

El Paso County, Texas 2013 Federal Legislative Agenda





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Immigration Reform

Monitor developments on immigration reform and position El Paso County to be a trusted source of information and insight during debate. **Support** inclusion of provisions to increase resources for border technologies that speed both commercial and personal crossings and improve law enforcement, while negating the need for physical border fences.

Border Commerce Improvements

Support investment in border infrastructure, personnel, and technology improvements that will support the more efficient movement of people and goods through the nation's border ports. **Support** efforts to encourage Mexico to construct their portion of the new Tornillo-Guadalupe port of entry without additional delay. **Monitor** the development of the "On the Mexico Border" initiative and position El Paso County for pilot project funding. **Support** reimbursable fee agreement legislation to allow more U.S. Customs and Border Protection agents at El Paso County ports of entry.

Border, Public Safety, and Law Enforcement Programs

Support continued funding for the wide variety of law enforcement and security-specific grants, i.e., Community Oriented Policing Services, Byrne Justice Assistance Grants, High Intensity Drug Trafficking Areas, Emergency Management Preparedness Grants, Operation Stonegarden, and other related grants. **Support** the El Paso County's applications for these funds. **Support** continued funding for public safety and prosecution reimbursement programs, including the State Criminal Alien Assistance Program and the Border Prosecution Initiative.

Medicaid and Medicare; Emergency Health Care

Monitor various discussions regarding Medicaid and Medicare for impacts to El Paso County. **Support** reauthorizing Section 1011 funding as part of immigration reform legislation.

Mental Health Care

Monitor legislative developments related to mental health care. **Support** legislation that expands community-based resources for mental health care coverage, including the Excellence in Mental Health Act or the Mental Health First Aid Bill, and any efforts that focus on the unique mental health care needs of military communities. **Support** efforts to facilitate the building of the NICOE satellite facility at Fort Bliss.

Community Development Block Grant Programs

Support at continued adequate funding for future fiscal years for the Community Development Block Grants program because of its critical role in the City and County's overall efforts to support those that are least fortunate.

Older Americans Act Programs

Support at least level funding from Fiscal Year 2012 for Older Americans Act programs that support critical social service programs serving elder persons in El Paso County, many of whom live in poverty.

Army 2020 Force Structure Realignment and Future Base Realignment and Closure

Monitor developments from the Department of the Army on 2020 Force Structure Realignment or potential future rounds of Base Realignment and Closure and help position Fort Bliss as the premier



maneuver and training Army base in the nation. **Support** El Paso County's efforts to demonstrate the community's commitment to supporting and helping grow the future mission of Fort Bliss.

Fort Bliss Replacement Hospital

Support adequate Federal funding for the Fort Bliss Replacement Hospital to ensure it stays on track to open in 2017.

Veteran's Issues

Support a Veterans Affairs hospital or clinic expansion that provides adequate medical services for the El Paso veterans' community. **Monitor** Congressional activity with regard to the concurrent receipt of Dependency and Indemnity Compensation and the Survivor's Benefit Plan. **Support** Federal efforts to reduce Veterans Affairs claims backlogs. **Support** El Paso County participation in the Transition Assistance Program at Fort Bliss.

Transportation Authorization

Support full funding of transit programs to their MAP-21 authorized levels, including a robust 5311 Rural Transit program. **Support** continuation of the County's Secure Border Trade Demonstration Project to help develop a model port for commercial shipments. **Monitor** proposed changes to Federal highway and transit programs. **Monitor** efforts to enhance Federal transportation revenue streams. **Support** any and all opportunities to secure funding for El Paso priorities via this legislation or other means.

Department of Agriculture Rural Development Programs

Support level funding for the Fiscal Year 2013 Department of Agriculture Rural Development Water and Waste Disposal Program account, including designated funding for Colonias. **Support** El Paso County applications for Rural Development and other appropriate funds to support infrastructure development in the Colonias.

Water Resource Issues

Support funding for the Sparks Arroyo Feasibility study via Corps of Engineers work plans to mitigate flooding along the Sparks Arroyo corridor. **Support** the reauthorization of the Rio Grande Environmental Management Program via a Water Resources Development Act.

Economic Development Administration Programs

Support El Paso County EDA grant applications, including potential applications for improvements to infrastructure projects that support and promote economic development in the County. **Monitor** continued funding of the Economic Development Administration.

Sequestration

Monitor proposals related to the sequester, especially those linked to spending cuts and tax code changes for their potential impact to El Paso County and Fort Bliss.

Public Pension Reform

Monitor Federal legislative proposals related to public pensions, e.g., the Public Employee Pension Transparency Act, which could significantly impact the Texas County and District Retirement System.



Energy Efficiency Programs

Monitor energy legislation and position El Paso County for project funding. **Support** continued funding for demonstration projects in alternative energy technologies and energy efficiency programs.

Sales-Tax Legislation

Support legislation that requires companies making catalog and internet sales to collect and remit the associated taxes.

Tax-Exempt Bonds

Oppose legislation that would threaten the tax exemption on state and local bonds, including a 28 percent cap on tax-exempt municipal bonds.

Hotel Occupancy Taxes

Oppose legislation that would exempt Internet travel brokers from paying taxes on the full room rate paid by the consumer, thereby costing El Paso County and its political subdivisions the opportunity to collect the appropriate Hotel Occupancy Taxes from visitors to the region.



FEDERAL ISSUE: Immigration Reform

BACKGROUND; HOW IT MAY AFFECT EL PASO COUNTY: The President and Congress have both proclaimed that immigration reform is a top priority for 2013. Some in Congress would like to draft and advance a comprehensive reform bill. Others would like to move a series of small bills aimed at fixing various aspects of the immigration system, such as the diversity lottery and processing time for green card applications. In general, Democrats have often favored more comprehensive legislation while Republicans have more frequently supported more narrow bills addressing border security and H1B visas, for instance.

