



#### FEDERAL UPDATE

## Congress Faces Upheaval and Funding Authorizations

BY MICHAEL THOMAS

**T**he past few months have included spates of frenzied work by lawmakers to respond to the dynamic threat of the Coronavirus while fighting to keep standard Congressional business moving. Specifically, nearly \$900 billion in needed funding authorizations will expire after September, the end of the 2020 fiscal year. Spending authorization bills provide the legal authority for federal programs to spend the funds allocated to them through the appropriations process. Thousands of non-profits, government personnel, businesses, and municipalities across the country receive this funding every year to

support their operations. What is normally one of the most important functions Congress performs is being dwarfed and frustrated by the efforts of legislators to address the ongoing public health crisis. The fast-approaching end of FY 2020 is forcing a legislative log jam as both chambers of Congress find themselves weaving through their priorities.

#### BACKGROUND

Members of the House Committee on Appropriations have been anticipating a busy summer, and leadership indicated in June that we can expect a breakneck pace for the month of July as appropriators negotiate



MICHAEL BROCHSTEIN/SIPA USA VIA AP IMAGES

changes and amendments. At \$740 billion and \$64 billion respectively, the required authorization of defense and transportation spending make up the bulk of budget authority requiring work. The policy world has been moving exceptionally fast over the past several months, making it easy to conflate or misunderstand legislation that is being proposed in Congress. Discussion of major legislative action has recently revolved around three very familiar issues: additional infrastructure spending, continuation of existing spending on transportation initiatives, and response to COVID-19.

Since the beginning of the year, Congress has passed two bills in response to the pandemic, the Families First Coronavirus Response Act (FFCRA) and the Coronavirus Aid, Relief, and Economic Security Act (CARES). The two relief measures offered direct payments to individuals, support for capital

markets, and emergency grant funding across federal agencies. Before Congress passed legislation in response to COVID-19, replacing the expiring surface transportation bill was a pressing legislative issue. Seen as a successful example of Congressional function, lawmakers have been able to ensure consistent passage of funding bills for U.S. transportation networks. The Fixing America's Surface Transportation Act (FAST Act) will expire soon, which affects the process. The legislative needs to maintain current spending levels on transportation infrastructure, and this, colliding with the existing noise over more infrastructure investment from Congress, has increased the volume on the infrastructure spending debate. Always near the surface of discussion, efforts to draft an infrastructure bill have been elevated for over a decade. Elections

U.S. Representative Peter DeFazio speaks at the unveiling of H.R. 2, the Moving Forward Act, a plan to rebuild America's infrastructure.

have become a popular platform for extolling the benefits of an infrastructure bill, so perhaps it's no surprise that multiple bills that include increases in infrastructure spending have been passed or introduced, in both chambers of Congress:

- **America's Transportation Infrastructure Act**

- Passed by the Senate Committee on Environment and Public Works on July 30, 2019.
- \$289 billion in spending reauthorizations through fiscal year 2025.
- Would replace the FAST Act, which expires at the end of September 2020.

- **The Families First Coronavirus Response Act**
  - Signed into law on March 18, 2020.
  - Expands paid family sick leave, unemployment insurance, food assistance programs, and addresses other economic consequences of the public health crisis.
- **The Coronavirus Aid, Relief, and Economic Security Act**
  - Signed into law on March 27, 2020.
  - Creates the \$150 billion Coronavirus Relief Fund to provide aid to state and local governments for response efforts.
  - Authorizes the Federal Reserve to invest up to \$454 billion in support of state governments, local governments, and eligible businesses.
  - Provides direct payments to individuals and establishes small business loan programs and funding for personal protection equipment
- **Health and Economic Recovery Omnibus Emergency Solutions Act**
  - Passed by the House on May 15, 2020.
  - Extends unemployment benefits, sends additional direct payments to individuals, funds testing and tracing, provides billions to state and local governments for response effort, and strengthens the existing Payroll Protection Program.
  - Unlikely to be taken up in Senate.
- **The SMART Act**
  - Introduced May 18, 2020.
  - \$500 billion in additional aid for state and local governments.
  - Separate Senate and House versions.
  - Expands eligibility for direct federal assistance to governmental entities.

- **The Moving Forward Act**
  - Introduced in the House on December 10, 2019.
  - \$1.5 trillion infrastructure bill.
  - Contains \$500 billion transportation reauthorization bill, the INVEST Act.
  - Roughly \$1 trillion of additional investment into infrastructure for affordable housing, upkeep of existing structure's, updating public health and education facilities, and more.

