



PARAGON

GOVERNMENT RELATIONS

Federal Legislative Update

Week of February 10, 2025

A Message from the Paragon Team



A note to our readers: Paragon will not send a federal legislative update next week, in observance of President's Day on Monday and the subsequent House recess. You'll receive the next newsletter on February 24th, when both chambers are back in session. Please contact us at any time with questions.



Judge Orders Trump Administration to Restore Federal Funding

On Monday, February 10, a federal judge dealt another blow to the Trump administration's blanket funding freeze with a fresh order to "immediately restore federal funding." The order from U.S. District Judge John McConnell comes in response to a lawsuit from Democratic state attorney generals, who argued that the administration failed to comply with McConnell's temporary restraining order (TRO) issued earlier this month, which prohibited the administration from imposing any freeze on appropriated government spending. Per the judge's order:


"The broad categorical and sweeping freeze of federal funds is, as the Court found, likely unconstitutional and has caused and continues to cause irreparable harm to a vast portion of this country. These pauses in funding violate the plain text of the [order]."

While the White House Office of Management and Budget (OMB) rescinded its original memo ordering federal agencies to pause the distribution of federal aid, the directive appeared to have a lasting effect, as local governments have continued to report frozen funding streams despite multiple TROs forbidding a pause. As of this writing, payments from programs created under the **Inflation Reduction Act (IRA)** - such as **Solar for All** and **Climate Pollution Reduction Grants** - are restored in some states. However, some

grant recipients continue to report that they are still unable to access funds. Additionally, federal agencies are reportedly notifying farmers that they cannot make some contractually promised payments. The U.S. Department of Agriculture confirmed last week that all payments tied to the **Natural Resources Conservation Service Program** under the IRA remain frozen.

Looking ahead, it's unclear how the administration will respond to this latest legal setback and whether it will abide by the judge's order or continue to skirt the judiciary's directives. For his part, Judge McConnell has threatened to hold any persons who refuse to obey his latest order in criminal contempt.

Separately, late last week, a coalition of Democratic cities and counties across the country, led by San Francisco, filed a lawsuit against the administration's attempts to punish local governments that refuse to assist in immigration enforcement and mass deportations. The lawsuit comes shortly after Attorney General Pam Bondi issued a DOJ [memorandum](#) ordering the department to pause all federal funds appropriated to sanctuary jurisdictions. While there was initially confusion surrounding whether the DOJ order was subject to numerous TROs forbidding a blanket pause in federal funding, Judge McConnell's new order clarifies that **funding freezes implemented by federal agencies also fall under the purview of his TRO**. Notably, the courts have yet to conclusively determine whether the executive branch has the authority to withhold funding to sanctuary jurisdictions. What is clear, however, is that any pause in federal funding at this time violates Judge McConnell's TRO.





House and Senate Republicans Spar Over Reconciliation Strategy

The Senate gavelled into session on Monday afternoon, armed with Senate Budget Chair Lindsey Graham's (R-SC) newly released budget resolution. This week, while the upper chamber will continue to advance President Trump's remaining cabinet nominations, the Senate will largely focus on markups for Sen. Graham's resolution. Graham's measure calls for more than \$340 billion in funding over four years for border security and the Pentagon and includes additional provisions on energy reform. In particular, the bill would hold lease sales for fossil fuel exploration and repeal the *Inflation Reduction Act's* methane emission fee. Funding would be offset by commensurate cuts, though Graham has not yet detailed what those budgetary offsets will be.

The resolution is the first part of the Senate's two-part budget reconciliation strategy, which streamlines the legislative process by skirting the filibuster. Under Graham's plan, another bill that would extend President Trump's 2017 tax cuts (also using the filibuster-proof reconciliation process) will come later in the year. It should be noted that the Senate Parliamentarian has the final say over whether a measure falls under the purview of budget reconciliation.

For its part, the House is forging ahead on its one-track approach favored by President Trump. This strategy combines the GOP's domestic spending priorities and the 2017 tax cuts into one massive bill. While Speaker Johnson continues to push for one comprehensive package, Johnson's plans are already facing significant delays. Specifically, some House Republicans are balking at the proposed cuts to Medicare, SNAP, and other social programs that will offset increased border spending and the Trump tax cuts. Conversely, some budget deficit hawks on the House Freedom Caucus argue that the bill doesn't cut federal spending enough (recent reports suggest the House GOP is targeting \$2-\$2.5 trillion in total cuts).

Moreover, there is little consensus in the Republican conference over the controversial SALT cap. As negotiations drag on, it looks increasingly unlikely that House Republicans will meet Speaker Johnson's aggressive timeline. Indeed, Johnson indicated that the Budget Committee may fail to mark up the measure this week as promised. With Senate Republicans moving ahead on their two-track approach, and House Republicans continuously delayed in advancing their bill, the White House may be increasingly willing to adopt Graham's plan.

Finally, looming over negotiations is a separate, though related, budgetary concern: the federal government officially runs out of money in just 32 days. Democrats and Republicans are still nowhere near finalizing an FY 2025 spending package and have been unable to agree on a topline spending number. Also, unlike budget reconciliation, any appropriations package is subject to the filibuster and will consequently need bipartisan support. Absent an 11th-hour deal, Congress will need to kick the can once again with yet another continuing resolution. Further complicating negotiations is the administration's aggressive, and potentially extrajudicial, funding freeze. While Democrats say they're eager to avert a government shutdown on March 14th, they're threatening to withhold support if the administration continues to axe and neuter federal agencies.





