FLORIDA ASSOCIATION OF COUNTIES
All About Florida

2018 FEDERAL POLICY BRIEF

INFRASTRUCTURE: SUPPORT FLORIDA'S INFRASTRUCTURE NEEDS

BACKGROUND BRIEFING MATERIALS

2018 POLICY BRIEF

SUPPORT FAA REAUTHORIZATION AND CONTINUED AIR SERVICE TO LOCAL COMMUNITIES

QUICK FACTS

- Counties play a critical role in the nation's air transportation system
- Counties own 34 percent of the nation's publically owned airports
- Counties spend $5.14 billion annually on air transportation, which supports nearly 11,500 employees across the country
- The current FAA authorization expires March 30, 2018

ACTION NEEDED:

Advocate for the passage of a Federal Aviation Administration (FAA) reauthorization bill that supports airport development and continues air service to large and small communities.

BACKGROUND:

Counties play a critical role in the nation's transportation systems, including the nation's air transportation system. Counties own 34 percent of the nation's publicly-owned airports and spend $5.14 billion annually on air transportation, which supports nearly 11,500 employees across the country.

In February of 2012, Congress passed a four-year reauthorization of Federal Aviation Administration (FAA) programs known as the FAA Modernization and Reform Act of 2012 (P.L. 112-095). The bill was the first long-term authorization of federal civil aviation programs since 2007 and was finally enacted after 23 short-term extensions. On July 15, 2017 Congress passed and the president enacted another short-term extension, which expired September 30, 2017. The current extension is set to expire March 31, 2018. Congress must either extend or reauthorize the FAA by March 30 to avert a shutdown of agency operations.

The FAA reauthorization process allows Congress to address many aspects of FAA policy and funding, including a number of programs that benefit counties. Programs of importance to counties include:

- **Airport Improvement Program (AIP):** The AIP provides federal grants to airports for airport development and planning. AIP funding can support a wide range of airports, including many large commercial airports and small general aviation airports. However, commercial revenue-producing facilities are generally ineligible for AIP funding. The main advantage to the AIP program is that it provides funds for capital projects without the financial burden of debt financing, although airports are required to provide a local match (between 5 and 25 percent depending on the airport size and eligible costs). The FAA Modernization and Reform Act of 2012 – the last long-term authorization that was passed and signed into law – authorized the AIP at $3.35 billion for four years, with roughly $927.7 million going to counties. NACo supports continued funding for the AIP and an increase of the federal share on airport development projects.
- **Passenger Facility Charges (PFCs):** The PFC is a user fee, not a federally imposed tax. The money raised from PFCs are required to be spent on eligible airport-related projects, such as projects to enhance safety, security or capacity at airports, and projects that reduce noise or increase air carrier competition. Unlike AIP funds, PFC

funds may be used to service debt incurred to carry out projects. Although PFCs are not imposed by the federal government, Congress does set a ceiling on PFCs. In 2000, legislation raised the PFC ceiling to $4.50, with an $18 limit on the total PFCs a passenger can be charged per round trip. NACo supports the continued collection of PFCs and providing airport sponsors flexibility in determining how PFC funds may be spent. NACo also supports a raising of the PFC and all for future raises to be tied to the rate of inflation.

- **Essential Air Service (EAS) Program:** The EAS program was created to guarantee that small communities being served by certified airlines maintained commercial service following the deregulation of the airline industry. When Congress passed the Airline Deregulation Act of 1978, airlines were given almost complete freedom to determine areas of service and what airfares to charge, inherently putting less profitable markets at a disadvantage. Since its establishment, the EAS program has ensured continued commercial service to eligible communities by providing subsidizes to carriers providing service between EAS communities and major hub airports. The EAS program was among the most contentious issues in the FAA Modernization and Reform Act of 2012, with a final compromise including reductions in discretionary spending for the program and limiting the program to only those communities participating in the program in FY 2011. For FY 2017, the program received $175 million in discretionary funding and $100 million in mandatory funding to subsidize air service to 160 communities. NACo supports continuing EAS subsidies to carriers serving small communities and fully funding the program.

- **Small Community Air Service Development Program (SCASDP):** The SCASDP is a grant program designed to help small communities address air service and airfare issues. Compared to the EAS program, SCASDP provides communities the opportunity to self-identify their air service needs and propose solutions. Participation in the program is limited to those communities where the airport is not larger than a primary small hub, the service is insufficient and the air fares to the community are unreasonably high. The FAA Modernization and Reform Act of 2012 authorized the program at $6 million per year. However, Congress only appropriated $5 million for SCASDP in FY 2017. NACo supports continued, sufficient and guaranteed funding for the SCASDP.