Late last year the Congressional Hispanic Caucus issued a series of principles that they believe should exist in a comprehensive reform bill. They include

- Outlining a path to citizenship for the roughly 11 million undocumented immigrants in the U.S.
- Keeping spouses and children together by reducing family backlogs
- Attracting STEM professionals
- Creating a path to citizenship for children brought to the U.S.
- Promoting a path to citizenship for immigrant agricultural workers
- Providing legal safeguards and labor rights to foreign workers
- Protecting the U.S. borders while fostering commerce
- Establishing a better employment verification system

Most recently, a bi-partisan group of Senators and the Administration have each been working on their own comprehensive approaches to immigration reform. While there are similarities to each plan, there are also areas of disagreement, including how to provide the nation's 11 million undocumented immigrants a path to citizenship. There are also differences regarding additional border security measures, new legal immigration procedures, and how to treat same-sex immigrant couples. There is general agreement on a number of other big-pictures areas though, including how to provide citizenship to those young immigrants brought to the country by their parents, particularly if they earn a college degree or are willing to serve in the military, highly skilled and agricultural immigrants, and enhanced verification efforts to prevent future undocumented workers from gaining employment.

A group of House members are also reportedly nearing agreement on a set of immigration reforms that could receive floor time in the spring or summer. It is unclear whether the group would propose a comprehensive bill or a series of bills to address the issue, although the latter is probably more likely.

It is presumed that a bill in the Senate could be written by March or April. The proponents of immigration reform are then hoping that votes can occur this summer.

RECOMMENDED POSITION: **Monitor** developments on immigration reform and position El Paso County to be a trusted source of information and insight during debate. **Support** inclusion of provisions to increase resources for border technologies that speed both commercial and personal crossings and improve law enforcement, while negating the need for physical border fences.



FEDERAL ISSUE: Border Commerce Improvements

BACKGROUND; HOW IT MAY AFFECT EL PASO COUNTY: In February 2011, President Obama and the Prime Minister of Canada, Stephen Harper, announced a joint initiative to enhance the safe flow of goods and people across the U.S. and Canada border. This initiative, known as “Beyond the Border,” focuses on four key areas: addressing threats early, facilitating trade and economic growth, integrating cross-border law enforcement, and improving critical infrastructure and cybersecurity. Over the past year, the U.S. and Canada have initiated several agreements and pilot projects to improve border operations. These include an integrated entry-exit system at the land border, an integrated cargo security strategy, a truck cargo facilitation project, consultations to facilitate cross-border business travel, and a joint border infrastructure investment plan. Future projects include an expansion of the entry-exit system and preclearance for land, rail, and marine modes.

Given that the U.S. exports over \$200 billion a year to Mexico, which represents our second largest export market, and that about four million trucks cross into the U.S. from Mexico annually, safely encouraging better cross-border trade is a priority for many in the Federal government. The White House has indicated that they are looking to expand many aspects of the “Beyond the Border” initiative to the Southern border. Dubbed “On the Mexico Border: The 21st Century Western Hemisphere Initiative,” this new push will incorporate many of the U.S./Canadian initiatives tailored to the Southern border. Any cross-border initiative will need to involve commitments from the U.S. as well as Mexico. Such a push may help El Paso County ensure that Mexico begin construction of their side of the Tornillo-Guadalupe Bridge. The initiative may also help place more U.S. Customs and Border Protection (CBP) officers at ports of entry and improve technology to speed processing through the ports.

Locally, El Paso’s ports of entry see tremendous traffic. According to CBP, in Fiscal Year (FY) 2011, there were 6.8 million pedestrian crossings, 811,000 truck crossings, and almost 11 million car crossings, translating into \$80 billion in trade. Investment in efficient international ports of entry, including in infrastructure, personnel, and technology, will allow for increased trade that will benefit both the United States and Mexico.

Legislatively, the new Chair of the House Science, Space, and Technology Committee has indicated a desire to examine border technologies, with an eye toward advancing legislation that makes border crossings safer and more efficient. Such a bill could be attached to a larger immigration reform bill (or series of bills) moving through Congress.

Similarly, efforts have been underway over the past several years to allow for more CBP offices at ports of entry. Specifically, under current law, CBP is not able to enter into reimbursable fee agreements for the provision of their services. Historically, CBP was part of the Department of Treasury. Under their old statutes, reimbursable fee agreements were permissible. However, when CBP operations shifted to the Department of Homeland Security (DHS), the law allowing them to continue this practice was not transferred. To correct this, in its FY 2013 budget submission to Congress, the Administration requested legislative language from Congress which would allow CBP to enter into reimbursable fee agreements with private sector, local, state or international partners for providing CBP services.



Though the House of Representatives did not include the language in its version of the FY 2013 DHS appropriations bill, the Senate wrote this provision into their version of the same bill. The Senate also included reporting stipulations to ensure that the reimbursable fee agreement provision is used for the reasons intended and does not negatively affect other operations at ports of entry. Given that Congress is likely to fund the government for FY 2013 via a continuing resolution that maintains most law from FY 2012, the new reimbursable fee agreement language is unlikely to become law this year.

RECOMMENDED POSITION: **Support** investment in border infrastructure, personnel, and technology improvements that will support the more efficient movement of people and goods through the nation’s border ports. **Support** efforts to encourage Mexico to construct their portion of the new Tornillo-Guadalupe port of entry without additional delay. **Monitor** the development of the “On the Mexico Border” initiative and position El Paso County for pilot project funding. **Support** reimbursable fee agreement legislation to allow more U.S. Customs and Border Protection agents at El Paso County ports of entry.

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FEDERAL ISSUE: Border, Public Safety, and Law Enforcement Programs

BACKGROUND; HOW IT MAY AFFECT EL PASO COUNTY: Federal grant funding for many border security, public safety, and law enforcement programs are provided as block grants with each state receiving a certain amount of funding, often linked to population. That funding is then passed through to local jurisdictions to help support police, emergency management, and homeland security functions of government. In other instances, funding from Federal programs is made available to local governments via competitive grant solicitations.

For example, program funds can be used to hire police officers through Community Oriented Policing Services (COPS), purchase equipment through the Byrne Justice Assistance Grant (JAG), prevent the production, transportation and distribution of illegal drugs through the High Intensity Drug Trafficking Areas Program (HIDTA), sustain homeland security operations through the Emergency Management Performance Grant (EMPG), or increase border security capabilities through Operation Stonegarden (OPSG).

A third category of funding exists to reimburse local governments for performing duties that are perceived to be the responsibility of the Federal government, such as the State Criminal Alien Assistance Program (SCAAP), which reimburses some of the costs of incarcerating undocumented aliens awaiting trial, and the Southwest Border Prosecution Initiative Program (now known simply as Border Prosecution Initiatives), for some costs associated with the prosecution of criminal cases declined by the U.S. Attorney's office. Unfortunately, these types of programs have fallen out of favor in the past decade. Most recently, this has culminated with the Obama Administration proposing the elimination of SCAAP and serious budget cuts to Border Prosecution Initiatives.

