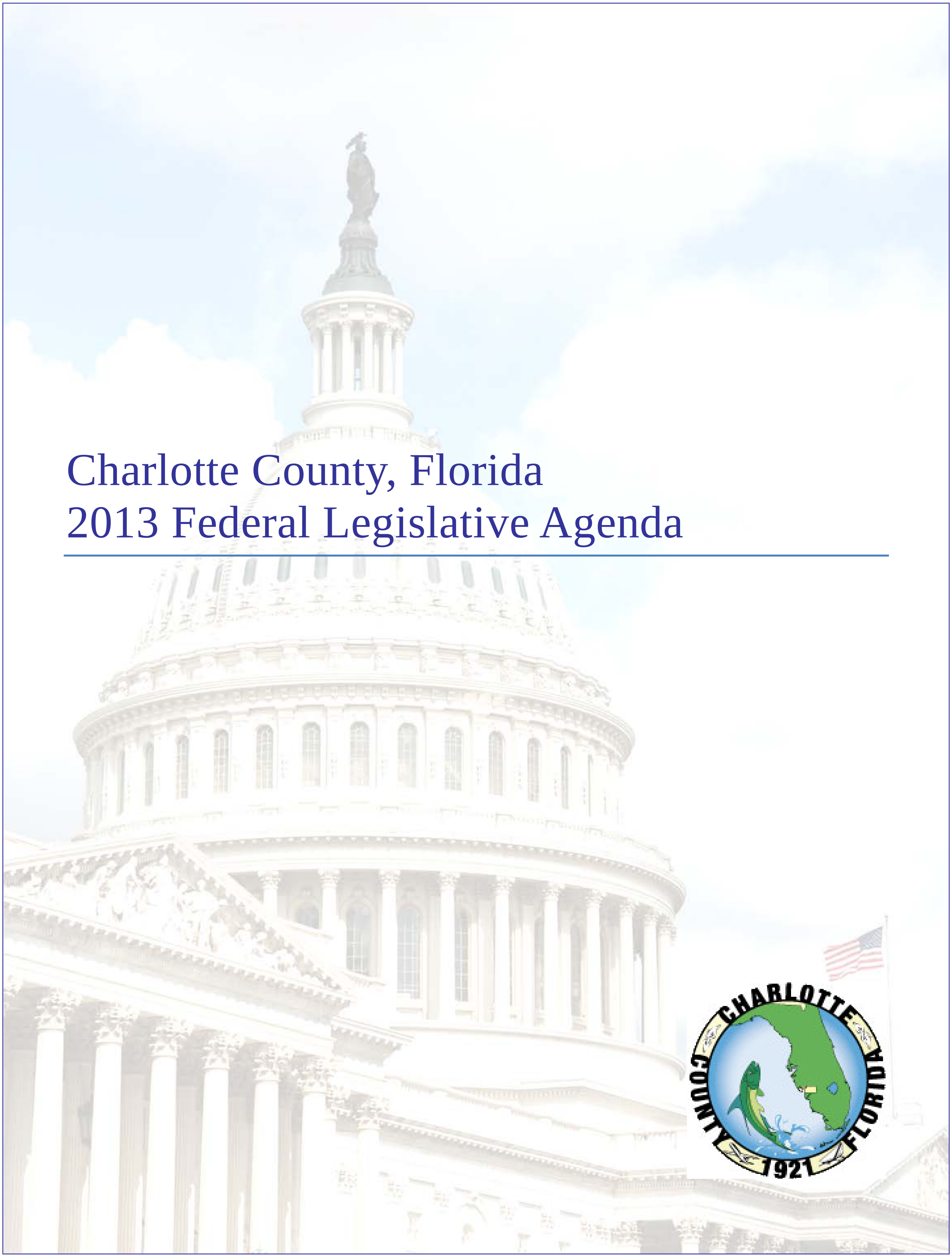
Charlotte County, Florida
2013 Federal Legislative Agenda



Prepared by Van Scoyoc Associates for the

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January 2013

Local Government Finance

Environment

Transportation

Economic Development & Social Services

Energy & Sustainability

General Government

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RESTORE Act
Monitor the resolution of the civil trial between BP and the Department of Justice, including allocation of fines via the Clean Water Act or Natural Resource Damage Assessment processes. ***Monitor*** Federal implementation of the RESTORE Act to ensure continued benefit to Charlotte County. ***Support*** efforts to secure funding for Charlotte County.

Sales-Tax Legislation
Support legislation that requires companies making catalog and internet sales to collect and remit the associated taxes.

Transient Occupancy Taxes
Oppose legislation that would exempt Internet travel brokers from paying taxes on the full room rate paid by the consumer, thereby costing Charlotte County and its political subdivisions the opportunity to collect the appropriate Transient Occupancy Taxes from visitors to the region.

Tax-Exempt Bonds
Oppose legislation that would threaten the tax exemption on state and local bonds, including a 28 percent cap on tax-exempt municipal bonds.

Proposed Phosphate Mining Areawide Environmental Impact Study
Monitor the Corps' consideration of the AEIS for proposed phosphate mining in Florida.

Charlotte Harbor Conservation; Central Sewers
Support efforts to engage the Federal government in a study of Charlotte Harbor. ***Support*** reauthorization of the State Revolving Loan Fund programs under the Clean Water Act and the Safe Drinking Water Act by reauthorizing Federal funding of $13.8 billion over five years, with a portion of the funds allocated as grants, reverse-amortization loans, or zero-interest loans. ***Support*** efforts to secure funding for Charlotte County septic system expansion projects.

Stump Pass
Monitor opportunities for Federal involvement in a solution at Stump Pass to address sediment management and erosion of the adjacent beaches, and to provide for safer navigation.

Offshore Energy Exploration
Monitor the potential expansion of offshore energy exploration in Florida's Federal waters.

