# Charlotte County, Florida
# 2017 Federal Legislative Agenda

**Prepared by Van Scoyoc Associates for the**

**Charlotte County Board of County Commissioners**

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## ***Water Resources and Environment***

**National Flood Insurance Program** **5**

***Support*** efforts to improve the National Flood Insurance Program for the benefit of all participants. ***Monitor*** FEMA's implementation of the Homeowner Flood Insurance Affordability Act.

**RESTORE Act** **8**

***Monitor*** federal implementation of the RESTORE Act to ensure continued benefit to Charlotte County. ***Support*** efforts to secure funding for Charlotte County. ***Support*** efforts to allow bonding of future RESTORE receipts so communities may implement complete projects now instead of waiting for years of funding to be available.

**Waters of the United States and Regulatory Relief** **10**

***Monitor*** activity related to the implementation of the EPA's rule on Waters of the U.S. ***Oppose*** any aspects of the proposed rule that could lead to unrealistic and over-burdensome regulations that would negatively affect Charlotte County. ***Support*** efforts to further regulatory reform, including with respect to transportation projects which receive less than $5 million in federal investment.

**Charlotte Harbor Conservation; Central Sewers** **12**

***Support*** efforts to secure funding for Charlotte County sewer system expansion. ***Support*** amending existing Charlotte County water infrastructure authorization to allow $16,000,000 for waste water infrastructure to address the County's Restoration of Water Quality in the Impaired Waters of Charlotte Harbor Project.

**Shoreline and Inlet Management** **14**

***Support*** initiation of a Corps of Engineers General Reevaluation or other report of the Manasota Key shoreline, focusing primarily on those areas recommended for a project in 1981 to address sediment management and erosion of beaches, and to provide for safer navigation.

**Energy Exploration** **16**

***Monitor*** the potential expansion of energy exploration in Florida.

## ***Transportation***

**Metropolitan Planning Organization Coordination and Planning Area Reform** **19**

***Oppose*** implementation of the Metropolitan Planning Organization Coordination and Planning Area Reform rule by the Federal Highway Administration and Federal Transit Administration.

**Infrastructure Investment** **21**

***Support*** new federal investment in infrastructure. ***Support*** any and all opportunities to secure funding for Charlotte County's infrastructure priorities.

**Federal Aviation Administration Authorization** **23**

***Support*** the passage of a long-term FAA reauthorization bill, to include the Airport Improvement Program and the Contract Tower Program. ***Support*** $3.35 billion in annual appropriations for the Airport Improvement Program. ***Support*** Charlotte County Airport Authority grant proposals through the FAA Airport Improvement Program. ***Support*** annual full and dedicated funding for the FAA Contract Tower Program.

***Economic Development & Social Services***

**Healthcare Reform** **25**

***Monitor*** efforts to repeal/replace or amend the Affordable Care Act. ***Monitor*** changes to Medicaid and Medicare. ***Support*** the repeal of the excise tax on high-cost health insurance plans (a.k.a. the Cadillac tax) within the Affordable Care Act.

**Medical Marijuana** **27**

***Monitor*** changes to federal marijuana laws and the enforcement of those laws.

**Community Services Block Grants & the Low Income Home Energy Program** **28**

***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.

**Assessment of Fair Housing Rule** **29**

***Monitor*** implementation of the Department of Housing and Urban Development's Assessment of Fair Housing Rule.

**Economic Development Administration Programs** **31**

***Support*** Charlotte County EDA grant applications as applicable, including potential applications for improvements to Parkside, Charlotte Harbor, and Murdock Village Community Redevelopment Areas, along with the Western Michigan Partnership and other infrastructure projects. ***Support*** continued adequate funding of the Economic Development Administration.

**Domestic Discretionary Spending Pressure** **32**

***Monitor*** proposed cuts to non-defense discretionary programs of importance to Charlotte County.

**Opioid Addiction** **34**

***Support*** appropriations activities to fund programs in CARA and the 21st Century Cures Act. ***Monitor*** HHS for guidance regarding the allocation of 21st Century Cures state formula funding. ***Support*** attempts by entities within Charlotte County to secure funding to fight opioid addition.

***Local Government Issues***

**Remote Sales-Tax Legislation** **36**

***Support*** legislation that requires companies making catalog and internet sales to collect and remit the associated taxes. ***Support*** federal tax policies that maintain revenue streams to local governments.

**Transient Occupancy Taxes** **38**

***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** **39**

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

FEDERAL ISSUE: National Flood Insurance Program

BACKGROUND; HOW IT MAY AFFECT CHARLOTTE COUNTY: In 1968, Congress established the National Flood Insurance Program (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 roughly $25 billion in debt due to a number of large storms.

In mid-2012, Congress passed, and the President signed, the Biggert-Waters Flood Insurance Act (BW12), a 5-year reauthorization of the NFIP that attempted to restore the program to firmer financial footing by making a number of changes to the program that impacts the Island's residents. Then, in early 2014, the Homeowner Flood Insurance Affordability Act (HFIAA), was enacted in an attempt to address some of the so-called unintended consequences of BW12.

While HFIAA delayed many of the premium increases implemented by BW12, in the long run, the only real difference between rate increases envisioned by the two bills is that HFIAA reinstated grandfathering. This provision originally ended by BW12 allows property owners to pay flood insurance rates based on original risk, not that which is determined by new community flood maps.

Authorization of the NFIP expires September 30, 2017, which means the 115th Congress will need to address the program this year. Reauthorization will likely include reforms to the NFIP.

*HFIAA Implementation*
While it is unclear if Congress can successfully address the shortcomings in HIFIAA during the remainder of the 114th Congress, FEMA will continue to spend significant time implementing the legislation. This includes creating a Flood Insurance Advocate, allowing for option high-deductible policies for residential properties, communicating full flood risk determinations to property owners regardless of whether their premiums reflect such risk, implementing changes to how FEMA handles map revisions, completing a study of community-based flood insurance options, attempting to secure reinsurance of coverage provided by the NFIP from private markets, providing refunds to pre-FIRM primary homeowners who overpaid due to BW12, providing guidelines for property owners describing alternative means of flood mitigation, other than elevation, that can reduce flood risk and inform property owners about how mitigation can lower premiums, completing an Affordability Study and a "Draft Affordability Framework," allowing for the monthly payment of flood insurance premiums, and reporting to Congress on the number of annual policy premiums that exceed one percent of the total coverage provided by the policy.

Meanwhile, effective April 1, 2016, the first significant wave of NFIP rate increases resulting from HFIAA will be instituted. As noted above, HFIAA called for the NFIP to limit rate increases to no more than 18 percent for any one policy with exceptions. However, FEMA has interpreted HFIAA to allow for the total amount charged to the policyholder to increase an average of 19.8 percent for all 5.5 million FEMA policies and an increase of 37 percent for certain policies.

The most notable exception is that older non-primary residences and older business properties will continue to see annual increases of up to 25 percent. However, because of a new mandatory $250 surcharge on certain properties, some may see a premium increase of 37 percent as of April 1, 2015.

This new mandatory surcharge and the Federal Policy fee found on every FEMA flood insurance policy are not considered premiums by FEMA, and thus are not subject to the limitations described in the HFIAA. FEMA has admitted that as a result, the increase in the total amount charged to a policy may exceed 18 percent.

*Affordability Study*
In 2015, the National Academy of Sciences released two reports on Affordability of National Flood Insurance Program Premiums. Overall the reports unfortunately left many questions unanswered, indicating that many decisions must be made by policy makers (Congress, in this case) and that the report's specific and clear guidance is limited due to a lack of data.

The reports focus in a highly technical manner on examining options for providing premium assistance to certain NFIP policyholders and suggest tying such assistance to mitigation grants or loans. Specifically, the second report found that "linking mitigation with premium assistance can lead to property owners having a cost effective combination of mitigation and insurance coverage." The reports do not simply suggest ways to arbitrarily lower flood insurance policy costs across the board.

Now that the affordability study is complete, FEMA is expected to propose an affordability framework to Congress within 18 months (by the summer of 2017). Based on these reports, that framework will likely include some form of premium assistance and mitigation efforts.

*115th Congressional Approach*
With the Congress having just convened and a number of pressing issues on which to focus in the first months of 2017, it is unclear how high of a priority significant changes to the NFIP will be. However, we expect the House Financial Services Subcommittee on Housing and Insurance to thoroughly discuss and likely produce legislation to reauthorize the program. In January, majority members of the Subcommittee met privately to discuss flood insurance reform/reauthorization. Among those issues that were discussed were the following interesting and/or concerning issues:

1) They suggested "phas[ing] out over time NFIP coverage for those residential and commercial structures over the maximum allowable coverage limits in replacement cost value," meaning that higher value homes that would cost more than $250,000 to rebuild would not be eligible for coverage under the NFIP. This is tremendously concerning for tourism-reliant communities like Galveston.
2) The Committee believes simply ensuring the continuation of the NFIP is important (not a trivial point).
3) The Committee will seek to "actively manage NFIP financial risks" while placing the NFIP on "sound fiscal footing" but did not offer additional detail as to what that may mean. We hope that does not portend significant rate increases.
4) Greater consumer choice = increase in private flood insurance opportunities.
5) The Committee suggested repealing the mandatory coverage requirement for commercial properties.
6) They also suggested several promising efforts to both improve transparency and rate-setting.
7) Also discussed requiring an NFIP working group to develop map standards so communities can develop their own flood maps.