El Paso County benefits from annual allocations from several of these programs, while others offer competitive grant opportunities from which the County can seek funds.

Most of these federal programs saw a decrease in funding from Fiscal Year (FY) 2011 to FY 2012. In FY 2013, the trend seems to indicate likely level funding from FY 2012 for most programs. Specifically:

- For COPS hiring grants, the Administration proposed an increase from \$166 million to \$257 million. The House proposed level funding from FY 2012 and the Senate offered an increase to \$215 million.
- For the JAG program, the Administration proposed an increase from \$353 million to \$415 million, while the House and the Senate also proposed increases of \$370 million and \$392 million respectively.
- For the HIDTA program, the Administration proposed a decrease from \$238.5 million to \$200 million, while the House and Senate have both offered level funding from FY 2012.
- For FY 2013, the Administration, House and Senate all agree, proposing level funding for the EMPG program from FY 2012 at \$350 million.
- In FY 2012, OPSG was ultimately funded at \$50 million after Congress left it up to FEMA to distribute a lump sum over several programs. For FY 2013, the Administration proposed consolidating 16 grant programs (excluding EMPG and Fire-related grants, but including OPSG) and creating one National Preparedness Grant Program funded at \$2.9 billion. Both the House



and Senate have rejected the Administration's proposal by offering funding for OPSG on its own at \$55 million for FY 2013.

- In FY 2012, SCAAP was funded by Congress at \$240 million, from which El Paso County received about \$335,439. For FY 2013, the Administration proposed only \$70 million for the program, indicating that they would prefer to allocate money toward targeting crime rather than paying to incarcerate criminals. Congress, however, continued to support the program, with the House proposing \$165 million in funding and the Senate \$255 million. SCAAP also is in need of reauthorization, with the authorization for the program having expired in 2011.
- Congress leaves the reimbursements from the Border Prosecution Initiative up to the discretion of the Department of Justice (DOJ). In the past, DOJ has publicly been less than supportive of the program, saying they would prefer to spend limited resources on "evidence-based" programs instead of "backward-looking reimbursements." DOJ reimbursed counties in FY 2011 at nearly \$23 million via the SWBPI, with El Paso County receiving \$488,968. In FY 2012, the Administration did not request funding for the program, but Congress funded the program at \$10 million, with DOJ outlays of just over \$8 million. El Paso County received \$76,417 during that period. For FY 2013, the Administration and the Senate proposed level funding from FY 2012, while the House provided no funding for the program. El Paso County and other beneficiaries of the SWBPI will need to advocate for the continuation of this program.

RECOMMENDED POSITION: *Support* continued funding for the wide variety of law enforcement and security-specific grants, i.e., Community Oriented Policing Services, Byrne Justice Assistance Grants, High Intensity Drug Trafficking Areas, Emergency Management Preparedness Grants, Operation Stonegarden, and other related grants. *Support* the El Paso County's applications for these funds. *Support* continued funding for public safety and prosecution reimbursement programs, including the State Criminal Alien Assistance Program and the Border Prosecution Initiative.

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FEDERAL ISSUE: Medicaid and Medicare; Emergency Health Care

BACKGROUND; HOW IT MAY AFFECT EL PASO COUNTY: Texas has one of the highest levels of uninsured individuals in the nation. This places a large strain on public hospitals and the communities that support them. Given the fact that El Paso has a high percentage of uninsured and also must respond to unique border health care situations, it is not surprising that the University Medical Center of El Paso provided \$312 million in uncompensated care in 2012.

The County relies heavily on Medicaid to provide healthcare in the region. Medicaid is a means-tested entitlement program that financed the delivery of medical care to more than 69 million people in Fiscal Year (FY) 2011. The estimated annual cost to Federal and state governments was roughly \$404 billion in FY 2010. In comparison, Medicare provides health care benefits to nearly 48 million seniors and certain disabled Americans and cost roughly \$523 billion in FY 2010. Each state designs and administers its own version of Medicaid under broad Federal rules. This includes opportunities to create programs with different eligibility levels, covered services, and reimbursement plans.

Under the Affordable Care Act (ACA), beginning in 2014, all non-elderly, non-pregnant adults with modified adjusted gross income at or below 133 percent of the Federal poverty level who do not already qualify will be eligible for Medicaid if their states expand the program under the law. The Governor of Texas has indicated that he is against Medicaid expansion in Texas arguing that if the state agrees to expand Medicaid coverage today, at some point in the future the Federal government could alter the plan so that the state has to bear more of the cost.

If states such as Texas fail to increase Medicaid enrollees, hospitals will face the brunt of the funding shortfall. Historically, Disproportionate Share Hospital (DSH) payments covered the cost of some of the care for the uninsured. However, ACA "rebases" DSH because the legislation provides health insurance to nearly all poor, currently uninsured people. Without Medicaid expansion, millions in Texas are likely to remain uninsured, thereby increasing uncompensated care to health care providers.

As Congress essentially "punted" sequestration cuts to March 2013, discussions will continue on cuts to entitlement programs. Medicaid appears to be out of the discussion for the time being, but suggestions have been floated to raise the Medicare eligibility age from 65 to 67 or means testing some Medicare benefits. While both ideas face opposition on Capitol Hill, there is also a growing recognition that entitlement reform is needed at some point.

Medicaid 1115 Waiver

The Department of Health and Human Services (HHS) in October of 2012 approved the Texas Health and Human Services Commission's application for a Medicaid 1115 waiver of certain Federal Medicaid requirements. The waiver primarily does two things. First, it expands Medicaid managed care to the entire state and second, it replaces the upper payment limit program with two new pools of funding: the uncompensated care pool, and the delivery system reform incentive payment pool. The goal of this waiver is to promote reforms and quality improvements, and sustain the Medicaid program in Texas.

As this waiver is currently being shaped in Texas, it may become necessary to engage HHS this year to ensure that the goals of the program are reached.



Federal Reimbursement of Emergency Health Services for Undocumented Aliens

In the Medicare Modernization Act of 2003, Congress inserted a provision, Section 1011, providing \$250 million worth of payments annually for emergency services furnished to undocumented aliens. The program expired in 2008 and was not reauthorized. Given the focus this year on immigration reform, there may be an opportunity to revive the provision.

