Summary/Action Minutes

I. Federal Legislative Update

The Senate is in session while the House is in recess for this week. The Senate will have a cloture vote to limit debate on the Shaheen-Portman energy efficiency bill. Following that vote, the Senate plans to consider legislation that would revive more than 50 lapsed tax breaks.

Surface Transportation Reauthorization

The Senate Environment and Public Works Committee (EPW) will release the text of its draft surface transportation bill later today and will mark up the legislation on Thursday. The EPW Committee draft will focus on highway programs, as that is the only portion of the surface transportation bill in which it has jurisdiction. The Senate Banking Committee, which focuses on transit programs, the Senate Commerce, Science and Transportation Committee, which focuses on transportation safety and the Senate Finance Committee, which provides authorization funding will draft the remaining pieces of the bill.

Shaheen-Portman Bill: Energy Savings and Industrial Competitiveness Act

The Senate will have a cloture vote today to limit debate on the Shaheen-Portman Energy Savings and Industrial Competitiveness Act. It is unclear if the Senate will be able to gain the 60 votes needed to limit debate. Senate Minority Leader Mitch McConnell says Republicans should oppose the cloture vote unless Senate Democrats allow for the consideration of amendments including one that would bar the Environmental Protection Agency from issuing new carbon standards for power plants.

Tax Extenders

The Senate plans to take up a tax extension bill. Specifically, the bill would renew several tax benefits that expired December 31, 2013 or are set to expire this year, while also modifying some provisions and adding new ones. The legislation will cost $84.1 billion from FY14 through FY24.

FY15 Appropriations

The House THUD Appropriations Subcommittee marked up its FY15 legislation last week. In addition, the House Appropriations Committee marked up the FY15 Commerce-Justice-Science bill and provided the 302(b) sub allocations for all the House Appropriations Subcommittees.
House FY15 THUD Highlights

The bill reflects an allocation of $52 billion in discretionary spending, an increase of $1.2 billion above the fiscal year 2014 enacted level and a decrease of $7.8 billion below the President’s budget request. However, given the reduction in offsets caused by a decline in Federal Housing Administration receipts, the program level within the bill is more accurately $1.8 billion below the current level. Highlights include:

- The bill sets HTF obligations at last year's levels and freezes FTA formula grants at FY 14 levels of $8.95 million
- The bill would cut TIGER grants down to $100 million from $600 million in FY14 (but the House usually zeros out the program)
- The bill would cut Amtrak capital grants by $200 million from $1.05 billion in 2014 to $850 million in FY15
- The bill would cut New Starts by $252 million from $1.943 billion in 2014 to $1.691 billion in FY15.
- The bill cuts transit research from $43 million in FY14 to $15 million and cuts the transit research and training account from $5 million to $3 million.

HUD

The legislation includes a total of $40.3 billion for the Department of Housing and Urban Development; a decrease of $769 million below the FY14 enacted level. The bill does not contain funding for any new, unauthorized “sustainable,” “livable,” or “green” community development programs. Funding includes:

- $19.4 billion program level for tenant-based rental assistance, including $15.4 billion in the measure and $4 billion in advance funding from the fiscal 2014 law. Renewals of expiring Section 8 contracts would receive $17.7 billion of that money.
- $1.8 billion for the Public Housing Capital Fund and $4.4 billion for the Public Housing Operating Fund.
- $9.7 billion for project-based rental assistance, which includes $9.3 billion from this bill and $400 million in advance funding from the fiscal 2014 law.
- $420 million for Housing for the Elderly, $36.5 million more than the current year
- $135 million for Housing for Persons with Disabilities, $9 million more than under current law.
- $6.2 billion for Community Development and Planning programs, $383 million less than in fiscal 2014, including:
  - $3 billion for the Community Development Block Grant program, which the Committee said is “effectively equal to last year’s level.”
  - $2.1 billion for grants to assist the homeless, same as FY14.
  - $700 million for the HOME Investment Partnerships program, $300 million less than FY14.
• $303 million for the Housing Opportunity for Persons with AIDS program, $27 million less than FY14.

