PBC Legislative Update

OCTOBER 17, 2013 VOLUME 6 NUMBER 17

IN THIS ISSUE:

State Issues

October Committee Week and Federal Government Shutdown Update

ASSAULT ON UTILITY WORKERS

BY: COUNTY STAFF

The Senate Communications, Energy, and Public Utility Committee held a hearing on Senator Soto’s legislation that would add utility workers to an existing list of professions that are covered by increased penalties fro those who assault them when they are in their line of duty. Several concerns were raised by members of the committee about the bill adding an additional covered worker to the bill. It eventually was passed and it goes next to the Senate Criminal Justice committee. The bill passed on a 5-3 vote. It has four committee references and moves next to the Senate Committee on Criminal Justice. There is opposition to the bill, and meetings between those in support and opposed are being proposed to attempt to resolve objections.

Henry Flagler Memorial Proposed For The Capitol

A bill filed by State Rep. Bill Hager, R-Boca Raton, would allow for a sculpture of Henry Morrison Flagler, who was integral in the development of Miami, Palm Beach, and other areas along the eastern seaboard, to go up in the courtyard between the state Capitol and the Historic Capitol. "Henry Flagler had a vision for our great state and through the building of his railroad and its surrounding development, Florida has become the fourth largest state in the U.S.," Hager said in a news release. Henry Flagler built the Florida East Coast Railway down the state's east coast to Key West. It became a gateway to tourism and development in South Florida. The bill would require the Henry Morrison Flagler Museum in Palm Beach to commission the sculpture and to raise private funds for the project. Sen. Joseph Abruzzo, D-Royal Palm Beach, is expected to file the Senate companion.

GAMING

BY: CORCORAN & JOHNSTON

The Senate and House Gaming Committee met to discuss the report conducted by Spectrum Gaming Group.

Spectrum received a 30-day extension of its report deadline, for more detailed projection of expected tax revenues for the state. A draft of its report laid out 12 scenarios, ranging from doing nothing to having wide-open, Las Vegas-style gambling all over the state. The Deadline was granted to afford Spectrum and the State to fine tune economic data in order to provide a much clearer picture of the economic impact to the state.

The most recent draft, dated Sept. 30th, predicts that a robust expansion of gambling in the state would see more than 90 percent of Florida residents within a 2-hour drive of a casino. Under that scenario, the gaming capacity in the state would triple while the industry would add about 16,000 jobs and the states gross gaming revenue would be $5.4 billion.

Sen. Jack Latvala was skeptical of the report's findings, citing another study Spectrum did in 2011 that claimed three resort casinos in South Florida would add up to 100,000 jobs and create more than $1 billion in gaming revenue. The current study assumes six resort casinos, and Latvala said the report's credibility "hinges" on how its writers can justify six destination casinos having less impact in 2013 than three in 2011, when the economy was in worse shape.

Spectrum used a study by Chad D. Cotti titled, "The Effect of Casinos on Local Labor Markets: A County Level Analysis, to determine the effect of a casino in a local economy. The study by Cotti is certainly the most comprehensive published study on the employment and wage impacts of casinos in the United States. Cotti's paper estimates county-level impacts for all industries, as well as for the entertainment/hospitality sector, to give a general picture of the economic impacts of casinos. Cotti discusses the cannibalization issue. A casino which creates a large "substitution effect" and therefore reduces employment in other industries could lead to decreased employment in a county. Alternatively, if there are industries that are complementary to casinos that thrive after the introduction of a casino, more than offsetting any substitution with other industries, then the casino will lead to a net increase in county employment.

Overall, Cotti finds that "casino introduction increases aggregate employment in host communities relative to counties without a casino". Important details of the findings include:

- Benefits are focused in the entertainment sector (of which the casino industry is part). Intuitively, we would expect that the economic impacts of casinos, particularly with respect to employment and wages, should be more pronounced when considering industries that are most closely related to the casino industry. The choice of industries should be based on the goal of capturing those most closely related to the casino industry.