RECOMMENDED POSITION: **Monitor** various discussions regarding Medicaid and Medicare for impacts to El Paso County. **Support** reauthorizing Section 1011 funding as part of immigration reform legislation.

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FEDERAL ISSUE: Mental Health Care

BACKGROUND: HOW IT MAY AFFECT EL PASO COUNTY: The recent episodes of gun violence across the country have highlighted the need for enhanced emphasis on mental health care. Separate from this discussion, Congress has quietly worked over the past half-decade to improve mental health care by requiring insurance plans to offer it as a benefit, albeit with many of their reforms yet to be implemented.

For instance, the Affordable Care Act (ACA, also known as Obamacare) includes significant reforms to mental health coverage. The legislation names mental health treatment as an essential health benefit that insurance plans must cover starting in 2014. While most large-group plans offer some kind of mental health benefits, only 18 percent of small-group and individual plans cover mental health. Furthermore, the Medicaid expansion envisioned as part of the ACA may provide as many as 2.8 million people with a serious mental illness with coverage. It is thought that Medicaid's mental health coverage has historically been better than private insurance. Finally, the ACA provides additional funding for more mental health care professionals.

The ACA also authorized a grant program to initiate or expand the integration of primary care services for people in treatment for mental illness. The Substance Abuse and Mental Health Services Administration (SAMHSA) has already awarded 64 community-based health agencies, including three in Texas, with grants. Given that these agencies are located in Houston, Austin, and Lubbock, there may be an opportunity for agencies in El Paso County to seek an integration grant.

In addition to these provisions, the Administration has pledged to implement the 2008 Mental Health Parity and Addiction Equity Act, some of which has yet to be translated from law into practice by various Federal agencies. The law will require insurers to cover mental health at a level that is comparable to their physical health coverage.

More recently, as part of his "Now is the Time" proposal following the Sandy Hook shootings, President Obama spoke of the need for more mental health care coverage and the desire to address this issue more completely in 2013. The President proposed a new initiative, Project AWARE (Advancing Wellness and Resilience in Education), to provide \$15 million for teacher training to detect and respond to mental illness and \$40 million to help school districts work with law enforcement, mental health agencies, and other local organizations to assure students with mental health and behavioral issues get the services they need.

Likewise, Congressional members are drawing attention to a number of introduced bills, such as Rep. Matsui's bi-partisan "Excellence in Mental Health Act" that allows community clinics to receive Medicaid reimbursements when providing treatment to low-income patients, and Rep. Napolitano's "Mental Health in Schools Act" that grants funds to place therapists in public schools. Most recently, a bipartisan group of Senators introduced the "Mental Health First Aid Bill" that expands mental health first aid training to help the public identify, understand, and address crisis situations. The bill provides grants for mental health first aid training programs for teachers, first responders, police officers, schools, university administrators, veterans and nurses.

Generally left out of the discussion to this point, however, is the need to provide better mental health services to our felon populations residing in our nation's jails.



Defense-related Mental Health Concerns

Similarly, mental health concerns resulting from military service, including increasing suicide rates, substance abuse, depression, and a myriad of other behavioral and chronic medical issues, are a growing problem within active duty, guard/reserve, veterans, and their dependent populations. These issues have been well documented, chronicling the prevalence of psychosocial issues, escalating suicide rates and increasing traumatic brain injury (TBI)/ post-traumatic stress (PTS) concerns.

In an effort to help address some of these concerns, the National Intrepid Center of Excellence (NICoE) is a Department of Defense (DoD) institute dedicated to providing cutting-edge evaluation, treatment planning, research and education for service members and their families dealing with the complex interactions of mild TBI and psychological health conditions. Located at Walter Reed National Military Medical Center, NICoE is funded by the Intrepid Fallen Heroes Fund, a non-profit organization.

After the opening of the NICoE in Bethesda, the Intrepid Fallen Heroes Fund worked closely with military leadership to determine how best to further expand care to wounded heroes suffering from TBI/PTS and other afflictions. This led to the Fund's latest effort: designing and building additional centers that will serve as satellites to NICoE, located at some of the major military bases around the country. NICoE Satellite Centers will extend care currently provided at NICoE to the bases of many of the troops suffering the effects of TBI and related injuries. Data from these centers will be transmitted back to NICoE and aid its ongoing research program, helping to improve detection, diagnosis and treatment. The Intrepid Fallen Heroes Fund will also provide financial support for research efforts at these facilities and at NICoE.

Fort Bliss is one of nine installations picked to receive a NICoE Satellite Center. The NICoE Satellite Centers will be of smaller scale than NICoE and will focus on diagnosis and treatment. The Centers may be built as independent stand-alone structures or may be incorporated into existing structures, depending on the conditions at each base at which the Centers are built.

The first two Satellite Centers located at Fort Belvoir, VA and Camp Lejeune, NC broke ground in June 2012. Ft. Campbell is next to begin construction in the Spring of 2013. At approximately 25,000 square feet, each center has a construction budget of approximately \$11 million.

While NICoE Satellite Centers continue to be established, there remains a shortage of providers across the nation and in El Paso, which has resulted in pressure being placed on civilian healthcare services.

In another effort, President Obama signed an Executive Order in September 2012 to attempt to better prevent suicides in both the civilian and military populations. The Executive Order directs the Department of Veterans' Affairs, the Department of Defense, and the Department of Health and Human Services (HHS) to expand access to behavioral healthcare and partner with community providers.

The Executive Order directs the VA to partner with HHS to implement a 15-site pilot project in areas where the VA has faced challenges in hiring and placing mental health service providers and continues to have unfilled vacancies or long wait times. In these pilot sites, VA is expected to contract with community health centers, community mental health clinics, community substance abuse treatment facilities and other HHS grantees and community resources to help reduce VA mental health waiting lists.



Unfortunately, the Executive Order is not a congressionally funded effort, and at this point, no Federal funding has been appropriated for implementing its goals and objectives.

RECOMMENDED POSITION: *Monitor* legislative developments related to mental health care. *Support* legislation that expands community-based resources for mental health care coverage, including the Excellence in Mental Health Act or the Mental Health First Aid Bill, and any efforts that focus on the unique mental health care needs of military communities. *Support* efforts to facilitate the building of the NICOE satellite facility at Fort Bliss.

