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Memorandum

From: Jane Sargent, Mike Abrams, Rick Spees, Nick Falvo, and Jose Villalobos

To: Chairman Joe A. Martinez
Board of County Commissioners

CC: Joe Rasco

Date: July 2, 2012

Subject: June 2012 Monthly Report

FY2013 Appropriations:

To date, the House has passed six of the 12 appropriations bills – Commerce-Justice-Science, Energy-Water, Homeland Security, Legislative Branch, Military Construction-VA, and Transportation-HUD. The House Appropriations Committee has approved five other bills – Agriculture, Defense, Financial Services, Interior-Environment, and State-Foreign-Operations. The Labor-HHS-Education bill is the only FY2013 appropriations bill that has not been marked up by the Committee.

The Senate Appropriations Committee has approved nine of the 12 FY2013 bills – Agriculture, Commerce-Justice-Science, Energy-Water, Financial Services, Homeland Security, Labor-HHS-Education, Military Construction-VA, State-Foreign Operations, and Transportation-HUD. The Committee has 3 bills remaining – Defense, Interior-Environment, and Legislative Branch. The full Senate has not taken up any of the FY2013 bills.

Transportation-HUD Appropriations Bill:

On June 29, the House passed the FY2013 Transportation-HUD appropriations bill. The House bill provides a total of $51.6 billion for the Department of Transportation, Department of Housing and Urban Development, and related agencies. This total is $3.9 billion less than FY2012 and $1.9 billion less than the President's budget request. The Senate Appropriations Committee marked up the FY2013 Transportation-HUD bill in April. It provides a higher total discretionary spending level of $53.4 billion.
We have included highlights of the House Transportation-HUD bill below and comparisons to

the Senate bill and current funding levels.

Community Development Block Grants (CDBG): The House bill includes $3.3 billion for CDBG. This $396 million above the FY2012 level of $2.9 billion. The Senate bill provides $3.1 billion for CDBG. The County supports increased funding for the CDBG program so the House level of funding, which is more than the Senate and last year's level, is a positive development.

HOME Investment Partnership: The House bill provides $1.2 billion for the HOME Investment Partnership program, which is a $200 million increase over the Senate bill and last year's level of $1 billion. This funding supports the creation and rehabilitation of low-income housing across the country.

Section 8 Tenant-based rental assistance: The House bill provides $19.1 billion for tenant-based rental assistance, which is $220 million more than the FY2012 level of $18.9 billion. The Senate bill provides $19.4 billion for housing choice vouchers. Both the House and Senate bills include $75 million for 10,000 new HUD-Veterans Affairs Supportive Housing (HUD-VASH) vouchers for homeless veterans as requested in the President's budget.

Public Housing: Both the House and Senate bills propose $1.99 billion for the public housing capital fund, an increase of $110 million above the FY2012 level. This funding will help maintain public housing. The House bill includes $4.5 billion for the public housing operating fund, which is $562 million more than the FY2012 level. The Senate bill includes $4.6 billion, which is slightly more than the House bill and current level.

Project-based rental assistance: The House bill includes $8.7 billion for the project-based section 8 program. This funding level is $640 million below the FY2012 level and the same as the budget request. The Senate bill provides $9.8 billion for project-based rental assistance, including over $9.6 billion for the renewal of all project-based contracts for a full 12 months. This level of funding is $536 million above the FY2012 level.

Homeless Assistance Grants: The House bill includes $2 billion for homeless assistance grants, which is $99 million above the current level, but less than the Senate level of $2.15 billion.

Housing Counseling: The House bill provides $125 million for housing counseling efforts. This includes $45 million for HUD's housing counseling activities (the same as FY2012) and $80 million to continue the National Foreclosure Mitigation Counseling (NFMC) program (the same as FY2012). The Senate bill provide $135 million for these activities, including $55 million for HUD's housing counseling activities and $80 million for the NFMC program.

HUD Sustainable Communities Initiative: The House bill zeros out funding for sustainable communities grants. The Senate bill proposes $50 million for this initiative, which provides grants for integrated housing and transportation planning efforts on both the regional and local level.

Choice Neighborhoods: The House bill provides no funding for the Choice Neighborhoods program. The Senate bill includes $120 million for this initiative, which will expand the HOPE VI program. This is the same level of funding as FY2012. The program improves housing and revitalizes poor communities, while promoting better access to schools, transportation, jobs and other services.

Housing Opportunities for Persons with AIDS (HOPWA): The House bill provides $332 million for the HOPWA program, which is the same as the FY2012 level. The Senate bill provides $330 million for the program.