The Senate has yet to act in any formal or informal way and is likely to approach NFIP reauthorization much more slowly and cautiously.

*Charlotte County Position*
Charlotte County supports reauthorization of the National Flood Insurance Program (NFIP) with legislative, policy and programmatic modifications to improve the affordability and transparency of the program through reforms in the following areas:

1) Affordability/Rate Structure
    a. Maintain a focus on affordability; however, if rates must rise, provide a more reasonable glide path for all properties
    b. Ensure rates are consistent for all properties, including second homes and businesses
    c. Ensure NFIP rates are not excessive or unfair by making the rate-setting process more transparent to the public
2) Programmatic Modifications to Enhance NFIP's Financial Sustainability
    a. Consider Write-Your-Own reforms including reducing commissions while further incentivizing NFIP policy sales efforts
    b. Encourage greater participation by those outside of the 100-year floodplain via expanded use of the Preferred Risk Policy
    c. Further strengthen enforcement responsibilities to ensure those in the 100-year floodplain have and maintain flood insurance
    d. Privatization that maintains affordability and requires whole profile of risk (no cherry picking)
3) Mitigation
    a. Increase funding for existing flood mitigation programs
    b. Establish tax credits for mitigation efforts
    c. Consider voucher/loan programs to further emphasize mitigation, particularly for lower-income participants

RECOMMENDED POSITION: ***Support*** efforts to improve the National Flood Insurance Program for the benefit of all participants. ***Monitor*** FEMA's implementation of the Homeowner Flood Insurance Affordability Act.

FEDERAL ISSUE: RESTORE Act

BACKGROUND; HOW IT MAY AFFECT CHARLOTTE COUNTY: In April 2010, an explosion at the BP-operated 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.

In the summer of 2012, Congress passed the RESTORE Act, which established the Gulf Coast Restoration Trust Fund and mandated that 80 percent of Clean Water Act (CWA) civil damages from the spill be allocated directly to the five impacted states, including Florida.

Since the spill, BP settled with the federal government for $4.5 billion to resolve criminal charges against it. This funding is allocated by the National Fish and Wildlife Foundation (NFWF), as well as directed to other trust funds. To date, NFWF has awarded more than 100 million for 25 projects in Florida. BP also 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.

A civil trial between BP and the Department of Justice (DOJ) began in 2013, and, in 2014, a U.S. District Court judge ruled that BP was "grossly negligent" in the Deepwater Horizon spill, citing the company's extreme measures to cut costs despite safety risks. In January 2015, the same judge ruled that BP dumped 3.2 million barrels of oil into the Gulf during the disaster.

Meanwhile, in 2013, DOJ settled with Transocean for their role in the Deepwater Horizon spill. As a result of the agreement, Transocean will pay $1 billion in CWA fines, resulting in the first allocation of funding to be distributed via the RESTORE Act. From this initial settlement, Florida will receive about one-fifth of this funding with Charlotte County receiving its own direct allocation.

In July 2015, BP and DOJ reached a settlement for all federal and state claims in which BP will pay $5.5 billion over 15 years in CWA fines. BP will also pay $4.9 billion in economic claims to the Gulf states, including $2 billion to Florida; $7.1 billion (not including the $1 billion already committed by BP) in NRDA claims, including $680 million for Florida and $350 million for region-wide claims; and approximately $600 million to resolve the economic loss claims of local governments.

These CWA fines will flow to the Gulf States via three channels created by the RESTORE Act: Direct Component, Council-selected projects, and the Spill Impact Component. The Department of the Treasury is tasked with implementing the RESTORE legislation. Treasury published a final rule for the RESTORE Act on December 14, 2015, with an effective date of February 12, 2016. From within the Treasury-administered Trust Fund, Charlotte County is receiving another allocation in Direct Component funding as a first distribution, as well as $12,434,783 from the Spill Impact Component, which was split evenly among the Gulf counties in Florida.

*Direct Component (Bucket 1)*
The Direct Component portion makes up roughly 35 percent of the total Trust Fund and is equally divided among the five Gulf States. The RESTORE Act grants states with significant discretion as to how they will use the funding for restoration activities.

*Council-selected Projects (Bucket 2)*

The RESTORE Act also established the Gulf Coast Ecosystem Restoration Council (the Council), which is responsible for administering 60 percent of the total funding allocated to the Trust Fund. Thirty percent of the Trust Fund is to be used by the Council to develop and fund a Comprehensive Plan for the restoration of the entire Gulf Coast ecosystem, and the remaining thirty percent is to be distributed under the Spill Impact Component. The Council includes the Secretaries of the Interior, Commerce, Agriculture, the Administrator of the Environmental Protection Agency, Secretary of the Army for Civil Works, the head of the Coast Guard, and the Governors of each state. Project and program requests for initial funding from the Transocean settlement under the Council's Comprehensive Plan were due in late 2014.

In August 2015, the Council released a draft Funded Priorities List (FPL) of their selected projects. This draft FPL proposed to fund approximately $139.6 million in restoration activities with a focus on 10 watersheds in the Gulf. It also included Category I and Category II projects, with Category I projects to receive funding once the FPL is finalized and Category 2 projects to be considered for funding in the future.

Then, in August 2016, the Council released an update to its Comprehensive Plan, as well as a draft Ten-Year Funding Strategy for Gulf restoration. The Ten-Year Plan does not identify specific programs or projects, but does anticipate that the next FPL will have a three-year development period, with all future FPLs also operating on a three-year schedule. According to the update, spacing out FPLs will allow the Council to include much larger projects and programs in future FPLs, as well as explore alternative financing mechanisms, such as public-private partnerships, to support these large-scale projects.

*Spill Impact Component (Bucket 3)*
In September 2015, the Council released a proposed regulation to implement the Spill Impact Component of the RESTORE Act. It includes a formula based on three criteria to determine how much funding each state will receive. There are some concerns regarding one of the criteria, which is based on population, because it calculates the average population for each coastal county bordering the Gulf of Mexico within a state. Therefore, using this calculation, the Council finds that Alabama, which only has 2 coastal counties, has the largest average population, and Florida comes in last.

RECOMMENDED POSITION: ***Monitor*** federal implementation of the RESTORE Act to ensure continued benefit to Charlotte County. ***Support*** efforts to secure funding for Charlotte County. ***Support*** efforts to allow bonding of future RESTORE receipts so communities may implement complete projects now instead of waiting for years of funding to be available.

FEDERAL ISSUE: Waters of the United States and Regulatory Relief

BACKGROUND; HOW IT MAY AFFECT CHARLOTTE COUNTY:

*Waters of the United States*

A series of decisions by the U.S. Supreme Court over the past decade imposed restrictions on the scope of wetland regulation governed by Section 404 of the Clean Water Act (CWA), which regulates “dredge and fill” activities in navigable waters and their adjacent wetlands. Opponents of these restrictions have urged Congress to redefine Waters of the U.S. (WOTUS), and apply that definition to all aspects of the CWA.

As legislation along those lines failed to pass previous Congresses, the Environmental Protection Agency (EPA) and U.S. Army Corps of Engineers (ACOE) during the Obama Administration developed guidance and a final rule to redefine WOTUS. There is concern that this effort significantly expanded the definition of WOTUS to include tributaries, ditches, canals, and other water bodies that can potentially drain into navigable waters, interstate waters, or the territorial seas. These water bodies would be subject to new requirements, and some waters currently covered by a permit would be subject to additional monitoring and regulation when those permits are renewed.

Meanwhile, President Trump signed an executive order in February to begin the process of reversing the WOTUS rule.

While the executive order cannot itself repeal WOTUS, which was finalized in May 2015, the order directs EPA and the Army Corps to begin a formal review of the regulation, a likely first step to dismantling it.

The executive order also is expected to signal a significant change in the government's legal strategy for deciding which wetlands and streams are protected under the Clean Water Act. For more than a decade, federal agencies have relied on Justice Anthony Kennedy's opinion in the 2006 wetland-permitting case, Rapanos v. United States, in determining where the federal reach over waterways begins. The court ruled in favor of Rapanos, but in a 4-1-4 vote, the majority split on what approach to use to define government jurisdiction.

The order specifically asks the agencies to consider the late Supreme Court Justice Antonin Scalia wrote in the 2006 case Rapanos v. United States, saying the Clean Water Act ought only to cover navigable waters and waterways “with a continuous surface connection” to them — a far more restrictive definition than what the Obama EPA put into its rule. Relying on Scalia’s opinion would likely restrict federal jurisdiction.

Because the WOTUS rule already is final, the Administration would also have to follow the Administrative Procedures Act, meaning it will need scientific backing to dispute, among other things, the 408-page technical report that accompanied the Obama regulation.

As you know, the rule is currently on hold. The Court of Appeals for the Sixth Circuit, based in Cincinnati, ordered it halted in 2015 while numerous lawsuits challenging the rule wind their ways through the court system. The executive order instructed the EPA to ask the Sixth Circuit court to put the litigation against WOTUS on hold while the administration reviews it.