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FEDERAL ISSUE: Community Development Block Grants

BACKGROUND; HOW IT MAY AFFECT EL PASO COUNTY: The Department of Housing and Urban Development’s Community Development Block Grant (CDBG) is a flexible program that provides communities with Federal funding to address a wide range of unique community development needs. The CDBG program provides annual grants on a formula basis to units of local government and states.

El Paso County receives some funding for homeless assistance programs via a direct allocation to the City of El Paso from the CDBG program. The County also receives a portion of the City’s funding to assist with housing for the low-income elderly and disabled. El Paso County also competes with the other five West Texas counties for state CDBG funds distributed through the Rio Grande Council of Governments, primarily for infrastructure projects. The County primarily utilizes awarded funds for water and wastewater projects throughout El Paso County.

Since Fiscal Year (FY) 2010, nationwide funding the CDBG program has been cut by 25 percent. In FY 2012, CDBG funding was cut by nearly 12 percent, from \$3.3 billion in FY 2011 to \$2.948 billion. In FY 2011, the City of El Paso received a total of \$7,675,813, while in FY 2012; they received a 10 percent reduction to \$6,939,925. HUD explained that this was due to changing demographics in each community as well as changes to the data they use to make their funding decisions.

Due to sequestration and the decision by Congress to pass a Continuing Resolution for FY 2013, the CDBG formula program will be funded at \$3.1 billion. This is a small increase from FY 2012 due to the fact that it includes \$300 million in funding that was removed last year from the CDBG program to be put toward the emergency supplemental bill for Superstorm Sandy recovery.

RECOMMENDED POSITION: *Support* at continued adequate funding for future fiscal years for the Community Development Block Grants program because of its critical role in the region’s overall efforts to support those that are least fortunate.

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FEDERAL ISSUE: Older Americans Act Programs

BACKGROUND; HOW IT MAY AFFECT EL PASO COUNTY: Most Federal programs that exist for the delivery of social and nutritional services for the elderly in El Paso County emanate from the Older Americans Act (OAA). These include supportive services, congregate nutrition services (meals served at group sites such as senior centers, schools, churches, or senior housing complexes), home-delivered nutrition services, family caregiver support, community service employment, and services to support the health, and prevent the abuse, neglect, and exploitation, of older persons.

The majority of the funding for OAA grant programs goes to the State and Community Programs on Aging account which provides formula funds to state and local agencies designated to provide direct services to the elderly. For El Paso County, funds are provided to the Rio Grande Area Agency on Aging from the Texas Department of Aging and Disability Services and through the Rio Grande Council of Governments.

There are separate funding allotments for programs within this account, however, the Federal government does provide some flexibility for spending allocated funds in this account in areas where there is a greater need. These services are available to all persons aged 60 and older, but are targeted to those with the greatest economic or social need, particularly low-income and minority persons and the elderly who live in rural areas.

During a time when funding for many Federal domestic programs has been significantly reduced, OAA program funding has been relatively stable. In Fiscal Year (FY) 2012, funding for OAA programs totaled \$1.913 billion, which was only 1 percent less than in FY 2011 at \$1.932 billion. For FY 2013, the Administration proposed a slight .3 percent cut from FY 2012 at \$1.907 billion for OAA programs.

For FY 2013 Congress passed a six month Continuing Resolution (CR) through March 27, 2013, which continues funding OAA programs at close to FY 2012 levels. It is likely that Congress will decide to continue the CR for the rest of FY 2013. That said, funding amounts will be significantly impacted if action is not taken to prevent the sequester prior to March 1st.

Though the OAA's authorization expired in FY 2011, Congress has continued to provide funding for these programs through annual appropriations. In the 112th Congress, legislation was introduced to reauthorize the OAA through FY 2017, but it was not passed. It is anticipated that similar legislation will be introduced in the 113th Congress to reauthorize the OAA.

RECOMMENDED POSITION: *Support* at least level funding from Fiscal Year 2012 for Older Americans Act programs that support critical social service programs serving elder persons in El Paso County, many of whom live in poverty.



FEDERAL ISSUE: Army 2020 Force Structure Realignment and Future Base Realignment and Closure

BACKGROUND; HOW IT MAY AFFECT EL PASO COUNTY: The Army is in a period of critical transition as the Nation has concluded major combat operations in Iraq, is drawing down in Afghanistan, and develops new strategy and doctrine for future conflicts. During this transition, the Army has been asked to identify prudent measures to reduce spending without sacrificing critical operational capabilities necessary to implement national security and defense priorities. To help achieve spending reductions, the Army is decreasing the current total number of soldiers and civilians, while reorganizing the current force structure. The Army's Active Duty end-strength is expected to decline from 562,000 in Fiscal Year (FY) 2012 to 490,000 in FY 2020, and will include a reduction of at least eight Brigade Combat Teams (BCTs) from the current total of 45.

In January 2013, the Army released a Programmatic Environmental Assessment (PEA) for Army force structure reductions and realignments that may occur between FY 2013-2020. The PEA evaluates and assesses the environmental and socioeconomic impacts of potential adjustments to Army forces at 21 installations, including Fort Bliss. The PEA presents a broad perspective that provides decision makers, regulatory agencies, and the public with information on potential impacts.

The PEA analyzes two primary alternatives of structure realignment.

- Alternative #1: Implement force reductions by inactivating a minimum of eight BCT's and realign other combat, combat support, and service support units between FY 2013 and FY 2020
- Alternative #2: Implement Alternative 1, inactivate additional BCTs, and reorganize remaining BCTs by adding a 3rd Combat Maneuver Battalion and other units.
- The PEA also analyzed a No Action alternative, under which the Army would not reduce the size of the force.

The PEA analysis considered potential growth scenarios at installations that may occur from BCT restructuring, as well as force reduction scenarios that could result from the force drawdown. The range of potential installation reductions (maximum losses of 8,000 military personnel per installation) and growth (increases of 3,000 military personnel per installation) were chosen for the environmental analysis to provide flexibility as future force structure realignment decisions are made. The specific locations where changes will occur have not been decided.

Several additional factors will be taken into account in future stationing decisions, in addition to the environmental issues presented in the PEA. These factors include: operational (military value), cost, strategy and geographic distribution, investment and regeneration, and soldier and family quality of life.