TIGER Grants: The House bill provides no funding for the TIGER program. The Senate bill provides $500 million for another round of TIGER grants, which support significant transportation projects in a wide variety of modes, including highways and bridges, public transportation, passenger and freight railroads, and port infrastructure. The Senate bill requires the Secretary to allocate no less than $120 million for projects in rural communities. The funding level is the same as the FY2012 level.

Transit: The House and Senate bills provide $8.4 billion in state and local transit grant funding, the same as the FY2012 level.

High Speed Rail: The House bill provides no funding for high speed rail, the same as FY2012. The Senate bill provides $100 million for the high speed rail grant program to assist states with developing high speed rail systems.

Highways: The House and Senate bill provide $39.1 billion for the federal-aid highway program, which is the same as FY2012.

Airport Improvement Programs: The House bill includes $3.4 billion for the AIP, which is the same as the President's budget request, but $35 million less than FY2012. The Senate bill proposes $3.35 billion for the program.

Homeland Security Appropriations Bill:

On June 7, the House passed the Homeland Security Appropriations bill. During the House floor debate, there were a few amendments that were adopted to the bill that may be of interest to the County.

FEMA State and Local Grants: An amendment by Rep. Clarke (D-MI) passed that increases funding for the FEMA State and Local Grant program by $1 million. The House bill already provided $1.8 billion for State and Local Grants, which is more than the Senate bill, which includes $1.41 billion for these program. However, the House does not provide specific funding amounts for each of the 16 grant programs – similar to the FY2012 bill. It simply provides an overall amount and sets aside $55 million for Operation Stonegarden and $150 million for "areas at the highest threat of terrorist attack."

Firefighter Assistance Grants: An amendment by Rep. Runyan (R-NJ) was adopted that increases funding for Firefighter Assistance Grants by $5 million bringing the total for firefighter grants in the House bill up to $675 million.

FEMA Urban Search & Rescue: An amendment by Rep. Grimm (R-NJ) was adopted that increases funding for FEMA US&R by $7.6 million. The bill already includes $27.5 million for the US&R. This amount was the same as the FY2012 budget request, but was $13.7 below FY2012. The amendment brings the FY2013 level closer to the current level of funding for US&R.

U.S. Customs and Border Protection: An amendment offered by Rep. Flake (R-AZ) was adopted that adds $43,000 to the CBP in order for them to complete their Workforce Staffing Model under development. The House bill includes $8.37 billion for CBP Salaries and Expenses, but the amendment makes the point that the House wants the CBP to complete the model as soon as possible.

The House passed the Homeland Security bill on June 7th by a vote of 234-182. It will be referred to a House-Senate conference after the Senate has completed action on its bill. The Senate Appropriations Committee approved the Homeland Security bill on May 22, but the full Senate has not yet taken up the bill. The Senate has not announced when the DHS Appropriations bill will be debated on the Senate floor, but it will likely be considered after the Military-Construction/VA and Commerce-Justice-Science bills.

Labor-HHS-Education:

On June 14, the Senate Appropriations Committee marked up the FY2012 Labor-HHS-Education bill. Below are highlights of the bill that may be interest to the County:

Head Start: The County supports funding for the Head Start program, which provides comprehensive services to children ages birth to five from low-income families to enhance their cognitive, social, and emotional development. The Senate bill includes $8.039 billion, a $70 million increase over FY2012 for Head Start.

Child Care and Development Block Grant: The Senate bill includes $2.438 billion, a $160 million increase over FY2012, for the CCDBG, which assists low-income families, families receiving temporary public assistance, and those transitioning from public assistance in obtaining child care so they can work or attend training/education.

Promise Neighborhoods: The Senate bill includes $80 million for the Promise Neighborhoods program. This is more than a $20 million increase over the FY2012 level. This program supports local efforts to establish cradle-to-career services designed to improve educational outcome for students in distressed neighborhoods.

Community Services Block Grants (CSBG): The bill includes $677 million, the same as FY2012, for the CSBG. which provide services and activities addressing employment, education, better use of available income, housing, nutrition, emergency services and/or health.

Community Health Grants: The Senate bill includes $1.567 billion for Community Health Centers. Combined with mandatory funding from the health reform law, the FY2013 program level for community health centers is $3.067 billion, an increase of $300 million.

Community Transformation Grants: The bill includes $280 million, an increase of $54 million, for implementing evidence-based public health interventions to reduce obesity and smoking and make preventive services more accessible.

Prevention Programs: The Senate bill also includes $203 million for the CDC's Office of Smoking and Health; $20 million for the Diabetes Prevention Program; $558 million for childhood immunizations; and $10 million to research and implement evidence-based approaches to preventing elderly falls.