KEY TALKING POINTS

- Counties play a critical role in the nation's air transportation system. Counties own 34 percent of the nation's publically-owned airports and spend $5.14 billion annually on air transportation, which supports nearly 11,500 employees across the country.

- The Airport Improvement Program (AIP) provides federal grants to airports for airport development and planning. The main advantage to the AIP program is that it provides funds for capital projects without the financial burden of debt financing, although airports are required to provide a local match. NACo supports continued funding for the AIP and an increase of the federal share on airport development projects.

- Since its establishment, the EAS program has ensured continued commercial service to eligible communities by providing subsidizes to carriers providing service between EAS communities and major hub airports. NACo supports continuing EAS subsidies to carriers serving small communities and fully funding the program.

- Passenger Facility Charges (PFCs) are state, local or port authority fees, not a federally imposed tax. The money raised from PFCs are required to be spent on eligible airport-related projects. Unlike AIP funds, PFC funds may be used to service debt incurred to carry out projects. NACo supports the continued collection of PFCs and providing airport sponsors flexibility in determining how PFC funds may be spent as well as raising the PFC and having future increases tied to the rate of inflation.

For further information, contact: Kevan Stone at 202.942.4217 or kstone@naco.org

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2018 POLICY BRIEF

OPPOSE EFFORTS TO ELIMINATE OR LIMIT THE TAX-EXEMPT STATUS OF MUNICIPAL BONDS AND RESTORE ADVANCE REFUNDING BONDS

QUICK FACTS

- Tax-exempt bonds have been a feature of the federal tax code since 1913 and are a critical financing tool for counties nationwide
- Counties, localities, states and state/local authorities financed $3.2 trillion in infrastructure investment using municipal bonds from 2003-2012
- 45 percent of long-term state and local tax-exempt bonds funded the building of schools, hospitals, roads and jails
- 75 percent of all national infrastructure projects are completed using bond financing

ACTION NEEDED:

Urge your Members of Congress to oppose any legislation that would eliminate or limit the tax-exempt status of municipal bonds and to restore advance refunding bonds, which allow counties to refinance municipal bonds once over the lifetime of the bond.

BACKGROUND:

Tax-exempt bonds were written in the first tax code in 1913 and are a well-established financing tool. They are predominantly issued by state and local governments for governmental infrastructure and capital needs purposes. The debt issued for capital projects help governments pay for public projects, such as the construction or improvement of schools, streets, highways, hospitals, bridges, water and sewer systems, ports, airports and other public works.

On December 23, 2017, President Trump signed the Tax Cuts and Jobs Act, the first major rewrite of the tax code since 1986. Initial drafts would have curtailed the tax-exempt status of municipal bonds and specified which projects would qualify for tax-exempt status. **However, the final bill signed into law retained in full the tax-exempt status for all municipal bonds.**

However, the tax reform legislation did impact another type of tax-exempt bond called advance refunding bonds. Counties may issue one advance refunding bond per tax-exempt municipal bond at a lower interest rate than the original bond. Prior to the Tax Cuts and Jobs Act, advance refunding bonds were also tax-exempt. In fact, they made up about a third of the municipal bond marketplace, with over $391 billion in advance refunding bonds being issued between 2012 and 2016. Over that time frame, municipalities saved almost $12 billion of taxpayer money through this financing tool.

With the completion of tax reform, there are no immediate threats to the tax-exempt status of municipal bonds. However, the ability to advance refund bonds saved counties and taxpayers across the country billions of dollars, and champions in Congress hope to restore this financing tool.

Over the past half century, state and local governments have increasingly borne the cost of infrastructure and public improvements. According to the Congressional Budget Office, about 75 percent of public funding for transportation and water infrastructure alone is supplied by state and local governments. The federal savings from the proposed changes will not offset the economic strain that will burden state and local governments (and their local taxpayers) because those investments will become more expensive.

Tax-exempt bonds are a critical tool for counties that facilitates the budgeting and financing of long-range investments in the infrastructure and facilities necessary to meet public demand. Without the tax-exemption, counties would pay more to raise capital, a cost that would ultimately be borne by the taxpayers, through means such as reduced spending on the roads and bridges that counties are responsible for, decreased economic development, higher taxes or higher user fees.

KEY TALKING POINTS

A fundamental feature of the first federal tax code written in 1913, tax-exempt financing is used by state and local governments to raise capital to finance public capital improvements and other projects, including infrastructure facilities that are vitally important to sustained economic growth.

