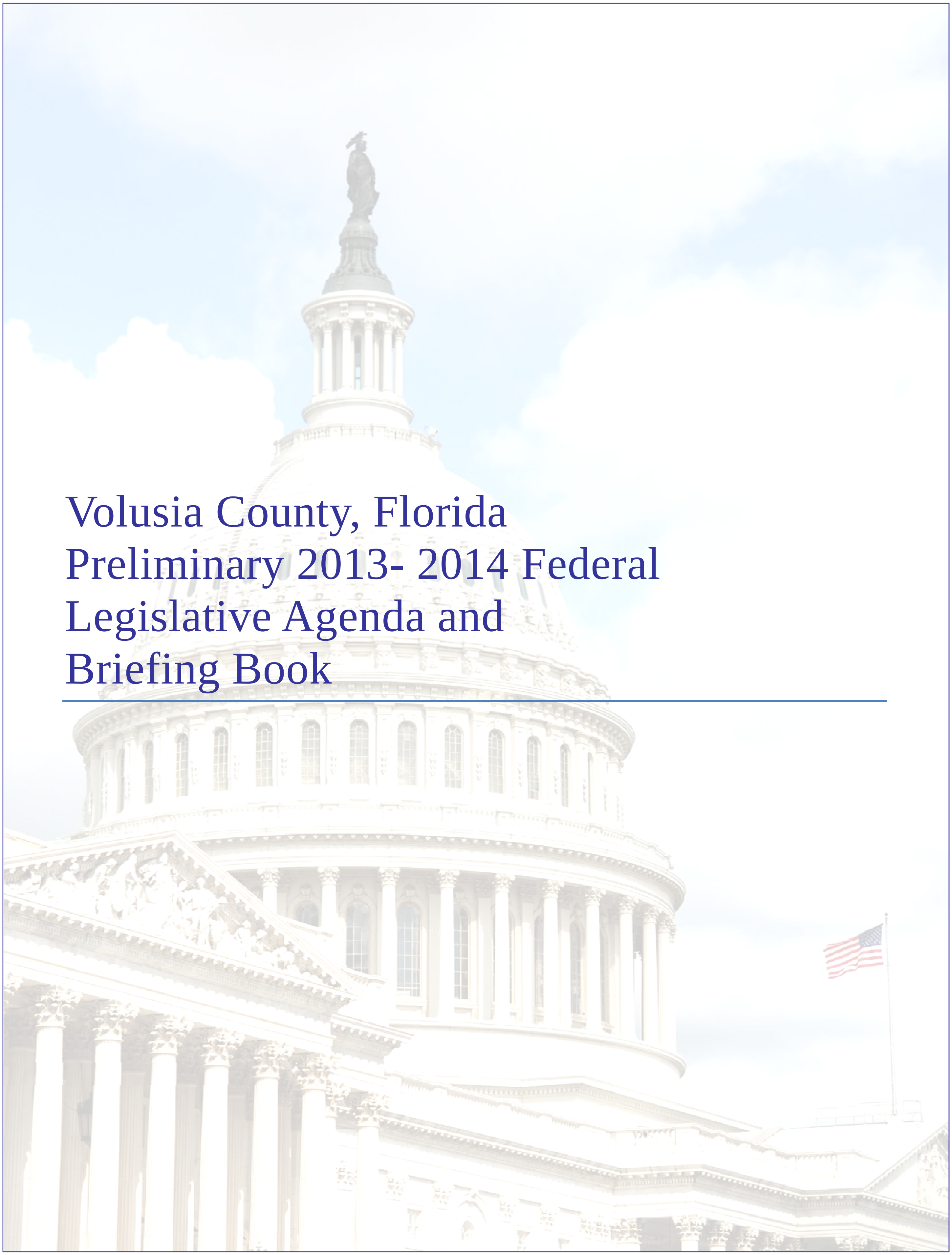

Volusia County, Florida Preliminary 2013- 2014 Federal Legislative Agenda and Briefing Book

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Volusia County Council

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County of Volusia
113th Congress Federal Legislative Agenda

LEADERSHIP

DeBary Bayou Environmental Restoration
Support federal funding for water quality solutions in the DeBary Bayou.

Economic Development Administration
Support continued funding of the Economic Development Administration. ***Support*** Volusia County grant applications through the program.

Federal Aviation Administration
Support $3.35 billion in annual appropriations for the Airport Improvement Program. ***Support*** Volusia County grant proposals.