Transportation Authorization
Support full funding of transit programs to their MAP-21 authorized levels. ***Monitor*** proposed changes to Federal highway and transit programs. ***Monitor*** efforts to enhance Federal transportation revenue streams. ***Support*** any and all opportunities to secure funding for Charlotte County priorities via this legislation or other means, including:

- Piper Road
- Burnt Store Road

Federal Aviation Administration Authorization
Support $3.35 billion in annual appropriations for the Airport Improvement Program. ***Support*** any Charlotte County Airport Authority grant proposals through the FAA's Airport Improvement Program.

Economic Development Administration Programs
Support Charlotte County EDA grant applications as applicable, including potential applications for improvements to Community Redevelopment Areas or other infrastructure projects. ***Monitor*** continued funding of the Economic Development Administration.

Human Services Federal Grant Programs
Monitor funding levels for the Community Services Block Grant and the Low Income Home Energy Program because of their critical role in the County's efforts to support those that are least fortunate. ***Support*** any applicable funding opportunities for the Human Services Department.

Department of Energy and EPA Sustainability Programs
Support Charlotte County green energy and sustainability programs as appropriate. ***Monitor*** opportunities to secure Federal grant funding or develop relationships to expand upon the County's established efforts.

Property Assessed Clean Energy Legislation
Support legislation that would allow for the creation of PACE programs in Charlotte County and Southwest Florida.

Sequestration
Monitor proposals regarding the sequester, spending cuts, and tax code changes for their potential impact to Charlotte County.

Medicaid and Medicare
Monitor various discussions regarding Medicaid and Medicare for impacts to Charlotte County and its residents.

National Flood Insurance Program
Monitor FEMA's implementation of the reauthorization of the National Flood Insurance Program. ***Monitor*** changes to flood insurance rates for homeowners and businesses in Charlotte County.

Public Pension Reform
Monitor federal legislative proposals related to public pensions, e.g., the Public Employee Pension Transparency Act, which could significantly impact the Florida Retirement System.

FEDERAL ISSUE: RESTORE Act

BACKGROUND; HOW IT MAY AFFECT CHARLOTTE COUNTY: In April 2010, an explosion at the Deepwater Horizon oil rig caused the worst oil spill in U.S. history with almost 5 million barrels of oil spilling into the Gulf of Mexico. BP has largely been held responsible for the spill.

In the summer of 2012, Congress passed the RESTORE Act, which mandated that 80 percent of Clean Water Act civil damages from the spill be allocated directly to the five impacted states, including Florida. The legislation also contained additional language related specifically to Florida as to how its allocation should be spent by a state consortium and individual counties along the Gulf.

Since the spill, BP has settled with the Federal government for $4.5 billion to resolve criminal charges against it. The company has also estimated that it will spend nearly $8 billion to provide compensation for economic damages. Finally, BP has agreed to provide an interim payment of $1 billion to repair natural resources via the Natural Resource Damage Assessment (NRDA) process. Based on the law, this last payment is tax-deductible for the company.

BP and the Department of Justice (DOJ) have been attempting to negotiate a settlement to civil charges for several months. A civil trial is expected to begin in February if BP and the government cannot come to a settlement before then. It is feared that if the case goes to trial, it could take a decade or more to resolve.

In November, the Environmental Protection Agency temporarily suspended BP's ability to secure new Federal contracts for its "lack of business integrity." BP is the largest supplier of fuel to the U.S. military and losing out on new contracts, as well as being unable to compete for new oil and gas leases on Federal lands, is thought to be a significant financial blow to the company.

BP could face fines ranging from $5 billion to roughly $20 billion under the Clean Water Act, funds from which would then flow to the Gulf states via the RESTORE Act. The amount of the fine is dependent on whether BP was "grossly" negligent or not. However, if DOJ and BP settle the civil charges under the NRDA process, the authority to spend the funds would remain with the Federal agencies, not the states. BP would also receive a tax deduction for the amount of the fines. Nearly all Gulf Senators and many members of Congress have been united in their objection to a government settlement with BP under the NRDA process.

If the lawsuit is resolved via Clean Water Act fines, the Department of the Treasury has been tasked with implementing the RESTORE legislation. The Treasury has begun drafting regulations to guide the delivery of any funds to the Gulf region.

Meanwhile, DOJ in January settled a suit with Transocean for their role in the Deepwater Horizon Oil Spill. As a result of the agreement, Transocean will pay the government $1 billion in Clean Water Act fines, resulting in the first allocation of funding, expected to be $800 million, to be distributed via the RESTORE Act.

RECOMMENDED POSITION: ***Monitor*** the resolution of the civil trial between BP and the Department of Justice, including allocation of fines via the Clean Water Act or Natural Resource Damage Assessment processes. ***Monitor*** Federal implementation of the RESTORE Act to ensure continued benefit to Charlotte County. ***Support*** efforts to secure funding for Charlotte County.

FEDERAL ISSUE: Sales-Tax Legislation

BACKGROUND; HOW IT MAY AFFECT CHARLOTTE COUNTY: Currently, retailers are only required to collect sales tax in states where they have brick-and-mortar stores. The burden then falls to consumers to report to state tax departments any sales taxes they owe for online purchases. Often, consumers do not report those purchases when completing their tax returns. As a result, local retailers are at a competitive disadvantage because they must collect sales taxes while out-of-state retailers, including many large online and catalog retailers, in effect give their customers a discount by collecting no state or local sales taxes. Consumers are left with the confusing yet legal responsibility to report the sales taxes owed on online purchases on their tax returns.

The current sales tax system is perceived as being unfair to brick-and-mortar retailers that employ local residents, including local stores as well as national chains like Best Buy or Home Depot. It is also a drain on local government revenues. In 2012, uncollected sales tax is estimated to cost local governments $23 billion nationwide.