*Regulatory Reform*

The repeal or rolling back of federal agency regulations and executive orders and actions has long been a topic of legislative debate. Congressional Republicans are exploring ways to reverse numerous regulations and executive orders enacted by the Obama Administration. The Congressional Review Act (CRA), which allows Congress to cast simple majority votes of disapproval for regulations, is often cited as a way to block executive actions. In practice, it has only been used once since its passage 21 years ago.

While Congress has debated regulatory reform within many contexts and has made some strides towards enactment of these reforms, we can expect much more to come from the 115th Congress. The conservative House Freedom Caucus has compiled a list of over 200 regulations it wants to subject to a disapproval vote. These include rules and regulations governing things such as school lunch standards, tobacco regulations, climate change, financial/corporate oversight, and labor laws and practices.

Additionally, on January 5, 2017, the House passed the Regulations from the Executive In Need of Scrutiny (REINS) Act, which was introduced by Congressman Doug Collins (R-GA-9). A companion measure, introduced by Senator Rand Paul (R-KY) is pending consideration in the Senate, but it is hard to see how this bill passes as a stand-alone measure in that body.

The bill revises provisions relating to congressional review of agency rulemaking by requiring any executive branch rule or regulation designated as a “major rule” to come before Congress for an up-or-down vote before being enacted. A "major rule" is any rule that the Office of Information and Regulatory Affairs of the Office of Management and Budget finds results in: (1) an annual effect on the economy of $100 million or more; (2) a major increase in costs or prices for consumers, individual industries, government agencies, or geographic regions; or (3) significant adverse effects on competition, employment, investment, productivity, innovation, or the ability of U.S.-based enterprises to compete with foreign-based enterprises.

A joint resolution of approval must be enacted within 70 legislative days after the agency proposing a major rule submits its report on the rule to Congress in order for the rule to take effect. A major rule may take effect for 90 days without such approval if the President determines it is necessary because of an imminent threat to health or safety or other emergency, for the enforcement of criminal laws, for national security, or to implement an international trade agreement.

With respect specifically to transportation projects, the National Association of Counties has suggested precluding projects that receive less than $5 million in funding, as well as emergency projects, from federal requirements, thereby saving millions in added costs due to a variety of federal guidelines. While this issue has been addressed to some degree in past transportation authorization bills, more could be done to strengthen the authority to bypass federal regulations in projects which receive a minimal federal investment.

RECOMMENDED POSITION: ***Monitor*** activity related to the implementation of the EPA’s rule on Waters of the U.S. ***Oppose*** any aspects of the proposed rule that could lead to unrealistic and over-burdensome regulations that would negatively affect Charlotte County. ***Support*** efforts to further regulatory reform, including with respect to transportation projects which receive less than $5 million in federal investment.

FEDERAL ISSUE: Charlotte Harbor Conservation; Central Sewers

BACKGROUND; HOW IT MAY AFFECT CHARLOTTE COUNTY: The health of Charlotte Harbor is critical to the future of Charlotte County. A significant 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 residents are on central sewer.

Many of the County's homes are within 150 feet of waterways that flow into Charlotte Harbor, necessitating that residents will ultimately need to be on central sewer. The County is currently completing the first phase of converting homes within close proximity to the Harbor to central sewer and will begin moving toward the second phase of the initiative this year. In addition to taking advantage of State Revolving Funds and tax assessments, the County is pursuing funding for additional phases of this environmentally significant project.

The RESTORE Act offers the County an opportunity 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.

Meanwhile, a new process codified by the Water Resources Reform and Development Act (WRRDA) of 2014 presents an avenue from which to seek assistance from the Army Corps of Engineers for water quality restoration activities. Under WRRDA, the Corps is required to seek proposals for water resources studies and project modifications on an annual basis. From the proposals submitted by local sponsors, the Corps identifies those that meet certain criteria and recommends them to Congress for authorization within an Annual Report. The Report will also include an Appendix listing those proposals that are not recommended for authorization and the reasons for the lack of recommendation. Congress then has the opportunity to authorize the recommended studies and project modifications through a yes or no vote.

In 2014, the County submitted to the Corps a project modification proposal for water supply infrastructure. The County requested that its existing water supply authorization be modified to allow $16,000,000 for waste water infrastructure to address the County's Restoration of Water Quality in the Impaired Waters of Charlotte Harbor Project. However, the Administration deemed that the County's project did not meet a "core" mission of the Corps of Engineers. Congress, however, in Section 7001 of WRRDA 2014, said "the Secretary shall include…only those…proposed modifications…that are *related to the missions and authorities* of the Corps of Engineers" (emphasis added). Ecosystem restoration, as proposed under the project modification, is related to the missions and authorities of the Corps. Therefore, the County resubmitted the proposal in 2015 and will continue to engage with Congress to support the authorization amendment.

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. Lastly, a continuation of the cooperative effort between public, private, and nonprofit organizations will continue the enforcement of water quality regulations and Best Management Practices.

RECOMMENDED POSITION: ***Support*** efforts to secure funding for Charlotte County sewer system expansion. ***Support*** amending existing Charlotte County water infrastructure authorization to allow $16,000,000 for waste water infrastructure to address the County's Restoration of Water Quality in the Impaired Waters of Charlotte Harbor Project.

FEDERAL ISSUE: Shoreline and Inlet Management

BACKGROUND; HOW IT MAY AFFECT CHARLOTTE COUNTY:

*Manasota Key*
Over the past several years, and highlighted most recently by Tropical Storm Colin, Charlotte County's beaches on Manasota Key have eroded to the point where the County has declared numerous emergencies to help with permitting and other homeowner challenges.

In 2016, upon seeking to engage the Corps of Engineers in a long-term solution to erosion issues, the County learned that the Corps actually completed a Chief of Engineers report on 29 June 1981 in response to a House Public Works Committee Resolution adopted 2 December 1971. Unfortunately, in the spring of 1981, the Charlotte County Board of County Commissioners withdrew support for the project, thereby effectively ending substantive work on the project.

Given the County's recent challenges and the work completed by the Corps in the past, it is hoped that the Corps will initiate a General Reevaluation or other report of the shoreline, focusing primarily on those areas recommended for a project in 1981. These include beach erosion control improvements along 3.9 miles beginning at Stump Pass and extending northward to the Sarasota County Line (along Manasota Key), including the Port Charlotte Beach State Recreational Area. At the time, the project had a benefit-cost ratio of 4.2, with initial placement of approximately 335,000 cubic yards (CY) and five-year nourishment intervals of approximately 68,000 CY each. Finally, a 1,250-foot long terminal groin was recommended to be constructed at the south end of the beach fill along Stump Pass. Sand was proposed to have come from an offshore borrow area.

*Knight Island and Stump Pass*
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.

Meanwhile, Charlotte County and the Florida Department of Environmental Protection (FDEP) have jointly worked together to take a holistic approach to dredging Stump Pass and renourishing critically eroded beaches at Chadwick Park, the County's public beach park, extending southward along Palm/Knight/Bocilla/Don Pedro Islands Gulf frontage to Don Pedro State Park. Included within this project is a proposed beach stabilization structure to be place on Manasota Key north of Stump Pass. The main purpose of this structure is to reduce the rate of sand migrating into the Pass, thereby reducing the frequency of dredging cycles. This overall effort, known as the 10 Year Management Plan, was approved by FDEP for permitting in September 2015.

This project provides for continued monitoring, as required by permitting, to dredge Stump Pass in order to re-establish the 1980 channel alignment and provide for re-nourishment of critically eroded beaches. Maintenance dredging of Stump Pass and beach re-nourishment will be conducted approximately every three years. An engineered structure will be installed at Stump Pass to improve program performance. In the permitting process, an Adaptive Management Plan Strategy will be employed to provide options for modifications to structure(s) placed with initial construction or installation of additional structures in the future in response to beach and inlet management activities and storm erosion impacts.

<u>RECOMMENDED POSITION</u>: ***Support*** initiation of a Corps of Engineers General Reevaluation or other report of the Manasota Key shoreline, focusing primarily on those areas recommended for a project in 1981 to address sediment management and erosion of beaches, and to provide for safer navigation.

FEDERAL ISSUE: Energy Exploration

BACKGROUND; HOW IT MAY AFFECT CHARLOTTE COUNTY:

*Offshore Energy Development*
Active energy drilling currently occurs in both the western and central Gulf of Mexico, while 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 currently occur off of the Atlantic coast of Florida.

Efforts are frequently made in Congress to open up new areas of the Outer Continental Shelf (OCS) for additional offshore energy exploration. The Senate Energy and Natural Resources Committee approved a bill titled the Offshore Production and Energizing National Security (OPENS) Act that would allow new energy production on the OCS in the eastern Gulf of Mexico, the South Atlantic, and in the waters off of Alaska. The OPENS Act would also expand offshore revenue sharing to Florida in 2017 for leases in the eastern Gulf of Mexico. Currently, only Texas, Louisiana, Mississippi, and Alabama receive revenue from offshore drilling activities in the Gulf of Mexico. The bill would also direct the Interior Department to hold lease sales in the eastern Gulf in 2018, 2019, 2020, and after 2022.