Marine Wildlife and Artificial Fishing Reef Program
Support federal funding opportunities for the County's Marine Wildlife and Artificial Fishing Reef Program.

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

Sequestration/Fiscal Cliff
Monitor proposals regarding the sequester and tax proposals for their potential impact to Volusia County.

Small Business Innovation Research Program
Support applications from within Volusia County though the Small Business Innovative Research program.

South Jetty Extension Project
Support passage of a Water Resources Development Act bill that includes authorization for cost estimate increase for the South Jetty extension in the Ponce de Leon Inlet. ***Support*** federal funding for the project upon authorization.

GROWTH MANAGEMENT AND ENVIRONMENTAL

Energy
Monitor energy legislation, including the expansion of offshore energy exploration in Florida's federal waters, and alternative energy opportunities. ***Support*** Department of Energy programs that promote alternative energy, energy efficiency, and conservation.

Water Quality
Support the acceptance of the Florida Department of Environmental Protection's numeric nutrient criteria standards for Florida's lakes, flowing waters, estuaries, and canals, rather than the Environmental Protection Agency federal standards.

FINANCE AND ADMINISTRATION

Internet Sales Tax

Support legislation that would require companies making internet sales to collect and remit the associated taxes.

Online Travel

Oppose legislation that would exempt Online Travel Companies from paying taxes on the full room rate paid by the consumer.

Tax-Exempt Bonds

Oppose legislation that would threaten the tax exemption on state and local bonds.

COMMUNITY SERVICES

Community Services Low Income Programs

Support adequate funding for the Community Services Block Grant program and Low Income Home Energy Assistance Program.

Department of Housing and Urban Development Formula Programs

Support adequate funding for the HOME Investment Partnerships and Community Development Block Grant programs.

Recreational Trails Programs

Support funding of trails programs, through the return of dedicated funding for recreational trails and/or alternative funding for these activities.

PUBLIC PROTECTION

Federal Funding of Public Safety Programs

Support continued funding for a wide variety of Department of Justice and Department of Homeland Security grants, e.g., Community Oriented Policing Services, Byrne Justice Assistance Grants, Emergency Management Performance Grants, Assistance to Firefighters Grants, Staffing for Adequate Fire and Emergency Response Grants. ***Support*** any Volusia County application for these funds.

FEDERAL ISSUE: DeBary Bayou Environmental Restoration

BACKGROUND / HOW IT MAY AFFECT VOLUSIA COUNTY: The DeBary Bayou Watershed Assessment Study was sponsored by the Florida Department of Transportation (FDOT), and was conducted by the U.S. Army Corps of Engineers (Corps) in cooperation with the St. Johns River Water Management District, the City of DeBary, Volusia County, and other stakeholders.

In early 2012, the Corps presented findings from the study FDOT commissioned, because sedimentation rates have accelerated within the DeBary Bayou channel, impeding water flow and navigation, and potentially impacting ecological conditions in the Bayou system. Study findings listed a number of factors that have led to the decline in the watershed and water quality of the Bayou. Questions were raised about septic leeching, flood control, and hyacinth spraying.

The DeBary Bayou restoration is important to the ecosystem and environmental values of the watershed in southern Volusia County.

RECOMMENDED POSITION: ***Support*** federal funding for water quality solutions in the DeBary Bayou.

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FEDERAL ISSUE: Economic Development Administration

BACKGROUND; HOW IT MAY AFFECT VOLUSIA 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. Volusia County has secured these funds in the past for economic development projects.

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 mid-2011, the Senate failed to pass S. 782, the "Economic Development Revitalization Act of 2011," which would have reauthorized the 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 million 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 proposes $220 million for EDA.

An amendment was accepted on the House of Representatives floor during the debate over the FY2013 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*** continued funding of the Economic Development Administration. ***Support*** Volusia County grant applications through the program.

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FEDERAL ISSUE: Federal Aviation Administration

BACKGROUND / HOW IT MAY AFFECT VOLUSIA 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 Daytona Beach International Airport (DBIA) and is subject to annual appropriations by Congress.

In its Fiscal Year 2013 budget, the Administration proposes 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. DBIA is a non-hub airport. 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 has 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 has approved the same level of funding for AIP.

RECOMMENDED POSITION: ***Support*** $3.35 billion in annual appropriations for the Airport Improvement Program. ***Support*** Volusia County grant proposals.