Overall, the PEA is relatively favorable to Fort Bliss. The PEA recognizes Ft Bliss' close ties to the community and notes the adverse socio-economic impact to the community if Alternative 1, the loss of 8,000 military personnel occurs. As of FY 2011, the Army soldier population at Fort Bliss was 32,352. Under Alternative 1, the Army soldier population would decrease to 24,352. In addition, this alternative could affect an estimated 4,464 spouses and 7,680 dependent children. Thus, the total population of military employees and their dependents directly affected by Alternative 1 would be roughly 20,144. Under Alternative 2, the potential military personnel population gain to Fort Bliss is 3,000.



During January 2013 meetings, Fort Bliss leadership indicated that even if the worst case scenario were to occur, Fort Bliss would only lose about 200 soldiers since Fort Bliss is still expecting to gain additional personnel from the 2005 BRAC reorganizations. This is tremendous insight, but might be the difference between big Army (Washington, DC Headquarters) and Fort Bliss perspectives of pending force reductions. This issue will have to be closely monitored.

By the end of April 2013, the Army is required to send a report to Congress that includes the following:

- Planning assumptions and scenarios used to determine force structure size
- Evaluation of adequacy to meet goals of national military strategy
- Alternative force structures consideration with advantages and disadvantages
- “Price tag” for options
- Independent risk assessment

This timeframe is extremely optimistic and it is unlikely the Army will be able to make these recommendations without a better understanding of other uncertainties such as sequestration, ongoing annual funding, and other issues.

Another challenge is the short-term perspective often prevalent among base commanders and Federal elected officials given the nature of their positions. Commanders are usually stationed at the base for a relatively short period of time (usually no longer than two to three years), and elected officials are frequently faced with reelection campaigns. Because of this tendency to focus on the short term, it is particularly important for the community to speak with a unified, coherent voice and work with base commanders to develop a long-term framework that ensures future viability.

El Paso County must help lead the community effort to mitigate any potential cuts in force strength at Fort Bliss and highlight the value that Fort Bliss brings to the Army and to the community. Discussions also should begin with Fort Bliss to understand the Commanding General's vision for the future of the base. Hopefully, that would include the potential of expanding the base further. Expansion could consist of a Corps Headquarters or another Heavy Division to take advantage of existing maneuver space.

RECOMMENDED POSITION: *Monitor* developments from the Department of the Army on 2020 Force Structure Realignment or potential future rounds of Base Realignment and Closure and help position Fort Bliss as the premier maneuver and training Army base in the nation. *Support* El Paso County’s efforts to demonstrate the community’s commitment to supporting and helping grow the future mission of Fort Bliss.

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FEDERAL ISSUE: Fort Bliss Replacement Hospital

BACKGROUND; HOW IT MAY AFFECT EL PASO COUNTY: The U.S. Army Corps of Engineers, Fort Worth District awarded a \$648 million contract on January 29, 2013, to Clark McCarthy Healthcare Partners II for the construction of the Fort Bliss Replacement Hospital. The new 1,132,000 square-foot facility will replace the existing William Beaumont Army Medical Center to accommodate the increased troop presence and dependent care resulting from the 2005 BRAC.

The facility will consists of a main hospital, two outpatient clinics, administrative building, research facility, central utility plant, two access control points, and surface parking. The design effort adopts guiding principles of Evidence Based Design and patient and family centered care concepts, which are esthetically pleasing and in cultural harmony with Fort Bliss and El Paso communities. The new medical center design incorporated numerous sustainable initiatives with the goal of receiving LEED Silver certification.

The design is divided into eight contracts including opportunities for Small Business participation. Remaining project awards and small business opportunities include separate contracts for landscaping, parking, access control points, and a helipad. Assuming adequate Federal funding, the new hospital is expected to open in 2017.

Overall, the Fort Bliss Replacement Hospital will be a \$1 billion project. Congress is expected to appropriate \$946 million total for the new Beaumont Army Medical Center. Below is an overview of the incremental Federal funding that has been appropriated to date for the Fort Bliss Replacement Hospital:

| Fiscal Year (FY) | Increment Funding Level | Amount |
|------------------------------|--------------------------------|---------------|
| FY 2010 as enacted | Hospital Replacement, Inc 1 | \$86,975,000 |
| FY 2011 as enacted | Hospital Replacement, Inc 2 | \$71,956,000 |
| FY 2012 as enacted | Hospital Replacement, Inc 3 | \$86,700,000 |
| FY 2013 as proposed by House | Hospital Replacement, Inc 4 | \$207,400,000 |

The FY 2013 National Defense Authorization Act (NDAA) authorized \$132.4 million for the fourth increment of the Hospital Replacement at Fort Bliss, Texas. Meanwhile, the President and House both requested \$207.4 million for this effort, but this amount was reduced by the Senate since they stated that the Department of Defense will be unable to obligate and expend the full amount of funds during FY 2013.

Given the lowered authorization for FY 2013 and the likelihood of a continuing resolution to fund the government through FY 2013, the hospital will not be funding at levels originally requested by the Administration nor the House. This is likely to slow construction of the project over the coming years.

RECOMMENDED POSITION: *Support* adequate Federal funding for the Fort Bliss Replacement Hospital to ensure it stays on track to open in 2017.



FEDERAL ISSUE: Veteran's Issues

BACKGROUND; HOW IT MAY AFFECT EL PASO COUNTY: According to the U.S. Census, the veteran's population in El Paso County is nearly 50,000. Roughly half of these veterans receive benefits in El Paso. The concentrated population presents numerous challenges for the veterans' community. Among them:

- **Veterans Affairs Hospital or Clinic Expansion:** There is a tremendous shortfall of medical capabilities to assist veterans seeking Veterans Affairs (VA) medical care in El Paso. The current VA clinic is unable to provide a full suite of medical services, forcing veterans to drive extended distances to other VA facilities or to seek assistance from private medical providers in the community. Unfortunately, usage data might not favor the construction or expansion of a new VA hospital or clinic expansion.
- **Concurrent Receipt for Dependency and Indemnity Compensation and the Survivor's Benefit Plan:** Under the Survivor's Benefit Plan (SBP), a military retiree can have a portion of his or her monthly retired pay withheld in order to provide, after his or her death, a monthly survivor benefit to a surviving spouse or other eligible recipient(s).

Meanwhile, Dependency and Indemnity Compensation (DIC) is paid to the survivors of service members who die from a disease or injury incurred while in the line of duty or veterans who die from complications resulting from a service-related disease or injury.

