officials call for more funding. House Majority Leader Hoyer is open to the idea while Senate Majority Leader Reid does not believe that another stimulus bill is needed.

Stimulus Reporting Requirements

At staff's request the City's federal lobbyists put together a memo providing an overview of Recovery Act reporting requirements. This week's news is that the Office of Management and Budget (OMB) pushed the government-wide deadline back for the first report until **October 10, 2009**, giving the City plenty of time to comply with all mandated reporting.

Individual federal agencies could require earlier reports, however inquiries with agencies from whom the City already has received funds do not indicate any such earlier report deadlines. Reporting requirements vary program to program and each recipient should review the award document to determine if an earlier report might be due.

The consultants also are working to clarify some of the mechanics of the reporting with OMB. First, neither the Act nor the OMB guidance clearly define "recipient" in such a way to determine whether individual City departments need to submit reports or whether the City can submit a single consolidated report. Second, reading the Act and the Guidance together leaves somewhat ambiguous the cutoff date for activity on which the City must report on October 10. The Act seems to require that the City would report on activity up through September 30, yet the Guidance seems to suggest that recipients only need report activity through June 30. More information will be forthcoming.

FY 10 Appropriations

House

To date the House of Representatives has passed four (Commerce Justice Science (CJS); Interior; Homeland Security and Legislative Branch) of the twelve FY 10 appropriations bills. The following bills have either been marked up by the full House Appropriations Committee and/or the subcommittee of jurisdiction: Energy and Water, Agriculture, Military/Veterans, Financial Services, and State/Foreign Operations. There has been no committee action on Transportation-Housing and Urban Development (HUD), Labor/Health and Human Services (HHS)/Education and Defense. Chairman David Obey (D-WI) says his goal is to get the remaining bills passed by the House before the August recess, which begins on July 31. To date, the House bills include funding for the following City projects:

Environment

- \$15 million- Tres Rios (Pastor, Mitchell)
- \$2 million- Rio Salado Oeste (Pastor)
- \$100,000- Agua Fria Linear Recharge (Pastor)

Public Safety

- COPLINK- \$500,000 (Pastor, Mitchell)
- Enhanced Mobile Data Security- \$300,000 (Pastor)
- ePRO- Prosecutor- \$100,000 (Pastor)

The House Appropriations Committee marked up the FY 10 Energy and Water Development bill on July 7. There were no changes to the three line items in the bill for the City (see above).

The House Transportation and HUD Subcommittee on Appropriations will mark up its FY 10 bill on July 15. It will be interesting to see what figure the Subcommittee includes for the Community Development Block Grant (CDBG) and if the Subcommittee addresses the CDBG formula reform issue raised by the Administration in its FY 10 budget. The

Subcommittee is not likely to go so far as to change the formula in the bill but probably will make a statement about working with the Financial Services Committee to examine the issue further and protect the funding of current entitlement recipients who might not benefit from a formula change.

Senate

On the other side of the Capitol, the full Senate Appropriations Committee has passed four of its bills (CJS; Homeland Security; Interior and Legislative Branch). To date no FY 10 Appropriations bill has passed the full Senate. The Senate is set to consider the Homeland Security Appropriations bill this week. Senators are expected to battle over earmarks in the Homeland Security bill, raising the possibility that finishing work on the measure could take longer than Senate leaders hope. Sen. John McCain (R-AZ) vowed to offer amendments killing more than 20 earmarks in the FY10 Homeland Security appropriations bill. Senate Majority Leader Reid (D-NV) said that the Senate will vote on at least two other amendments on Wednesday, including a proposal by Sen. Jeff Sessions (R-AK) that would require federal contractors to verify the legal status of their workers using the so-called E-Verify system. The other amendment, from Sen. Jim DeMint (R-SC) would require the completion of at least 700 miles of reinforced fencing along the southwest border by Dec. 31, 2010. The spending measure includes about \$10.1 billion for U.S. Customs and Border Protection; \$8.9 billion for the Coast Guard, excluding mandatory funding; \$7.7 billion for the Transportation Security Administration; \$4.2 billion in first-responder grants; and \$5.4 billion for Immigration and Customs Enforcement.