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FEDERAL ISSUE: Marine Wildlife and Artificial Fishing Reef Program

BACKGROUND / HOW IT MAY AFFECT VOLUSIA COUNTY: The Volusia County Marine Wildlife and Artificial Fishing Reef program creates and supports jobs in the boating, fishing, trucking, heavy equipment, concrete manufacturing, and marine hauling industries of central and northeast Florida. Jobs have been created:

- in the boating, fishing and marine industry as charter, recreational and commercial fishers visit the reef sites;
- at pre-stressed concrete manufacturing yards as stored materials are handled and loaded for truck transport;
- in the trucking industry as the massive concrete structures are hauled from pre-stressed concrete manufacturing facilities;
- in the heavy equipment industry as the concrete structures are off-loaded and handled at the staging and storage site located in New Smyrna Beach, Florida; and
- in the marine hauling industry as the reef materials are loaded onto barges, tugged and off-loaded to build fishing and marine habitat at sea.

To build artificial reefs, the County partners with businesses to gather, store, and stage used concrete structures that would otherwise end up in the landfill. This saves all involved money in disposal and storage costs. The County then hauls the material offshore and places it on the seafloor. The reefs create marine habitat supporting a broad variety of commercially and recreationally important species of fish shrimp and crabs. The reefs provide easily accessible deep-sea fishing and diving opportunities for the community and visitors and are an economic catalyst for the marine industry. Artificial reefs promote job creation as well as enhanced tourism opportunities, which generate economic growth for the community.

RECOMMENDED POSITION: ***Support*** federal funding opportunities for the County's Marine Wildlife and Artificial Fishing Reef Program.

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FEDERAL ISSUE: Public Pension Reform

BACKGROUND / HOW IT MAY AFFECT VOLUSIA COUNTY: The sponsors of H.R. 567 (Nunes, CA) and S. 347 (Burr, NC), the Public Employee Transparency Acts, 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 2012. 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 H.R. 567 and S. 347, or similar legislation, will be reintroduced during the 113th Congress.

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

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FEDERAL ISSUE: Sequestration/Fiscal Cliff

BACKGROUND / HOW IT MAY AFFECT VOLUSIA COUNTY: In 2011, much attention in Congress and the White House was paid to the federal debt ceiling and proposals to reduce spending or increase revenue. Most of those discussions went nowhere, with real action on these fiscal issues deferred until at least after the 2012 election, if not next year.

Large fiscal item that must be addressed at some point after the election include:

1) Sequestration
2) Debt ceiling increase (expected to be needed in February or March, 2013)
3) The extension of a number of tax proposals, including the Bush-era tax cuts, the Alternative Minimum Tax, the estate tax, and other various tax extenders
4) Unemployment benefits extension
5) Payroll tax holiday

Sequestration: Sequestration is the result of the failure of last years' 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 last August.

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 $984 billion, or roughly $109 billion per year. Of the $55 billion in cuts scheduled to be applied to non-defense spending, about $38 billion of would come from discretionary (not mandatory) spending.

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 can be 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, leaving federal furloughs as the most likely response to cost cutting.

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).

Tax Issues: The Bush-era tax cuts as well as the more recent payroll tax holiday are also scheduled to expire at the end of 2012. The Bush-era tax cuts include lower personal income rates, lower capital gains and dividend rates, marriage penalty relief, and lower estate taxes, among other things. The expiration of these tax rates offers a rare opportunity to generate significant amounts of new revenue while not having to do anything. If they are not extended legislatively, the tax cuts will simply end and the tax structure in place before the cuts (prior to 2002) will return. At the same time, the payroll tax holiday that originated during the Obama Administration will also expire.

"Fiscal Cliff": Many are concerned about the potential economic impact of large spending cuts via

sequestration coming at about the same time as tax increases if the Bush-era tax cuts and the payroll tax holiday are not at least partially extended. If Congress does nothing, taxes will rise and spending will fall, potentially sending the economy back into recession, as Federal Reserve Chairman Ben Bernanke predicted when he coined the phrase "fiscal cliff." According to the Congressional Budget Office, under current law (meaning sequestration spending cuts and tax increases) the growth of GDP, would drop by roughly four percent.

