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ORANGE COUNTY BOARD OF SUPERVISORS
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Good morning, Madam Chair, and Members of the Board.

In my written report of two weeks ago, I reported on the adoption of the Fiscal Year 2010 budget resolution by Congress, and on the release by the Administration of the Army Corps of Engineers' plan for the distribution and expenditure of funds from the American Recovery and Reinvestment Act (ARRA). The next step in the budget and appropriations process was for the Obama Administration to release its detailed recommendations for FY 10, as a follow-up to the budget framework sent to Congress last month. That step occurred last week. However, detailed figures for the Corps were not included in last week's documents.

That document was released, finally, yesterday. The amount recommended for the Santa Ana River Mainstem Project for 2010 is \$52,193,000. With the \$27,550,000 awarded last month in stimulus funding, and the \$14,000,000 in FY 2009 funds approved in March, the Corps will now have \$93,743,000 to spend over the next 16 months on the project. This is a huge step in the direction of completing the project.

In addition to the work with our congressional delegation and Senators, I attribute this funding recommendation turn around on the part of the Office of Management and Budget to the meetings Supervisor Campbell had last September with the mid-to-upper level professional staff at OMB. I think we finally got through to them that they were being penny-wise but pound-foolish with regard to the Santa Ana River Mainstem. And, notwithstanding a change in Administrations, it is the staff who make the recommendations and prepare the justifications on project funding decisions such as this.

That said, the FY 10 budget was not so generous with other project priorities. The only other project recommended by OMB for funding in Orange County was dredging in Lower Newport Bay, recommended at \$1.78 million.

With Upper Newport Bay taken care of in the stimulus, it will be up to Congress to add funds for other projects such as Aliso Creek or Westminster-East Garden Grove.

Despite the SARP increase, the overall construction program budget, included in the OMB submittal to Congress, proposed cutting the Corps' construction program from the FY 09 level of \$2 billion to \$1.6 billion for FY 10. This was a surprise and would seem to be counter-stimulative. The benefits of the ARRA will be reduced if stimulus spending is used in place of, rather than in addition to, FY 10 spending. The Democratic leadership of the House and Senate Appropriations Committees immediately criticized this recommendation of OMB.

The rest of the detailed figures for the President's FY 2010 budget were released by the Administration ten days ago. Some of the highlights of the spending recommendations include:

Health and Human Services: HHS includes \$3 billion for the Centers for Disease Control and Prevention (CDC) and Health Resources and Services Administration (HRSA) to enhance HIV/AIDS prevention, care, and treatment. This amount is \$107 million above the funding level in FY 2009 and it includes an additional \$53 million for CDC to support domestic HIV/AIDS testing and surveillance, capacity building, and HIV prevention activities among high-risk groups. The Administration also requested an additional \$122 million to enable the Head Start program to sustain the FY 2009 increase in children served in FY 2010.

The budget requests \$194 million for the National Children's Study. Orange County is one of seven national Vanguard sites for the project, and as such would be fully funded by this request.

Also requested is \$3.5 billion for the Substance Abuse and Mental Health Services Administration (SAMHSA), an increase of \$59 million above FY 2009. A total of \$49 million was requested for the Administration for Children and Families (ACF), a net decrease of \$1.1 billion below the funding level for the current fiscal year. The President's budget includes \$17.1 billion for Temporary Assistance for Needy Families (TANF), \$7.3 billion for Foster Care and related programs, \$4.6 billion for Child Support Enforcement and Family Support, and \$124 million for a new program to provide funds to states for evidence-based home visitation programs for low-income families.

Law Enforcement: COPS (Community-Oriented Policing Services) hiring grants would be funded at \$298 million in FY 2010; no funding was included for this program in the FY 2009 regular appropriations bill. Funding for crime fighting technologies would increase from \$187 million this year to \$306 million. This funding includes \$151 million for DNA capacity-building, training, and technical assistance grants to state and local governments as well as innovative research on DNA analysis and the use of forensic evidence.

The budget proposal also includes \$1.07 billion for state and local law enforcement assistance through the Office of Justice Programs. This includes \$517 million for Byrne Justice Assistance Grants, five percent less than the \$546 million available this year. It also includes \$59 million for a new initiative which combines

funding for drug, mental health, and problem-solving courts. Previously these courts were funded—at \$57 million this year—through separate programs. It also includes \$35 million for the Paul Coverdell Forensic Science Improvement Grants to state and local governments.

Homeland Security: Funding for State Homeland Security Grants would increase seven percent from \$890 million this year to \$950 million next year. Urban Area Security Initiative (UASI) grants would increase six percent from \$837 million this year to \$887 million next year. Funding for Emergency Operations Centers (at \$35 million this year), Inter-city Bus Security (at \$12 million this year) and trucking security (at \$8 million this year) would be eliminated. Funding for transportation and infrastructure protection would be reduced from \$862 million this year to \$550 million next year.