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#### **GFOA PRIORITIES**

Well before debates over any of the mentioned bills began, GFOA was advocating for specific legislation that strengthened and expanded financial resources for state and local governments.

Alongside our partners, GFOA has pushed for provisions that modernize the laws governing municipal bonds and strengthen them as a financial resource. Understanding the value of tax-exempt resources, leaders

in Congress included provisions reinforcing the municipal bond as part of an economic recovery plan. Three such provisions stand out:

- **Restoration of advance refunding provision**
  - Allows state and local governments to “refinance” existing tax-exempt debt.
  - Offers millions in potential savings for state and local governments by allowing access to lower interest rates.
- **Modification and expansion of bank qualified debt for small issuers**
  - Increases issuer cap from \$10 million to \$30 million per calendar year.
  - Pegs newly increased cap to inflation.
- **Qualified Infrastructure Bonds (QIBs)**
  - Modeled after the popular Build America Bond program.
  - Provides tax credit to issuer to subsidize repayment.
  - Tax credit equal to a percentage of the interest the issuer pays on the QIBs.
  - Expands volume caps for the issuance of Private Activity Bonds.

As noted above, the Moving Forward Act was introduced in mid-June, with lawmakers hoping that the House could approve it House before July 4. As of this writing, a vote over the Moving Forward Act is expected but not scheduled for July 2. Democratic leaders are confident the bill will be passed, but there is no hiding from the grim prospects for the bill in the Senate.

#### **AUTHORIZATION AND APPROPRIATIONS**

Leaders in Congress have seemed to come to terms with the legislative

bottleneck they face through summer and into early fall. Both chambers have a lot of work to do to uphold the sometimes mundane but critical responsibility of funding the federal government. As a brief summary, every year Congress must pass law to appropriate, to the receiving entities, funds that were made available through previously passed authorizing legislation. As of June 30, work on almost all discretionary funding was still ongoing, with plans to muscle through all necessary appropriating legislation before the August recess. Congress must combine the work still remaining for annual appropriations with the need for new authorizing bills to legally permit the appropriation of those funds for defense and transportation spending. This scenario brings plenty of obstacles, including the continued calls from Democrats for more aid to individuals, businesses, and state and local governments to stem the economic fallout we're facing. Any bill that both the Senate and House

are willing to take up will certainly contain provisions that support further response to the public health crisis, but exactly how aid is designed will be a sticking point. House and Senate Republicans were quick to label some initiatives supported by Democrats as unpalatable, and they want more streamlining of regulations for federally funded projects and curtailing of the climate-conscious provisions in the proposed bills.