"Grand Bargain": Given the unpleasant impacts of sequestration, the scheduled expiration of the Bush-era tax cuts, the payroll tax holiday, other fiscal issues, and the specter of another debt ceiling showdown, many believe that now is the time to resurrect another "Grand Bargain" on spending and revenue reform. The best known of these proposals is known as Simpson-Bowles, written by a commission appointed at the request of the Obama Administration in December 2010. It proposed big-picture ideas to tax and entitlement reform as well as some spending cuts (which are not fully specific). The proposal would significantly change Social Security, our tax structure, and the federal workforce. It is a balanced plan, however, in that it would both reduce spending and increase revenue. For Volusia County, some of the proposed spending reduction ideas are concerning because the County has benefited or may benefit from each of these:

- Drop communities from the Community Development Block Grant program
- Reduce funding for Department of Homeland Security grant programs
- Reduce funding for Department of Justice grant programs
- Eliminate the Economic Development Administration
- Significantly alter the Airport Improvement Program
- Reduce land acquisition under the Land and Water Conservation Fund

What Will Happen: Congress and the White House have a number of options, some reasonable, others not. Much will depend on the outcome of the elections and all of it remains fluid.

- If nothing is done, the economic impact over the next year or more could be significant. However, the federal deficit, which some in the House and Senate have suddenly worried about so much during the past two years, would drop sharply. With the economy already fragile, this is an unlikely scenario.
- Taking the opposite approach, Congress could extend tax and spending rules so that nothing changes for some agreed on period.
- Finally, a bargain of some sort, "Grand" or not, on these issues could be enacted, extending some of the Bush-era tax cuts, reforming the tax code, making some changes to entitlement programs like Social Security and Medicare, and reducing some spending.

The second option is becoming more plausible as many think Congress will just continue to kick the can down the road. But, some form of the latter scenario is also possible, but it cannot realistically occur until early in 2013 after the election and after Congress and the White House (regardless of who controls the House, Senate, and Presidency) have engaged in another round of political theater and brinksmanship.

RECOMMENDED POSITION: ***Monitor*** proposals regarding the sequester and tax proposals for their potential impact to Volusia County.

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FEDERAL ISSUE: Small Business Innovation Research Program

BACKGROUND / HOW IT MAY AFFECT VOLUSIA COUNTY: In 1982, Small Business Innovation Research (SBIR) programs were established within the major federal research and development (R&D) agencies to increase opportunities for small businesses to participate in federally funded R&D programs. Government agencies with R&D budgets of $100 million or more are required to set aside a fixed percentage of their funds to finance SBIR activity.

In 2011, Congress reauthorized the SBIR/Small Business Technology programs for six years. Among other things, the size of project grants increased for the first time since 1982. In the first grant phase, maximum awards were increased by $50,000, to a maximum of $150,000. In the research and development phase, the maximum for each grant increased by $250,000, to $1 million.

SBIR can provide economic development opportunities for Volusia County by attracting and/or partnering with small businesses who are trying to grow their business in, or relocate their business to Volusia County. Volusia County Division of Economic Development can be a liaison or information source for helping small businesses pursue federal funding under the SBIR program.

RECOMMENDED POSITION: ***Support*** applications from within Volusia County though the Small Business Innovative Research program.

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FEDERAL ISSUE: South Jetty Extension Project

BACKGROUND / HOW IT MAY AFFECT VOLUSIA COUNTY: The South Jetty Extension project is a U.S. Army Corps of Engineers (Corps) effort in partnership with Volusia County. The project is expected to provide necessary protection of the Ponce de Leon Inlet from accelerated shoaling rates and potentially dangerous boating conditions. It will also help maintain the inlet for Coast Guard operations and reduce future federal maintenance dredging costs, which are the responsibility of the Corps. Hazardous boating conditions affect a number of businesses and jobs that use the inlet for access.

The project is awaiting renewed authorization because the Corps' latest cost estimate exceeds the maximum project costs originally established by Congress. In accordance with Corps policy and federal law, the project must be reauthorized at its higher cost estimate before it can be considered for funding. This will require passage of a Water Resources Development Act (WRDA) that must address the backlog of authorization projects and modifications such as the one for Ponce Inlet. According to staff in the House and Senate, each body intends to propose a WRDA bill in 2013. VSA is working with the Corps and committee staff to insure the appropriate WRDA language to reauthorize the South Jetty Extension project is included in any future WRDA bill.

Meanwhile, Ponce Inlet was dredged by the Corps in 2012 based on emergency navigation conditions.

RECOMMENDED POSITION: ***Support*** passage of a Water Resources Development Act bill that includes authorization for cost estimate increase for the South Jetty Extension project in the Ponce de Leon Inlet. ***Support*** federal funding for the project upon authorization.