Bipartisan Legislation Introduced to Strengthen Mitigation Efforts and Lower Property Insurance Costs

On February 6, Representatives Mike Thompson (D-CA) and Doug LaMalfa (R-CA) reintroduced legislation – the ***Disaster Resiliency and Coverage Act (H.R. 1105)*** – that would incentivize homeowners and businesses in disaster-prone regions to strengthen their properties against natural hazards. Specifically, the bill would establish a new state-administered grant program that would provide up to \$10,000 for disaster mitigation work on homes. This could include installing wildfire-resistant landscaping, using fire-resistant building materials, and creating defensible space around properties, among other things. H.R. 1105 also would offer a 30 percent tax credit for qualified risk mitigation activities undertaken by individuals, farms, and businesses. The credit is meant to complement the grant program by providing additional assistance to larger property owners for whom mitigation activity costs would far exceed \$10,000. Additionally, the legislation clarifies that payments from state-run disaster resiliency programs and certain federal agricultural emergency programs will not be considered taxable income. It also encourages states to direct insurers to factor in disaster mitigation efforts when setting premiums, potentially lowering costs for policyholders. It should be noted that the *Disaster Resiliency and*

Coverage Act has been endorsed by the American Property Casualty Insurance Association and United Policyholders.



Bipartisan Bill to Extend Secure Rural Schools Program Reintroduced in Senate

Earlier this week, a bipartisan group of 21 senators, led by Mike Crapo (R-ID) and Ron Wyden (D-OR), reintroduced legislation ([S. 356](#)) to extend the ***Secure Rural Schools and Community Self-Determination Act*** (SRS) program through fiscal year 2026. The SRS program provides critical support to rural counties affected by reduced timber revenue from federal lands. In the past year alone, 29 California counties received over \$33.4 million in SRS funding (SRS payment data can be accessed [here](#)).

It should be noted that the program expired at the end of fiscal year 2023, and, without further congressional action, future payments will revert to a formula based on timber sales. When the program's authorization last expired in 2016, federal forest payments to counties dropped by more than 80 percent on average. Although a similar SRS extension bill unanimously passed the Senate at the end of last year, it failed to receive a House vote before Congress adjourned.



Trump to Impose New Tariffs on Steel and Aluminum

On Friday, President Trump announced that he plans to impose new tariffs to match duties imposed by other countries. While a significant move, it's a dramatic de-escalation from his previous threat to impose across-the-board tariffs on all imports worldwide. Additionally, on Sunday, the president announced an additional 25 percent tariff on all steel and aluminum

imports. The duties apply to all countries - including Canada and Mexico, which were previously exempt from U.S. tariffs under the U.S.-Mexico-Canada Agreement signed by President Trump during his first administration.

Notably, the new tariffs come amid a looming trade war between the U.S., Canada, Mexico, and China. Last week, Trump struck a deal with Mexico and Canada to avoid sweeping tariffs that would affect everything from fertilizer, food, and agricultural products to minerals, crude oil, and lumber. In exchange for a 30-day pause on duties, President Claudia Sheinbaum of Mexico and Prime Minister Justin Trudeau of Canada pledged to reinforce their borders and crack down on drug trafficking, particularly fentanyl.

Today, in response to Trump's 10 percent tariff on all Chinese goods, President Xi Jinping imposed a 15 percent tariff on U.S. liquified natural gas and coal, and a 10 percent tariff on crude oil, farm equipment, and some automobiles. Moreover, China will implement further export restrictions on rare metals and will also launch an anti-monopoly investigation into Google. The Trump administration is threatening to go even further – hiking tariffs on all Chinese goods to 25 percent if President Xi does not acquiesce to his demands on fentanyl trafficking and issues surrounding the Panama Canal.



Relevant Hearings and Markups

House Agriculture Committee: On Tuesday, the House Agriculture Committee will hold a hearing titled "Examining the Economic Crisis in Farm Country."



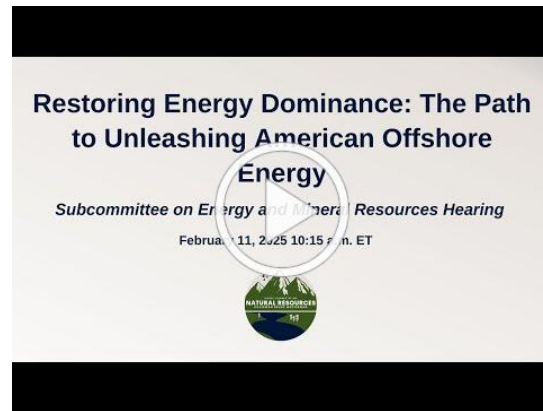
[More Details](#)

House Transportation Committee: On Tuesday, the Subcommittee on Water Resources and the Environment will hold a hearing titled "America Builds: Clean Water Act Permitting and Project Delivery."



[More Details](#)

House Natural Resources Committee: On Tuesday, the Subcommittee on Energy and Mineral Resources will hold a hearing titled "Restoring Energy Dominance: The Path to Unleashing American Offshore Energy."



[More Details](#)

House Transportation Committee: On Wednesday, the Highways and Transit Subcommittee will hold a hearing called "America Builds: A Review of Programs to Address Roadway Safety." Among the witnesses is a county commissioner from Wyoming, who will be testifying on behalf of NACo.



[More Details](#)

Senate Agriculture Committee: On Thursday, the Senate AG Committee will hold a hearing titled "Perspectives from the Field: Farmer and Rancher Views on the Agricultural Economy, Part 2."

[More Details](#)



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