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Memorandum

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

To: Chairman Joe A. Martinez
Board of County Commissioners

CC: Joe Rasco

Date: October 1, 2012

Subject: September 2012 Monthly Report

Appropriations:

The 2013 federal fiscal year begins today, October 1. Congress was not able to complete the 12 appropriations bills that together make up the federal budget before the new fiscal year began. Wanting to avoid a government shutdown before the elections, the House and Senate leadership reached an agreement before the August recess to pass a Continuing Resolution that would keep the government operating into next year.

In September, Congress passed a six-month Continuing Resolution that keeps the government running through March 27, 2013. The bill provides a 0.6 percent increase in funding over the Fiscal Year 2012 level for most federal agencies. The President signed the Continuing Resolution into law on September 28.

It is not clear how Congress will finish the FY2013 appropriations bills. While the current Continuing Resolution goes until March, House and Senate Appropriators would like to do an omnibus appropriations bill during the lame duck session. However, the House and Senate leadership and the White House would prefer to wait until next year to finish the appropriations process so they can focus on other matters during the lame duck session, such as the expiring Bush tax cuts, sequester and Medicare physician payments. The outcome of the November elections will impact on how and when the FY2013 bills are completed.

Sequestration:

Congress passed the Budget Control Act (Public Law 112-25) last year to increase the debt ceiling. The law created the Joint Select Committee on Deficit Reduction, better known as the

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"Super Committee", that was required to reach a bipartisan agreement for cutting the federal deficit by \$1.2 trillion over ten years. As you know, the Super Committee failed to reach an agreement.

As a result, the Budget Control Act requires \$1.2 trillion over the next ten years in automatic across-the-board spending cuts, a process known as "sequestration". Half the cuts are required to come from defense, half will come from domestic programs, including both discretionary spending and some mandatory (or entitlement) spending.

Under the law, the first automatic cuts are scheduled to take effect January 2, 2013. The second cuts will be included in the President's budget request for Fiscal Year 2014. The sequestration will change the caps on the FY2014 discretionary spending levels and impose across-the-board cuts in mandatory programs. Subsequent cuts will occur each year with the submission of the President's budget request until FY2021.

Medicaid, Social Security, military pay, veterans' spending and programs aimed at helping low-income individuals, such as food stamps, will be exempt from the automatic cuts. The law allows for cuts in Medicare of up to 2 percent per year. The Medicare cuts will only affect payments to providers, not to beneficiaries.

Republicans are concerned about the significant cuts to defense spending, while Democrats are concerned about the level of cuts to domestic programs and mandatory spending. Both sides are concerned about the impact such significant cuts could have on the fragile economy.

With the sequestration looming, Congress has begun looking at ways to avoid sequestration. A bipartisan group of eight Senators has been working on a deal to avert the automatic across-the-board spending cuts and to address the tax cuts due expire at the end of the year. The so-called "Gang of Eight" includes Mark Warner (D-VA), Kent Conrad (D-ND), Dick Durbin (D-IL) and Michael Bennet (D-CO), Saxby Chambliss (R-GA), Mike Crapo (R-ID), Tom Coburn (R-OK) and Lamar Alexander (R-TN). Other Senators are also working on how to resolve the "fiscal cliff".

In the meantime, the White House has directed federal agencies to plan for the coming fiscal year as if Congress will undo the sequester. On September 28, the Office of Management and Budget issued a memo to federal agencies directing them to continue normal spending and operations for the beginning of FY2013. The Administration continues to push Congress to pass a balanced deficit reduction package to avoid sequester. If Congress fails to reach an agreement on sequester during the lame duck session, in January, the Office of Management and Budget will need to implement \$109 billion in cuts in most federal programs for FY2013.

We expect Congress to reach some form of an agreement on sequester, the expiring tax cuts and the Medicare physician payments before the end of the year. While they may not be able to reach an agreement on a broader package, at a minimum we expect Congress to delay the cuts from taking effect in January.

Fire Rescue/USDA Property Acquisition:

The House version of the farm bill (H.R. 6083) includes language to permit the County to purchase property from the U.S. Department of Agriculture to build a new fire station to serve Pinecrest, Palmetto Bay, Cutler Bay and surrounding communities. The House Agriculture Committee marked up its farm bill in July. The language in the bill (Section 7521) is identical to the County's standalone land transfer bill (H.R. 2825) introduced by Representative Ros-Lehtinen.

The five-year farm bill has been referred to the full House for consideration, but concerns from conservative Republicans and Democrats over the funding levels in the bill have kept the House Republican leadership from scheduling it for floor consideration. In September, the House was unable to make any progress on moving a five-year reauthorization bill or passing a short-term extension.

The current farm law (Public Law 110-246) expired on September 30. Congress must take action the farm bill during the lame duck session and may try to pass a five year bill depending on the outcome of the elections. They have to pass a new bill or extension before January 1, 2013, when price supports and farm program rules would revert to the permanent law passed in 1949.

We will continue to work with the County to push for the land transfer language in the House farm bill. Otherwise, we will need to work on moving the County's standalone land transfer bills in the House (H.R. 2825) and Senate (S. 3390).