To correct this inequity, legislation was introduced in the Senate during the 112th Congress and was seen as having the best chance of becoming law. The bipartisan legislation was cosponsored by 19 Senators, and for the first time had the backing of some major online retailers such as Amazon.com. In the House, similar, bipartisan legislation also gained traction with 56 cosponsors. To protect small, online retailers, both pieces of legislation exempted sellers who make less than $500,000 in total remote sales to qualify from the requirement to collect the tax.

Local, state, and national business groups, such as the Florida Chamber of Commerce, Associated Industries of Florida, Florida TaxWatch, Florida Retail Federation, and Amazon.com have spoken out in favor of these types of bills. Three Florida Republicans and one Florida Democrat in the House were cosponsors of the legislation (Rep. Crenshaw, Rep. Ross, Rep. Deutch, and Rep. Diaz-Balart).

This type of legislation could be wrapped up into a future spending reduction or tax reform measure in the 113th Congress.

RECOMMENDED POSITION: ***Support*** legislation that requires companies making catalog and internet sales to collect and remit the associated taxes.

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FEDERAL ISSUE: Transient Occupancy Taxes

BACKGROUND; HOW IT MAY AFFECT CHARLOTTE COUNTY: In the 111th Congress, attempts were made by senior Senators to insert language into various pieces of legislation that would have exempted Online Travel Companies (OTC), e.g., Expedia, Travelocity, and others, from remitting taxes based on the retail rate paid by the end consumer. For instance, if Expedia or a similar purveyor were to pay $60 for a room in Charlotte County and then sell that room to a consumer for $100, they would be able to, under the proposal, only remit $6 dollars to the local government instead of $10 (using a 10 percent bed tax for illustrative purposes).

In 2009, Charlotte County joined 16 other Florida counties in filing an action against a number of online travel companies alleging that the companies failed to collect and/or pay taxes under the respective tourist development tax ordinances. During 2012, there were several Florida State Circuit Court cases that ruled in favor of the OTCs. Two cited that Florida law is not clear on the issue, while a Circuit Court Judge ruled more directly in July that the OTCs only owe local tourist taxes on the discounted rates they paid for the rooms.

From October 2010 through September 2011, Charlotte County collected $2,430,928 in transient occupancy taxes, which is used to support the tourism industry in our region. This level of funding underscores the importance of this revenue source and the need to ensure it is not constrained by detrimental legislation.

RECOMMENDED POSITION: ***Oppose*** legislation that would exempt Internet travel brokers from paying taxes on the full room rate paid by the consumer, thereby costing Charlotte County and its political subdivisions the opportunity to collect the appropriate Transient Occupancy Taxes from visitors to the region.

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FEDERAL ISSUE: Tax-Exempt Bonds

BACKGROUND; HOW IT MAY AFFECT CHARLOTTE COUNTY: Although municipal bonds have been tax-exempt for almost 100 years, a number of Federal proposals continue to be discussed which target the tax exemption of tax-exempt bonds, particularly as part of the debate to end the sequester or reduce Federal spending. With local governments facing severe budget difficulties, any proposal to limit the tax exemption would put more pressure on local finances by reducing demand for tax-exempt bonds and increase borrowing costs for state and local governments, ultimately leading to higher taxes or reduced services. Specifically:

- The Administration has proposed as part of a jobs and deficit reduction plan to limit the benefit of itemized deductions and certain exclusions to 28 percent for higher income taxpayers.
- The Administration's plan also includes a new debt reduction trigger which could further limit the exclusion for tax-exempt bond interest income below 28 percent. The new trigger could limit the tax savings from tax-exempt bonds every year, increasing the risk and the cost of all tax-exempt bonds.
- The Administration's National Commission on Fiscal Responsibility and Reform, also called Simpson-Bowles, has recommended a tax reform plan which would end the tax exemption for newly-issued state and local bonds.
- The Bipartisan Policy Center has proposed a tax reform plan, also known as Domenici-Rivlin, which would end the tax exemption for all new private-purpose bonds.
- Senators Wyden and Coats introduced the Bipartisan Tax Fairness and Simplification Act which would replace tax-exempt bonds with taxable bonds and a tax credit.
- Senator Coburn has proposed a tax reform plan which would repeal the program which authorizes tribes to issue tax-exempt bonds for economic development purposes.
- The Congressional Budget Office has released a report on revenue-raising options which includes a proposal to replace the tax exemption of municipal bonds with a direct subsidy for issuers.

Charlotte County staff has estimated that the difference in the rate of earnings the County and other local governments would need to offer prospective buyers of their taxable bonds would depend on the market, but typically would range from 1.5 to 2 percent more for those offerings. On $1 million borrowed, this would likely cost $20,000 more in interest per year. Taking this further, if the County were to amortize a $100 million loan over 30 years at taxable bond rates 2 percent higher than if the bonds were tax-exempt, the additional cost to taxpayers over the 30 years would be roughly $30 million.

RECOMMENDED POSITION: ***Oppose*** legislation that would threaten the tax exemption on state and local bonds, including a 28 percent cap on tax-exempt municipal bonds.

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FEDERAL ISSUE: Proposed Phosphate Mining Areawide Environmental Impact Study

BACKGROUND; HOW IT MAY AFFECT CHARLOTTE COUNTY: The health of Charlotte Harbor is critical to the future of Charlotte County. Among other issues, one which could impact the Harbor is the Corps of Engineers' Areawide Environmental Impact Statement (AEIS) for proposed phosphate mining activity in Florida.

The U.S. Army Corps of Engineers, Jacksonville District, received permit applications from phosphate mining companies in Central and Southwest Florida. The Corps determined that, when viewed collectively, the proposed separate phosphate mining-related projects have similarities that provide a basis for evaluating their environmental consequences together in one AEIS in compliance with the National Environmental Policy Act. As part of the permit review process, the Corps is evaluating the environmental effects of these similar actions.

The Corps released a draft AEIS earlier in 2012 after considering public comments to the proposed projects. Charlotte County submitted comments on the draft AEIS and also met with Corps Headquarters in Washington to discuss concerns with the AEIS and urge a more holistic approach to reviewing project impacts. The Final AEIS could be made public in early 2013.