- The strongest impacts are found in low-population counties. Whatever the impact a new casino has on employment and wages, we should expect those impacts to be most pronounced in smaller jurisdictions.

- Aggregate employment is affected little in neighboring jurisdictions. This indicates that there is not a measurable impact outside the casino county, suggesting that most of the impacts are localized and occur in the immediate vicinity of the casino. This makes intuitive sense, as it may be difficult for individuals to travel to an adjacent county for a job without moving their household. Of course, there are likely to be many individual exceptions to this, but Cotti's analysis suggests that, on average, the economic impacts of a casino largely remain within a county.

In addition, there are some data limitations and caveats from the Cotti study which should be noted:

- The analysis does not account for casino sizes it only utilizes the casino existence data.

- Cotti also tests whether the employment and wage effects affect counties adjacent to the casino counties. However, he finds no statistically significant impacts on either employment or wages for all of the sectors he tests, with one exception. The neighboring county entertainment industries see a positive employment effect of 4.7 percent. But this is the only statistically significant neighboring-county effect.

The results of Cotti's tests of casino impacts on other industries (intra-county), as well as on industries in neighboring counties, provides a strong reason to doubt the "cannibalization" story or "substitution effect" that is raised by many casino critics. Based on Cotti's county-level study of employment and wages, casinos have almost no negative impact on other industries, and at least a mildly positive impact on some industries. In fact, this finding is consistent with other evidence from the literature. For example, casinos have a positive impact on retail property values in Detroit.

Lastly, Spectrum conducted a survey with 2,438 respondents in conjunction with the University of Florida. Respondents were equally split between residents and non-residents and the majority view gambling as entertainment. The survey said 40 percent supported casino expansion, 42 percent were neutral about it and 11 percent of those surveyed were opposed.

It was noted that Florida is already a gambling-rich state, with options ranging from the state lottery to racing, jai alai and the Indian casinos. 57 percent of Florida residents in the poll supported the giant "destination casino" resorts, while 23 percent were opposed to them. He also said many who support casinos or are neutral about them don't want to live near them.

Spectrum's main takeaway from the survey is that Floridians, and visitors too, are okay with gambling expansion in Florida.

The House committee on Gaming also met during October Committee Week week to discuss the findings from Spectrum's report. Committee members asked many of the same questions regarding cannibalization of the local economy and the fiscal impact of gaming.

The next Senate public hearing will be held:
Wednesday October 23, 2013
4:00 – 7:00 pm (eastern)
Broward College, North Campus
OMNI Auditorium
Coconut Creek, FL 33066

Senators Consider Withdrawal From Flood Insurance Program

State lawmakers continue to consider how they can protect homeowners covered by the National Flood Insurance Program from a planned hike in rates, with a focus now on possibly altering regulations so private insurers can have more flexibility in offering the coverage. And absent a private solution, the state may need to consider establishing a state agency as a last resort for the roughly 270,000 Florida homeowners who could face unaffordable insurance under the national program, said Senate Banking and Insurance Chairman David Simmons, R-Altamonte Springs. Lawmakers continued to express concern Tuesday about the anticipated end of federal flood-insurance subsidies that Realtors claim could devastate Florida's economy. State lawmakers have called on Congress to postpone implementation of the Biggert-Waters Flood Insurance Reform Act, which phases out subsidies on older properties in flood zones. With Florida accounting for about one-third of the policies in the federal program, Simmons said hopefully the threat of Florida's withdrawal from the program will spur the federal government to take action.