AIDS Drug Assistance Program (ADAP): The Senate bill includes $963 million for ADAP, an increase of $30 million for the program, which ensures that underserved and uninsured individuals living with HIV/AIDS have access to life-saving medications.

The Senate leadership has not announced when the Labor-HHS-Education bill will be taken up by the full Senate. The House Appropriations Committee has not marked up its version of the Labor-HHS-Education. We will keep the County informed of any developments with this bill and the other FY2013 appropriations bills.

CDBG Public Service Cap:

We have been working with the County on legislation (S. 877/H.R. 2183) that would increase the Community Development Block Grant (CDBG) public services cap from 15 percent to 25 percent. Current law prohibits most CDBG grantees from spending more than 15 percent of their CDBG allocation on public service activities, such as job training, crime prevention, child care, health, substance abuse, education, energy conservation, welfare or recreation. The legislation is currently pending before the House and Senate Committees with jurisdiction over this issue.

On June 27, during the House floor debate of the FY2013 Transportation-HUD appropriations bill, Representative Mario Diaz-Balart offered an amendment to raise the CDBG cap on public services from 15 percent up to 25 percent. He is a co-sponsor of the standalone bill (H.R. 2183) on this issue. Both Rep. Diaz-Balart and Rep. Ileana Ros-Lehtinen, the original co-sponsor of the bill, spoke in favor of the amendment. Unfortunately, a point of order was raised against the amendment and it was withdrawn without a vote. The Diaz-Balart amendment included authorizing language, which is not permitted on an appropriations bills under House and Senate procedural rules. The delegation will continue their efforts to move the standalone legislation on the CDBG public service cap.

CDBG/Census Bureau Data Issue:

We are continuing to work with the County on this issue. Miami Dade County and other entitlement communities in South Florida took substantial cuts in their FY2012 CDBG allocation. There are concerns that the Census data used in calculating this year's CDBG allocations is flawed, particularly the statistics on overcrowding which are based on the annual American Community Survey (ACS) that the Census Bureau conducts.

In June, Jane Sargent participated in a conference call organized by the City of San Juan, Puerto Rico with other CDBG entitlement communities in Puerto Rico, New Jersey and South Florida to discuss this issue and strategize on possible remedies for affected communities. The organizers of the coalition have suggested a possible legislative strategy to address the issue and are trying to organize a D.C. fly-in on the issue for Mayors.

Following the conference call, Jane spoke with Greg Fortner, Clarence Brown and Annette Molina to discuss the coalition's efforts and the County's participation. We discussed the County's other efforts on this issue, including a possible study being conducted on the ACS data, proposed legislative options and how the County wants to proceed on this issue. Jane will continue to work the County's Public Housing Agency on this issue and report on the coalition's activities.

Transportation Reauthorization Bill:

On June 29, 2012, the House and Senate passed the surface transportation reauthorization bill, MAP-21. The legislation has been forwarded to the President for his signature into law. The bill authorizes federal transportation programs until September 30, 2014. The bill provides a slight increase in funding for federal highway and transit programs through FY2014. It does not include the controversial provisions on the Keystone Pipeline or the regulation of coal ash.

The legislation also includes a number of environmental streamlining provisions to speed up the approval process for federally funded transportation projects. It also increases funding for the Transportation Infrastructure Finance and Innovation Act (TIFIA) program to $750 million in FY2013 and $1 billion in FY2014

In addition to the transportation provisions, the bill also includes the RESTORE Act, which ensures eighty percent of the Clean Water Act penalty fines from the BP Deepwater Horizon oil spill are returned to the five affected Gulf Coast states.

The final bill also includes a five-year extension of the National Flood Insurance Program (NFIP) that was set to expire on July 30, 2012. The legislation extends the program until September 30, 2017.

The transportation bill also included a one-year extension of the current 3.4 percent student loan interest rate. Without the extension, the interest rate of federally subsidized undergraduate student loans would have doubled on June 30th. The Board of County Commissioners has adopted a resolution (R-1095-11) urging Congress and the U.S. Department of Education to reduce the burden of current student loan debt. Extending the current rate for one year will help borrowers during the continuing economic situation.

U.S. Supreme Court Decision on the Affordable Care Act:

As we reported, on June 28, 2012 the U.S. Supreme Court, by a 5-4 vote, upheld the constitutionality of the vast majority of the Patient Protection and Affordable Care Act (Public Law 11-148, Public Law 111-152), including the "individual mandate." The Court also found that while the ACA's provisions expanding the Medicaid program are constitutional, the penalty included in those provisions for those states that refuse to participate in expansion violates the Constitution. With this ruling, States will have the ability to opt out of the Medicaid expansion included in the Affordable Care Act without losing all of their federal Medicaid funds.