With the Charlotte Harbor watershed encompassing all or parts of ten Florida counties and 4,500 square miles, the County has urged that the Corps take a broad, holistic view of the impacts of the proposed mining activities on the County's water bodies.

RECOMMENDED POSITION: ***Monitor*** the Corps' consideration of the AEIS for proposed phosphate mining in Florida.

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FEDERAL ISSUE: Charlotte Harbor Conservation; Central Sewers

BACKGROUND; HOW IT MAY AFFECT CHARLOTTE COUNTY: As described above, the health of Charlotte Harbor is critical to the future of Charlotte County. Apart from the AEIS, another issue that threatens the Harbor is the need to transition residents from older, often failing septic systems to central sewers.

The Environmental Protection Agency estimates that over the next 20 years, the nation must collectively invest $390 billion to update or replace existing wastewater systems and build new ones to meet increasing demand. This is an issue that affects the whole country, but in Charlotte County, fewer than 60,000 of our residents are on central sewer. As many of our homes are within 150 feet of waterways that flow into the Harbor, we must help people connect to central sewers. In today's Federal environment, the best way to fund these projects is via State Revolving Funds, particularly with the funds allocated as grants, reverse-amortization loans, or zero-interest loans.

The RESTORE Act could also offer the County opportunities to develop central sewers. In late 2012, the County presented a proposal to the Charlotte Harbor National Estuary Program for a more than $16 million project to remove septic systems, install a central sewer system, construct stormwater improvements, and implement an educational program on Best Management Practices on 10,400 total properties, 6,800 of which are existing homes.

By providing a long term solution to significantly reduce non-point source pollutants into the receiving waters of Charlotte Harbor, the ability to support economic activities dependent on water quality will improve with the reduction/elimination of beach closures, sanitary health hazard complaints, and related impacts of nutrient and sediment loading. Removal of septic systems will increase the amount of developable land for businesses and provide for a larger variety of uses. Improving water quality will retain and increase tourism. And, a continuation of the cooperative effort between public, private, and nonprofit organizations will continue the enforcement of water quality regulations and Best Management Practices.

In other areas, Sunshine Lake is located in a densely populated area of the County and is inundated with blue - green algae. The County has a contract to remove the algae from the waterway system. Algae removal is only the first step in the correction of Sunshine Lake/Sunrise Waterway. The cost of this project is estimated at $125,000 for design and construction. The County is currently exploring maintenance options such as the placement of a ware downstream to raise water level as well as aeration systems.

In an effort to better understand the health of the Harbor, the County may consider working with the U.S. Army Corps of Engineers through their Planning Assistance to States (PAS) program. The Corps has the authority to assist the States, local governments, and other non-Federal entities in the preparation of water quality or environmental conservation/restoration studies, among other areas.

Every year, each state can provide the Corps with requests for studies under the PAS program and the Corps attempts to accommodate as many studies as possible within its available funding provided by Congress. Typical studies are only planning level of detail; they do not include detailed design for project construction. The studies generally involve the analysis of existing data for planning purposes using standard engineering techniques although some data collection is often necessary. These studies are cost shared on a 50 percent Federal-50 percent non-Federal basis.

RECOMMENDED POSITION: ***Support*** efforts to engage the Federal government in a study of Charlotte Harbor. ***Support*** reauthorization of the State Revolving Loan Fund programs under the Clean Water Act and the Safe Drinking Water Act by reauthorizing Federal funding of $13.8 billion over five years, with a portion of the funds allocated as grants, reverse-amortization loans, or zero-interest loans. ***Support*** efforts to secure funding for Charlotte County septic system expansion projects.

FEDERAL ISSUE: Stump Pass

BACKGROUND; HOW IT MAY AFFECT CHARLOTTE COUNTY: Knight/Don Pedro Island in Charlotte County is a popular tourist destination and residential area that lies to the south of the Stump Pass inlet. Independent engineering analyses have demonstrated that the inlet causes severe erosion to these downdrift beaches, yet it still serves as a vital navigation inlet for recreational and other boating.

To address the inlet impact and to maintain its navigational use, Charlotte County implemented a management plan and beach restoration project in 2003 by dredging Stump Pass' navigation channel and ebb shoal and transferring that sand to the downdrift beaches. Directly bypassing the trapped sand offsets erosion losses and protects upland development on the islands while also providing for safer navigation. In 2006 and 2011, the County conducted storm damage recovery and maintenance projects to address severe erosion and navigational concerns experienced in the wake of the 2004 and 2008 hurricane seasons. Unfortunately, these efforts are not long-term solutions for Stump Pass.

Congress provides the U.S. Army Corps of Engineers with standing authorization, known as the Continuing Authorities Programs (CAP), to respond to a variety of water resource problems without the need to seek specific congressional authorization or funding for each project. Related specifically to Stump Pass, two authorities are likely most relevant. They include CAP Sections 103 (Small Beach Erosion Control Projects) and 107 (Small Navigation Projects).

In 2012, the County engaged the Corps to explore opportunities to work with the Corps on solutions to Stump Pass erosion and shoaling concerns. A Corps team from the Jacksonville District visited the County to meet with staff, gather information, and tour Stump Pass and the downdrift beaches. While the Corps determined that there was little opportunity to get involved given the limitations of their authorities, there may be other Federal opportunities in the future.

RECOMMENDED POSITION: ***Monitor*** opportunities for Federal involvement in a solution at Stump Pass to address sediment management and erosion of the adjacent beaches, and to provide for safer navigation.

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FEDERAL ISSUE: Offshore Energy Exploration

BACKGROUND; HOW IT MAY AFFECT CHARLOTTE COUNTY: Active energy drilling currently occurs in both the western and central Gulf of Mexico. However, nearly the entire eastern Gulf is protected from drilling until 2022 by the Gulf of Mexico Energy Security Act of 2006 (GOMESA). State waters in the Gulf of Mexico extend 10.5 miles from shore. The Federal government controls waters beyond that point.