Federal Issues

Congress Passes Measure Ending Federal Government Shutdown and Extending Debt Ceiling
By: NACo Staff

Roughly two weeks after the federal government shut down as a result of Congress's inability agree on FY2014 funding, and just before the deadline to raise the debt ceiling to avoid a potentially disastrous default, Senate and House legislators passed a measure (H.R. 2775) that temporarily addresses both issues. The bipartisan measure, which was approved on October 16 by both the Senate (81-18) and the House (285-144), funds the government through January 15, 2014, and suspends the debt limit through February 7, 2014. The measure now heads to the White House to be signed into law by President Obama. Under the measure, the federal government will be funded at the annualized level of $986.3 billion through mid-January, reflecting spending levels under sequestration. The following is a brief summary of the measure:

- **Shutdown:** The measure immediately ends the federal government shutdown and provides a stopgap spending measure through January 15, 2014
- **Debt Limit:** The measure authorizes President Obama to suspend the debt limit through February 7. However, this is subject to a “resolution of disapproval” by Congress – a procedural exercise through which one or both chambers can express disapproval for a measure without actually blocking it
- **Extraordinary Measures:** The U.S. Department of Treasury retains its ability to use “extraordinary measures,” which are a series of money-management techniques used to avoid exceeding the debt ceiling
- **Reimbursement of State Government and Other Grantees:** The measure clarifies that the federal government will reimburse states and grantees for the costs that states incurred during execution of federal programs that would normally be paid by federal appropriations. This authority applies to any period in fiscal year 2014 in which a lapse in appropriations has occurred
- **Furloughed Workers:** Federal government employees who were furloughed during the shutdown will be paid retroactively to October 1
- **ACA Income Verification:** This provision would tighten requirements for verifying the income of individuals receiving health-insurance subsidies under the Affordable Care Act (ACA)
- **Low Income Heating Assistance Program (LIHEAP) Extended:** The measure clarifies that the formula to distribute LIHEAP funds to states will remain unchanged so that the U.S. Department of Health and Human Services uses the same formula as in prior years. Specifically, $497 million in LIHEAP formula funding will be distributed under the new LIHEAP formula with remaining formula funds distributed under the old formula
- **Interior and Forest Service Provided with Fire Suppression Funds:** The measure provides $36 million for the U.S. Department of the Interior’s (DOI) wildland fire management activities and $600 million for the Forest Service’s fire suppression activities, which are available for fiscal year 2014 or to repay accounts from which the departments borrowed to pay for fire suppression in previous years
- **Law Authorizing Lands Access Fees Extended:** The measure extends the authority for DOI to collect recreational fees. Under the Federal Lands Recreation Enhancement Act, fees for access to campgrounds or parks are authorized through December 8, 2014. However, DOI and the Forest Service sell annual passes lasting one year in duration to access National Parks, Refuges and Forests pursuant to this law. Without the extension, the Departments’ ability to sell annual passes would cease on December 8 of this year.

Several other provisions that were mentioned as potential additions to the measure were **not** included in the final version:

- A provision proposed by Sen. David Vitter (R-La.) that would have barred employer contributions to the health-insurance premiums of members of Congress and their staff
- A delay or elimination of the ACA medical device tax.

Looking Ahead: Potential Risks for Counties?

As part of the deal, Senate and House leaders must now name participants to a conference committee tasked with deciding final FY2014 funding levels by December 13. The differences between Senate Democrats and House Republicans have been so great this year (roughly a $90 billion gap between the House and Senate FY2014 budget measures—H.Con.Res. 25 and S.Con.Res. 8) that they have not been able to reach an agreement or meet in a conference to begin negotiations.

Although the measure to end the federal government shutdown will temporarily provide relief to government employees and restore normalcy to federal, state and local government operations, a long-term solution to FY2014 funding and debt ceiling issues is still needed. Reaching such a long-term solution will doubtlessly involve further talks of a "grand bargain" on entitlements, taxes and sequestration cuts that could prove harmful to counties. Specifically, a "grand bargain" could impact counties in the following ways:

- **Tax reform that could alter the tax treatment of municipal bonds,** making it more expensive for counties to fund critical infrastructure. Why do counties care about municipal bonds? State and local governments financed more than $1.65 trillion of infrastructure investment using municipal bonds from 2003-2012, and 45 percent of long-term state and local tax-exempt bonds funded the building of schools, hospitals, roads and jails. Further, 75 percent of all national infrastructure projects are completed using bond financing.

- **Entitlement reform that could include Medicaid cuts that would shift healthcare costs to counties**. In 22 states, counties put up part of the non-federal match for Medicaid and in 32 states, counties are required to provide health care for low income, uninsured or underinsured residents.