In response to the Committee's approval of the OPENS Act, Senator Bill Nelson sent a letter to Majority Leader Mitch McConnell (R-KY) and Minority Leader Harry Reid (D-NV) saying he would use "all available procedural options to block it." Full consideration of the bill on the Senate floor remains uncertain. In the House, meanwhile, members approved an amendment from (former) Rep. David Jolly (R-FL, Pinellas County) to the Fiscal Year (FY) 2016 Interior and Environment Appropriations bill that would prohibit spending FY 2016 dollars on researching, investigating, or studying drilling in the eastern Gulf of Mexico. This amendment, however, was not included in the final FY 2016 omnibus.

In early January 2017, Senator Bill Nelson re-introduced his Marine Oil Spill Prevention Act (S. 74). The purpose of the bill is to protect Florida from the threat of offshore drilling until at least 2027. The legislation amends the Gulf of Mexico Energy Security Act of 2006 to extend the moratorium on oil and gas leasing in certain areas in the Gulf of Mexico until June 30, 2027. It sets forth provisions concerning Coast Guard responsibilities, including designating areas that are at heightened risk of oil spills and implementing measures to ameliorate that risk. This bill also amends the Oil Pollution Act of 1990 to establish a Gulf Coast Regional Citizens' Advisory Council to advise on facilities and tank vessels, among other things.

President Trump, however, has stated that he intends to open additional onshore and offshore leasing on federal lands and in federal waters, particularly in the Atlantic and the Arctic. It is unclear if he intends to open leases in other areas - and doing so could take up to two years - but the 115th Congress will likely be supportive of attempts to open additional lands and waters to energy exploration and harvesting.

*Onshore Energy Development (Hydraulic Fracturing)*
The rapid expansion of oil and gas extraction using hydraulic fracturing — both in rural and more densely populated areas — has raised concerns about its potential environmental and health impacts. These concerns have focused primarily on impacts to groundwater and surface water quality, public and private water supplies, and air quality.

In Florida, the Burnett Oil Company submitted a proposal to the National Park Service (NPS) to conduct a seismic survey of 110 square miles within Big Cypress Preserve. Similar to offshore seismic testing, a seismic survey is a preliminary research technique used to determine the presence of oil and gas below the surface of the ground, which may lead to future harvesting in those areas found to be rich with resources. Senator Nelson sent a letter to the Department of Interior on July 31, 2015, in strong opposition to seismic testing within the Preserve. The NPS completed an Environmental Assessment (EA) for the proposal and the City submitted comments in opposition to the seismic surveys. In May 2016, the NPS issued a finding of no significant impact following their environmental review. The finding of no significant impact is based on information and conclusions outlined in an environmental assessment completed for the proposed survey. Burnett Oil is required to implement a variety of measures to prevent lasting impacts and minimize short-term impacts to the preserve's resources during survey activities. The environmental assessment only covers the seismic survey. Should Burnett Oil wish to pursue production of resources, they must submit a new plan of operations which would undergo additional environmental review and public comment periods. However, in July 2016, six environmental groups filed suit to stop Burnett Oil's seismic survey.

In terms of non-federal land, states broadly regulate oil and gas exploration. In Florida, oil and gas extraction activities are managed by the Department of Environmental Protection. State laws and regulations governing unconventional oil and natural gas development have evolved in response to changes in production practices, largely due to the use of high-volume hydraulic fracturing in combination with directional drilling. However, state regulations vary considerably, leading to calls for more federal regulation of unconventional oil and natural gas extraction activities.

In March 2015, DOI finalized regulations for hydraulic fracturing on public lands, which will allow government workers to inspect and validate the safety and integrity of barriers lining the fracking wells, require companies to publically disclose the chemicals used in fracturing, and set safety standards for how companies can store and dispose of used fracking chemicals. The rule only applies to federal lands, and states still retain control of hydraulic fracturing on state and private lands.

In response to the rule, proponents of hydraulic fracturing introduced legislation to weaken the rule. Sen. James Inhofe (R-OK) introduced the Fracturing Regulations are Effective in State Hands Act (S. 828), which would give states sole authority over hydraulic fracturing on any land within their boundary and require that hydraulic fracturing on federal land comply with the laws and regulations of the state in which the land is located. The bill had 28 cosponsors in the 114th Congress. It has yet to be reintroduced in the 115th Congress.

Meanwhile, supporters of increasing federal regulations for hydraulic fracturing have also introduced legislation. Rep. Matt Cartwright (D-PA) introduced the Closing Loopholes and Ending Arbitrary and Needless Evasion of Regulations (CLEANER) Act of 2015, which would close a loophole that allows oil and gas producing companies to avoid hazardous waste disposal requirements. The bill had 101 cosponsors, including Rep. Deutch in the 114th Congress, but has not been introduced in the 115th Congress thus far.

In addition, Rep. Diana DeGette (D-NY) introduced the Fracturing Responsibility and Awareness of Chemicals (FRAC) Act in the House (H.R. 1482) and Sen. Bob Casey (D-PA) introduced a Senate version of the bill (S. 785) in March of 2015. Those bills would define hydraulic fracturing as a federally regulated activity under the Safe Drinking Water Act, which would subject fracking activity to underground drinking water protections and require industry to disclose the chemicals used in hydraulic fracturing. The bills had 63 and 12 cosponsors, respectively, in the 114th Congress. The bills have not been reintroduced in the 115th Congress.

RECOMMENDED POSITION: ***Monitor*** the potential expansion of energy exploration in Florida.

FEDERAL ISSUE: Metropolitan Planning Organization Coordination and Planning Area Reform

BACKGROUND; HOW IT MAY AFFECT CHARLOTTE COUNTY: In the summer of 2016, the Federal Highway Administration (FHWA) and Federal Transit Administration's (FTA) issued a joint Notice of Proposed Rulemaking (NPRM) for "Metropolitan Planning Organization Coordination and Planning Area Reform." At the time, there were concerns that the NPRM could make significant changes to the structure and functioning of roughly one-third of the nation's Metropolitan Planning Organizations (MPOs), potentially including the Charlotte County MPO. Subsequently, a final rule on the subject was released in January 2017.

The final rule does a few things. First, it changes the regulatory definition of a Metropolitan Planning Area (MPA) to require that a MPA include the entire urbanized area (UZA), as well as the contiguous area expected to become urbanized in the next 20 years. For clarification purposes, UZA is a census-designated term given to an area when it reaches 50,000 in population. This may mean merging existing MPAs when multiple exist within a UZA. Under prior regulations, MPA boundaries were determined largely by the MPO and Governor's criteria. However, boundaries will now be established by federal regulation while making MPA boundaries the defining basis for developing a likely single transportation plans.

Therefore, if there are multiple MPOs within each new MPA, the relevant Governor(s) and MPOs would determine whether or not a merger of the existing MPOs is appropriate. If they jointly determine that is not appropriate to have more than one MPO in a MPA, the MPOs have the choice of: 1) merging; or 2) changing the MPO boundaries so there is only one MPO in the new MPA. However, if they jointly determine that it is appropriate to have more than one MPO (assuming the "size and complexity of the MPA makes the designation of multiple MPOs appropriate"), then the MPOs must jointly: 1) produce one set of planning documents for each MPA; and 2) establish a written agreement that defines procedures for joint decision making between the multiple MPOs. In either case, planning agreements would be required under this proposal to include coordination and dispute resolution strategies between the state and the MPO, as well as MPO to MPO.

The final rule establishes criteria under which MPOs may seek an exception from the requirement that each MPA have only one set of planning documents. This exception, if approved by the Secretary, would allow multiple MPOs in an MPA to continue to exist separately and generate separate planning documents in cases where it is not feasible for MPOs to prepare unified planning products. In order to gain an exception, all MPOs in the MPA and their Governor(s) must submit a joint written request and justification to the Secretary. The submittal must: (1) explain why it is not feasible, for reasons beyond the control of the Governor(s) and MPOs, for the multiple MPOs in the MPA to produce unified planning products; and (2) demonstrate how the multiple MPOs in the MPA are already coordinating with each other and producing consistent planning documents and performance targets.

If the Secretary does not approve the request, the Governors and the MPOs will be given written notice as to why the exception was denied and will be able to submit supplemental information to address the deficiencies. The Secretary will then make a final determination based on that information. An approved exception is permanent, but FHWA and FTA will routinely perform reviews to ensure the coordination requirements are being met. Lastly, FHWA and FTA will produce guidance outlining situations where exceptions may be appropriate, as well as suggestions as to how Governors and MPOs can best demonstrate that their current coordination efforts meet the exception requirements.

The final rule also phases in implementation of the coordination requirements and the requirements for MPA boundary and MPO jurisdiction agreements. Under the final rule, compliance is required within two years after the date the Census Bureau releases its notice of Qualifying Urban Areas following each decennial census (with 2020 being the next decennial census). This is a significant change from the original proposed timeline for compliance, which was within two years of the rule going into effect.