In the 112th Congress, the House of Representatives voted to expand offshore oil drilling, including in the eastern Gulf of Mexico in an effort to lower gas prices and increase domestic revenue. Specifically, the House passed three pieces of legislation that would reverse all current oil moratoriums, require the Department of Interior to revisit oil projects that were rejected after the Deepwater Horizon spill, and make acreage of the Outer Continental Shelf that is currently unavailable to lease available for drilling, including the eastern Gulf of Mexico and the Atlantic Coast. Similar legislation was introduced in the Senate, but it failed to receive the necessary votes to be considered.

In November of 2011, the Administration proposed its Outer Continental Shelf (OCS) Oil and Gas Leasing Program for 2012-2017. Within the program, the Administration proposes to lease two new areas in the eastern Gulf of Mexico (among other areas of the Gulf and near Alaska). The two areas proposed for lease in the eastern Gulf are south of the coast of Florida and are as far west as you can get without being in the central Gulf. There are already active leases near the two new areas. These are the only parts of the eastern Gulf that are not protected by GOMESA.

In response to the plan, 180 members of Congress from both political parties sent a letter to the Administration asking that they open up more areas of the OCS to drilling, including additional areas in the Eastern Gulf. Four members of the Florida House delegation signed the letter. If this policy was accepted, it could open the door for an expansion of drilling in the eastern Gulf.

Currently, the Administration has only conducted oil and gas leasing auctions for areas in the western Gulf of Mexico, and has scheduled them for the central Gulf in March of 2013. The Administration currently has not indicated that it intends to lease the aforementioned areas in the eastern Gulf, but this could change with continued pressure from Congress.

RECOMMENDED POSITION: ***Monitor*** the potential expansion of offshore energy exploration in Florida's Federal waters.

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FEDERAL ISSUE: Transportation Authorization

BACKGROUND; HOW IT MAY AFFECT CHARLOTTE COUNTY: After several years of short-term authorizations, Congress passed and the President signed the Moving Ahead for Progress in the 21st Century Act (MAP-21) on July 6, 2012. MAP-21 funds Federal surface transportation programs at roughly the levels of the previous authorization ($48 billion) through September 30, 2014, which means that Congress will need to begin to craft the follow-on legislation to MAP-21 well before the end of the 113th Congress.

Through its Federal advocacy efforts, the County was successful in challenging the proposal in the original Senate legislation that would have terminated Metropolitan Planning Organizations (MPO) that contain urbanized areas (UZA) with a population of fewer than 200,000, which would have eliminated the County's MPO.

MAP-21 also eliminated or consolidated many programs, transformed nearly all discretionary transportation grant programs into formula programs, and left much discretion to state Departments of Transportation on how to allocate funding among the remaining programs.

Under the new transit funding formula apportionments of MAP-21, the North Port-Port Charlotte UZA is expected to receive roughly $998,723 for the first half of Fiscal Year (FY) 2013 from the Federal Transit Administration (FTA) Section 5307 Urbanized Area program. Additionally, Charlotte County could see formula funding from the previously competitive discretionary Section 5339 Bus and Bus Facilities program. Florida is expected to have $1,269, 984 available in FY 2013 for transit agencies in UZA's with populations between 50,000 and 199,999. Entities may apply for funds to rehabilitate or replace buses or bus equipment and/or to construct bus facilities.

Since the Federal government is currently operating on a six-month continuing resolution, FTA is currently providing apportionments at the levels of the previous authorization. The County will want to advocate for full funding of transit programs to their MAP-21 authorized levels, which are higher as they account for inflation since the previous authorization.

In developing MAP-21, Congress did not address the need for a long-term, sustainable plan to finance our nation's transportation infrastructure. Fuel taxes, which currently provide most of the money for surface transportation, do not provide a solid long-term foundation for generally desired transportation funding growth, even if Congress were to raise them modestly. The choice then becomes finding new sources of income for an expanded program, or alternately, to settle for a smaller program that might look very different than the one currently in place. Less Federal funding via a future transportation reauthorization bill would mean significantly less funding available to the Florida Department of Transportation, and ultimately Charlotte County, to support both surface transportation and transit projects and programs.

RECOMMENDED POSITION: ***Support*** full funding of transit programs to their MAP-21 authorized levels. ***Monitor*** proposed changes to Federal highway and transit programs. ***Monitor*** efforts to enhance Federal transportation revenue streams. ***Support*** any and all opportunities to secure funding for Charlotte County priorities via this legislation or other means, including:

- Piper Road
- Burnt Store Road

FEDERAL ISSUE: Federal Aviation Administration Authorization

BACKGROUND; HOW IT MAY AFFECT CHARLOTTE COUNTY: Congress passed a new reauthorization of Federal Aviation Administration (FAA) in February 2012 that extends the program through Fiscal Year (FY) 2015.

Among other things, the legislation authorizes $3.35 billion annually for the Airport Improvement Program (AIP). AIP is a federal grant program that provides funds to public airports to improve safety and efficiency. The program is funded through taxes on airplane tickets and aviation fuel. This funding stream is critical to improvements at the Punta Gorda Airport and is subject to annual appropriations by Congress. With the tremendous growth in passenger traffic at the Punta Gorda airport, including a 69 percent increase in 2011 from the prior year, it is critical to ensure that the airport can compete for sufficient Federal funding as necessary to continue its growth.

In its FY 2013 budget, the Administration proposed to lower funding for the AIP program to $2.4 billion, a reduction of $926 million, by eliminating guaranteed funding for large and medium hub airports. The budget attempts to focus federal grants to support smaller commercial and general aviation airports that do not have access to additional revenue or other outside sources of capital. At the same time, the budget would allow larger airports to increase non-federal passenger facility charges (PFC), thereby giving larger airports greater flexibility to generate their own revenue.

