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## Memorandum

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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: April 4, 2012

Subject: March 2012 Monthly Report

### **FY2013 House Budget Resolution:**

On March 29, the House passed its budget resolution on a party-line vote. The budget resolution outlines the general tax and spending policies of the House for FY2013. The House resolution proposed \$261 billion in spending cuts and would replace the automatic discretionary spending cuts set to take effect in January 2013 as a result of the August debt limit law. The budget resolution proposes delaying the \$110 billion in cuts mandated by sequestration in FY2013 and proposes instead \$18.3 billion in cuts and a discretionary budget cap of \$1.028 trillion. This is less than the \$1.047 trillion cap the House and Senate agreed to in the debt limit law.

The House budget resolution includes a number of controversial provisions, including cuts to popular programs like the Community Development Block Grant (CDBG), and changes to both Medicare and Medicaid. The House budget resolution will not be taken up by the Senate. The Senate does not intend to take up a budget resolution this year because the debt limit law already established the spending limit for FY2013.

Highlights of the House Budget Resolution include:

**Community and Regional Development:** Under the House Budget Resolution, Community and Regional Development budget authority would decrease by 47 percent from \$20.88 billion in FY2012 to \$11.05 billion in FY2013. These reductions affect critical federal programs to improve community economic conditions, promote rural development, and assist in federal emergency disaster preparations. These programs include the Community Development Block

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Grant (CDBG) program, Department of Agriculture rural development programs, FEMA and the Economic Development Administration. The House Budget Committee report also suggests eliminating "non-core" federal programs such as CDBG.

Health: The House Budget Resolution again proposes to convert the federal share of Medicaid into a block grant for the states. States would be given the flexibility to set eligibility requirements and determine the benefits. Last year, the House Budget Resolution included a similar proposal to convert Medicaid into a block grant program. It was strongly opposed last year and will be again this year.

The budget resolution also proposes to spend \$770 billion less over ten years than the President's budget proposes for Medicaid and other health programs. Substantial Medicaid cuts could mean cost shifting to states and local governments and could ultimately result in reduced access to care.

The House Budget Resolution also assumes a complete repeal of the Affordable Care Act including the Prevention and Public Health Fund, which Miami Dade and other counties support.

The House Budget Resolution also proposes substantial changes to Medicare. Starting in 2023, seniors would receive a government payment to help them buy health insurance, either through qualified private plans or the traditional fee-for-service Medicare, rather than the current entitlement program.

Justice and Public Safety: The lower overall discretionary spending limit proposed by the House may mean decreased funding for Department of Justice (DOJ) and Department of Homeland Security (DHS) grant programs, technical assistance, and initiatives important to counties and other local governments. The committee report recommends the elimination of the National Drug Intelligence Center, and recommends consolidating justice grant program into three categories: first responder, law enforcement, and victims. It also cites an annual Government Accountability Office (GAO) report, which has targeted a number of DOJ and DHS grant programs and initiatives for being wasteful, overlapping and duplicative.

Human Services: The House Budget Resolution would convert the Supplemental Nutrition Assistance Program (SNAP), which is currently an entitlement program, into a block grant to states and would also add more work and training requirements. SNAP (formerly known as the food stamp program) is due to be reauthorized as part of the farm bill.

Employment & Training Programs: The FY2013 House budget resolution proposes a 22 percent cut in employment and training programs, but does not provide details on specific cuts. The budget calls for consolidation of duplicative federal job-training programs in order to streamline the workforce development system

Transportation: The budget resolution proposes cutting transportation spending by 36 percent, down to \$57.1 billion for FY2013. However, the budget resolution allows this substantial cut to be avoided if Congress passes a surface transportation reauthorization bill that maintains the solvency of the Highway Trust Fund and does not increase the deficit. At the end of March, the House and Senate passed another temporary extension of the current surface transportation

law, SAFETEA-LU. The Senate has passed a two-year reauthorization bill. The House Republican leadership is trying to gain support for its 5-year reauthorization bill. If they cannot reach an agreement on a reauthorization bill before the current 90-day extension expires, Congress will need to pass another extension to give themselves more time.

**Energy & Environment:** The House Budget Resolution significantly cuts energy and environment programs. The budget cuts Department of Energy (DOE) civilian programs by \$3 billion and proposes to eliminate all programs that provide DOE loans to alternative and clean technology companies. The House budget also proposes significant cuts to the U.S. Environmental Protection Agency (EPA). The Budget Resolution would also end the bans on oil and gas exploration and drilling.

**Taxes:** The House budget resolution proposes changes to the tax code, including consolidating the current six individual tax brackets into two brackets at 10% and 25%, and an elimination of the Alternative Minimum Tax (AMT). Under the House budget, the corporate rate would also be reduced to 25%. The budget also proposes to eliminate loopholes and subsidies that only benefit a small percentage of taxpayers, but the resolution provides no specifics on which ones would be eliminated.

Again, the House Budget Resolution only provides a blueprint for tax and spending policies. It gives a good indication of House Republican proposals, but it does not have the effect of law. The Senate will not be taking up the House Budget Resolution nor will it be considering its own version so the controversial proposals in the House Budget Resolution, e.g. the proposed changes to Medicare, will not be enacted into law.