FHWA and FTA claim the goal of the rule is to promote more effective regional planning. However, there are concerns surrounding the agencies' approach, including:

- Complexity and Cost: Merging MPOs would seemingly be a complex process, even when the parties are willing participants. This could also be the case in developing unified planning documents between two or more organizations.
- One Size Fits All - Each region is unique and should take a localized approach to planning. This proposal, however, seems to suggest taking a one-size-fits-all approach, which could possibly hinder, more than help, regional planning. It certainly also could remove local control from a variety of decisions.
- Uncertainty: There is uncertainty surrounding the impact on Transportation Management Areas (TMAs), which are areas with a population of 200,00 or more; and the potential for creation of new MPOs in the future. There is also significant concern as to how the disruption caused by this rule may impact both short- and long-term planning efforts.
- Question of Necessity: Many MPOs are already working across jurisdictional lines to coordinate planning efforts. This suggests there may be no need for a new federal regulation. A better option may be for the agencies to develop incentives that would encourage greater collaboration among existing MPOs.

At this time, it is unclear whether the 115th Congress or new Administration will seek to alter or terminate this rule before it goes into effect.

RECOMMENDED POSITION: ***Oppose*** implementation of the Metropolitan Planning Organization Coordination and Planning Area Reform rule by the Federal Highway Administration and Federal Transit Administration.

FEDERAL ISSUE: Infrastructure Investment

BACKGROUND; HOW IT MAY AFFECT CHARLOTTE COUNTY: Traditionally, Congress has invested in infrastructure via a number of methods, primarily through legislation or programs like transportation authorizations, Federal Aviation Administration authorizations, revolving loan funds, through the tax code via bond programs, or earmarks prior to 2009. The last big influx of new and unexpected investment in infrastructure occurred via the 2009 Stimulus bill, which, among other things provided $105.3 billion for infrastructure, including $48.1 billion on transportation, $18 billion on water, environment, and public lands, and the remainder on government buildings, telecommunications and broadband, and energy infrastructure.

Recently however, federal funding for infrastructure still fell to a 30-year low as a share of Gross Domestic Product. The American Society of Civil Engineers said in its latest report that $3.6 trillion was needed to bring all segments of U.S. infrastructure up to a state of good repair.

In response, the Trump Administration has made bold promises to invest $1 trillion in infrastructure over ten years. President Trump has given few details about his plans, but has said he would like the private sector to provide much of the funding. He has also indicated funding could be available not just for roads and bridges, but also for airports, schools and hospitals.

The most detailed plan, authored by Wilbur Ross, the nominee for Secretary of Commerce, and economist Peter Navarro, suggests there will be $1 trillion in "cost-neutral" investment funded mostly with repatriated foreign corporate income. More specifically, Trump has proposed reducing the rate companies would pay to bring cash held overseas by U.S. corporations to 10 percent, down from 35 percent. Those companies then could invest in infrastructure projects, benefit from a new 82 percent tax credit and effectively erase their 10 percent repatriation tax.

However, lowering the cost of money with tax credits to investors may not entice the kind of investment suggested because local governments already have access to the municipal bond market, which benefits from the lowest financing costs in more than 50 years. The Congressional Budget Office reported in 2015 that just 26 private-investment projects were completed or underway nationwide.

Meanwhile, the Trump Administration and Congress will also have to decide whether to allow investment in new projects or upgrade existing infrastructure. Private investors are more likely to invest if they can make a profit. That often means tolls on roads and bridges, rate increases on water infrastructure, or property taxes on other projects. That becomes more difficult for environmental improvements or projects located in more rural areas. Also, voters have shown a reluctance to accept tolling on existing infrastructure.

With regard to specific infrastructure projects, in late January 2017, a list of 50 infrastructure projects was circulated. The origin of the list is somewhat unclear with conflicting reports that it was compiled by the Trump transition team or by the National Governor's Association for the Trump transition team. The list mentions that the projects would be funded with 50% private investment. However, there is no additional public discussion regarding projects or a more formal plan, including how to pay for it using either public or private funds. These projects may be reflective of the type of infrastructure investment that will be supported by the Trump Administration.

Lastly, during his first week in office, Senate Democrats called President Trump's bluff (so to speak) and outlined an ambitious proposal to spend $1 trillion on a broad range of infrastructure projects over the next ten years. Since the announcement, neither the President nor Republican members of Congress have responded in any significant way to the Democrats' offer.

The proposal suggests the following investments:

| | |
|---|---|
| Reconstruct Roads & Bridges $100B | Improve Airports $30B |
| Revitalize Main Street $100B | Address Ports & Waterways $10B |
| Expand TIGER $10B | Build Resilient Communities $25B |
| Rehabilitate Water and Sewer $110B | 21st Century Energy Infrastructure $100B |
| Modernize Rail Infrastructure $50B | Expand Broadband $20B |
| Repair & Expand Transit $130B | Invest in Public Lands & Tribal Infrastructure $20B |
| Vital Infrastructure Program $200B | Modernize VA Hospitals $10B |
| Rebuild Public Schools $75B | Provide Innovative Financing Tools $10B |

Congressional Republicans on the other hand, continue to discuss a desire to provide more funding for infrastructure, but have not offered a formal proposal or a specific time as to when they may be able to tackle the issue given other priorities. Some continue to look at repatriation of corporate foreign income as an at least partial funding source, while others suggest those funds should be used for tax reform. There is little to no talk of Congress simply using deficit spending to fund infrastructure.

While it is unclear how this discussion will progress during the 115th Congress, it is possible that new infrastructure investment opportunities could be created and used to fund projects in Charlotte County.

RECOMMENDED POSITION: ***Support*** new federal investment in infrastructure. ***Support*** any and all opportunities to secure funding for Charlotte County's infrastructure priorities.

FEDERAL ISSUE: Federal Aviation Administration Authorization

BACKGROUND; HOW IT MAY AFFECT CHARLOTTE COUNTY: In July 2016, Congress passed a short-term Federal Aviation Administration (FAA) extension through September 2017. Before passing this bill, the Senate passed a bi-partisan, comprehensive FAA reauthorization bill. The House was unable to move their version of the bill, primarily due to controversy over the bill's inclusion of language to privatize the FAA's air traffic control functions.

While the legislation ultimately signed into law was not a full blown reauthorization, it was more than a simple extension. The bill included several policy provisions, particularly related to security. These included allowing the Transportation Security Administration (TSA) to donate unneeded screening equipment to foreign airports with direct flights to the US; expanding TSA's PreCheck program; tightening the vetting of airport employees; increasing the presence of special teams with bomb-sniffing dogs around airport perimeters; and establishing a new program to detect and mitigate unauthorized operation of unmanned aircraft around airports and critical infrastructure. The bill also required air carriers to refund baggage fees when items are lost or delayed, required DOT to issue a rule aimed at improving air travel for persons with disabilities, and required airlines to ensure that children 13 years old or younger are seated adjacent to an adult or older child traveling with them.

The FAA extension maintained the existing level of funding authorization ($3.35 billion) 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 Key West International and Florida Keys Marathon Airports and is subject to annual appropriations by Congress. Between 2009 and 2013, Key West International experienced over 74 percent increase in passenger traffic. With this tremendous growth, it is critical to ensure that these airports can compete for sufficient federal funding as necessary to continue this trend.

For FY 2016, Congress provided $3.35 billion for the AIP program which was an increase over the Administration's budget request of $2.9 billion (which included the elimination of guaranteed funding for large and medium hub airports). The purpose of the proposal was to focus federal grant support on smaller commercial and general aviation airports that are less likely to have access to additional revenue or other outside sources of capital. In FY 2017, the Administration made the same budgetary request. Again, Congress is likely to overrule the proposal. The Senate and House each included $3.35 billion in their respective versions of the FY2017 Transportation Appropriations bill for AIP.

The FY 2017 Administration budget request proposed to allow larger airports to increase non-federal passenger facility charges (PFC), thereby giving larger airports greater flexibility to generate their own revenue. Authorized by Congress in 1992, the PFC allows commercial airports controlled by public agencies to charge $3.00 per passenger through airline tickets. The PFC cap was raised in 2001 to $4.50, but has not been increased since. Several airport groups, including the American Association of Airport Executives and the Airports Council International-North America, advocate for local authority to raise the cap per enplanement in order to meet current infrastructure needs and prepare for future demand.

*Contract Tower Program*

The contract tower program was extended through September 2017 as part of the July 2016 FAA Extension. However, this is a program that Charlotte County should closely monitor under the new Administration and in the context of the 2017 FAA reauthorization bill.

The FAA announced in 2013 that it would phase out federal funding for 149 contract air control towers around the country, including the tower at Punta Gorda Airport. This proposal was met with substantial Congressional and local opposition, and ultimately legislation was passed that provided the Department of Transportation flexibility to keep these towers funded through the remainder of FY 2013. However, that the funding that was provided to keep these towers open was taken from the AIP, which ultimately resulted in reduced availability of funds for the AIP program that year.

In the FY 2015 omnibus appropriations bill, Congress provided $144.5 million for the FAA Contract Tower Program and added language that guarantees full funding for the entire fiscal year in order to prevent the Administration from making cuts to the program. While the Administration's FY 2016 budget once again recommended no dedicated funding for the Contract Tower program, Congress again ignored this request and provided $154.4 million for the program in the FY 2016 omnibus appropriations bill. In FY 2017, the Senate and House each provide $159 million in their versions of the FY 2017 Transportation Appropriations Bill.