The House passed their version of the FY 2013 Transportation, Housing and Urban Development appropriations bill, funding the program at the maximum authorization of $3.35 billion. Though the Senate has not yet passed their version of the bill on the floor, the Senate Appropriations Committee approved the same level of funding for AIP.

RECOMMENDED POSITION: ***Support*** $3.35 billion in annual appropriations for the Airport Improvement Program. ***Support*** Charlotte County Airport Authority grant proposals through the FAA's Airport Improvement Program.

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FEDERAL ISSUE: Economic Development Administration Programs

BACKGROUND; HOW IT MAY AFFECT CHARLOTTE COUNTY: The Economic Development Administration (EDA) is primarily a granting agency that funds economic development projects throughout the country. Successful projects usually leverage roughly 200 new jobs and $24 million in private investment for every $1 million of EDA investment.

Local governments or non-profits such as Charlotte County are local sponsors of the projects. For example, infrastructure projects such as those designed to support the recent construction of a Cheney Brothers distribution center in Charlotte County could be eligible for funding from the EDA. Funding from the EDA could also offer opportunities to help fund projects in Community Redevelopment Areas, including road and water infrastructure improvements that can help reinvigorate the regions and lead to additional reinvestment in homes and businesses.

The President's Deficit Commission, as well as more recent Congressional proposals, has proposed the elimination of EDA, as its mission is seen as duplicative by some. In June 2012 the Senate failed to pass the "Economic Development Revitalization Act," which would have reauthorized the Economic Development Administration (EDA) through 2015. EDA's authorization expired in September 2008, but funding via the appropriations process has kept it functioning without an authorization. In addition to reauthorizing EDA, the Senate legislation would increase the authorized funding for the program from $300 to $500 million annually. Despite the failure to pass the legislation, the EDA will continue to operate through the annual appropriations process if provided sufficient funding by Congress.

In Fiscal Year (FY) 2011, Congress provided $283 million for the EDA. In FY 2012, after the Administration proposed $324 million, Congress ultimately provided $257 million in funding.

The President's budget for FY 2013 proposed $220 million for the EDA. An amendment was accepted on the House of Representatives floor during the debate over the FY 2013 Commerce, Justice, Science appropriations bill to increase funding for the EDA to match the Administration's proposed funding levels. Meanwhile, the Senate has proposed funding the EDA at $237 million for FY 2013.

RECOMMENDED POSITION: ***Support*** Charlotte County EDA grant applications as applicable, including potential applications for improvements to Parkside, Charlotte Harbor, and Murdock Village Redevelopment Areas or other infrastructure projects. ***Monitor*** continued funding of the Economic Development Administration.

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FEDERAL ISSUE: Human Services Federal Grant Programs

BACKGROUND; HOW IT MAY AFFECT CHARLOTTE COUNTY: The Community Services Block Grant (CSBG) program allocates Federal funding to alleviate the causes and conditions of poverty in communities. The funds provide for a range of services and activities to assist the needs of low-income individuals including those addressing employment, education, better use of available income, housing, nutrition, emergency services and/or health.

In Charlotte County, the Human Services Department administers CSBG funding, which is the most flexible funding source the County has for addressing self-sufficiency initiatives. The program has income requirements, yet is not an entitlement program, thereby allowing the County to work with clients that are highly motivated to reduce their dependence on public benefits.

In Fiscal Year (FY) 2010, funding for CSBG was $700 million, from which the County received $71,733. In FY 2011, Congress provided $678.64 million for the program, from which the County received $43,697. In FY 2012, Congress provided the program with the same amount as in 2011. For FY 2013 the Administration proposed a significant funding reduction for CSBG at $350 million. However, both the House and the Senate have again proposed level funding for the program from FY 2012, with $678.64 million for the program.

The Low Income Home Energy Program (LIHEAP) provides heating assistance to low-income households. Also administered in Charlotte County by the Human Services Department, LIHEAP is the only lifeline for some of the most impoverished families and seniors in the community. While LIHEAP is often thought of as being a program benefitting northern states, it is equally important in Florida due to the expense of cooling a residence during summer months of excessive heat.

In FY 2010, Congress provided $5.1 billion for LIHEAP. In FY 2011, Congress provided $4.7 billion for LIHEAP. From the 2011 amount, Charlotte County received $649,457. In FY 2012, Congress provided the LIHEAP program with $3.48 billion, a significant reduction in funding which resulted in only $353,502 for Charlotte County's program. For FY 2013, the Administration proposed a further cut to LIHEAP at $3.02 billion, which would result in the County receiving an estimated $284,818. The House and Senate both proposed level funding for LIHEAP from FY 2012, with $3.47 billion for the program.

RECOMMENDED POSITION: ***Monitor*** funding levels for the Community Services Block Grant and the Low Income Home Energy Program because of their critical role in the County's efforts to support those that are least fortunate. ***Support*** any applicable funding opportunities for the Human Services Department.

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FEDERAL ISSUE: Department of Energy and Environmental Protection Agency Sustainability Programs

BACKGROUND; HOW IT MAY AFFECT CHARLOTTE COUNTY: Energy and sustainability initiatives are at the core of Charlotte County's recovery plan from the recent economic challenges, the effects of the BP oil spill, and the lingering impacts of five Federally-declared storms in the past seven years.

The green energy and sustainability industries present unique opportunities to simultaneously impact the government, business, and community sectors. The County is advancing its vision by developing replicable community scale programs that achieve the objectives of creating sustainable business and job opportunities, reducing energy consumption, reducing energy costs, and creating public-private partnerships.