Job Training Programs: The President’s budget for the Department of Labor (DOL) calls for \$3.83 billion in funding for Workforce Investment Act (WIA) programs—a \$200 million increase over the FY 2009 funding levels. WIA Adult, Dislocated Worker and Youth formula funding remains essentially level with FY 2009. WIA adult formula grants would be funded at \$861.54 million and dislocated worker job training grants would be funded at \$1.1 billion. The budget decreases funding of the dislocated worker national reserve to \$229.16 million—a \$54 million cut from FY 09 funding levels. Youth training would be maintained at \$924 million for WIA Youth formula grants.

Housing and Community Development: The overall Community Development Fund is increased from \$3.9 to \$4.5 billion. Formula grants provided to local governments to promote community and economic development would be increased from \$3.6 billion to \$4.1 billion. The budget mentions that legislative reforms will be proposed to modernize the CDBG (Community Development Block Grant) formula “to better target funds to communities with the greatest economic need.” The proposed legislation will “include a hold harmless provision to transition communities over time to the improved formula.”

The Homeownership Investment Partnerships (HOME) program is funded at the same level as last year’s funding of \$1.825 billion. Homeless Assistance Grants are increased from \$1.677 billion to \$1.794 billion. Section 8 rental assistance is increased to \$17.936 billion, which is \$1.769 billion more than last year’s funding. The budget also proposes to create an Energy Innovation Fund at \$100 million. The energy fund would spur private sector investment in the energy efficiency of the nation’s housing stock.

There are three new initiatives or set asides proposed in the CDBG account: \$150 million for a Sustainable Communities Initiative (for improved coordination of transportation and housing investments); \$40 million for Metropolitan Challenge Grants (to provide incentives to encourage sustainable growth patterns); and \$10 million for a joint HUD-DOT research effort to advance transportation and housing linkages.

Choice Neighborhoods, a new HUD program, is funded at \$250 million to provide competitive grants to transform neighborhoods experiencing extreme poverty. The program replaces HOPE VI, the revitalization of severely distressed public housing program. The Housing Trust Fund, also a new HUD housing program, is funded at \$1 billion for the production, preservation, and rehabilitation of housing for extremely low- and very low-income families.

Federal Aviation Administration: The budget would increase spending on Federal Aviation Administration (FAA) operations from the current funding level of \$9 billion to \$9.3 billion in FY 2010. The Airport Improvement Program (AIP) is flat at \$3.5 billion and FAA Facilities and Equipment would increase from \$2.7 billion to \$2.9 billion. Of this amount, \$865 million would be budgeted for the Next Generation Air Transportation System (NextGen), a long-term effort to improve the efficiency, safety, and capacity of the air traffic control system by moving from a ground-based radar surveillance system to a more accurate satellite-based surveillance system.

Energy: The budget request provides \$26.4 billion for the Department of Energy. The Department of Energy's Office of Energy and Efficiency and Renewable Energy programs would receive \$2.32 billion, an increase of \$140 million, or approximately 6.4 percent above the FY 2009 appropriation. The budget request referenced the \$3.2 billion appropriated under the America Reinvestment Recovery Act (ARRA) for the Energy Efficiency and Conservation Block Grant (EECBG) program. However, the official FY 2010 budget request does not include additional funds for EECBG, which was authorized in the Energy Independence and Security Act of 2007 at \$2 billion for FY 2010.

As with all budget requests, by whomever is President, this proposal represents only the Administration's priorities. The old adage in Washington is: the President proposes; Congress disposes. That applies regardless of party control and even when the President and Congress are of the same party.

So, congressional work on the FY 2010 appropriations bills is now beginning in earnest. At the same time, the economic stimulus is in the hands of the Administration and the states. Despite some rhetoric to the contrary, distribution of ARRA funds has begun slowly. Block grant funding to the states is, by and large, out the door, but programmatic spending is only beginning to flow—as demonstrated by the Corps' announcement of last month.

There is concern on Capitol Hill, also, that the FY 10 budget proposal is cutting back in many of the areas beefed up by stimulus funding. I think there is resistance in Congress to doing this.

There is also awareness of the dramatic increase in the annual budget deficit and the resultant cumulative effect on the National Debt. The deficit for the current fiscal year, 2009, is now estimated to be \$1.8 trillion, or nearly 13 percent of Gross Domestic Product—a rate equaled only during World War II. Economists have traditionally used three percent as the maximum sustainable deficit load consistent with economic growth.

Even if next year's 2010 deficit can be trimmed to \$1.2 trillion, that will still be in the neighborhood of eight percent of GDP.

As result of this enormous increase in the National Debt, coupled with some early, and certainly non-uniform, indications that pieces of the economy seem to be stabilizing, if not actually growing, there is less talk this month of a possible second stimulus bill than was the case just two months ago. That said, the jury is far from reaching a verdict on the operation or success of the ARRA and its effect on the economy.

Meanwhile, the County met yesterday with the Los Angeles District of the Corps to discuss three separate project issues of concern: how to move forward on Aliso Creek and whether additional authorizing legislation is required; implementation of ARRA funding to complete work on Upper Newport Bay; and, the West County flood control channels and options for bringing them to construction as soon as feasible.

