



County of San Mateo

Inter-Departmental Correspondence

Department: COUNTY MANAGER

File #: 21-1000

Board Meeting Date: 12/14/2021

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors
From: Michael Callagy, County Manager
Connie Juarez-Diroll, Legislative Officer
Subject: 2021 State and Federal Legislative Update #8

RECOMMENDATION:

Accept this informational report on Federal legislative activities.

BACKGROUND:

At the federal level and in the month of November, the President and Congress took action on major pieces of legislation, specifically the Infrastructure Investment and Jobs Act (IIJA), the Build Back Better Act (BBBA) and a federal budget stopgap funding bill to keep the government running through February 18, 2021.

DISCUSSION:

On November 15, 2021, President Joe Biden signed the Infrastructure Investment and Jobs Act (IIJA, H.R. 3684). The historic legislation includes \$550 billion in new investments for transportation, water, broadband and more. The President's actions followed the August 10th passage of the bill by the U.S. Senate, where the legislation was advanced in a bipartisan 69-30 vote and the November 5th passage of the bill by the U.S. House of Representatives in a bipartisan 228 to 206 vote.

The IIJA provides \$973 billion over five years from FY 2022 through FY 2026, including \$550 billion in new investments for all modes of transportation, water, power and energy, environmental remediation, public lands, broadband and resilience.

Above baseline investments for sectors addressed in IIJA include:

- Transportation: \$284 billion
- Water: \$55 billion
- Broadband: \$65 billion

- Energy & Power: \$73 billion
- Environmental remediation: \$21 billion
- Western water infrastructure: \$8.3 billion
- Resiliency: \$46 billion

Investments include:

Transportation - \$284 billion

IIJA directs \$284 billion in above baseline spending toward all modes of transportation. IIJA directs most of its investments - nearly 52 percent - toward modernizing and making improvements to transportation infrastructure, with the majority of funding reserved for highways, roads and bridges:

- Roads & Bridges: \$110 billion
- Transit: \$39 billion
- Rail: \$66 billion
- Safety: \$11 billion
- Airports: \$25 billion
- Ports & Waterways: \$17 billion
- Electric vehicle chargers: \$7.5 billion
- Electric buses: \$7.5 billion
- Reconnecting Communities: \$1 billion

The IIJA includes a five-year, \$383.4 billion reauthorization of highway, transit, and safety programs. Key transportation highlights include:

- **Core Highway Program Investment** - Includes \$273.15 billion in Highway Trust Fund (HTF) contract authority for highways, roads, and bridges, a roughly 21.3 percent increase over the *FAST Act*. Funds will be apportioned to states over five years through nine core highway formula programs.
- **Bridge Investment** - Provides total of \$43.3 billion for a new Bridge Investment Program (BIP), of which \$27.5 billion is formula funding to states and \$15.8 billion is for competitive grants (\$9.235 billion in guaranteed appropriations, \$3.265 billion from the HTF, and \$3.265 available in future years from the General Fund). Fifteen percent of BIP formula funds are reserved for local off-system bridge projects.
- **Surface Transportation Block Grant Program** - Increases funds that are set aside for local off-system bridges (set at 20 percent of a state's FY 2009 share of Highway Bridge Program funding). This translates into a \$1.035 billion annual investment for off-system bridges, or \$5.18 billion over five years.
- **Significant Discretionary Grant Program Funding** - Provides billions of dollars for key discretionary grant programs funded through the Federal Highway Administration (FHWA), including the Rebuilding American Infrastructure with Sustainability and Equity (RAISE) grants and the Infrastructure for Rebuilding America (INFRA) Grant Program. H.R. 3684 also creates several new grant initiatives, including the National Infrastructure Project Assistance Grant Program, a Wildlife Crossings Pilot Program, the Reconnecting Communities Pilot Program, and a program to address threats to pedestrians.
- **Public Transit** - Includes \$69.9 billion in five-year contract authority from the mass transit account of the HTF. The FY 2022 allocation is set at \$13.4 billion, compared with \$10.2 billion for FY 2021. Funding allocations over

the five-year period include significant funding for Urbanized Area Formula Grants, State of Good Repair Grants Program, public transportation in rural areas, and bus/bus facility formula grants, among other key transit investments.

- **Climate** - Includes new competitive grant programs and state sub-allocation requirements for counties to address climate change through charging and fueling infrastructure grants (\$2.5 billion over five years), the Protect Grant Program to enhance the resiliency of infrastructure assets, which includes subgrants for at-risk coastal infrastructure (\$140 million); and the Healthy Streets Program (\$500 million over five years).

Water - \$55 billion

The IIJA includes \$55 billion for clean water and drinking water investment, including significant new funding for the Drinking Water and Clean Water State Revolving Funds. The bill also provides a total of \$15 billion over five years for loans and grants to replace lead service lines. Pursuant to the legislation, 49 percent of funds provided to states in the form of capitalization grants will be made available to counties and other local governments. Additional funding is included to further address emerging contaminants in drinking water, with a focus on perfluoroalkyl and polyfluoroalkyl substances (PFAS).