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FEDERAL ISSUE: Energy

BACKGROUND / HOW IT MAY AFFECT VOLUSIA COUNTY: Active offshore 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). Drilling does not yet occur off of the Atlantic coast of Florida. State waters in the Atlantic extend three miles from shore. The federal government controls waters beyond that point.

In the 112th Congress, the House of Representatives voted to dramatically expand offshore oil drilling in an effort to lower gas prices and increase domestic revenue. Specifically, the House passed four pieces of legislation - one that would reverse all current oil moratoriums (H.R. 1229), one that would require the Department of Interior to revisit oil projects that were rejected after the Deepwater Horizon spill (H.R. 1230), one that would make acreage of the Outer Continental Shelf (OCS), including the Atlantic coast, available for drilling (H.R. 1231), and one that would open up new areas to oil drilling off the coasts of Alaska, Florida, California, South Carolina, and the mid-Atlantic, requiring only one environmental review for all of the expanded drilling (H.R. 6082). Similar legislation (S. 953) was introduced in the Senate, but it failed to receive the necessary votes to be considered.

Late in 2011, the Administration proposed its OCS Oil and Gas Leasing Program for 2012-2017. Within the program, the Administration does not propose to lease any areas in the Atlantic for oil and gas drilling. It does, however, indicate that there is “ongoing seismic analysis to determine resource potential” in the Atlantic.

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 areas off the Atlantic coast of Virginia. Four members of the Florida House delegation signed the letter. If this policy is accepted, these drilling leases would be the first granted by the federal government on the Atlantic seaboard since the early 1980’s, and could open the door for an expansion of drilling on the Eastern seaboard.

If Congress and the White House experience a political shift due to the 2012 elections, the chances of increased energy exploration in areas that have been protected in the past may significantly increase.

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. Volusia County received $2,411,200 from this program as a direct allocation in 2009.

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: ***Monitor*** energy legislation, including the expansion of offshore energy exploration in Florida's federal waters, and alternative energy opportunities. ***Support*** Department of Energy programs that promote alternative energy, energy efficiency, and conservation.

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FEDERAL ISSUE: Water Quality

BACKGROUND / HOW IT MAY AFFECT VOLUSIA COUNTY: Pursuant to a January 2009 Clean Water Act determination and a consent decree with Florida Wildlife Federation to settle a 2008 lawsuit, in 2010 the Environmental Protection Agency (EPA) proposed federal numeric nutrient water quality standards. The standards set numeric limits, or criteria, on the amount of nutrient pollution allowed in Florida's lakes, rivers, streams, and springs. This action sought to improve water quality, protect public health, aquatic life and the long term recreational uses of Florida's waters which are a critical part of the state's and Volusia County's economy. However, these standards were expected to come at a considerable cost to local governments, utilities, and others.

In response to this, in July of 2011, the House passed H.R. 2018 (Clean Water Cooperative Federalism Act of 2011) and other legislation to grant states the authority to mandate their own water quality standards (including nutrient criteria) in lieu of the EPA federal standard. While this legislation is supported by Richard Budell, Director of the Office of Agricultural Policy for the Florida Department of Agriculture and Consumer Services, the Administration has signaled that they would veto H.R. 2018 if it were to pass the Senate, which is unlikely.

EPA agreed to let the Florida Department of Environmental Protection promulgate its own numeric nutrient criteria for lakes and flowing waters, which it did in February 2012 with the State's approval. EPA is expected to render a verdict on the State's proposed rules by the end of 2012. Some stakeholders continue to oppose the State's new proposed rules in court.

Concurrently, EPA is preparing to put into place their own numeric nutrient criteria for Florida's lakes and flowing waters, should the State's proposed criteria be rejected. If this occurs, the EPA's final rules for lakes and flowing waters would go into effect in 2013.

RECOMMENDED POSITION: ***Support*** the acceptance of the Florida Department of Environmental Protection's numeric nutrient criteria standards for Florida's lakes, flowing waters, estuaries and canals, rather than the federal environmental protection standards.