With regard to alternative energy opportunities for local governments, the Department of Energy has in the past offered limited funding opportunities. Most notably, there were some programs funded by the American Recovery and Reinvestment Act of 2009, such as the Energy Efficiency and Conservation Block Grant (EECBG) program. The EECBG program was modeled after the Community Development Block Grant program, and offered mostly formula grants to communities for projects that reduced fossil fuel consumption through increased energy efficiency or conservation. This particular program was originally funded at $3.2 billion, with $434 million available through competitive grants to those that did not receive direct allocations, such as Charlotte County. The County applied for a competitive grant, but the application was not approved.

Unfortunately, EECBG and others like it were funded by Congress once and have not been funded since. Given the current budget environment, future opportunities are likely to be competitive and on a more limited scale.

RECOMMENDED POSITION: ***Support*** Charlotte County green energy and sustainability programs as appropriate. ***Monitor*** opportunities to secure Federal grant funding or develop relationships to expand upon the County's established efforts.

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FEDERAL ISSUE: Property Assessed Clean Energy Legislation

BACKGROUND; HOW IT MAY AFFECT CHARLOTTE COUNTY: Property Assessed Clean Energy (PACE) programs aim to support energy efficiency and clean energy investments by homeowners, eliminate the upfront cost barriers of those investments, and ensure that current and future homeowners fairly share the costs and benefits of the improvements.

PACE is a financing tool that allows a homeowner to receive low-interest financing for energy efficiency and renewable energy improvements, thereby saving that homeowner money on their utility bills. PACE financing is repaid through a voluntary long-term assessment on a homeowner's property taxes over a 15-20 year time period. If a homeowner sells their property, the repayment obligation, as well as the benefits of the energy improvements, transfers to the next homeowner.

In 2010, Fannie Mae and Freddie Mac chose to stop underwriting mortgages with PACE assessments. Because they underwrite nearly ninety percent of new mortgages, this has brought very successful PACE programs to a halt. The PACE Assessment Protection Act introduced in the 112th Congress would restore the right of local governments to establish PACE programs and would require that local governments follow prudent standards to ensure that homeowners can afford any PACE assessments. The legislation also protects Fannie Mae and Freddie Mac from potential losses.

The legislation has nearly 50 co-sponsors, including both Democrats and Republicans in Florida, including Representative Rooney. In the Senate, Senator Boxer (CA) introduced legislation in the 111th Congress. Sen. Bennett (CO) sought to take the lead on this issue in the 112th Congress in the Senate.

RECOMMENDED POSITION: ***Support*** legislation that would allow for the creation of PACE programs in Charlotte County and Southwest Florida.

NOTES:

FEDERAL ISSUE: Sequestration

BACKGROUND / HOW IT MAY AFFECT CHARLOTTE COUNTY: Over at least the past two years, much attention in Congress and the White House has been paid to the Federal debt ceiling and proposals to reduce spending or increase revenue. Generally, these discussions have not produced the "Grand Bargain" that many had hoped for. Instead, the most recent compromise along these lines, the American Taxpayer Relief Act, passed just before the end of the 112th Congress and left us with a two-month delay to the "sequester," some resolution to tax issues, and another looming debt ceiling showdown. This situation remains extremely fluid and will likely change on a frequent basis over the next year, if not more.

Sequestration: Sequestration is the result of the failure of the 2011 Deficit Reduction Committee, a group of 12 members of the House and Senate that was unable to strike a deal to reduce spending and/or increase revenue. The Deficit Reduction Committee was formed as part of the Budget Control Act deal to avert a default on the Federal debt in August 2011.

Sequestration, if left untouched, will result in automatic spending cuts of $1.2 trillion over nine years (through Fiscal Year 2021), equally split between defense and non-defense spending. A bit more than $200 billion of this reduction in spending will come from reduced debt service costs, leaving a real cut of $960 billion, or roughly $109 billion per year starting in Fiscal Year (FY) 2014. In FY 2013, the sequester was delayed by two months, to March 1, and would result in a cut of $85 billion. Half of the cuts are to come from defense spending with the remaining to come from non-defense agencies.

Decisions on how to fund individual programs will be left up to the Congressional Appropriations committees on an annual basis beginning with Fiscal Year 2014. From the County's perspective, these cuts are more easily managed across the board as opposed to eliminating whole programs, as other proposals have suggested in lieu of sequestration. However, since Fiscal Year 2013 begins before sequestration will take place, cuts in 2013 will be made by the individual agencies. Other impacts will be roughly 8 percent reductions to a number of Federal formula programs on which the County relies, particularly those related to providing social services to residents.

Few in Congress are pleased with the potential impacts of sequestration. In general, Democrats are not pleased with the forced cuts and the lack of scheduled increases to revenue. Republicans are particularly frustrated over the affect the cuts may have on the Department of Defense, which will face 50 percent of the revenue reduction (because it accounts for more than half of discretionary spending). The two sides will continue to debate efforts to avoid the sequester, likely through other spending reductions to entitlement programs such as Medicare and Social Security, or additional tax increases.

Debt Limit: Meanwhile, as the debate over avoiding the sequester will continue, the debt limit will also have to be addressed. The U.S. government's ability to borrow money to pay its obligations is limited by Federal law. The debt limit is currently $16.4 trillion and is likely to be exceeded in late February 2013. Republicans generally believe that any increase in the debt limit must be accompanied by spending cuts and reforms of a greater amount. It is assumed that Republicans will use the threat of default as a means to extract significant spending cuts from mandatory programs generally favored by Democrats such as Social Security and Medicare.

RECOMMENDED POSITION: ***Monitor*** proposals regarding the sequester, spending cuts, and tax code changes for their potential impact to Charlotte County.

FEDERAL ISSUE: Medicaid and Medicare

BACKGROUND; HOW IT MAY AFFECT CHARLOTTE COUNTY: Medicaid is a means-tested entitlement program that financed the delivery of medical care to more than 69 million people in Fiscal Year (FY) 2011. The estimated annual cost to Federal and state governments was roughly $404 billion in FY 2010. In comparison, Medicare provides health care benefits to nearly 48 million seniors and certain persons with disabilities and cost roughly $523 billion in FY 2010.