• $75 million for the Veterans Housing Vouchers (same as President's request)

**Early Education**

The Senate Health, Education, Labor and Pensions Committee will markup legislation on Wednesday that would expand access to learning programs for children under the age of five. The legislation would Accelerate states’ efforts to provide high-quality preschool to low and moderate income families;

- Increase the quality of infant and toddler care in center-based and family child care settings;

- Support quality improvements in the Child Care and Development Block Grant (CCDBG); and

- Encourage continued support for the Maternal, Infant, and Early Childhood Home Visiting (MIECHV) program.

**HHS Secretary Nomination Hearing**

The Senate Finance Committee will hold a hearing on Wednesday to consider the nomination of Sylvia Mathews Burwell to be Health and Human Services Secretary. The HELP Committee held a hearing last week where she received strong bipartisan support.

**Purpose:**
- ☒ Report progress
- ☐ Advocacy or Education
- ☐ Request PAL Committee Recommendation or Position
- ☒ Other: Federal legislative update

**II. State Legislative Update**

The Governor will release the May Revise to the January State budget tomorrow, May 13, 2014 at 9:00 am in Sacramento, CA, followed by press events in Los Angeles and San Diego. While a two year budget surplus of up to $4 billion is likely, expectations are low that the Governor will include significant new spending proposals in the May Revise.

**Rainy Day Fund Agreement**

Last week the Governor and legislative leadership announced a bipartisan agreement on a rainy day fund proposal that will replace ACA 4 on the November ballot. The agreement will be amended into ACA 1 xx (Perez) and will include the following elements:

- Increased deposits when the State experiences spikes in capital gains revenues exceeding 8% of General Fund revenue. The original proposal diverted revenue when the spikes exceeded 6.5% of General Fund revenue.

- Requirement that 1.5% of all General Fund revenue be deposited into the account annually. This ensures a minimum contribution each year and was added to address the Republican concerns.

- Raises the maximum size of the Rainy Day Fund to 10% of the General Fund Revenues

- Allows half of the funds set aside each year to be used to pay off long term debt.

- Allows transfers to be suspended and withdrawals to be made from the Rainy Day Fund when needed during recessions within prescribed limits
• Creates Proposition 98 reserve to smooth school spending and avoid future cuts. The reserve would not begin until school funding is fully restored following cuts made during the recession. An amended version of ACA 1 xx is expected to be heard on the Assembly floor in the next week before moving to the Senate.

**County Jails Report**

The Public Policy Institute of California (PPIC) released a brief report last week titled “Key Factors in California’s Jail Construction.” The report focuses on the pressures and challenges facing counties regarding their jail facilities and state efforts to provide funding to renovate or expand existing facilities or build new ones. The report concludes that given the amount of time and money required to design and build new jail facilities, the State needs a long term plan that takes population growth into consideration and the State needs to make judicious decisions regarding funding jail facilities. In addition, one of the goals of realignment is for counties to implement alternatives to incarceration, they deemed reasonable preference should be given to counties that have addressed jail capacity challenges through the implementation of alternative custody programs.

**Unfunded Liabilities**

Perhaps as a reminder to advocates and legislators requesting funding restorations and augmentations and just in time for the release of the May Revise, the Legislative Analyst’s Office (LAO) produced a report outlining the State’s unfunded liabilities, leaving $200 billion in flux. The LAO suggests approaches to prioritizing liabilities for the greatest benefit by looking at who they affect outside of the state government and how quickly they will grow. Their suggestions include:

- Fully funding CalSTRS
- Prioritizing the prefunding retiree health care and possible prefunding state of worker leave, worker’s compensation, unclaimed property and pollution remediation
- Prioritizing the payoff of budget liabilities that will grow quickly or affect may mandates, Prop 98 special funds, Salton Sea mitigation and unemployment insurance

Within the report, liabilities are categorized as retirement, infrastructure or budgetary with the majority of costs (about $215 billion) coming from retirement and retiree health benefits.

**Purpose:**
- Report progress
- Advocacy or Education
- Request PAL Committee Recommendation or Position
- **Other:** State legislative update

**PUBLIC COMMENT:** None.