RECOMMENDED POSITION: ***Support*** $3.35 billion in annual appropriations for the Airport Improvement Program. ***Support*** Charlotte County Airport Authority grant proposals through the FAA Airport Improvement Program. ***Support*** annual full and dedicated funding for the FAA Contract Tower Program.

FEDERAL ISSUE: Healthcare Reform

BACKGROUND; HOW IT MAY AFFECT CHARLOTTE COUNTY: The Patient Protection and Affordable Care Act (PPACA), often referred to simply as the Affordable Care Act (ACA) or "Obamacare," was passed by Congress and signed into law in 2010. The primary goal of the ACA was to increase the quality and affordability of health insurance, as well as lower the uninsured rate by expanding public and private insurance coverage. The law included a number of mechanisms, including individual and employer mandates, insurance exchanges, minimum standards of care, and new taxes/fees to accomplish these goals.

Since its passage in 2010, Republicans have unsuccessfully worked to repeal all, or parts, of the law many times. However, the 2016 election, which resulted in unified government under Republican control, is likely to provide an opportunity to successfully do so. President Trump has expressed support for maintaining some provisions of the ACA however, including the provision that forbids insurance companies from denying coverage to people with preexisting conditions, as well as allowing young adults to stay on their parents' policies until they are 26. Meanwhile, Congress appears focused on a "repeal and replace" strategy that attempts to unravel Obamacare without immediately depriving reportedly more than 20 million people of their health insurance.

More specifically, some broad ideas discussed by Republicans have included:

- Repealing the Medicaid expansion under the ACA and turning Medicaid into a block grant program;
- Privatizing Medicare and/or turning it into a voucher system, which might impact Charlotte County's residents more than others given the community's high percentage of older Americans;
- Restoring the role of regulating health insurance to the states;
- Allowing insurance plans to be sold across state lines, rather than through individual state exchanges;
- Re-establishing high-risk pools;
- Changing the tax code to allow individuals to deduct health insurance premiums; and
- Expanding access to tax free Health Savings Accounts.

With respect to Medicaid, if it were changed to a block grant program, federal expenditures would be limited to a set amount given to states, ostensibly with fewer strings attached. This however, could end up forcing states and counties to come up with more money for Medicaid depending on how large of a block grant is provided to Florida and what type of program the state develops.

During his time as Governor of Indiana, Vice President Pence implemented policies that would require Medicaid enrollees to pay a small monthly contribution towards their coverage into a health savings account. That idea could soon become a national model as President Trump nominated Seema Verma to run the Centers for Medicare and Medicaid Services. Ms. Verma helped Pence develop the changes to Medicaid in Indiana.

Meanwhile, House Speaker Paul Ryan (R-WI) has long supported the idea of privatizing Medicare. Following the election, he suggested that any ACA reform should also include Medicare reform. Specifically, Speaker Ryan supports changing Medicare from a single payer system in which the federal government pays directly for healthcare to a system where beneficiaries would use government benefits (i.e. a voucher) to purchase private insurance. According to Ryan, this would inject competition into the market, thereby reducing prices. However, critics point out this would effectively end the program, and force seniors

to navigate the private insurance market. There are also concerns that this could actually increase costs, as Medicare tends to be less expensive than private insurance.

While President Trump has not yet committed to the privatization or reform of Medicare into a voucher program, he has expressed a desire to "modernize" the program. In addition, Trump nominated House Budget Chairman Tom Price (R-GA) to run the Department of Health and Human Services, and Price has supported efforts to turn Medicare into a voucher program.

ACA repeal or reform could provide an opportunity to address the issue of the Cadillac tax. Under the ACA, a Cadillac health plan is defined as a plan with annual premiums exceeding $10,200 for individuals or $27,500 for families. Under current law, and beginning in 2020, a 40 percent excise tax will be assessed on any dollar amount paid in premiums exceeding the aforementioned values, which, after 2020, will adjust to inflation annually. However, the rate of growth in healthcare costs often outpaces the rate of inflation, meaning employers are likely to pay significantly more each year. Originally envisioned as a tool to reduce healthcare costs, the tax in practice looks increasingly like an increase in out-of-pocket costs for workers. The tax, which is estimated to generate $87 billion over the next ten years, is an offset to pay for the ACA.

The excise tax was originally slated to begin in 2013. However, due to strong concerns expressed by labor groups and others, the ACA was amended by Congress to delay the tax until 2018. Most recently, a provision was included in the FY 2016 omnibus appropriations bill that will delay the Cadillac tax for two additional years, meaning implementation is now set to occur in 2020. The delay is expected to cost $35 million over two years.

<u>RECOMMENDED POSITION</u>: ***Monitor*** efforts to repeal/replace or amend the Affordable Care Act. ***Monitor*** changes to Medicaid and Medicare. ***Support*** the repeal of the excise tax on high-cost health insurance plans (a.k.a. the Cadillac tax) within the Affordable Care Act.

FEDERAL ISSUE: Medical Marijuana

BACKGROUND; HOW IT MAY AFFECT CHARLOTTE COUNTY: Despite medical cannabis laws in 44 states (and the legalization of recreational marijuana in eight states plus DC), cannabis is still illegal under federal law. The federal government regulates drugs through the Controlled Substances Act (CSA) (21 U.S.C. § 811), which does not recognize the difference between medical and recreational use of cannabis. Under federal law, cannabis is treated like every other controlled substance, such as cocaine and heroin.

As of 2016, several federal agencies have issued guidelines and other policy memorandums to manage the conflict between federal and state laws as they pertain to medical marijuana. In August 2013, the Department of Justice (DOJ) issued a guidance memo to prosecutors concerning marijuana enforcement under the Controlled Substance Act (CSA) making it clear that prosecuting state legal medical marijuana cases is not a priority. With a new Administration, it is unclear whether or not this DOJ guidance memo will be overturned.

White House press secretary Sean Spicer has said that he expects states to be subject to "greater enforcement" of federal laws against marijuana use. This could undercut the growing number of jurisdictions moving to legalize the drug for recreational purposes. Spicer has also stated that President Trump sees "a big difference" between the use of marijuana for medical purposes and for recreational purposes.

Newly-confirmed Attorney General Jeff Sessions has a long track record of speaking out against the use of marijuana. However, at his confirmation hearings, Sessions did not commit to vigorously enforcing federal drug laws in states that have legalized marijuana. He noted the lack of resources at the federal level as a reason that enforcement may not be as aggressive as he would personally like to see, but suggested that Congress should change the law if it no longer wished to see the prosecution of marijuana (medical and recreational) offenses.

Several Republican senators, including from states with legalized marijuana use, have stated that they do not expect to see a federal crackdown or significant policy change with regard to the enforcement (or lack thereof) of federal marijuana laws. However, Sessions has made recent statements indicating that changes are coming regarding the enforcement of marijuana laws and that the 2013 Obama-era policy is under review. "I'm definitely not a fan of expanded use of marijuana," Sessions told reporters. "States they can pass the laws they choose. I would just say it does remain a violation of federal law to distribute marijuana throughout any place in the United States, whether a state legalizes it or not."

In early March eleven Senators, led by Senators Warren and Murkowski (who come from states that have legalized marijuana), sent a letter urging Sessions to uphold the Obama-era policy of allowing states to implement their recreational marijuana laws. The path forward on the enforcement of medical marijuana is far from clear at this point.

RECOMMENDED POSITION: ***Monitor*** changes to federal marijuana laws and the enforcement of those laws.

FEDERAL ISSUE: Community Services Block Grants & the Low Income Home Energy Program

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.

The CSBG program has seen strong funding levels over the past few years, receiving $674 million in FY 2014 and FY 2015 and $715 million in FY 2016. For FY 2017, the House and Senate Appropriations Committees both recommend funding the CSBG program at the FY 2016 level of $715 million.

Meanwhile, the Low Income Home Energy Program (LIHEAP) provides heating assistance to low-income households. Also administered in Charlotte 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 a program that benefits northern states, it is equally important in Florida due to the expense of cooling a residence during excessive heat in the summer months.

The LIHEAP program has seen reduced funding over the past few years. In FY 2015, the Administration's budget request proposed cutting the program from $3.4 billion in FY 2014 down to $2.8 billion, a greater than 45 percent reduction from FY 2010 when LIHEAP was funded at $5.1 billion. Congress, however, ultimately provided $3.39 billion to LIHEAP in the FY 2015 omnibus. In FY 2016, the Administration requested level funding of $3.39 billion for LIHEAP, with Congress honoring that request in the FY 2016 omnibus. For FY 2017, the Administration proposed a funding level of $3 billion. The Senate Labor, Health and Human Services Appropriations Subcommittee recommended $3.39 billion for FY 2017, which is level with FY 2016 funding, while the House Labor, Health and Human Services Appropriations Subcommittee recommended $3.49 billion for FY 2017.

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.

FEDERAL ISSUE: Assessment of Fair Housing Rule

BACKGROUND; HOW IT MAY AFFECT CHARLOTTE COUNTY: In 2010, the Government Accountability Office released a finding that the Department of Housing and Urban Development (HUD) had failed to implement federal funding according to the Fair Housing Act (FHA). As a result, HUD began a five year effort to rewrite FHA regulations governing the mandate of state and local jurisdictions to affirmatively further fair housing.