The surviving spouse who is eligible to receive both DIC and SBP benefits is not entitled to receive the combined total of full SBP and DIC funds. Instead, the SBP benefit is offset by the amount of DIC received (with certain limitations). This nationwide issue is known as the "concurrent receipt" problem.

Over the years, many members of Congress have advocated for the full funding of both SBP and DIC benefits to eligible survivors. Supporters of concurrent receipt argue that if a military retiree is allowed to receive both military retired pay and VA disability payments or other "special pay," it is only fair that the surviving spouse also receive both the SBP annuity and DIC benefits. Critics contend that concurrent receipt is barred because Congress views it as "double dipping" or paying someone twice for the same service. In 2009, the Congressional Budget Office estimated the cost of eliminating this offset would be \$7.0 billion between 2010 and 2019.

- **Veterans Affairs Claims Backlog:** There remains a funding shortfall for local VA offices in El Paso County to address the claims backlog. Beyond El Paso, this is an on-going national issue as veterans claims throughout the United States have been delayed an unfortunate amount of time.
- **Transition Assistance Program at Fort Bliss:** The Transition Assistance Program (TAP) is managed by Fort Bliss to help soldiers who are preparing to leave the Army. Many of these service members stay in El Paso County after leaving the Army. Unfortunately, Fort Bliss has not allowed the County's VA representative to participate in monthly TAP briefings, instead favoring a national VA representative to offer information to departing soldiers. This exclusion leaves departing service



members with a lack of understanding regarding the County's VA services, which are unique and separate from many of the national VA programs. For example, the County's VA office acts as an advocate for local veterans with the national VA, an often overwhelming and confusing Federal bureaucracy. Simply put, it makes sense to allow both the national and the County VA offices an opportunity to describe their unique services to departing service members.

RECOMMENDED POSITION: *Support* a Veterans Affairs hospital or clinic expansion that provides adequate medical services for the El Paso veterans' community. *Monitor* Congressional activity with regard to the concurrent receipt of Dependency and Indemnity Compensation and the Survivor's Benefit Plan. *Support* Federal efforts to reduce Veterans Affairs claims backlogs. *Support* El Paso County participation in the Transition Assistance Program at Fort Bliss.

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FEDERAL ISSUE: Transportation Authorization

BACKGROUND; HOW IT MAY AFFECT EL PASO COUNTY: After several years of short-term authorizations, Congress passed and the President signed the Moving Ahead for Progress in the 21st Century Act (MAP-21) on July 6, 2012. MAP-21 funds Federal surface transportation programs at roughly the levels of the previous authorization (\$48 billion, or roughly \$3 billion for the State of Texas) through September 30, 2014, which means that Congress will need to begin to craft the follow-on legislation to MAP-21 well before the end of the 113th Congress.

MAP-21 eliminated or consolidated many programs, transformed nearly all discretionary transportation grant programs into formula programs, and left much discretion to state Departments of Transportation on how to allocate funding among the remaining programs.

One of the consolidated programs was the Federal Highway Administration's Coordinated Border Infrastructure (CBI) program, which MAP-21 made a part of the Surface Transportation Program. These funds are provided to the state of Texas via formula and are allocated thereafter by the State, not the Federal government.

El Paso County secured CBI funding several years ago to initiate its Secure Border Trade Demonstration Project (SBTDP) in an effort to create a model port for commercial shipments. Working with Secure Origins as the technical lead, the SBTDP aims to institutionalize effective and sustainable supply chain security protocols that promote regional prosperity and global competitiveness while protecting human health and the environment. It focuses on integrating security with supply chain efficiencies to ensure expedited and consistent passage through the border ports of entry thereby optimizing the use of government resources at the border. Unfortunately, the future of the SBTDP after current CBI funding is spent is uncertain given the consolidation and new funding will be challenging to secure.

With regard to rural transit, under the new transit funding formula apportionments of MAP-21, the State of Texas will receive slightly more funding for transit programs than under the previous authorization. In Fiscal Year 2012 (FY) TxDOT received an estimated \$366 million. In FY 2013, TxDOT is expected to receive \$404 million, and \$410 million in FY 2014.

El Paso County will continue to receive its Federal Transit Administration (FTA) section 5311 rural formula allocation to help run its rural transit services and could see an increase in FY 2013 as the new formula considers the number of low-income individuals in a rural area.

Under prior transportation authorizations, El Paso County had received a large amount of funding for its intercity bus program from the Federal Transit Administration's (FTA) section 5316 Job Access Reverse Commute (JARC) program. Unfortunately, dedicated funding for the JARC program was eliminated under MAP-21, but JARC projects are still eligible under section 5311, and the County will have to request these funds from TxDOT. Depending on the ease of this transition, the County may wish to consider advocating for a return to dedicated funding for JARC and other programs.

The Congestion Mitigation Air Quality (CMAQ) program, designed to reduce congestion and improve air quality in non-attainment areas, remains a flexible funding source for transportation projects and



programs to help El Paso County meet Clean Air Act requirements. During the MAP-21 debate, there was some discussion about a direct CMAQ sub-allocation from the Federal government to affected local governments. This ultimately was not a part of the final bill, but is something that could come up again in the next authorization. El Paso County is the only non-attainment county in Texas for particulate matter, although not for ozone.

Since the Federal government is currently operating on a six-month continuing resolution, FTA is currently providing apportionments at the levels of the previous authorization. The County will want to advocate for full funding of transit programs to their MAP-21 authorized levels, which are higher as they account for inflation since the previous authorization.

In developing MAP-21, Congress did not address the need for a long-term, sustainable plan to finance our nation's transportation infrastructure. Fuel taxes, which currently provide most of the money for surface transportation, do not provide a solid long-term foundation for generally desired transportation funding growth, even if Congress were to raise them modestly. The choice then becomes finding new sources of income for an expanded program, or alternately, to settle for a smaller program that might look very different than the one currently in place. Less Federal funding via a future transportation reauthorization bill would mean significantly less funding available to TxDOT, and ultimately El Paso County, to support both surface transportation and transit projects and programs.

RECOMMENDED POSITION: *Support* full funding of transit programs to their MAP-21 authorized levels, including a robust 5311 Rural Transit program. *Support* continuation of the County's Secure Border Trade Demonstration Project to help develop a model port for commercial shipments. *Monitor* proposed changes to Federal highway and transit programs. *Monitor* efforts to enhance Federal transportation revenue streams. *Support* any and all opportunities to secure funding for El Paso priorities via this legislation or other means.