- **Ongoing challenges with the annual appropriations process and sequestration** including federal aid cuts to state and local governments that undermine the ability of counties to serve their citizens.

Local Members of Congress Hold Press Conference on Shutdown

By: County Staff

On Monday, Oct. 7th at the Boynton Beach Head Start facility, Commissioner Taylor, gave background information on the County's involvement with Head Start and the recent decision to fund it using local revenues through October 25th at a cost of $1.2 million. Congressman Deutch and Congresswoman Frankel gave remarks regarding their disgust with the uncooperative, divisive nature of Washington. In addition to addressing Head Start, speakers were present to give updates on the effects of the shutdown on local federal employees, food bank programs that receive food and funding from the USDA, and federal parks.

One of the reporters asked both Members why they voted "No" on recent measures to open parts of the federal government. Both members responding by saying that was the wrong approach, that they should not be in the business of deciding who gets to go back to work and who doesn't. They felt strongly that the federal government ought to come to a compromise and pass a continuing resolution before the debt ceiling issue comes into play on October 17th. Congressman Deutch was especially adamant that the full faith & credit of the United States in the international arena as well as the financial markets should not be put at risk over partisan politics.

Effects of the Federal Government Shutdown

By: Alcalde & Fay and County Staff

Now that the Federal Government Shutdown has ended, here is a look back at some of the impacts it had across the Country.

Nearly 800,000 federal workers were forced to take furloughs, with numerous department and agencies identifying “nonessential” personnel within the Departments of Commerce, Defense, Homeland Security, Transportation, along with the Environmental Protection Agency and Internal Revenue Service. With federal personnel already burdened by several unpaid furlough days caused by sequestration this year, the House passed unanimously a bill to pay these employees for the furloughed days.

The government shutdown delayed federal grants that support state-run programs and the salaries of state employees, with a consequent loss of local tax revenue. Also, payment to federal contractors was delayed impacting government contracts already issued, and the renewal of contracts that would ordinarily be extended.

The Small Business Administration was forced to stop processing loan-guarantee applications, leaving companies without access to capital through SBA programs. Additional business impacts include the suspension of the “E-Verify program” that is required for companies with federal contracts for verification of the citizenship and immigration status for hiring of employees.

Grants expiring on October 1 under the Federal Administration for Children and Families would not be renewed, with resulting cuts in federal services such as child-care subsidies, and child-care centers in federal agencies will close. Without federal funding, this may also mean the difference for state and local governments on whether they can continue such programs as Meals on Wheels.

Head Start - This federal school readiness program saw closures of programs in various states. This is harmful to low-income children (0-5 years of age) who benefit from the provision of meals, health care and educational enrichment. Moreover, working families who rely on Head Start for childcare will have to explore other affordable options that may be available.

The Special Supplemental Nutrition Program for Women, Infants, and Children also known as WIC will begin to shut down. The U.S. Department of Agriculture has stopped supporting the (WIC) program that helps pregnant women and a new mother buy healthy food and provides nutrition information and health care referrals. While states have differing amounts of funds they contribute to continue their programs, none were expected to be able to sustain them long term.

Travel and tourism was been impacted with National Parks, monuments, memorials, and Smithsonian Museums, and veteran’s cemeteries were closed to visitors during the shutdown.

Other Federal Programs Impacted

- Social Security and Medicare benefits will continue to be paid, but new enrollments saw delays.

- The U.S. Military’s 1.4 million active-duty personnel stayed on duty and continue to be paid. However, about half of the Defense Department's 860,000 civilian employees were furloughed.

- Homeland Security: The majority of the Department of Homeland Security's employees stayed on the job, including uniformed border patrol and port agents, Coast Guard, Secret Service, and other law enforcement agents and officers. U.S. Citizenship and Immigration Services employees will continue to process green card applications, and Customs and Border Patrol functions continued.