Spectrum Auction:

In February 2012, as part of the payroll tax cut extension legislation, Congress approved a reallocation of D-Block spectrum that public safety officials and local governments have been advocating for over the past several years. The legislation authorizes voluntary spectrum auctions, which are estimated to generate more than \$15 billion in revenue. Broadcast television stations are expected to offer their spectrum holdings for sale to wireless broadband providers so they can expand their services to meet the growing demand of wireless devices. The proceeds from the auctions will be used for a variety of programs as well as federal deficit reduction. This includes money for the State and Local Implementation Grant Program to make grants to states to assist state, regional, tribal and local jurisdictions integrate with the nationwide public safety broadband network.

On September 28, the Federal Communications Commission (FCC) took the first step toward holding the spectrum incentive auctions. The Commission issued a notice of proposed rulemaking seeking comments from stakeholders on the auctions.

While the County supported reallocation of the D-Block spectrum to public safety, it was also concerned about continued access to free local broadcast stations, which is an important means to access local news and information and frequently relied upon by senior citizens, the disabled, and low or fixed income persons. Several Members of Congress, including the chairmen of the Congressional Asian Pacific American Caucus, Congressional Black Caucus and the Congressional Hispanic Caucus, have recently written to the FCC urging that the auctions are

fair to TV broadcasters and that services are not limited or disrupted in the process. In particular, they urged the FCC to protect programming for minority communities that some TV stations provide with their surplus spectrum. We will keep the County informed of any relevant developments.

Russian Trade Bill:

In July, the House Ways & Means Committee and the Senate Finance Committee approved legislation (H.R. 6156) to grant permanent normal trade relations (PNTR) with Russia, which gives them the same trade advantages, such as low tariffs, that other countries receive. Russia currently has "conditional PNTR". This legislation will change Russia's status from conditional NTR to unconditional or permanent NTR (PNTR).

Russia joined the World Trade Organization on August 22, 2012. The WTO requires its members to extend immediate and unconditional nondiscriminatory treatment to the goods and services of all other members. To fulfill that commitment, the United States needs to extend PNTR to Russia.

The Obama Administration, business community and others have been pushing for Congress to pass the bill. They argue that it is needed in order for U.S. businesses, farmers and manufacturers to benefit from Russia entering the WTO, and will result in more U.S. exports and American jobs. They urged Congress to pass the bill before Russia joined the WTO in August. However, Democratic concerns about Russia's human rights record and opposition from labor groups delayed consideration of the bill. Supporters are now pushing for the bill to be taken up during the lame duck session.

According to the International Trade Administration (ITA) Florida exported over \$188 million in goods to Russia on average from 2008 to 2010. Florida's top goods exports to Russia in recent years include aerospace products, consumer goods, automotive products, machinery, poultry, eggs and egg products, and meats. In 2009, the Miami-Fort Lauderdale-Miami Beach metropolitan area exported over \$1.6 billion in merchandise to world markets, including Russia.

Activities for October:

The House and Senate are out of session on November 13. They will reconvene after the November elections for a lame duck session, which is expected to last until mid-December. In October, there will be minimal legislative activity in Washington as Senators and Members of Congress campaign for re-election. In addition to the Presidential elections, all 435 House seats and 33 Senate seats are being contested on November 6.

In the House, Democrats will need to pick up 25 seats in order to gain the majority. While they may pick up some seats, we do not currently expect the Democrats to pick up enough seats to take control of the House.

In the Senate, Republicans need to pick up 4 seats to gain the majority. While the Senate races are much closer and more difficult to predict than the House at the point, it is looking increasingly likely that the Democrats may be able to hold on to a slim majority.

In the Presidential race, it is still too close to call, but recent polls show President Obama slightly ahead of Republican Mitt Romney in key states. The first of three debates between the two candidates is scheduled for October 3. The other two debates will be held on October 16 and 22. The only Vice Presidential debate between Joe Biden and Representative Ryan is scheduled for October 11. Early voting has already begun in some states. A total of 34 states, including Florida, and the District of Columbia allow early voting.

When Congress reconvenes on November 13, there a number of issues that they will have to address during the lame duck session:

Sequester: If Congress does not act, the automatic across-the board cuts will take effect on January 2.

Bush Tax Cuts: The tax cuts from 2001 and 2003 will expire at the end of the year unless Congress acts to extend them. Democrats would like to extend them for all but the highest income brackets, while Republicans would like to extend them all.

Tax Extenders: There are several tax credits that have expired or will expire by the end of the year, such as the transit commuter tax benefit and energy tax credits, that Congress may work to extend during the lame duck.

Farm Bill: The current farm law expired on September 30. Congress will need to pass a new reauthorization bill or an extension before the end of the year.

Medicare Physician Payments: Medicare rates to doctors will be cut by 27 percent unless Congress acts to extend the current "doc fix" before January 1.

Defense Authorization Bill: The House passed its version of the annual defense authorization bill in May. The Senate Armed Services Committee has marked up its version, but the full Senate has yet to debate the bill. Despite the time constraints in the lame duck, Congress is expected to reach an agreement on the bill.