The Corps agreed that the current authorization for Aliso Creek under the section 219 program is insufficient to accomplish the project the County wants to construct. We discussed possible language in the next Water Resources Development Act (WRDA) to broaden the Corps' authority and make Aliso Creek more compatible with traditional construction projects. This will not be quick, nor will it be easy, but yesterday's discussion was an important next step for this project, in my opinion.

On Upper Newport Bay, suffice it to say there are technical budgetary issues which need to be resolved in order to allow the Corps to expend the full \$17.363 million allocated by ARRA. We are working with Senator Dianne Feinstein and Representative Ken Calvert to resolve this matter in the FY 2009 Supplemental Appropriations bill currently making its way through Congress. It is hoped that we can have a resolution as soon as next month.

As regards the West County flood control channels, the Los Angeles District staff promised to look at the possibility of recommending incorporating them, or a portion of them, into the overall Santa Ana Mainstem project. While this would not necessarily reduce the cost of the project, it could serve to speed up authorization and eventual construction. Further discussion between the District and the County will be needed here.

Last week, the County's consultant, Herb Nakasone, was in Washington and we held a series of meetings on the issue of flood control channel maintenance and the Corps' 404 permitting process. We discussed the possibility of Congress adopting a rational amendment to the Clean Water Act that would reduce the arbitrariness and cost of obtaining periodic 404 permits for routine maintenance.

When a developer constructs a project, one 404 permit is obtained, and that is it. For an ongoing project, such as keeping a flood control channel clear, the process is continual. While the Clean Water Act says specifically that flood control channel

maintenance is a “non-prohibitive” activity, meaning a 404 permit is not needed, the Corps of Engineers has interpreted the law to mean no permit is required to maintain the sides of a flood control channel, but that one is required to maintain the bed of the same channel!

The County, along with many other California jurisdictions, would like to see some rational order restored to this process. The amendments we would like to see put into place are not affected by the larger national issue of how to address the Supreme Court’s decision in the case of *Rapanos v. United States* on the issue of “waters” versus “navigable waters” of the United States.

Members of our congressional delegation made several helpful suggestions as to how we might advance this matter in the current Congress.

I mentioned in the written report for April that the budget resolution’s inclusion of instructions for reporting health care reform legislation under the provisions of budget reconciliation just about guaranteed that that debate would dominate the summer in Washington. Activity since then has further strengthened that opinion. The President has met with the health insurance industry which has said it wants to be part of the process this time around, in contrast to the situation 15 years ago when the subject was last comprehensively addressed. Congress has weighed in on the subject on a weekly basis, as well.

Last week, Senator John D. Rockefeller (D-WV) outlined a first draft of what that upcoming debate may look like. Senator Rockefeller is chair of the full Committee on Commerce, Science and Transportation and also chair of the Subcommittee on Health Care of the Finance Committee. He is, thus, a major player in any debate over health care reform. He laid out four key principles for health care reform legislation, including coverage that is available, affordable, adequate, and accountable (as in additional Federal regulation and oversight of the private health insurance market.)

Senator Rockefeller and Senator Sheldon Whitehouse (D-RI) will introduce the National Health Care Quality Act, to establish an Office of National Health Care Quality Improvement within the Executive Office of the President. This new office would be led by a director of national health care quality, who would work with public and private stakeholders to establish and update health care quality priorities for the nation based on a number of mandatory considerations, including the needs of children and the void in pediatric quality measures. The bill is being introduced in the House by Representative Diana DeGette (D-CO).

On the subject of affordability, Senator Rockefeller has said health care coverage had to be more available, noting that millions of low-income and uninsured adults are excluded from coverage under Medicaid and the Children's Health Insurance Program (CHIP). He also said that eligibility standards for Medicaid and CHIP have failed to keep pace with health care cost increases.

In addition, Senator Rockefeller plans several bills to eliminate the gaps in coverage, including the MediKids Health Insurance Act, which would provide universal coverage for children; and, the Medicaid Reform Act, which would expand and improve Medicaid for vulnerable populations. He also is planning to introduce the Medicare Early Access Act to provide coverage for early retirees, the Advance Planning and Compassionate Care Act to improve end-of-life care, and separate legislation to provide coverage for long-term care.

Additional legislation would prevent private health insurers from using practices such as screening potential enrollees for pre-existing medical conditions and offering limited benefit packages. Chairman Rockefeller has already introduced the “Pre-existing Condition Patient Protection Act” (S. 623, H.R. 1558), and said he is planning other bills to improve the adequacy of coverage, including legislation to provide a public plan option and legislation to prohibit lifetime insurance limits.

As for accountability, as chairman of the Commerce Committee, Senator Rockefeller said he plans ongoing oversight of insurance industry practices and their impact on consumers.

The above recitation is meant to provide an example of the scope and breadth of what is under consideration in the health care reform debate, but should not be considered as the complete picture, or as what a final legislative package may or may not include.

The cost of an eventual health care reform package is estimated to be \$60-100 billion per year over the next ten years. Obviously, this component impacts the discussion of the annual budget deficit and the cumulative National Debt.

In the interest of time, I will conclude this morning’s report, Madam Chair. I would be happy to try to answer any questions.