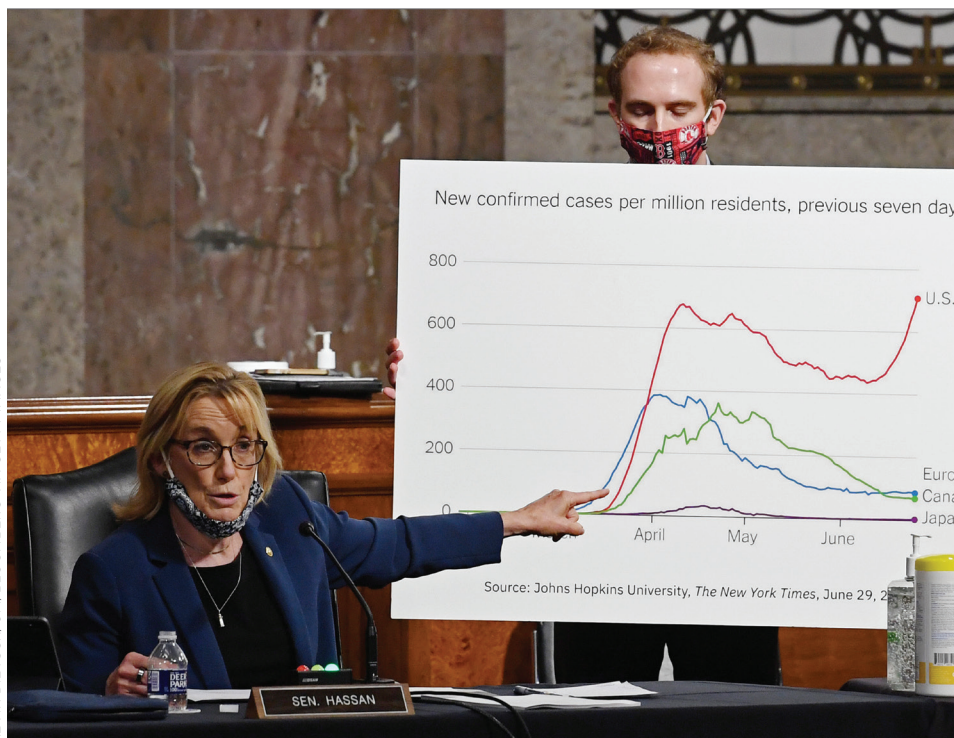
### OUTLOOK

Congressional leaders have indicated that more support from the federal government is coming, but members of the Senate have made it clear that their focus will be on completing the necessary work on appropriations before funding authority expires. At the end of June, the Senate was working to ready authorization bills for national defense, and it intends to move on to bills from the Senate Appropriation Committee. Policy

changes come incrementally and through consistent pressure. Lack of Senate support for the bills supported by the House might be a foregone conclusion, but that doesn't mean the death of every idea or program outlined in the policy. Congressional support of individual initiatives can set a framework for policy compromise when the House and Senate eventually have to work out differences between the two chambers.

2020 has brought near-unprecedented adversity, including the outbreak of a global pandemic and the need for—and responses to—protests against systemic racial inequality, which have increased pressure for national leaders to deal with these issues. Members of both political parties at all levels of government are undoubtedly more than willing to make additional resources available through future legislation, but if the federal government fails to complete the appropriations process, we could be facing a federal shutdown. But it seems all but unfathomable that policy makers don't understand the scale of the catastrophe—politically, economically and societally—they may face in the event of a federal shutdown during such dynamic times.

Authorizing legislation for spending on transportation might be the best-developed legislative vehicle for passing any bill into law. Although there are gaps between the transportation spending bill the Senate voted through the Committee on Environment and Public Works last year and the infrastructure provisions in the Moving Forward Act, there is a consensus over the general need for increased investment in U.S. infrastructure. Further, there is



Senator Maggie Hassan points to the surge in U.S. COVID-19 cases while speaking during a Senate Health, Education, Labor and Pensions Committee hearing in Washington, D.C. on June 30.

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substantial agreement that spending should be prioritized for existing structures. In fact, the real issues obstructing the process may be unrelated to infrastructure spending altogether. Members of Congress and the nation as a whole are coming to terms with significant, challenging realities about our current way of life. Multiple powerful forces appear to be meeting head on, making an unpredictable environment for members of Congress to find compromise.

With ideas for future support coming from all ranges of the political spectrum and from individuals who have varying perspectives, monitoring the activities of Congress has rarely been more interesting or dynamic. ■

**Michael Thomas** is a federal policy associate with GFOA's Federal Liaison Center in Washington, D.C.



#### SCHOLARSHIPS

## Announcing the 2020 GFOA Scholarship Winners

**G**FOA is proud to announce the recipients of its 2020 scholarships. Our mission is to promote excellence in state and local government financial management, and these scholarships are one of the ways we accomplish this.

**Carmen Avila-Yiptong** is the recipient of the \$15,000 Goldberg-Miller Public Finance Scholarship, funded by the Girard Miller Foundation. She is a research and policy analyst at the Privy Council Office, Ottawa, where she supports efforts to attract foreign direct investment into Canada. Previously, Carmen worked in the Debt Management Division at the Bank of Canada, providing research and policy assistance for the bank's role as fiscal agent for the government. She holds a Bachelor's degree from the University of Ottawa with Honors in International Economics and Development. Carmen is pursuing a Master of Arts degree in International Economics and Finance from Johns Hopkins University – School of Advanced International Studies.

**Dachel Carmelo Payrol Gomez** and **Mimi Livermore** are the recipients of the two Frank L. Greathouse Government Accounting Scholarship awards (funded by GFOA). Each will receive \$10,000.

Gomez currently works for Miami-Dade County, where he was recently promoted from accountant II to budget administrator at the Transportation Planning Organization department. He graduated in 2019 with a Bachelor's degree from Florida International University (FIU), Magna Cum Laude. He is a full-time student at Florida Atlantic University, where he's pursuing a Master's degree in the Executive Accounting program; he expects to graduate in December 2020. He is also working on attaining a CPA license in the state of Florida.