In 2013, HUD released a proposed rule that was intended to provide clarity to entities regarding their obligations under the FHA, as well as outline a new fair housing assessment process called the Assessment of Fair Housing (AFH), which would replace the current assessment tool, known as Analysis of Impediments. Several national organizations, including the National Association of Counties and the National Association of Local Housing Finance Agencies, submitted comments to HUD expressing their concerns with the proposed rule. Concerns centered around a belief that the proposed rule was attempting to impose additional requirements on grantees that are not required under the FHA and that the proposed rule would make it easier for local governments and housing authorities to be subject to third-party lawsuits.

In September of 2015, HUD released the final rule, which, according to HUD, will be implemented in two phases. The first phase will be for entities who receive at least $500,000 in CDBG funding and will occur over the next five years. Entities who receive less than $500,000 in CDBG funding will not be subject to the new rules for the first five years, but will be after that time when phase two begins. The new assessment tool (AFH) will be more comprehensive than the previous tool (AI), and will encourage a more regional approach. Specifically, the AFH process is as follows:

> *Part One:* HUD provides program participants with data and an AFH assessment tool to use in assessing fair housing issues in the community. In addition, HUD will provide technical assistance to aid program participants in submitting its AFH.
>
> *Part Two:* Using the HUD data, local data and knowledge, the required community participation process, and the assessment tool, each program participant prepares and submits a complete AFH to HUD, including fair housing goals.
>
> *Part Three:* HUD reviews each AFH within 60 days after receipt to determine whether the program participant has met the requirements for providing its analysis, assessment, and goal setting. HUD either accepts the AFH or provides the program participant written notification of why the AFH was not accepted and guidance on how the AFH should be revised in order to be accepted. HUD will not accept an AFH if HUD finds that an AFH or a portion of the AFH is inconsistent with fair housing or civil rights requirements or is substantially incomplete.
>
> *Part Four:* The goals identified in the AFH must inform the strategies and actions of the Consolidated Plan, the Annual Action Plan, the PHA Plan, and the Capital Fund Plan.

The AFH will require state and local government organizations to set their own goals and timelines for achieving fair housing progress. HUD will then use the AFH to gauge progress and could level penalties for those jurisdictions that are deemed to have become non-compliant with their goals and timelines. While

HUD has indicated this is not meant to be an enforcement tool, there are financial penalties that may occur, such as the withholding of CDBG funds, if entities do not comply with the rule.

There were some attempts in Congress to include language blocking implementation of the rule in the FY 2016 omnibus appropriations bill, but those efforts were ultimately unsuccessful. While the FY 2017 appropriations bills are not yet law, both the House and Senate versions acknowledge concern about the guidance provided by HUD and direct HUD to work with grantees and stakeholders to address the concerns.

RECOMMENDED POSITION: ***Monitor*** implementation of the Department of Housing and Urban Development's Assessment of Fair Housing Rule.

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 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. Charlotte County should also consider projects supporting the Western MI Partnership as potential opportunities to secure EDA funding.

Congressional initiatives and a 2016 Heritage Foundation, reportedly being vetted by the Trump Administration, have proposed the elimination of the 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.

The FY 2016 omnibus appropriations bill provided a slight boost in funding from the prior fiscal year to $261 million. In the FY 2017 budget request, the President proposed to slightly reduce funding for the EDA to $258 million. In their respective FY 2017 appropriations bills, the House has proposed $264.5 million in funding while the Senate has suggested $254 million for the EDA.

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

FEDERAL ISSUE: Domestic Discretionary Spending Pressure

BACKGROUND; HOW IT MAY AFFECT CHARLOTTE COUNTY: It has been reported that the Trump Administration is working on a plan to reduce federal spending by $10.5 trillion over ten years. The plan being used to develop the cuts is very similar to that produced by the Heritage Foundation last year and is reported to be forming the basis for the Administration's Fiscal Year (FY) 2018 budget outline that is expected to be released before President Trump's first State of the Union on February 28. The full FY 2018 budget may then be released in April.

Among other things, following are a number of areas of concern with the Heritage proposal. They include:

- Eliminate the DOJ Office of Community Oriented Policing Services, including the relatively well-known COPS hiring grant program
- Eliminate all grants from the DOJ Office of Justice Programs, including the Byrne Justice Assistance formula grant program (Byrne JAG)
- Eliminate the Economic Development Administration, which provides grants for local economic development projects that create jobs
- Eliminate the Small Business Administration disaster loan program
- Reduce funding for FEMA's Disaster Relief Fund, including raising the per capita threshold for disaster declarations and reducing the federal cost share from between 75 and 100 percent to 25 percent
- Eliminate FEMA's fire grant programs – the SAFER and AFG programs used to hire staff and purchase equipment
- Eliminate the EPA's National Estuary program
- Allow the Land and Water Conservation Fund, including the state grant program, to expire
- Eliminate the National Endowment for the Arts
- Open all federal lands and waters to resource development
- Eliminate Workforce Investment and Opportunity Act Job-Training Programs
- End the Head Start program over ten years
- Phase out the Federal Transit Administration, including all funding from the agency
- Eliminate the TIGER grant program

Many of these programs have been targeted before, often most recently by President Obama's Deficit Commission from 2010. While it is hard to know exactly how seriously to take these proposed cuts, it is clear there is significant pressure to reduce domestic discretionary spending (as opposed to military or non-discretionary programs like Social Security). Also, even if President Trump proposed these types of cuts, Congress would have to agree with them, which is far from a certainty.

Another threat to discretionary spending is sequestration. The Budget Control Act (passed in 2011) established budgetary caps in law for discretionary spending – one cap for defense accounts and another for non-defense accounts – through FY 2021. The penalty for spending over the caps is a sequestration of funds to ensure spending is in line with the budgetary caps established in law. Sequestration would result in a percentage-based cut to every account, program and project funded by discretionary spending.

For FY 2018, many Members of Congress are concerned about the discretionary spending caps being too restrictive. Since the budget caps are established by law, Congress does have the power to change the law to allow for higher spending levels. They did this in October 2015 when they reached a budget deal for FY 16 and FY 17 for new top-line spending levels.

Some lawmakers believe the best path forward for FY 18 is to pass a budget resolution and write appropriations bills to the sequestration spending levels established in law and negotiate a "better" budget deal later in the year when it becomes obvious that the spending bills don't have the votes to pass Congress, similar to what happened in FY 16.

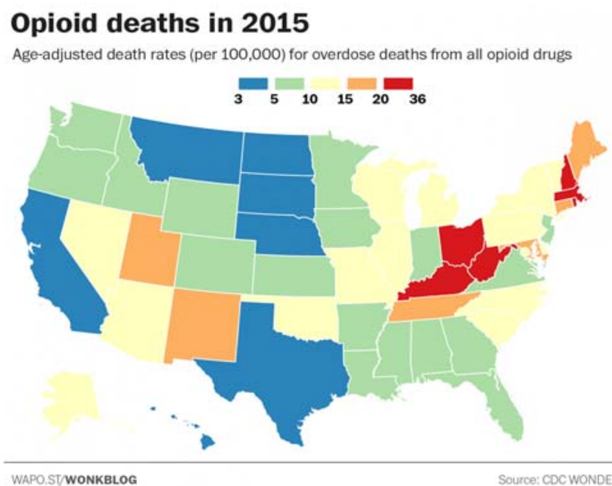
Another concern regarding sequestration and spending caps is the potential for the Administration and some Members of Congress to attempt to violate the "firewall" between defense and non-defense spending. The rationale for creating separate top-line spending levels for defense and non-defense programs was to mitigate concerns that there would be attempts to skew the spending allocation in favor of defense. While the "firewall" is established in law, that doesn't mean that some won't try to enact changes to allow for a boost to our military budget at the expense of non-defense discretionary spending.

RECOMMENDED POSITION: ***Monitor*** proposed cuts to non-defense discretionary programs of importance to Charlotte County.

FEDERAL ISSUE: Opioid Addiction

BACKGROUND; HOW IT MAY AFFECT CHARLOTTE COUNTY: Opioids are a class of drugs made from opium, as well as synthetic or semi-synthetic drugs that resemble these opium-based drugs. Many opioids are available by prescription. Examples include oxycodone, codeine, morphine, and fentanyl. Heroin is an opioid that is illegal. These drugs are often referred to as narcotics.

Over 33,000 people died of opioid overdoses in the United States in 2015. The below map shows total opioid death rates by state. The data in the map encompasses everything from heroin to hydrocodone to fentanyl. Nationally, there are about 10.4 deaths by opioid overdose for every 100,000 people, but these deaths aren't evenly distributed across the country. New England and the Ohio/Kentucky/West Virginia region stand out as hot spots. Florida's rates are relatively low by comparison although the problem may be increasing. According to the Centers for Disease Control, Florida was one of 19 states to have a statistically significant increase in drug overdose death rates between 2014 and 2015.