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FEDERAL ISSUE: Internet Sales Tax

BACKGROUND / HOW IT MAY AFFECT VOLUSIA 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, S. 1832 was introduced in the Senate during the 112th Congress and is seen as having the best chance of becoming law. The bipartisan legislation is currently cosponsored by 19 Senators, and for the first time has the backing of some major online retailers such as Amazon.com. In the House, H.R. 3179 is a similar, bipartisan bill that has also gained traction with 53 cosponsors. To protect small, online retailers, both pieces of legislation exempt 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 recently spoken out in favor of this legislation. Three Florida Republicans and one Florida Democrat in the House are cosponsors of the legislation (Rep. Crenshaw, 4th District, Rep. Deutch, 19th District, Diaz-Balart, 21st District, Rep. Ross, 12th District).

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

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FEDERAL ISSUE: Online Travel

BACKGROUND / HOW IT MAY AFFECT VOLUSIA 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.

In 2009, 17 Florida counties filed 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.

In Fiscal Year 2011, - Volusia County collected more than $6.7 million in transient occupancy taxes, which is used to support the tourism industry in the region as well as pay the debt service for the recently expanded Ocean Center. This level of funding underscores the importance of this revenue source and the need to insure it is not constrained by detrimental legislation.

RECOMMENDED POSITION: ***Oppose*** legislation that would exempt Online Travel Companies from paying taxes on the full room rate paid by the consumer.

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FEDERAL ISSUE: Tax-Exempt Bonds

BACKGROUND / HOW IT MAY AFFECT VOLUSIA COUNTY: Although municipal bonds have been tax-exempt for almost 100 years, a number of federal proposals are being discussed which target the tax exemption of tax-exempt bonds. 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 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 also proposed 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, recommended a tax reform plan which would end the tax exemption for newly-issued state and local bonds.
- The Bipartisan Policy Center 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 of 2011 which would replace tax-exempt bonds with taxable bonds and a tax credit.
- The Congressional Budget Office released a report on revenue-raising opportunities that includes a proposal to replace the tax exemption of municipal bonds with a direct subsidy for issuers.

It has been estimated that the difference in the rate of earnings that local governments would need to offer prospective buyers of their taxable bonds would depend on the market, but may be roughly 1.35 percent more for those offerings. On $10 million borrowed, this would likely cost $1,660,000 over a 20 year term, a cost that would be borne by local taxpayers.

RECOMMENDED POSITION: ***Oppose*** legislation that would threaten the tax exemption on state and local bonds.

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FEDERAL ISSUE: Community Services Low Income Programs

BACKGROUND / HOW IT MAY AFFECT VOLUSIA 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. CSBG funding is generally the most flexible federal 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. In FY 2011, Congress provided $678.64 million for the program. 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 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. Administered in Volusia County, 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, when Congress fully funded LIHEAP at its authorized $5.1 billion level, Volusia County received $2.487 million in formula funds from the program. . In FY 2012, Congress provided the LIHEAP program with $3.47 billion, resulting in a significant reduction for Volusia County's program at $1.505 million.

For FY 2013, the Administration proposed a further cut to LIHEAP at $3.02 billion, which would result in the County receiving $1.212 million. The House and Senate both propose level funding for LIHEAP from FY 2012, with $3.47 billion for the program.

RECOMMENDED POSITION: ***Support*** at least level funding from FY 2012 for the Community Services Block Grant and the Low Income Home Energy Program in future fiscal years.

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FEDERAL ISSUE: Department of Housing and Urban Development Formula Programs

BACKGROUND; HOW IT MAY AFFECT VOLUSIA COUNTY: Volusia County and three of its cities (Daytona Beach, Deltona, and Port Orange) receive direct allocations of funding from two Department of Housing and Urban Development (HUD) formula programs: the HOME Investment Partnership (HOME) and Community Development Block Grants (CDBG).

HOME funds are designed to make affordable housing a reality for low-income households and are awarded annually as formula grants to participating jurisdictions. HUD establishes HOME Investment Trust Funds for each grantee, providing a line of credit that the jurisdiction may draw upon as needed. The program allows local governments to use HOME funds for grants; direct loans, loan guarantees or other forms of credit enhancement; rental assistance; or security deposits.

Since Fiscal Year (FY) 2010, HOME funding has been cut by 48 percent nationwide with varying changes to individual recipients. Volusia County received $574,699 in FY 2012, down from $833,968 the year before.

In February 2012, the Administration proposed funding HOME at the FY 2012 level of $1 billion. The Senate also proposed level funding, while the House actually proposed increased funding for HOME at $1.2 billion.

CDBG is a flexible grant program that provides communities with federal funding to address a wide range of unique community development needs. The CDBG program provides annual grants on a formula basis to states and local governments.