Between 2003 and 2012, counties, localities, states and state/local authorities financed $3.2 trillion in infrastructure investment through tax-exempt municipal bonds.

If municipal bonds were fully taxable during the 2003-2012 period, it is estimated the financing for the 21 largest infrastructure purposes would have cost state and local governments an additional $495 billion of interest expense. If the 28 percent cap were in effect, the additional cost to state and local governments would have been approximately $173.4 billion.

For 2012, the debt service burden for counties would have risen by $9 billion if municipal bonds were fully taxable over the last 15 years and roughly $3.2 billion in the case of a 28 percent cap. Americans, as investors in municipal bonds and as taxpayers securing the payment of municipal bonds, would have borne this burden.

The municipal bond tax-exemption represents a fair allocation of the cost of projects between federal and state/local levels of government. Through the use of tax-exempt municipal bonds, state and local governments invested 2.5 times more in infrastructure than the federal government.

Tax-exempt bonds are vital for infrastructure, justice and health needs because counties own and operate 45 percent of public roads and highways, own almost a third of the nation's transit systems and airports, own 976 hospitals, manage 1,592 health departments and own many of the nation's jails.

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CQ NEWS
Apr. 9, 2018

With Infrastructure Bill Dead, Congress Mulls FAA, Water Bills

April 9, 2018 – 5:00 a.m. By Jacob Fischler, CQ

Lawmakers returning from a two-week recess Monday may find that the debate over infrastructure looks a lot like routine congressional discussion of transportation bills.

Congress will go to work on aviation reauthorization and waterway and port projects, setting a comprehensive infrastructure plan favored by the administration aside for more discussions.

President Donald Trump said over the break that infrastructure legislation would likely need to be broken into several bills and wouldn’t move until after November’s midterm elections. That was followed by the news on April 3 that DJ Gribbin, the White House’s point person on infrastructure, was leaving his position. The two moves showed administration recognition of what members of Congress have already indicated: the White House plan doesn't have much chance of passage this year.

Trump blamed Democrats for not working with him on an infrastructure package. He said they'd be more willing to participate after the midterm elections, but Senate Democrats have already released their own plan that calls for significantly more federal spending than Trump proposed.

The administration plan set "the parameters for the discussion," said Brian Pallasch, the managing director of government relations at the American Society of Civil Engineers. "It was always going to be something that Congress was going to have to do. It wasn't going to be the president alone doing this. So, now it's Congress' turn to decide what they're going to do with this."

Gribbin consistently said his proposal was the start of a conversation, not meant as a "take-it-or-leave-it" offer.

Gribbin's position overseeing the White House's infrastructure policy as a part of the National Economic Council was unique, according to advocates of infrastructure spending. The White House released a 55-page proposal in February that called for spending $200 billion in federal money to spur $1.5 trillion from all levels of government and the private sector over 10 years, coupled with changes to regulations regarding permits on projects.

The proposal found little enthusiasm in Congress. Some lawmakers credited the administration with spotlighting the issue, but the fiscal 2018 omnibus spending bill (**PL 115-141**) seemed to go out of its way to emphasize differences with the Trump plan. The omnibus raised spending on infrastructure by more than $10 billion, but instead of putting that money into new grant programs as Gribbin had proposed, the omnibus added it to previously authorized programs that the president's budget request had asked to eliminate or cut.

Aviation, Water First

Lawmakers say they are still working on a broad plan, but transportation leaders' immediate task is to meet legislative deadlines for existing programs. Aviation authorization expires at the end of Sept. 30, 2018. And a House Republican leader wants Congress to keep up its record of reauthorizing water programs.

Gribbin's job was to produce an infrastructure plan that matched Trump's campaign rhetoric focused on improving U.S. roads, bridges, airports, the energy grid, broadband and other categories of infrastructure. Gribbin was not seen as the chief salesman on Capitol Hill, said Ed Mortimer, vice president for transportation and infrastructure at the U.S. Chamber of Commerce.

The White House legislative affairs staff on infrastructure would continue to make the administration's case to Congress, and Alex Hergott of the Council on Environmental Quality will lead efforts to rewrite regulatory laws, White House spokeswoman Natalie Strom said.

Unlike Gribbin, Hergott is a former Hill staffer. He worked for the Senate Environment and Public Works Committee during passage of the last surface transportation authorization bill (**PL 114-94**), enacted in December 2015.

House Transportation and Infrastructure Committee leaders have begun to work on bipartisan legislation independent of the White House proposal, according to Chairman **Bill Shuster**, R-Pa., and ranking member **Peter A. DeFazio**, D-Ore. The two met last month and "had a great conversation," Shuster said, but he said he wasn't ready to discuss details of those talks.