Each state designs and administers its own version of Medicaid under broad Federal rules. This includes opportunities to create programs with different eligibility levels, covered services, and how those services are reimbursed and delivered.

Under the Affordable Care Act (ACA), beginning in 2014, all non-elderly, non-pregnant adults with modified adjusted gross income at or below 133 percent of Federal poverty level who do not already qualify will be eligible for Medicaid if their states expand their program under the law. In Florida, it is estimated that the expansion could qualify roughly 1.6 million additional people under the program who make up to about $32,000 per year for a family of four. It has been estimated that this would cost the state about $4.1 billion over 10 years in net additional costs, but would provide the state with more than $20 billion in additional revenues over the same period. Some studies even suggest that the $4.1 billion in additional cost will be more than covered by reducing the financial burden on other state-funded safety net programs.

States that have yet to agree to enlarge Medicaid to additional enrollees often fear that the Federal government will at some point in the future change the law so that more of the cost is borne by the states. If states fail to increase Medicare enrollees, hospitals will face the brunt of the funding shortfall. Historically, hospitals that care for the uninsured have received payments from the Federal government to offset their costs. However, the ACA will do away with those payments because the legislation provides health insurance to nearly all poor, currently uninsured people.

Much attention will continue to be paid to reductions in entitlement outlays as discussions related to the sequester and reducing Federal spending continues. While Medicaid has mostly been left out of the discussion for the time being, it could become part of future budget reduction talks.

With regard to Medicare, suggestions have been floated to raise the eligibility age from 65 to 67 or means test for benefits. The former idea does little to slow the rate of spending on health care and simply displaces those who are formerly eligible to other forms of insurance, whether from the private market, the public ACA-developed market, or Medicaid. The latter idea would link Medicare premiums to the income levels of beneficiaries. Both ideas face significant opposition on Capitol Hill.

RECOMMENDED POSITION: ***Monitor*** various discussions regarding Medicaid and Medicare for impacts to Charlotte County and its residents.

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FEDERAL ISSUE: National Flood Insurance Program

BACKGROUND; HOW IT MAY AFFECT CHARLOTTE COUNTY: In mid-2012, Congress passed, and the President signed a 5-year reauthorization of the National Flood Insurance Program (NFIP) that attempts to restore the program to firmer financial footing by making a number of changes to the program that are likely to impact the County's residents.

In 1968, Congress established the NFIP to address the nation's flood exposure and challenges inherent in financing and managing flood risks in the private sector. Private insurance companies at the time claimed that the flood peril was uninsurable and, therefore, could not be underwritten in the private insurance market. A three-prong floodplain management and insurance program was created to (1) identify areas across the nation most at risk of flooding; (2) minimize the economic impact of flooding events through floodplain management ordinances; and (3) provide flood insurance to individuals and businesses.

Until 2005, the NFIP was self-supporting as policy premiums and fees covered expenses and claim payments. Today, the program is in roughly $25 billion in debt due to a number of large storms, the most recent being Sandy.

The biggest threats to the solvency of the NFIP are generally thought to be inadequate pricing of flood risks, repetitive loss properties, and the lack of enforcement of mandatory flood insurance purchase requirements. The 2012 reauthorization takes steps to address the first two of these items.

- Requires the following pre-FIRM properties to pay actuarial insurance rates (rates that reflect the true risk of flooding):
    - non-primary residences
    - severe repetitive loss properties
    - any properties where flood losses have exceeded the property value
    - any business property
    - any property that has sustained substantial damage (more than 50 percent of fair market value) or substantial improvement (more than 30 percent of fair market value)
    - resold property
- Allows FEMA to increase premiums by 20 percent per year, an increase from the current 10 percent cap on annual increases

These changes, along with others, are likely to make flood insurance significantly more expensive for many residents of Charlotte County who live in established flood plains. It is believed that there are roughly 30,000 NFIP policies residential and business policies in the County, with an average cost per policy of $670. The Federal Emergency Management Agency (FEMA) is in the midst of implementing the reauthorization legislation. The County must work with FEMA and Congress to better understand the future cost of flood insurance in the County as FEMA implements the legislation.

RECOMMENDED POSITION: ***Monitor*** FEMA's implementation of the reauthorization of the National Flood Insurance Program. ***Monitor*** changes to flood insurance rates for homeowners and businesses in Charlotte County.

FEDERAL ISSUE: Public Pension Reform

BACKGROUND; HOW IT MAY AFFECT CHARLOTTE COUNTY: The sponsors of the Public Employee Transparency Acts (Rep. Nunes of CA and Sen. Burr of NC), have stated that public pensions are significantly underfunded and are aiming to ensure what, in their opinion, will be more realistic asset projections compared with expected liabilities.

Specifically, the legislation would require additional reporting of assets and liabilities and more significantly, require that assets in a public plan such as the Florida Retirement System (FRS) are projected to grow at the rate of Treasury securities instead of more optimistic projections tied to historic stock market indices, thereby greatly increasing plan liabilities. This might require projected growth rates of less than 1 percent annually instead of growth rates of 7.75 percent, which is what the Florida Retirement System used between 2009 and 2011. The legislation would also disallow any future federal bailout of public pension plans. Ultimately, the legislation would likely make pension plans more expensive to participate in for local governments, yet would also aim to make them more secure.

More recently, Sen. Orrin Hatch (UT), the Ranking Member of the Senate Finance Committee, released a report saying that public pension debt "threatens America" and that "defined benefit pension plans are inappropriate for state and local governments." He concluded his report by stating his intention to introduce a legislative solution in the future.

It is expected that similar legislation will be reintroduced during the 113th Congress.

RECOMMENDED POSITION: ***Monitor*** federal legislative proposals related to public pensions, e.g., the Public Employee Pension Transparency Act, which could significantly impact the Florida Retirement System.

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