Section 8 Voucher Reform (SEVRA)

On Wednesday, July 8, 2009 at 10:00 a.m., the House Financial Services Committee held a markup of H.R. 3045, the Section 8 Voucher Reform Act of 2009. H.R. 3045 would streamline and make improvements to the Housing Choice Voucher program and authorize 150,000 new vouchers in FY 2010.

Health Care Reform

In the Senate, the Health, Education, Labor and Pensions Committee is expected to resume markups this week of its latest version of the health care overhaul, while the Senate Finance Committee continues bipartisan negotiations on its draft. The Congressional Budget Office (CBO) has scored the House healthcare overhaul bill at \$1.5 trillion over 10 years. House Ways and Means Democrats plan to help pay for the bill by raising taxes on people earning \$250,000 or more and taxing sugary beverages. The tax on sugary drinks is expected to raise about \$50 billion. A previous Ways and Means paper revealed Democrats were considering raising taxes on the wealthy through a 2 percent surtax that would raise \$256 billion. The House will not pay for the measure by taxing employer-based healthcare benefits, suggesting a merger of the House and Senate bills will be difficult. The Senate Finance Committee wants to keep its offsets within the health arena if possible and is weighing capping the value of employer-based coverage eligible for the tax exclusion. Instead, the House will make Medicare cuts in the neighborhood of \$500 billion and raise another \$350 billion from an employer mandate. The specifics of the offsets are still somewhat in flux. Raising the Medicare payroll tax is another big-ticket item that appears to be on the table. House Majority Leader Hoyer (D-MD) is planning a timetable that would put the bill on the floor before the August recess.

Census and Fair Share

On Monday, the Senate confirmed Robert Groves as director of the Census Bureau, after more than a month of objections from Republican lawmakers who wanted assurances that

statistical sampling would not be used to adjust next year's census. Groves served as the Census Bureau's associate director from 1990 to 1992, then worked for the University of Michigan Survey Research Center.

The City's federal lobbyists attended an Oversight and Government Reform Subcommittee hearing that focused on the use of census data in federal funding formulae. The first panel included representatives of Government Accountability Office (GAO), Department of Education, HUD, HHS and Census. The second panel was comprised of local government and nonprofits. The hearing was about accuracy and use of census data to ensure that federal money is distributed based on the latest and most accurate information. It was not about "fair share" as City of Phoenix refers to it; although, using the most accurate data certainly is one step in making sure money goes to where it is most needed. The Census Bureau representative made clear to the panel that it does not make judgments about federal distributions. The Bureau merely supplies data. The federal government distributes \$400 billion annually by formulae using census data.

An interesting part of the hearing was an exchange between Subcommittee Chair William Clay (D-MO) and HUD's Mr. Todd Richardson regarding how a city could receive less money when it had gained population. It is explained by the interplay between census and one of the two HUD Community Development Block Grant (CDBG) formulae. The city in question was Toledo. It has received CDBG funding under the formula option that uses loss of population. When the City challenged the Census that people were missed in the last count (decennial), the Census Bureau recounted and added 200,000 people to the City's population. With the increase, the CDBG calculation switched to the formula using growth as a factor and Toledo lost money.

Mr. Richardson, HUD's Director of the Office of Policy Development and Research, mentioned that President Obama put an additional \$543 million in the CDBG program for FY 10, bringing the funding for the program to \$4.2 billion. The additional funds would provide an opportunity to address some of the federal formula imbalances in CDBG if Congress decided to do that for FY 10. There was no follow up by the Subcommittee on this point, probably because most of those present represent districts that would not see funding increases. Mr. Richardson did say there was enough money to hold harmless localities that would not gain funding under the CDBG formula change. The CDBG Formula Targeting to Community Development Need report was mentioned but not discussed. Mr. Richardson is the author of the report. He offered to provide a copy of the report to the Subcommittee.

White House Office of Urban Affairs

On Monday, the White House Office of Urban Affairs launched a public conversation intended to create a national urban policy agenda. This new White House Office was is focused on urban policy to address concerns of large cities. Yesterday's meeting considered local initiatives that could become best practices, with goals of increasing competitiveness, sustainable development and opportunity of metropolitan regions. President Obama joined the final session and announced that he is kicking off a "national conversation" on urban policy by touring urban areas and holding town hall-style meetings with stakeholders in each area. The first three cities are Philadelphia, Denver, and Kansas City. Others will be announced later.