Akerman LLP
The Victor Building
750 9th Street, N.W., Suite 750
Washington, DC 20001

T: 202 393 6222
F: 202 393 5959

Memorandum

From:	Rick Spees, Jane Sargent and Jose Villalobos
To:	Board of County Commissioners
CC:	Phillip Drujak
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Subject:	May 2023 Monthly Report

Appropriations Update:

In May, the Congress and the White House made a significant stride towards settling the nation's fiscal responsibilities. Specifically, they passed a bill, the Fiscal Responsibility Act, which raised the debt ceiling while at the same time it established a framework for the passage of the appropriations bills. There are still several steps that need to be taken before the federal budget for Fiscal Year 2024 is complete, and there will still be many difficult fights between the parties, but at least we can see a path to a successful conclusion.

Regarding the Fiscal Responsibility Act, the bill was made necessary because the government needed to have the authority to continue to borrow more money to pay its bills. Decades ago, Congress passed legislation that limited how much the government can borrow at any period of time. There is no provision in the Constitution that prevents the government from borrowing unlimited amounts of money. Thus, any limits to the borrowing authority were, and are, set by statute. Obviously whenever the federal government spends more than it receives in taxes, it must borrow from the capital markets to cover the difference. Note that the only and last time the federal debt was completely paid off was January 8, 1835 under President Andrew Jackson. Since that time, there have been wars, depressions and recessions and the debt has grown. To rationalize the fiscal implications of the debt, Congress has passed legislation to provide a cap on federal borrowing. Every time the debt creeps up to the limit, Congress has passed another bill raising the debt limit further. If the debt ceiling was not raised, and the Treasury Department could not borrow the funds it needs to pay the nation's bills, some of the government's bills would not get paid and we would go into default.

To show how quickly the federal debt has grown, the federal deficit first exceeded $1 trillion in 1982. The federal government had been in existence almost 200 years at point. Since then, until last week, the federal deficit had grown to $31.5 trillion. The debt has grown under both Republican and Democratic presidents although President Clinton did briefly balance the federal budget and did not add to the debt. The debt ceiling has been raised many times.

With the House under Republican control this year, the Republicans decided to use the debt ceiling vote as leverage to reduce federal spending. They refused to pass a bill simply to raise the ceiling. The Democrats were outraged. They pointed out that the Congress raised the debt ceiling three times when President Trump was in office without expressing concerns about federal spending. President Biden announced that he would not negotiate spending cuts on the debt ceiling bill. The House then passed a bill, with only Republican votes, that made drastic spending cuts which kicked the can over to the White House. Time was growing short. The debt ceiling would be reached, according to the Treasury Secretary, on June 1st. She later amended the date to June 5th. No one wanted to cause a default. And the Democrats, the White House and moderate Republicans did not want to accept the House passed bill. So, the President agreed to negotiate with the House Speaker. They had a few conversations and designated negotiators to work out the details of a compromise bill.

The Fiscal Responsibility Act (FRA) is the product of that effort. It is easy to know that it is a compromise because neither side got all it wanted. The very conservative Republicans opposed the bill as did the progressive Democrats. The bill passed the House by a vote of 314-117 and the Senate by a vote of 63-36.

The FRA raises the debt ceiling until January 2025. It also caps spending for the Fiscal Year 2024 (and FY 2025) budget. There are a number of very complicated steps involved which we are happy to walk you through, but basically it raises spending by 3% for defense, covers increased costs of veterans' health benefits and freezes the rest of the domestic budget. The bill also does a number of other things like change the work requirements for recipients of Supplemental Nutrition Assistance Program (SNAP) and Temporary Assistance for Needy Families (TANF) benefits. It also changes the environmental laws to make it easier to get approvals for new infrastructure projects.

It is difficult to stress how important the passage of this bill is. The two parties were miles apart on spending and budget issues that we were wondering how they would bridge the gap. This takes the debt ceiling issue off the table until after the next election. It also creates a framework for the Appropriations Committees to do their work.

