RCRC
RURAL COUNTY REPRESENTATIVES OF CALIFORNIA

Excerpts & Insights from NACo Briefing for County Leaders on the Debt Ceiling Deal

Courtesy of ACG Advocacy

On June 5th, the National Association of Counties (NACo) held a briefing for county leaders on the "Debt Ceiling" deal, and the impact on counties. This synopsis, courtesy of RCRC's federal advocacy team at ACG Advocacy, provides an overview with excerpts from NACo's release, "Legislative Analysis for Counties: The Fiscal Responsibility Act of 2023", as well as questions and answers provided during NACo's briefing.

The *Fiscal Responsibility Act of 2023* (FRA) (H.R. 3746) involves the suspension of the debt ceiling until January 1, 2025. This allows the federal government to borrow more funds to support federal programs. The passage of the FRA provides much needed certainty for counties, however there are a handful of provisions of relevance to local leaders including spending cuts, permitting reform, the implementation of new work requirements for specific federal public assistance programs, and the reinstatement of federal student loan payments. NACo's full analysis is available here.

Overview

Key Highlights

- Does not rescind state and local Fiscal Recovery Fund (SLFRF) dollars, including the $65.1 billion provided directly to counties, or Local Assistance and Tribal Consistency (LUTCF) dollars.
- Caps non-defense discretionary spending for FY 2024 at roughly $704 billion.
- Includes new administrative requirements and eligibility restrictions while also expanding exemptions for some federal public assistance programs.
- Reforms the permitting process for federally funded infrastructure projects.
- Cuts to the IRS budget increases enacted in the IRA.
- Reinstates federal student loan payments on default loans by August 29, 2023.

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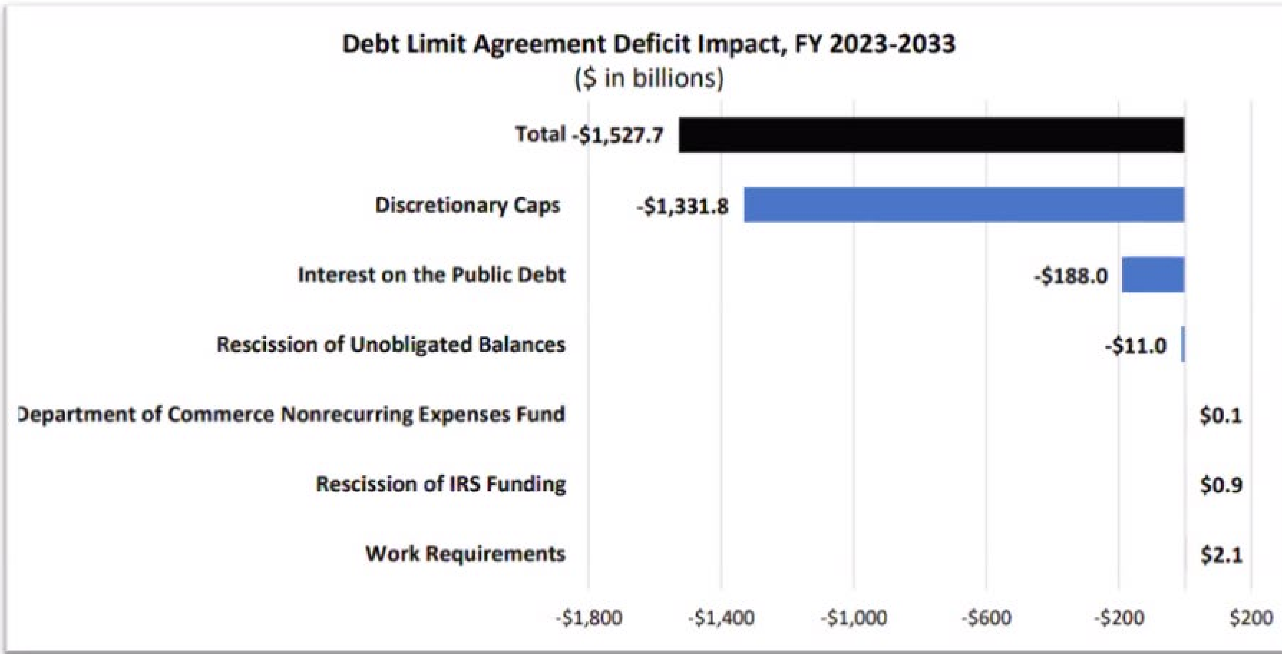
Impact on the Deficit



Recissions

- The bill rescinds funds from 87 different budget accounts that were part of six (6) different COVID relief bills.