### **FY2013 Appropriations:**

In March, we worked with the County to complete and submit its programmatic appropriations requests to the delegation for the FY2013. We helped the OIA staff with drafting the necessary forms and providing additional information for the County's programmatic requests. The deadlines for Members to submit programmatic and language requests to the Appropriations Committee fell in late March.

The Appropriations Committees plan to start marking up their FY2013 bills when they return from the current two-week recess. While they are starting the appropriations process now, there is little chance that they will be able to complete any bills before the November elections. Because of the Budget Resolution adopted by the House last week, the House will be working with an overall discretionary spending level of \$1.028 trillion, while the Senate will be marking up its bills at the \$1.047 trillion level set in the debt limit law last August. The different spending levels will make it difficult to reach an agreement on the appropriations bills until after the elections. However, both the House and Senate Appropriations Committees are planning to mark up all 12 appropriations before they adjourn for the elections.

### **CDBG Funding:**

The County supports increased funding for HUD's Community Development Block Grant (CDBG) program. The President's FY2013 budget proposes level funding for CDBG at \$2.95 billion. The report on the House Budget Resolution includes a suggestion that "non-core" programs like CDBG should be eliminated. The Budget Resolution does not have the force of law, but it does give an indication of potential House Republican proposals. However, any change to the program itself would have to be done by the authorizing committees and the funding level for FY2013 will be set by the Appropriations Committees in the Transportation-HUD appropriations bill.

In March, a group of 34 Senators, including Senator Bill Nelson, sent a letter to the Senate Appropriations Committee in support of \$3.3 billion in formula funds for the CDBG program in FY2013. This is an increase over last year's funding level and the President's budget request of \$2.95 billion. The Senate Appropriations Committee will mark up the FY2013 Transportation-HUD bill later this spring. We will keep the County informed of developments on this issue.

#### **Africa Trade Development Center Resolution**

In February, the Board of County Commissioners adopted a resolution in support of the Africa Trade Development Center (ATDC) located in the Miami Free Trade Zone. The ATDC serves as a trade hub to the Americas. In March, the County asked that we assist them with their efforts to support the ATDC.

On March 5, we accompanied Joe Rasco and Bill Couch to a meeting with Fred Oladeinde, President of the Foundation for Democracy in Africa, in Washington, DC. The Foundation is developing the ATDC to promote trade between Miami Dade County and Africa. At the meeting, we discussed the County's resolution and how the County may be able to assist the Foundation with pursuing funding opportunities for the ATDC.

On March 22, we participated in a subsequent meeting with Bill Couch and Phillip Drujak with Mr. Oladeinde to discuss various options to pursue, including trying to access funding through the African Competitiveness and Trade Expansion Initiative (ACTE) that was announced by the U.S. Trade Representative (USTR) last year. The ACTE initiative is aimed at the boosting the trade capacity of Africa. The Obama Administration plans to provide \$120 million over four years for the initiative, which is being administered by USAID. The Foundation has submitted a preliminary proposal to USTR for an African cut-flower import program that would be run by the ATDC to increase flower imports from Africa to Miami Dade County. We also discussed pursuing potential opportunities at the Commerce Department, other federal agencies, and the State of Florida. We will also discussed helping to schedule informational meetings with the Miami Dade Congressional delegation as needed.

Last week, the County attended a meeting at USTR with Mr. Oladeinde to discuss the ATDC's cut-flower proposal. On April 2, we had a follow up call to discuss that meeting and next steps for us to help the Foundation and County pursue potential funding opportunities to support the ATDC and its programs.

#### **Jackson Health System/Health Care Reform Issue:**

On March 22, the House passed legislation that could have a potential impact on Jackson Health System and the County. However, the legislation in its current form is not expected to be taken up by the Senate.

The bill passed by the House would eliminate the Independent Payment Advisory Board (IPAB), which was a controversial issue during the health care reform debate. As a way to control the growth in Medicare program expenditures, the Affordable Care Act created the IPAB, a fifteen member board with significant authority with respect to Medicare payment rates. Beginning in 2014, in any year in which the Medicare per capita growth rate exceeded a target growth rate, the IPAB would be required to recommend Medicare spending reductions. The recommendations would become law unless Congress acted to change the Board's proposals or stopped them from taking effect. Some health care providers, including hospitals, were given an exemption from IPAB's proposals until 2020.

There has been bipartisan support for repealing the IPAB and some Democrats supported the stand-alone IPAB repeal bill (H.R. 452). However, the House Republican leadership packaged the IPAB repeal bill with a separate bill (H.R. 5) limiting malpractice awards. The malpractice limitation bill is widely opposed by Democrats so the IPAB bill did not get as much Democratic support as it would have on its own. The final vote was 223-181, with only 7 Democrats voting for the bill.

The Senate is not expected to consider the legislation and the White House has issued a veto threat against the bill so any further action on the legislation is unlikely.

#### **Activities for April:**

The House and Senate are out of session for the first two weeks of April. There will be minimal activity on Capitol Hill during the recess. When they reconvene the week of April 16<sup>th</sup>, the House and Senate Appropriations Committees will begin working on the FY2013 appropriations bills and the House will continue trying to gain support for its version of the surface transportation reauthorization bill. In April, we will continue working with the County on the ATDC issue, the appropriations process, and our other assigned issues.