Congress has taken two major steps on opioid addiction. First was the Comprehensive Addiction and Recovery Act (CARA) passed in July 2016. This bill authorized a variety of activities across many federal agencies to combat opioid addiction. This includes pharmaceutical research and development, law enforcement tools, addiction recovery programs, and the like. However, CARA does not provide any funding for these activities. It will be up to the appropriators in FY 2018 to fulfill the intent of the bill.

The 21st Century Cures Act, passed in December 2016, also addresses opioid abuse. Section 1003 of the bill provides $1 billion to the states to address opioid abuse. The $1 billion is to be provided over a two year period, and the first $500 million tranche was appropriated in the FY 2017 Continuing Resolution in December 2016.

As of now, Department of Health and Human Services has not issued guidance describing the formula for allocation to the states. However, the bill does specify that the Secretary may give preference to states with high incidence of opioid abuse. It is possible that the CDC's rating of Florida as having a statistically significant increase in drug overdose deaths between 2014 and 2015 would result in Florida receiving extra points/funding in the formula allocation. Under the program, funding is very flexible. It can be used for

prescription drug monitoring programs, prevention activities, healthcare professional prescribing training, addiction treatment, and other activities which could reasonably fight the problem.

In addition to the 21st Century Cures Act and CARA funding for opioid abuse mitigation, other activity is expected in the 115th Congress. During his campaign, President Trump laid out ambitious plans to combat the problem. In Appalachia and New England, this message was very effective, so it is very possible that he will return to this issue. He could go to Congress with additional proposals to combat the problem, or he may direct HHS and other agencies to ramp up counter-opioid programs in the budget process.

Either through appropriators funding of CARA activities or federal agencies fighting opioid addiction through discretionary programs under the Secretary, there will be opportunities to address opioid addition 115th Congress.

RECOMMENDED POSITION: ***Support*** appropriations activities to fund programs in CARA and the 21st Century Cures Act. ***Monitor*** HHS for guidance regarding the allocation of 21st Century Cures state formula funding. ***Support*** attempts by entities within Charlotte County to secure funding to fight opioid addition.

FEDERAL ISSUE: Remote Sales-Tax Legislation

BACKGROUND; HOW IT MAY AFFECT CHARLOTTE COUNTY: With some limited exceptions, 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, due to complex reporting requirements, consumers do not report those purchases when completing their tax returns. As a result, local retailers can be at a competitive disadvantage because they must collect sales taxes while out-of-state retailers, including many large online and catalog retailers, often offer their customers a discount by collecting no state or local sales taxes.

Therefore, 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. The lost revenue is also a drain on local governments. In 2014, uncollected sales tax was estimated to have cost local governments $23 billion nationwide.

To correct this inequity across the country, Congress introduced the Marketplace Fairness Act in both the House and Senate during the 113th Congress. The bill would have created two systems from which states could choose to facilitate the process of collecting these taxes. The first would have been the already established Streamlined Sales and Use Tax Agreement (SSUTA), which would have simplified state and local sales and use tax laws. Twenty-four states have already signed this agreement, which is also supported by the National League of Cities and the U.S. Conference of Mayors. The second alternative would have allowed for states to meet minimum requirements for their state tax laws and administration thereof. To protect small, online retailers, this legislation would have also exempted sellers who make less than $1,000,000 in total remote sales from the requirement to collect taxes.

In 2013, the Senate passed the Marketplace Fairness Act with bipartisan support by a vote of 70-24, with Senator Nelson voting for the measure and Senator Rubio against it. In the House, companion legislation was not considered, although it had 67 cosponsors, including Florida Representatives Deutch, Ross, Wilson, and Diaz-Balart, and former Rep. Crenshaw.

The issue reemerged in the 114th Congress. Most recently, in August 2016, House Judiciary Committee Chairman Bob Goodlatte (R-VA) released a discussion draft known as the Online Sales Simplification Act (OSSA), which would implement a hybrid-approach to taxing purchases made remotely. Under the draft, states would be able to impose sales tax on remote sales if the state first participates in a clearinghouse established under the OSSA. Then, remote sales would be taxable if the origin state collects sales taxes, yet at a rate adopted by the destination state. The sales tax rate would be a single state-wide rate determined by each participating state. This is significant as it would eliminate the option for many communities to add additional sales taxes for various local needs.

The increasing pressure to pass remote sales tax legislation may have something to do with court cases in South Dakota and Alabama that are challenging a 1992 Supreme Court decision holding that states cannot require retailers with no in-state presence to collect sales tax. Both states have recently enacted rules requiring all retailers who sell more than a certain dollar amount of goods annually in the state to collect sales tax, regardless of physical presence. Overturning the 1992 decision would require the Supreme Court to take up at least one of the cases (and rule in favor of the state) or an act of Congress.

Given this, and the reluctance of many Republicans to pass such a law, the issue may remain in the courts for the next several years. However, there is still a small a possibility that remote sales tax language could be included in a broader tax reform package that could be considered in the 115th Congress.

RECOMMENDED POSITION: ***Support*** legislation that requires companies making catalog and internet sales to collect and remit the associated taxes. ***Support*** federal tax policies that maintain revenue streams to local governments.

FEDERAL ISSUE: Transient Occupancy Taxes

BACKGROUND; HOW IT MAY AFFECT CHARLOTTE COUNTY: In the 111th and 113th Congresses, attempts were made to insert language into various pieces of legislation that would have exempted Online Travel Companies (OTC's, e.g., Expedia, Travelocity, etc.) from remitting the full bed tax rate collected from consumers to the appropriate local government. For instance, if an online travel broker 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 and 16 other Florida counties filed an action against a number of online travel companies alleging that the companies have failed to collect and/or pay taxes under the respective tourist development tax ordinances. Charlotte County and its partners in the lawsuit agreed to settle with the online travel companies for $6.1 million in 2010. During 2012, there were several Florida State Circuit Court cases that ruled in favor of the OTCs. Two cases, including the 17 county case, cited that Florida law is not clear on the issue, while a Circuit Court Judge ruled more directly that the OTCs only owe local tourist taxes on the discounted rates they paid for the rooms. Then, in June of 2015, the Florida Supreme Court affirmed the lower court rulings, stating that online travel companies are not hotels and, therefore, do not have to pay occupancy fees.

Meanwhile, in 2012, the District of Columbia government won a suit where a judge ruled that online travel firms should repay back taxes on the full retail price of hotel rooms they sold to consumers in the years after the D.C. City Council passed legislation mandating they do so. In 2014, a conditional settlement was reached in this case with six online travel firms. Although they have a right to appeal the D.C Superior Court decision, they agreed to pay $60.9 million in back taxes to the D.C. government. Between 1998 and 2010, the amount owed in the lawsuit was estimated to be over $200 million.

In 2015, local governments reportedly had filed 88 lawsuits against Expedia and others for tax underpayment. The company won dismissal in 23 cases while 35 remain active. The remainder of the cases have been settled, put on hold, referred to administrative proceedings, or are otherwise resolved. A 2011 estimate by the Center for Budget and Policy Priorities suggests that state and local governments lose as much as $396 million a year due to such remittance practices by online hotel purveyors.

These examples demonstrate how courts across the country have ruled differently on this issue over the past few years, which has led online travel purveyors to continue to seek federal legislation that would codify their goal of not remitting taxes on the price of the hotel room paid by the consumer. In 2012, several of these online discount travel brokers (including Expedia, Orbitz, and Priceline) organized and registered to lobby under a new organization called the "Interactive Travel Services Association," whose purpose is to advocate on several issues, including "taxes and fees related to travel."

In May 2013, Expedia and other online hotel room purveyors attempted to amend the Marketplace Fairness Act to achieve their transient occupancy tax objectives. Ultimately, this effort was unsuccessful and the bill was passed out of the Senate without this language.

In Fiscal Year 2015, Charlotte County collected nearly $3.6 million in transient occupancy taxes, which is used to support the tourism industry in the region. The County saw a roughly 16 percent increase in tourism

tax revenue from the previous year. 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.

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 have been offered over the past few years that target this exemption, 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.

It is estimated that the difference in the rate of earnings the County and other local governments would need to offer prospective buyers for 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 two percent higher than if the bonds were tax-exempt, the additional cost to taxpayers over those 30 years could be roughly $30 million.

As in previous years, the Obama Administration proposed a 28 percent limit on all itemized deductions for high-income individuals in its Fiscal Year (FY) 2017 budget. If accepted by Congress, this would apply to all new and outstanding municipal bonds. According to a study conducted by the National Association of Counties, if this 28 percent cap had been in place over the past decade, borrowing costs to state and local governments would have increased by over $173 billion, while a full repeal would have cost nearly $500 billion over the same time period.

Meanwhile, the Trump Administration and the 115th Congress are expected to focus on comprehensive tax reform in 2017, making it a top priority. Among many other provisions, and to generate revenue to cover the cost of legislation, the Trump Administration has suggested its tax reform agenda will "reduce or eliminate most deductions and loopholes available to the very rich."

This almost surely would include municipal bond deductions, meaning that bond issuers would have to offer higher rates to attract investors. It is estimated that the difference in the rate of earnings the County and other local governments would need to offer prospective buyers for 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 two percent higher than if the bonds were tax-exempt, the additional cost to taxpayers over those 30 years could 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.