This is not to say that the appropriations process will go smoothly. Defense hawks will try to find ways around the defense spending cap. As for the domestic budget, there will be huge fights on how to spend money under the freeze level. With a freeze, agency budgets become a zero-sum game—an increase for one program has to come at the expense of another program. The Republicans will want to prioritize different programs than the Democrats. Markups will become heated. The House passed bills will be different than the Senate passed bills which will set up very difficult negotiations on the final versions of the bills.

The bottom line is that we need to praise the President and the Speaker for working out a compromise that significantly moves the budget process along. At the same time, we know that there will still be a long process before the budget bills for Fiscal Year 2024 are done.

Highlights of The Fiscal Responsibility Act:

During the negotiations on the Fiscal Responsibility Act (FRA), the President and Speaker McCarthy agreed to claw back or rescind approximately $28 million in unobligated COVID relief funding. Local governments pushed back on any attempt to rescind the State and Local Fiscal Recovery Fund monies that was provided to counties and cities in the American Rescue Plan Act (ARPA). The final bill does not rescind any of these funds. The agreement also protects emergency COVID funding that was provided to public transit agencies during the pandemic.

The bill also includes reforms to streamline the permitting process for infrastructure projects. The reforms to the National Environmental Policy Act (NEPA) permitting process include limiting the timeline for agency reviews to two years, designating a lead agency for review, creating a process for elevating delays, and limiting the size of environmental impact statements (EIS) and environmental assessments (EA). These and other reforms included in the bill should help to expediate delivery of infrastructure projects.

The bill includes new administrative requirements and eligibility restrictions for the Supplemental Nutrition Assistance Program (SNAP) and Temporary Assistance for Needy Families (TANF) program. The changes include extending the work requirements for SNAP benefits to adults without dependents between the ages of 50 and 54. The work requirements for this new group would be phased in by FY 2025 and remain in place until FY 2030. The bill does exempt homeless individuals, veterans, and youth aging out of foster care from these requirements. The bill would also enhance work requirements for the TANF program, which provides temporary cash assistance for families in need. Under current law to receive a full federal block grant for TANF funds, states have to ensure that at least 50 percent of recipients are working. States can reduce this threshold based on how much they have reduced their caseloads since 2005. The bill, however, resets the caseload reduction credit to 2015 caseload levels. States will have to increase their work requirements to meet this new threshold and will have two years to implement the new rules.

While not a direct impact on local governments, the changes to student loan repayments will impact constituents. The FRA does not terminate President Biden's proposed student loan forgiveness program. However, it does reinstate federal student loan repayments at the end of August. The CARES Act, enacted in March 2020, paused payments on federal student loans. The President has continued to postpone repayments administratively since then. The bill blocks the Administration from further extending the pause on payments beyond August 29th.

Community Project Funding:

With the passage of the Fiscal Responsibility Act, the House and Senate Committees will be able to move forward with the Fiscal Year 2024 appropriations bills. It is anticipated that the bills will contain Community Project Funding (also known as earmarks). However, since the bills will have less money to spend as a result of the budget agreement, they will not be able to fund all earmark requests submitted by members. The competition for the earmarks will be intense and many good projects will not make the final versions of the bills.

As you are aware, the County and a number of its departments submitted several earmark requests to the Miami-Dade House Members. Those requests were submitted to the House offices in March. Members then had to submit their requests to the House Appropriations Committee in late March and early April. The House Appropriations has released a complete list of all earmarks requested for FY 2024. The complete list is available here: https://appropriations.house.gov/fiscal-year-2024-submitted-community-project-funding-requests.

The pending earmark requests for Miami-Dade County include:

FY 2024 Transportation-HUD Appropriations Bill:

- $3,000,000 for Vision Zero MDC Safety Improvements for East 4th Avenue requested by Congressman Diaz-Balart
- $4,190,000 for Roadway Resurfacing Project for Segments of NW 12 ST to NW 25 ST, from NW 107 Ave to NW 87 Ave requested by Congressman Diaz-Balart
- $6,831,461 for Roadway Improvements to SW 157 Avenue Project requested by Congressman Gimenez
- $3,000,000 for the Card Sound Road Improvement Project requested by Congressman Gimenez
- $1,400,000 for Roadway Resurfacing along SW 152 Avenue Project requested by Congressman Gimenez
- $2,000,000 for the Senior Housing Assistance Program Project requested by Congressman Gimenez
- $2,000,000 for the PortMiami Shore Power Infrastructure Project requested by Congresswoman Salazar
- $1,350,000 for the North Corridor: Reconnecting Communities - Station Area Master Analysis requested by Congresswoman Wilson

FY 2024 Interior-Environment Appropriations Bill:

- $2,000,000 Miami Dade County Seaport Stormwater Management Master Plan requested by Congressman Gimenez
- $593,600 for the Goulds Canal Pollution Prevention Project requested by Congressman Gimenez
- $1,815,000 for the C-2 Watershed Stormwater Quality Improvement Project requested by Congresswoman Salazar

FY 2024 Commerce-Justice-Science Appropriations Bill:

- $2,625,000 for Miami-Dade County Peace & Prosperity: Youth Development and Empowerment requested by Congresswoman Wilson

Waters of the U.S.:

As you are aware, the Obama Administration implemented a controversial rule redefining the "waters of the U.S." (WOTUS) that fell under the jurisdiction of the Clean Water Act (CWA). The WOTUS rule was opposed by states, local governments, and other stakeholders. The Trump Administration rescinded and replaced the WOTUS rule with a new rule, the Navigable Waters Protection Rule (NWPR), which was narrower in scope and reduced the number of waterways that are covered by the CWA. However, like the Obama-era rule, it faced significant opposition. The Biden Administration then revoked and replaced the Trump-era WOTUS regulation with a new WOTUS rule in December 2022. Earlier this year the House and Senate passed legislation to overturn the Biden WOTUS rule, but President Biden vetoed the legislation in April.

Legal challenges have blocked the rule from taking effect in the majority of states. During the current term, the Supreme Court heard arguments in the *Sackett v. EPA* Clean Water Act case, which further complicates the implementation of the Biden WOTUS rule. In late May, the Supreme Court, siding with the Sacketts who own property in Idaho, erased protections for the majority of country's wetlands. In a narrow 5-4 decision, the Court ruled that wetlands are only protected by the CWA if they have a continuous surface connection with a larger body of water as opposed to a "significant nexus" as proposed by the Biden rule and previous federal case law. The Biden Administration is expected to reevaluate the WOTUS regulation in light of the Court's recent decision. We will continue to keep the County updated on any developments.

Activities for June:

The House and Senate will be in session for most of June. They will adjourn the last week of June and first week of July for the July 4th recess. With the debt ceiling agreement in place, the House and Senate Appropriations Committees and the Armed Services Committees are expected to move ahead with their bills this month. The House Appropriations Committee had begun marking up bills in May but paused further action until the debt ceiling negotiations were concluded. With the discretionary spending totals now set for FY 2024, the committees can move forward with the bills. The current fiscal year expires on September 30th. Congress will not be able to complete the bills by then. They will need to pass a Continuing Resolution (CR) to keep the government operating. The Fiscal Responsibility Act (FRA) includes a provision requiring the bills be completed by end of the December 2023 or another cut in spending could be triggered. In the meantime, hearings will continue on the Farm Bill and FAA reauthorization. Both bills expire at the end of September and will need to be extended or reauthorized before then. There are reports that the SNAP benefit changes in the FRA may help to smooth the Farm Bill reauthorization process. We will continue to monitor and report on legislative and executive branch developments of interest to the County.