- Funds were rescinded from the following programs and agencies:
  - Public Health and Social Services Emergency Fund
  - Highway Infrastructure Programs
  - Aviation Manufacturing Jobs Protection Program
  - Recissions below $150 million
    - Disaster Loans Program Account
    - Education Capital Investment Fund
    - Emergency Capital Investment Fund
    - State Small Business Credit Initiative

- Of note to counties, no SLFRF dollars, including the $65.1 billion provided directly to counties will be rescinded. Additionally, no LATCF dollars will be rescinded.

Permitting Reform

- Includes portions of the BUILDER ACT, which addresses long-standing county permitting priorities (NACo supported).
  - Limits the timeline for agency reviews to two years whenever possible.
  - Limits the number of pages for environmental impact statements and environmental assessments.
  - Establishes a lead agency for review.
  - Establishes a process for local government to be appointed as a joint lead agency.
  - Creates procedures to elevate delays or disputes.
  - Requires the preparation of a single environmental impact statement.

- Other permitting provisions included in addition to the BUILDER Act:
  - Establishes that a federal agency can adopt another agency's categorical exclusion.
  - Designates that an environmental document can be up to five years old – IF no new substantial circumstances that would impact the analysis.

- NACo is hoping for more substantial permitting reform later this year.

Work Requirements

- Expands existing work requirements for certain public assistance programs, specifically the Supplemental Nutrition Assistance (SNAP) and Temporary Assistance for Needy Families (TANF) programs.
  - Does NOT include Medicaid.

- **SNAP Changes (expires 2030):**
  - Phase in additional work requirements for able bodied adults without dependents (ABAWDs) ages 50-54.
  - Exempts homeless individuals, veterans, and youth aging out of foster case (24 years and younger) from work requirements.

- **TANF Changes:**
  - Overhauls the original TANF framework moving the comparison year from 2005 to 2015.
  - Option to lower work participation rate by contributing more state funding to TANF benefits.

- Counties administer SNAP and TANF in 10 states (including California), meaning counties in these states will be responsible for implementing these changes and performing outreach to impacted participants in these states.
  - There will likely be some challenges for the County Human Services agencies in the 10 States that administer SNAP at the local level.

Budget Caps

- Establishes discretionary budget caps for FYs 2024 and 2025.

- Spending limits for defense AND nondefense discretionary spending for FYs 2024 and 2025.

- Spending caps are enforced through sequestration - automatic spending cuts triggered if limits are exceeded.

TOPLINE SPENDING

Spending Type	FY 2024 (in B)	FY 2025 (in B)
Defense	$886.3	$895.2
Non-Defense	$703.7	$710.7
Total	$1,508	$1,605.9

SPENDING CAPS

Fiscal Year	Total (in billions)
FY 2026	$1,621.9
FY 2027	$1,638.2
FY 2028	$1,654.6
FY 2029	$1,671.1

Question & Answer

When do the permitting reform provisions go into effect?
- NACo answered that the effective dates differ for certain sections of the bill. They believe that the National Environmental Policy Acts provisions happen immediately but we will have to double-check. Others, like the exemptions for homeless individuals, veterans, and foster youth would go into effect 90 days after President Biden signs the bill.

Does defense spending refer to military or police spending, or defense against infectious diseases?
- NACo clarified that defense spending generally refers to the Pentagon and may partially include defense against infectious diseases, but it does not include police spending.

Will these cuts affect county employee salaries or result in layoffs?

- NACo stated that the cuts in non-defense discretionary spending would generally impact the programs that fund county activities. However, the actual cuts would be determined by the Appropriations Committees in Congress on a bill-by-bill basis.

What will the impact on economic development and workforce development programs under the Workforce Innovation and Opportunities Act (WIOA) be?

- NACo explained that the bill sets the top line for Congress to spend up to, and the specific allocations for different programs would be determined through negotiations between the Appropriations Committees and subcommittees in the House and Senate. The speaker mentioned that the WIOA reauthorization is coming up and will be a focus of NACo as well.