Since FY 2010, CDBG funding was cut by 25 percent nationwide with varying changes to individual recipients. Volusia County received $1,745,785 in FY 2012, up from $1,629,116 the year before.

For FY 2013, the Administration proposed FY 2012 funding levels for the CDBG program at $2.95 billion. Both the House and Senate proposed increases to the program from 2012, at $3.34 billion and $3.1 billion respectively.

RECOMMENDED POSITION: ***Support*** at least level funding from FY 2012 for the HOME Investment Partnerships and Community Development Block Grant programs for future fiscal years.

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FEDERAL ISSUE: Recreational Trails Programs

BACKGROUND / HOW IT MAY AFFECT VOLUSIA COUNTY: Recreational trails and other motorized and non-motorized transportation programs are important to Volusia County for the benefits brought to the local economy through eco-tourism and for the improvement of its multi-modal transportation network.

In July 2012, Congress passed a transportation bill that authorizes funding for surface transportation programs at roughly current levels through Fiscal Year (FY) 2014. The bill includes an extension of existing law through the end of FY 2012, with programmatic and structural changes coming into effect for FYs 2013 and 2014.

One of those changes is the removal of dedicated funding for several programs, including Safe Routes to School, Recreational Trails, and the Transportation Enhancements program. The legislation instead created a new program called Transportation Alternatives (TA). Under this consolidated program, funding for these activities will be reduced by approximately $300 million annually from current levels of funding. Fifty percent of Florida's estimated $49 million TA allocation for FY 2013 will be sub-allocated within the state based on population, and census-designated urbanized areas with populations above 200,000 will be given project selection authority over its portion of these funds. The funding for Volusia County will go to the Transportation Planning Organization. The FY 2013 allocation is expected to be $432,781.

With only two years before this transportation authorization expires, Congress must almost immediately begin discussing new authorizing legislation. It is therefore appropriate to advocate for the return of dedicated funding for recreational trails and other bicycle and pedestrian programs in the next transportation authorization.

RECOMMENDED POSITION: ***Support*** funding of trails programs, through the return of dedicated funding for recreational trails and/or alternative funding for these activities.

NOTES:

FEDERAL ISSUE: Federal Funding of Public Safety Programs

BACKGROUND / HOW IT MAY AFFECT VOLUSIA COUNTY: Federal grant funding for many Department of Justice (DOJ) and Department of Homeland Security (DHS) programs are provided as block grants with each state receiving a certain amount of funding, generally linked to population. That funding is then passed through to local jurisdictions to help support police, fire, emergency management, and homeland security functions of government. In other instances, funding from federal programs is made available to local governments via competitive grant solicitations. Specifically, program funds can be used to hire police officers through Community Oriented Policing Services (COPS) or firefighters through Staffing For Adequate Fire & Emergency Response Grants (SAFER), purchase equipment through the Justice Assistance Grant (JAG) or Assistance to Firefighters Grant (AFG), or sustain homeland security operations through the Emergency Management Performance Grant (EMPG).

Volusia County and its local jurisdictions benefit from annual allocations from several of these programs, while others offer competitive grant opportunities from which the County can seek funds.

Most federal public safety programs saw a decrease in funding from Fiscal Year (FY) 2011 to FY 2012. In FY 2013, the trend seems to indicate likely level funding from FY 2012 for most of these programs.

For COPS hiring grants, the Administration proposed an increase from $166 million to $257 million. The House proposed level funding from FY 2012 and the Senate offered an increase to $215 million.

For the JAG program, the Administration proposed an increase from $353 million to $415 million, while the House and the Senate also proposed increases of $370 million and $392 million respectively.

For the AFG program, the Administration proposed an increase from $337.5 million to $420 million, while the House and Senate have both offered level funding from FY 2012.

The Administration sought to significantly decrease the SAFER grant program from $338 million to $250 million, but both the House and the Senate proposed level funding.

For FY 2013, the Administration, House and Senate all agree, proposing level funding for the EMPG program from FY 2012 at $350 million.

RECOMMENDED POSITION: ***Support*** at least level funding from FY 2012 for a wide variety of Department of Justice and Department of Homeland Security grants, e.g., Community Oriented Policing Services, Byrne Justice Assistance Grants, Emergency Management Performance Grants, Assistance to Firefighters Grants, and Staffing for Adequate Fire and Emergency Response Grants. ***Support*** any Volusia County application for these funds.

NOTES: