Memorandum

CITY OF DALLAS

DATE June 16, 2023

TO Honorable Mayor and City Councilmembers

SUBJECT **Federal Legislative Update**

The Office of Government Affairs is providing a federal update regarding the recent debt ceiling agreement, as well as the status of a few other federal items.

Fiscal Responsibility Act (PL 118-5)
On Tuesday, May 30, President Biden and House Speaker Kevin McCarthy (R-CA) announced an agreement to increase the debt limit through 2024.

Following is an overview of how the law may impact local governments in general and the City of Dallas specifically.

Budgetary Impact
Despite the long negotiations and the supposed number of issues that were on the negotiating table, the final measure is a relatively modest one, especially when compared to the debt limit bill (HR 2811) the House passed on May 4, which would have essentially repealed the Inflation Reduction Act, and which outlined much steeper cuts to non-Defense discretionary spending.

At the broadest level, the Congressional Budget Office estimates that the law will reduce federal budget deficits by $1.5 trillion over the next decade, with $1.3 billion coming from its reduction in discretionary spending in FY 2024 and FY 2025, $188 billion in reduced interest payments on the debt, and $10 billion from reduced mandatory spending (mostly due to the measure's work requirements for SNAP and TANF).

Perhaps the most important provision of the final debt limit law is its suspension of the debt limit through January 1, 2025, a compromise between the President's request for a longer solution and the original House-passed debt limit bill, which have extended the federal borrowing authority through next spring.

For local governments, the biggest impact of the debt limit agreement will be its enforceable caps on non-Defense discretionary spending in FY 2024 and FY 2025.

The final law is a compromise between the House proposal to cap FY 2024 discretionary spending at the FY 2022 level and then limit it to 1% annual increases for a decade and the President's support for modest increases to discretionary spending in FY 2024 and beyond.

The table below shows the law's discretionary spending caps for FY 2024 and FY 2025, and how they compare to FY 2023.

	FY 2023	FY 2024	FY 2025
Defense	$858.3 billion	$886.3 billion	$895.2 billion
Non-Defense	$767.2 billion	$703.7 billion	$710.7 billion
Total	$1.626 trillion	$1.508 trillion	$1.606 trillion

On the non-Defense discretionary spending cap, the law technically sets it at 8.2% below the FY 2023 level, but "exceptions" to the cap and a "gentleman's agreement" to repurpose some Internal Revenue Service (IRS) funding and some proposals to repurpose previous years funds ***could*** mean roughly level funding. However, local governments will need to wait for FY 2024 appropriations bills to see individual appropriations bills to see how that translates to funding for specific core local government programs such as CDBG, HOME, and Homeland Security grants.

That said, the debt limit bill does include a mechanism to encourage bipartisan support for completing FY 2024 appropriations bills: it includes a mechanism that would automatically impose a Continuing Resolution for FY 2024 with a 1% across-the-board cut from the FY 2023 level if FY 2024 appropriations bills are not enacted, with few if any programs, including Defense, protected. With Republicans (and many Democrats) loathe to see Defense cut, and Democrats (and House Republicans from swing districts) similarly opposed to cuts to domestic programs, the mechanism could boost the probability of an agreement on FY 2024 spending, though some people have raised questions about the legality and the viability of the mechanism.

At the broadest level, the austerity that the law imposes on non-Defense discretionary spending for FY 2024 and FY 2025 will almost certainly result in cuts to some core local government grant programs over the next two years.

Rescissions

Perhaps the second most important part of the debt limit law for local governments is something it does not include. Despite rumors and ominous reports from Capitol Hill, the law does ***not*** rescind or otherwise impact the $350 billion State & Local Fiscal Recovery Funds (SLFRF) from the American Rescue Plan Act.

The law does include a list of rescissions from 82 specific appropriations in various pandemic relief bills, with those rescissions accounting for the bulk of the bill's 99 pages.

- However, while the legislative language for the bill's 82 rescissions looks daunting, at the end of the day the bill's recissions total "only" $27 billion.
- Per CBO, the law's $27 billion in rescissions will result in an $11 billion reduction in outlays, or actual spending, CBO's way of saying that it did not look to them like federal agencies were actually going to spend the bulk of the rescinded funds. Also

note that, per congressional budget rules, none of these rescinded funds can be counted towards deficit reduction because they were all emergency appropriations.

Those 82 individual rescissions include:

- $10.4 billion from the Public Health and Social Services Emergency Fund at HHS, which was the catchall program for an array of COVID public health programs,
- $2.2 billion of the $10 billion in emergency funding that Congress appropriated for the Highway Infrastructure Program in the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (most of those funds were allocated by formula),
- $1.7 billion in unobligated funds from the Aviation Manufacturing Jobs Protection Program, a pandemic program with its purpose outlined in its name,
- $1.7 billion in unobligated funds from emergency pandemic appropriations for CDC programs, and
- Approximately $200 million in unobligated Airport Improvement Program funds appropriated by various pandemic relief bills.