Broadband - \$65 billion

The IIJA includes a total of \$65 billion in funding for broadband infrastructure, including \$42.45 billion for the Broadband Equity, Access and Deployment Program for states to make competitive grants to entities to carry out broadband infrastructure, data collection, mapping, and adoption projects. The IIJA also includes the following broadband investments: \$1 billion for Enabling Middle Mile Broadband Infrastructure (\$1 billion); \$1.25 billion for the Digital Equity Competitive Grant Program; \$1.5 billion for the State Digital Equity Capacity Grant Program Affordable Connectivity Program; and, \$14.2 billion to make the FCC's Emergency Broadband Benefit program permanent, which provides \$30 per-month vouchers for low-income families to use toward any broadband service plan.

Energy & Power - \$73 billion

The IIJA authorizes a total of \$73 billion to upgrade the nation's power infrastructure, including funds to build thousands of miles of new transmission lines to facilitate the expansion of renewable energy. The funding includes new competitive grant programs to enhance the resilience of the electric grid (\$5 billion over five years) and to modernize energy infrastructure (\$3 billion over five years). The IIJA also authorizes funding for the Weatherization Assistance Program (\$3.5 billion in FY 2022) and makes grants to state and local governments for battery processing (\$3 billion over five years).

Environmental remediation - \$21 billion

The IIJA provides funds to clean up brownfield and superfund sites, reclaim abandoned mine lands, and plug orphan oil and gas wells.

Western water infrastructure - \$8.3 billion

The IIJA dedicates \$8.3 billion for various programs and projects under the purview of the Interior Department, including: \$3.2 billion to address aging infrastructure; \$1.15 billion for water storage and conveyance projects; \$1 billion for water recycling; \$1 billion for rural water investments; \$500 million for dam safety; and, \$250 million for desalination. The bill also includes \$300 million for the Drought Contingency Plan.

Resiliency - \$46 billion

Among other investments, the IIJA includes \$1 billion for FEMA's Building Resilient Infrastructure and Communities (BRIC) grant program. The bill also provides \$500 million for a new program within FEMA that will help states establish revolving loan funds that could be used by local governments to carry out mitigation projects that reduce natural disaster risk. Additionally, the legislation modifies the *Stafford Act* to expand eligibilities within the Hazard Mitigation Grant Program (HMGP) to include the replacement or installation of wildfire resilient electrical transmissions or utility poles.

The IIJA authorizes nearly \$3.4 billion for the Department of the Interior and the U.S. Forest Service to conduct various forest management activities, including hazardous fuels reduction, controlled burns, community wildfire defense grants, landscape forest restoration projects, and additional firefighting resources. In addition, the bill includes \$5 billion for

utilities to bury power lines and install fire-resistant technologies to reduce wildfires.

The County Manager's Office held an informational session with County departments on November 29th to review the new funding opportunities. The CMO will continue to work closely with its federal advocates to track the timing and flow of existing and new funding opportunities for the County.

Build Back Better

On November 19th, the House of Representatives passed the Build Back Better Act (BBBA, H.R. 5376), which contains \$1.75 trillion in spending over ten years and is a centerpiece of the President's domestic agenda.

The BBBA invests heavily in child care, preschool education, paid parental leave, resources to address climate change, education and housing stabilization and more. Select key provisions of the House-passed BBBA include:

- Climate and Clean Energy: \$555 billion
- Universal Preschool and Child Care: \$400 billion
- Child Tax Credit: \$200 billion
- Reduce Healthcare Premiums: \$165 billion
- Home care: \$150 billion
- Affordable housing: \$150 billion
- Worker Training and Higher Education: \$40 billion
- Paid Family and Medical Leave: Eligible workers would receive up to four weeks of paid leave to take care of a child, other family members, or to recover from sickness.

The BBBA relies on the following proposed new revenue sources:

- 15% minimum tax on large corporations with reported income over \$1 billion. U.S. companies with foreign parent companies would need to have at least \$100 million on income.
- Attempts to discourage profit-shifting by multinational companies, and 15% global intangible low-taxed income rate and a \$15.8 foreign-derived intangible income rate.
- A 1% tax on corporate stock buybacks by publicly traded U.S. corporations, including any subsidiary.
- Additional enforcement measures for large corporations and high-income earners at the Internal Revenue Service.
- An additional 5% tax on those earning more than \$10 million a year and another 3% tax increase on those earning \$25 million or more.
- Provisions to limit business losses for very wealthy individuals and adds a 3.8% Medicare tax for particular individuals earning more than \$400,000 per year who did not pay the tax previously.

H.R. 5376 now heads to the U.S. Senate, where it will likely undergo significant changes. Senate Majority Leader Chuck Schumer has indicated he aims to pass the bill by the end of the year, but he will need the backing of moderate Democratic Sens. Krysten Sinema (Arizona) and Joe Manchin (West Virginia), who have not yet pledged support for the bill. Democrats must also ensure that the entire plan adheres to the strict rules that govern the reconciliation process and force the removal of any provision that does not have a direct fiscal effect. Those rules have already forced the party to abandon a plan to provide a path to citizenship in the bill for undocumented immigrants.

If the Senate makes changes, the modified measure will return to the House for final approval.

Federal Budget

On December 3rd, President Biden signed a stopgap bill averting a government shutdown just hours ahead of a midnight deadline. The 10-week continuing resolution (CR) passed over Republican opposition in both chambers and a last-minute push by some conservative senators to block funding for the President's COVID-19 vaccine mandates. The CR funds the government through February 18, 2022, giving Congress more time to try and resolve partisan disputes over funding levels and policy riders that have stalled progress on fiscal 2022 appropriations.