Shuster has said any infrastructure effort must be bipartisan, a view that is shared among lawmakers and interest groups. The Senate Democratic proposal, touted by Minority Leader **Charles E. Schumer**, D-N.Y., provides a counter to the administration's plan, said Mortimer.

"At this moment, Sen. Schumer has an alternative infrastructure proposal out there that has some very different pay-fors and some different ways to go about it," Mortimer said. "We have always believed, though, at the end of the day that if you're going to get something enacted into law, it has to be bipartisan."

DeFazio has said his support would depend on the level of federal funding involved, adding that he's uninterested in policy changes without more robust spending.

Shuster has indicated he'd favor raising federal fuel taxes to pay for new spending and to shore up the ailing Highway Trust Fund — a priority for transportation groups off the Hill. But Shuster is retiring at the end of the current Congress, and Republicans have shown no appetite to raise the gas tax.

The administration proposal didn't endorse a way to pay for the proposal, pointedly staying neutral on the question of a gas tax increase. White House neutrality would likely not be enough to get such a tax through Congress. DeFazio and Shuster have said such a heavy political lift could occur only with strong presidential support.

Trump's support would be all the more critical because House Speaker **Paul D. Ryan** of Wisconsin and other congressional Republican leaders have said the issue is a nonstarter.

Trump and Ryan appear to be on the same page regarding breaking up infrastructure policy into several bills rather than a broad, singular legislative push. But Ryan's citing of the Water Resources Development Act and the Federal Aviation Administration reauthorization is a statement of what was going to happen anyway — with or without a broad infrastructure bill.

Shuster has said he considers WRDA a priority. It would be the third consecutive two-year authorization of water projects that he has led. Having helped enact 2014 (**PL 113-121**) and 2016 (**PL 114-322**) versions of the law, Shuster has said he considers a two-year cycle important to provide certainty to those interested in water infrastructure such as ports, locks and dams.

"It seems to me that Mr. Shuster wants to finish that in his tenure here, so that probably helps us," Pallasch said.

Shuster also seems eager to pass a long-term FAA reauthorization. He conceded early this year that his long-standing and controversial proposal to remove air traffic control from the FAA would not succeed, and said he would work on a bill that would provide long-term stability for the agency. The spinoff language was the biggest obstacle to passing a long-term bill.

Tagged: **Army Corps of Engineers**, **Aviation Fees/Taxes**, **General Aviation**, **Infrastructure**, **Locks and Dams**, **Ports**, **Waterways**

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Recent Action - Next Steps

Congress cleared the fiscal 2018 omnibus spending bill on March 23, 2018, and turns next to fiscal 2019. Lawmakers are poised to once again reject much of the administration's spending request, including ...

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Aviation

Legislative Inbox

Congress reauthorized aviation programs through September 2018 in the fiscal 2018 spending bill cleared by the Senate and signed by the president on March 23.

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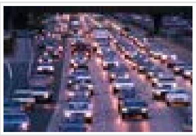

Funding the Nation's Surface Transportation System - High Risk Issue

The nation's surface transportation system—roads, rails, ports, and public transit—is critical to the economy and affects the daily lives of most Americans. However, the system is under growing strain, and costs to repair and upgrade it to meet current and future demands are estimated in the hundreds of billions of dollars—at a time when traditional funding sources are eroding.

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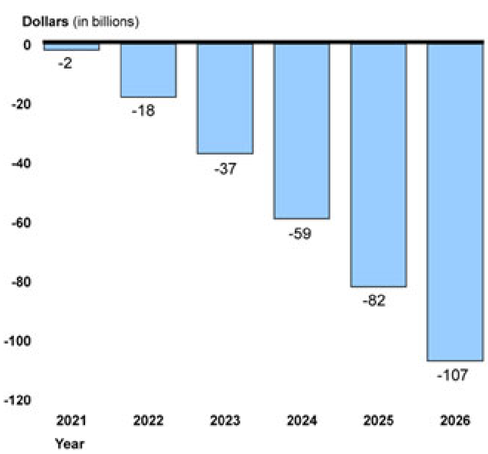
Funding the nation's surface transportation system has been on GAO's High Risk List since 2007, because the federal government lacks a long-term sustainable strategy to do so.

The Highway Trust Fund, the principal source of federal surface transportation funding, is increasingly unable to maintain current spending levels for highway and transit programs.