It is difficult to determine whether any of these rescissions will impact the City of Dallas or its partners, but given the amounts involved ($11 billion spread out over 82 programs over the entire United States), any impact would be minimal.

<u>Other Provisions</u>
Other provisions of the agreement include:

- Some changes to federal environmental permitting laws, and
- New work requirements for some TANF and SNAP recipients and limits on state waivers for SNAP work requirements,
- Approval of a natural gas pipeline between West Virginia and Virginia,
- Resumption of student loan payments this summer, which were paused during the pandemic, and
- Repurposing of $20 billion of the $80 billion Congress appropriated for IRS modernization in the Inflation Reduction Act (not in the bill but part of an “informal agreement” to use those funds to limit cuts to non-Defense discretionary spending under the bill’s caps).

The bill does not include an array of provisions that were included in the House-passed bill, including:

- Work requirements for other safety net programs, most notably Medicaid and
- Repeal of most of the clean energy grant programs and tax credit included in the Inflation Reduction Act.

It also does not include $3 trillion in deficit reduction proposals advocated by the Administration, including an increase in the corporate income tax rate and an increase in the top personal income tax rate.

FY 2024 Appropriations
The enactment of the Fiscal responsibility cap and its discretionary spending caps sets the stage for the House and Senate Appropriations Committees to begin consideration of the 12 annual appropriations bills.
Today, the House Appropriations Committee is marking up the FY 2024 Agriculture, Rural Development, Food & Drug Administration, and Related Agencies Appropriations Act and the Military Construction & Veterans Affairs Appropriations Act, followed by subcommittee markups tomorrow of the FY 2024 Energy & Water Development Appropriations Act and the FY 2024 Defense Appropriations Act.

As appropriations bills move to the full Committee level in the coming weeks, we will learn whether Community Project Funding requests submitted to the Appropriations Committee by the City's House delegation are included in the House spending bills.

We will also learn how the tight FY 2024 non-Defense discretionary spending cap may impact core local government programs.

The Senate Appropriations Committee will move more slowly, but they are expected to begin considering FY 2024 spending bills in the coming weeks.

FAA Reauthorization
The House Transportation & Infrastructure Committee began consideration of its FAA reauthorization bill (HR 3995) earlier this week with the markup continuing.

The Senate Commerce Committee will take up its version of the bill this week.

This week's markups set the stage for floor consideration of the bills next month, and possible finalization of the bill before the current FAA reauthorization law expires on September 30.

At the broadest level, both bills are generally straightforward reauthorization bills. Most notably, both bills would increase funding for the core federal airport infrastructure program, the Airport Improvement Program, from $3.35 billion per year to $4 billion per year, which would be the first increase in well over a decade.

We are tracking several issues related as the FAA reauthorization measure moves forward, including the Good Jobs for Good Airports proposal[1] and a possible Senate amendment

[1] During House Transportation & Infrastructure Committee consideration of HR 3995, Representatives Chuy Garcia (D-IL) and Eleanor Holmes Norton (D-DC) introduced the Good Jobs for Good Airports Act as an amendment but withdrew it from consideration in respect of the "Big 4 process" agreed to for the bill. (Under a "Big 4 Agreement," when a bill has the support of the Chair and Ranking Member of the Committee and Subcommittee, the big 4 agree to opposes all amendments that all four of them do not support. Although Committee Ranking Member Rick Larsen (D-WA) and Subcommittee Ranking Member Steve Cohen (D-TN) support the Good Jobs for Good Airports measure, they opposed the Garcia/Homes Norton

that would impose a mandate on general aviation airports, including Dallas Executive Airport, and we will have further updates after the Committees complete work on the bills.

Additional Updates
The United States Citizenship and Immigration Services (USCIS) has announced an increase in fees for various immigration processes, including applications for citizenship. As a result, applicants seeking to become US citizens will face an additional $35 fee, bringing the total cost of the application to $760. These fee hikes extend beyond naturalization, impacting other immigration applications as well. Unfortunately, this change will particularly affect Dallas residents who aspire to undergo immigration processes, such as adjusting their status to become legal permanent residents or petitioning for family members.

Recognizing the challenges faced by Dallas residents, the City of Dallas has taken steps to support them. Since 2020, the Office of Equity and Inclusion has allocated funding for pro-bono legal assistance through the #MyDallas Citizenship grants. This initiative aims to provide essential aid to individuals navigating the immigration system to become US citizens. Through these grants, 560 residents have already received support, including pro-bono legal consultations, free assistance with application processes, and the opportunity to participate in naturalization ceremonies at Dallas City Hall, where they are officially sworn in as full-fledged US citizens.

The City of Dallas Office of Government Affairs continues to work with our partners and delegation in D.C. to champion the needs of our residents. We will keep you apprised on next steps and developments.

Should you have any questions, please contact me at carrie.rogers@dallas.gov or Lillian Mauldin, Senior Governmental Affairs Coordinator, at lillian.mauldin@dallas.gov.

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Amendment in adherence with the “Big 4 Agreement.” It is unlikely that a similar amendment would be successful if it comes up during consideration of the bill by the full House next month.