Livermore is the finance director for Adams 12 Five Star Schools in Thornton, Colorado, where she's worked for 15 years, including prior roles as budget analyst and accounting manager. Mimi holds a Bachelor's degree in Finance from Metropolitan State University of Denver and is currently pursuing a Master of Professional Accounting degree from Colorado State University-Global Campus; she will graduate in November 2020.

**Donny Hernandez** received the \$10,000 Minorities in Government Finance Scholarship (funded by GFOA). Hernandez is a Budget Analyst with the New York City Department of Housing Preservation & Development

(HPD), the largest municipal housing development agency in the nation. He works on housing issues that affect the city's most disadvantaged communities, such as affordability, quality, and fairness. Before coming to the United States, Donny served as Advisor to the Consejo Superior de la Judicatura (Judicial Branch) in Bogota, Colombia, where he evaluated the social and economic impacts of justice reform. He holds a Bachelor of Science in Public Affairs from Baruch College and a Bachelor of Science in Economics from Javeriana University. Hernandez is an MPA candidate at the Austin W. Marxe School of Public and International Affairs at Baruch College.

**Emmanuel Buapim, Ashley McGowen, Jared Mullane, and Ryan Pennington** are the four winners of the Government Finance Professional Development Scholarship (funded by the Government Finance Officers Association Scholarship Reserve). Each will receive \$10,000.

Buapim has been with the New York state government for 10 years. Currently a senior bank examiner for the New York State Department of Financial Services, he serves as an examiner-in-charge, overseeing examinations of foreign banking organizations. He holds a Bachelor of Science degree in Accounting and is also a Certified Internal Auditor and Certified Anti-Money Laundering Specialist. Buapim is pursuing a Master's of Science in Enterprise Risk Management from Columbia University in New York.

McGowen currently works as Accountant/Analyst II for the City of Grand Junction, Colorado. Ashley's duties include analyzing, maintaining, and reviewing accounting records, including reconciliations and financial reporting for two comprehensive annual financial reports. She is confident that her work in the Master of Science in accounting program at

Boise State University will challenge and teach her skills necessary to become a better financial professional and leader for her municipality.

Mullane is town auditor/assistant town accountant for the Town of Andover, Massachusetts, where he performs internal audits and assists with annual state reporting, cash reconciliations, and providing municipal bond training to town employees.

**Our mission is to promote excellence in state and local government financial management, and these scholarships are one of the ways we accomplish this.**

Jared is currently pursuing a Master's degree in Business Administration with a concentration in Public Administration from Southern New Hampshire University. He plans to pursue a career as a municipal finance director in Massachusetts.

Pennington has been compliance manager for the Kentucky Cabinet for Economic Development since 2012. In May 2020, he will complete a Master of Public Administration degree from the University of Kentucky with a graduate certificate in public financial management. He plans to continue a career focused on state or local government financial analysis.

**Jessica Knight, Mindy Miller, and Laura Morin** received the three Jeffrey L. Esser Career Development

Scholarship awards (funded by GFOA). Each will receive \$5,000.

Knight is chief secretary to the chief financial officer for the Jefferson Parish Sheriff's Office in Harvey, Louisiana, where she has worked for five years. She assists in preparing the annual operating budget, audit, and comprehensive annual financial report. Jessica has a Bachelor's degree in Business Management from Southeastern Louisiana University and is in the pre-CPA program at the University of New Orleans, where she plans to complete her required coursework for the CPA exam by the end of 2020.

Morin has been working in government finance for ten years at Eastern Suffolk BOCES school district in Long Island, New York. She will be graduating from SUNY Empire State College in May 2020 with a Bachelor's degree in Business, Management, and Economics, with a minor in Accounting. She plans to use her degree to advance her career at BOCES.

Miller works as budget analyst for the City of Pensacola, Florida, and is pursuing a Bachelor's degree in Business Administration at the University of West Florida. She currently has a degree in Aviation Management. Mindy's educational goal is to gain an enhanced understanding of the processes in her current position and to gain knowledge and technical skills for future advancement. She also participates in several finance organizations, including GFOA and the Florida GFOA.

Go to the Q&A on page 146 for a chat with Ashley McGowen and Carmen Avila-Yiptong.

Applications for 2021 scholarships will be available at [gfoa.org](https://gfoa.org) in October 2021. 📄