- **The tax base is eroding.** Federal motor fuel tax rates have not increased since 1993, and drivers of passenger vehicles with average fuel efficiency currently pay about $96 per year in federal gasoline taxes. Because of inflation, the 18.4 cent-per-gallon tax on gasoline enacted in 1993 is worth about 11 cents today. The tax base will likely continue to erode as demand for gasoline decreases with the introduction and adoption of more fuel-efficient and alternative fuel vehicles.
- **The fund relies increasingly on general revenues.** To maintain spending levels of about $45-50 billion a year for highway and transit programs and to cover revenue shortfalls, Congress transferred a total of about $141 billion in general revenues to the Highway Trust Fund on eight occasions from 2008 through 2015. This funding approach has effectively ended the long-standing principle of "users pay" in highway finance, breaking the link between the taxes paid and the benefits received by highway users.
- **Another funding gap is projected for 2021.** After 2020, the gap between projected revenues and spending will recur. In March 2016, the Congressional Budget Office estimated that $107 billion in additional funding would be required to maintain current spending levels plus inflation from 2021 through 2026, as shown in the figure.

Figure: Projected Cumulative Highway Trust Fund Balance, Fiscal Years 2021 through 2026



Source: GAO analysis of Congressional Budget Office data. | GAO-17-317

A sustainable funding solution has yet to be found. New Highway Trust Fund revenues from users can come only from taxes and fees. Ultimately, major changes in transportation spending, revenues, or both will be needed to bring the two into balance.

For more on GAO's reports and recommendations, see the key reports tab above.
Looking for our recommendations? Click on any report to find each associated recommendation and its current implementation status.

Highway Bridges: Linking Funding to Conditions May Help Demonstrate Impact of Federal Investment
https://www.gao.gov/products/GAO-16-779
GAO-16-779: Published: Sep 14, 2016. Publicly Released: Sep 14, 2016.

Water Resources Development Act (WRDA)

Action Needed: SUPPORT bi-annual passage of the Water Resources Development Act that authorizes U.S. Army Corps of Engineers projects and policies that often have state-wide impacts to Florida, including Everglades restoration, port and inlet construction, and beach nourishment projects. **SUPPORT** restoration of congressionally directed spending.

Issue Summary: WRDA legislation authorizes critical water projects and is crucial for addressing the nation's water infrastructure needs, which are vital to the safety, environmental protection and economic development of state and local economies. The last WRDA bill was approved in 2016; thus, Congress must pass a 2018 WRDA bill in order to remain on the targeted bi-annual schedule.

Background:
WRDA legislation authorizes various water resources studies, projects, and programs that are undertaken by the U.S. Army Corps of Engineers (Corps). WRDA legislation does not appropriate funds for the activities authorized in the bill; rather, funding for WRDA-authorized projects is generally appropriated in Congress' annual Energy and Water appropriations bill.

For a period of years until 2000, WRDA legislation was considered and passed bi-annually; however, in recent years there have been longer periods of years between WRDA legislation, which can lead to critical infrastructure projects being delayed or postponed. Congress passed WRDA bills in 2014 and 2016, signaling a return, at least for the time being, to the recurring two-year WRDA cycle.

The WRDA Act of 2016 was included as Title 1 of the Water Infrastructure Improvements for the Nation (WIIN) Act, which Congress passed in December 2016. The WRDA of 2016 authorized thirty new Corps projects (totaling more than $10 billion), and modified 8 existing projects, in the areas of flood control, harbors and ports, inland waterways, water supply, ecosystem restoration and hurricane and storm damage risks, while also creating programming changes to the Corps project delivery process.

Florida Impact: Notably for Florida, the most recent WRDA legislation of 2016 authorized Florida projects totaling more than $1.5 billion, including the Central Everglades Planning Project, which encompasses a series of restoration projects designed to increase freshwater flows to the central Everglades and divert excessive and damaging flows away from the Caloosahatchee and St. Lucie estuaries. The WRDA of 2016 also authorized the Port Everglades deepening and widening project.

Florida Transportation Infrastructure by the Numbers (2016)

State Highways:	12,1069 Centerline Miles 6,783 Bridges
Local Roads:	70,400 Centerline Miles (89% of State's Road Miles) 5,091 Bridges
Vehicle Miles Traveled:	206.7 Billion
Single Driver Commutes:	80% of all trips
County Road Expenditures:	$2.00 Billion
County Fuel Revenues:	$1.16 Billion
County Road Subsidy:	$839 Million (42%)
Transit:	31 Urban Transit Systems / 18 Rural Transit Systems
Airports:	20 Commercial Airports
Seaports:	15 Public Seaports
Bike Facilities:	7,438 Miles