Under the Affordable Care Act, States are required to expand Medicaid coverage to persons under age 65 with incomes up to 133 percent of the federal poverty level. The federal government will initially pay for the expansion. They will cover 100 percent of the cost of expansion for the first three years, from 2014 to 2016, and no less than 90 percent after that. Beginning in 2017, States will start to share in the cost of the expansion, which will top out at 10 percent in 2019 and future years.

Under the law, the federal government could have penalized States that did not participate in the expansion by taking away their existing Medicaid money. While the Court upheld the expansion of Medicaid, it was this penalty that a majority of the justices (7-2) objected to in Court's decision. Because of this ruling, States, including Florida, could decide not to participate in the part of the law that expands Medicaid coverage.

Florida already covers pregnant women and infants above 133 percent of the federal poverty level, but the Affordable Care Act would require Florida to cover more people in families with older children and some childless adults. Medicaid currently serves approximately 3.19 million people in Florida, with over half of those being children and adolescents 20 years of age or younger, costing the State approximately $20.3 billion per year. According to reports, the expansion is estimated to increase the state's Medicaid rolls by about 1.2 million people during the first ten years. Most of the Medicaid expansion group is expected to be adults – childless, non-disabled adults under age 65 who were not previously Medicaid eligible. While the estimates vary, the State has estimated that the increased cost would be $5.7 billion over six years (approximately $1 million per year).

On July 1, Governor Scott stated Florida will opt out of the Medicaid expansion. Members of the Florida legislature have indicated that this issue will likely be debated by the legislature next year. A decision by the State to opt of out the Medicaid expansions have an impact on the County. The Public Health Trust/Jackson Health Trust is the largest safety net provider in the State. While Jackson will have more paying customers as a result of the mandate, a further expansion of Medicaid would help to cover more people and reduce the amount of indigent care at Jackson.

The Court's decision also leaves in place over $18 billion in cuts over ten years to Medicaid Disproportionate Share Hospital (DSH) payments. DSH payments go to county hospitals, like Jackson, and other hospitals that serve disproportionate numbers of Medicaid and uninsured. The cost of the Affordable Care Act's Medicaid expansion was partially offset by imposing these DSH cuts. The rationale was that the Medicaid expansion would reduce the need for DSH payments. Depending on whether or not States opt in or out of the Medicaid expansion may affect DSH as well.

While Florida and some other conservative states have suggested that they may opt out, it may be difficult for States to turn down a significant amount federal Medicaid funding – the federal government will be picking up 90 percent of the costs of the expanded coverage. There are currently seven states and the District of Columbia already offering expanded Medicaid coverage. They are using their own state funds to pay for the expanded coverage until the federal government begins paying all of the costs in 2014. However, budget concerns in Florida, will likely lead to a debate in the Florida legislature next year. Medicaid already accounts for about $20 billion – almost one-third of the state budget. Whether the State of Florida opts in or out will determine what the impact on the County will be.

Governor Scott also announced on July 1 that the State of Florida would also be opting out of building a "health insurance exchange". The Affordable Care Act creates State-based health insurance exchanges to facilitate expanded access to private health insurance coverage for individuals and employees of small businesses. Exchanges must be fully operational by January 1, 2014 and the Department of Health and Human Services will begin certifying exchange readiness by January 2013. If a State's exchange is not certified or if a State opts not to establish an exchange, the federal government would assume responsibility for running a health insurance exchange in that State.

Timeline for Implementation

Akerman has prepared the following timeline for implementation of the Affordable Care Act for its clients. Below is listing of key provisions of the health reform law affecting health care providers, insurers and individuals, listed by implementation dates of those provisions.

IMPLEMENTATION HIGHLIGHTS OF THE AFFORDABLE CARE ACT

Already Implemented

<u>2010</u>

June 21, 2010: Adults with pre-existing conditions became eligible to join a temporary high-risk pool, which will be superseded by the health care Exchange in 2014.

July 1, 2010: 10% tax on tanning in tanning salons.

September 23, 2010: Insurers prohibited from imposing lifetime dollar limits on essential benefits, like hospital stays in new policies issued.

Dependents permitted to remain on their parents' insurance plan until 26th birthday.

Insurers prohibited from excluding pre-existing medical conditions (except in grandfathered individual health insurance plans) for children under the age of 19.