- Science: NASA furloughed almost all of its employees, while keeping workers at Mission Control in Houston and elsewhere to support the International Space Station. The National Weather Service and National Hurricane Center kept forecasting weather and issuing warnings and tracking storms.

- Transportation: According to the Department of Transportation's contingency plan, the agency furloughed 18,481 of its 55,468 employees. Air traffic control continued, in addition to airport and airplane safety inspections. All Federal Highway Administration activities continued. Transportation Security Administration (TSA) officers remained on the job, though some airports had delays at security. At the Federal Aviation Administration, 15,514 employees were furloughed, necessitating a suspension of aviation rulemaking, and capital planning for facilities and equipment.

- Health & Human Services: Medicare and Medicaid beneficiaries continued to receive services, and retirees continued to get checks from the Social Security Administration.

- Environmental Protection Agency: The EPA exempted only 613 of its 16,205 employees, with an additional 294 employees exempted because they are not funded by annual appropriations. The EPA continued activities necessary to preserve public health and the natural environment, including emergency response operations, EPA laboratories, and ensuring safe use of food, drugs, and hazardous materials. However, no new grants or payment of existing grant obligations were available.

- National Parks/Tourism: The Department of the Interior, which oversees everything from safety inspections on offshore oil rigs to running the National Park Service, furloughed most of its employees - with only 13,797 deemed essential out of 72,562. Parks and forests, and visitor and interpretive centers were closed. National monuments, memorials, the Smithsonian Institution Museums, and National Archives were closed.

- Justice System: Federal courts continued operating normally.

- Farms/USDA: Food inspections continued, but rural development, and farm credit and loan programs were curtailed or closed down.

- Mail: Deliveries continued as the Postal Service receives no tax dollars for daily operations, instead relying on income from stamps and other postal fees, however, mail volume was reduced as a result of reduced government and commercial activity.

- Veterans Services: Most Department of Veterans Affairs (VA) services continued because lawmakers approve money one year in advance for VA health programs. While 14,224 employees were furloughed, all VA hospitals, medical facilities and clinics will remain fully operational. Also, insurance and home loan processing, readjustment counseling, and filling of prescriptions at VA health clinics continued without interruption.

While the Government shutdown has been at least temporarily resolved until January 2014, this is a good snapshot of what may happen again in the event of another shutdown next year.

National Flood Insurance Program

By: Alcalde and Fay

On October 1, new National Flood Insurance Program (NFIP) insurance rates took effect as a result of the Biggert-Waters Flood Insurance Reform Act of 2012.

In Florida, more than 97 percent of all communities participate in the NFIP, which offers government-subsidized policies for households and businesses threatened by floods. Last year, the Biggert-Waters bill was enacted that provides for new rates designed to bring the NFIP back into solvency by phasing out subsidies in high-risk zones and updating flood zone maps across the United States over the next five years.

An unintended consequence of the Act will cause the State of Florida to be hit the hardest, as it is home to more than 37 percent of the nation's policy holders, with more than 2 million. Florida NFIP policyholders will see their rates rise 25 percent per year until actuarial rates are achieved. In cases of a home sale, the new buyer will have to pay the full cost of that insurance — in some cases as much as 3,000 percent more than current rates — to reflect the true flood risk of their property. Hundreds of thousands of properties in the State of Florida will be affected by exorbitant increases in their flood insurance rates.

Florida Representative Rich Nugent introduced a bill (H.R. 3218) on September 28th to delay increases in NFIP premium rates until FEMA completes a study of the impact of the proposed rate increase on homeowners, as required by the Biggert-Waters bill. We have asked other Florida members to cosponsor this bill. A hearing was planned for the week of Oct. 7th in the Financial Services Committee, but was cancelled due to the shutdown.

Palm Beach County Legislative Affairs
301 North Olive Avenue
Suite 1101.4
West Palm Beach, FL
33405

Todd J. Bonlarron
Director
Phone
Office (561) 355-3451
Mobile (561) 310-7832

Fax
(561) 355-3982

E-mail
tbonlarr@pbcgov.com

We're on the Web!
www.pbcgov.com