Individuals affected by the Medicare Part D coverage gap receive a $250 rebate, and 50% of the gap eliminated in 2011. The gap will be eliminated by 2020.

Insurers' abilities to enforce annual spending caps restricted, and completely prohibited by 2014.

Insurers prohibited from dropping policyholders when they get sick.

Insurers required to reveal details about administrative and executive expenditures.

Insurers required to implement an appeals process for coverage determination and claims on all new plans.

Enhanced methods of fraud detection implemented.

Medicare is expanded to small, rural hospitals and facilities.

Medicare patients with chronic illnesses monitored/evaluated on a 3 month basis for coverage of the medications for treatment of such illnesses.

2011

January 1, 2011: Insurers required to spend 85% of large-group and 80% of small-group and individual plan premiums (with certain adjustments) on healthcare or to improve healthcare quality, or return the difference to the customer as a rebate.

Flexible spending accounts, Health reimbursement accounts and health savings accounts cannot be used to pay for over the counter drugs, purchased without a prescription, except insulin.

2012

January 1, 2012: Employers must disclose the value of the benefits they provided beginning in 2012 for each employee's health insurance coverage on the employees' annual Form W-2's. Note: This requirement was originally to be effective January 1, 2011 but was postponed by IRS Notice 2010-69 on October 23, 2010.

To Be Implemented

2013

January 1, 2013: Self-employment and wages of individuals above $200,000 annually (or of families above $250,000 annually) will be subject to an additional tax of 0.5%. Note: 0.5% of $200,000 is $1000 ($1250 of $250,000).

2014

January 1, 2014:

Insurers prohibited from discriminating against or charging higher rates for any individuals based on pre-existing medical conditions.

Impose an annual penalty of $95, or up to 1% of income, whichever is greater, on individuals who do not secure insurance; this will rise to $695, or 2.5% of income, by 2016. Families have a limit of $2,085.

Insurers are prohibited from establishing annual spending caps.

Expand Medicaid eligibility; individuals with income up to 133% of the poverty line qualify for coverage, including adults without dependent children.

Two years of tax credits will be offered to qualified small businesses.

$2,000 per employee tax penalty on employers with more than 50 employees who do not offer health insurance to their full-time workers (as amended by the reconciliation bill).

Employed individuals who pay more than 9.5% of their income on health insurance premiums will be permitted to purchase subsidized private insurance through the Exchanges. If the employer provides an employer sponsored plan, but the individual earns less than 400% of the Federal Poverty level and could qualify for a government subsidy, the employee is entitled to obtain a "free choice voucher" from the employer of equivalent value to the employer's offering which can be spent in the exchange to buy a subsidized policy of his own choosing.

Chain restaurants and food vendors with 20 or more locations are required to display the caloric content of their foods on menus, drive-through menus, and vending machines.

Establishment of health insurance exchanges, and subsidization of insurance premiums for individuals with income up to 400% of the poverty line, as well as single adults.

New excise tax goes into effect that is applicable to pharmaceutical companies and is based on the market share of the company; it is expected to create $2.5 billion in annual revenue.

Most medical devices become subject to a 2.3% excise tax collected at the time of purchase.

Health insurance companies become subject to a new excise tax based on their market share; the rate gradually raises between 2014 and 2018 and thereafter increases at the rate of inflation.

2015

January 1, 2015:	Impose an annual penalty of $325, or up to 1% of income, whichever is greater, on individuals who do not secure insurance; this will rise to $695, or 2.5% of income, by 2016. Families have a limit of $2,085.

2016

January 1, 2016:	Impose an annual penalty of $695, or up to 1% of income, whichever is greater, on individuals who do not secure insurance. Families have a limit of $2,085.

2017

January 1, 2017:	States may apply to the Secretary of Health & Human Services for a waiver of certain sections in the law, with respect to the individual state, such as the individual mandate.

2018

January 1, 2018:	All existing health insurance plans must cover approved preventive care and checkups without co-payment. A new 40% excise tax on high cost ("Cadillac") insurance plans will be introduced.

Activities for July:

The House and Senate will be out of session the first week of July. When they reconvene, they will continue working on the FY2013 appropriations bills and the farm bill. The House Agriculture Committee is scheduled to mark up their version of the farm bill on July 11. The Senate passed its version of the bill on June 21. The farm bill expires on September 30, 2012. Congress will need to complete the bill by then or pass an extension. The House and Senate are scheduled to be in session until August 3rd and then will be out of session until September 10th. They will only be in session for approximately three weeks before returning home the first week of October until after the November elections. In July, we will continue to follow the developments with the appropriations bills, farm bill and other legislation of interest to the County.