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FEDERAL ISSUE: Department of Agriculture Rural Development Programs

BACKGROUND; HOW IT MAY AFFECT EL PASO COUNTY: Department of Agriculture (USDA) Rural Development programs were created to provide Federal support for such essential services as electricity, telephone (and later broadband) access, and water and wastewater infrastructure to rural areas that would otherwise be unable to afford them independently. Financial support from these programs comes in the form of direct or guaranteed loans and/or grants for areas in the greatest need for these basic services.

El Paso County has been the recipient of funding from many of these programs to provide water, wastewater and other essential infrastructure needs to the Colonias. For example, in 2012, through a combination of the low-interest loans and grant programs, the County and its partners were able to receive funding through the Rural Development programs for a \$1.74 million water infrastructure project to provide drinking water and fire hydrants to the Canutillo area. \$1.6 million of this project came from grant funding. With this serving as an example of a very successful relationship with Rural Development, funding for these programs will continue to be of importance to the County as it is estimated that thousands of residents still do not have access to water in their homes.

In Fiscal Year (FY) 2012, Congress provided \$513 million for the USDA Rural Development's Rural Water and Waste Disposal Program Account. Recognizing the special needs of Colonias and various other groups, this funding included \$66.5 million for targeted water and waste disposal systems grants for these populations. In FY 2013, the Administration has proposed a reduction in funding for all the programs in this account to \$495.7 million, which includes a reduction for targeted water and waste disposal systems grants to nearly \$59.5 million. The House also proposed a reduction in overall funding for these programs to \$484.5 million, but agreed with the Administration proposal for the targeted water and waste disposal systems grants. Meanwhile, the Senate proposed an overall increase in FY 2013 for the Rural Water and Waste Disposal Program Account to nearly \$522.5 million, while proposing level funding from FY 2012 for the targeted water and waste disposal systems grants at \$66.5 million.

RECOMMENDED POSITION: *Support* level funding for the Fiscal Year 2013 Department of Agriculture Rural Development Water and Waste Disposal Program account, including designated funding for Colonias. *Support* El Paso County applications for Rural Development and other appropriate funds to support infrastructure development in the Colonias.

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FEDERAL ISSUE: Water Resource Issues

BACKGROUND; HOW IT MAY AFFECT EL PASO COUNTY: The *Sparks Arroyo Corps of Engineers flood control study* was originally authorized by Congress via an August 12, 1986 Committee Study Resolution of the Senate Environment and Public Works Committee. However, a Reconnaissance study was not initiated by the Corps until 2002, but it did show Federal interest in continuing to a Feasibility study. A Feasibility Cost Sharing Agreement (FCSA) was signed in December 2003 with El Paso County and the Feasibility study was formally initiated in January 2004.

The Sparks Arroyo study area is located in southern El Paso County, Texas within the Rio Grande Valley and adjacent to the east-southeast edge of the city of El Paso. The areas of interest within the study area are Socorro, Horizon City, and Sparks Addition. The population of the study area is 53,448 and contains approximately 2,390 structures within the 1 percent chance exceedance floodplain. Equivalent annual damages for the Sparks Arroyo study area are estimated at \$5,551,060 (2011 price level).

There is some concern that given the Corps' newfound focus on completing "high-priority" studies in a more timely fashion, some other studies could suffer from a lack of Federal funding and attention. This may befall the Sparks Arroyo Feasibility study. However, the Corps will have an opportunity to further fund the study via its Fiscal Year 2013 work plan, which should be released in April or May.

The *Rio Grande Environmental Management Program (RGEMP)* was initiated via an authorization in the 2007 Water Resources Development Act (WRDA) and is a collaborative effort among the Corps of Engineers, other Federal agencies, and state, local, international, Tribal and non-governmental stakeholder interests. The RGEMP features interagency collaboration, planning, design, construction, and evaluation of measures for fish and wildlife habitat rehabilitation and enhancement. The program also includes provisions for computerized data inventory and analysis, applied long term resource monitoring and adaptive management to provide resource managers with information necessary to maintain a healthy watershed system in New Mexico, Colorado, and Texas.

The authorization allowing funding to be provided to the RGEMP ended in 2011, but reauthorization of the program is included in Section 5004 of S. 601, WRDA 2013, and would extend the program's funding authority to 2024.

El Paso County is particularly interested in this issue given that it is hoped that it can help restore some areas along the Rio Grande. Funding from the RGEMP has already helped address small portions along the Rio Grande corridor within El Paso County. However, more needs to be done, including removing harmful species of vegetation/tress and allowing for native plants to flourish again. The program also works on protecting endangered species only found in the area.

RECOMMENDED POSITION: **Support** funding for the Sparks Arroyo Feasibility study via Corps of Engineers work plans to mitigate flooding along the Sparks Arroyo corridor. **Support** the reauthorization of the Rio Grande Environmental Management Program via a Water Resources Development Act.



FEDERAL ISSUE: Economic Development Administration Programs

BACKGROUND; HOW IT MAY AFFECT EL PASO COUNTY: The Economic Development Administration (EDA) is primarily a granting agency that funds economic development projects throughout the country. Local governments or non-profits such as the El Paso County are local sponsors of the projects.

Funding from the EDA is used to support private investment and generally funds projects such as road and water infrastructure improvements that can help reinvigorate areas and lead to additional reinvestment in homes and businesses. Successful projects usually leverage roughly 200 new jobs and \$24 million in private investment for every \$1 million of EDA investment.

The President's Deficit Commission, as well as more recent Congressional proposals, has proposed the elimination of EDA, as its mission is seen as duplicative by some. In June 2012 the Senate failed to pass the "Economic Development Revitalization Act," which would have reauthorized the Economic Development Administration (EDA) through 2015. EDA's authorization expired in September 2008, but funding via the appropriations process has kept it functioning without an authorization. In addition to reauthorizing EDA, the Senate legislation would increase the authorized funding for the program from \$300 to \$500 million annually. Despite the failure to pass the legislation, the EDA will continue to operate through the annual appropriations process if provided sufficient funding by Congress.

In Fiscal Year (FY) 2011, Congress provided \$283 million for the EDA. In FY 2012, after the Administration proposed \$324 million, Congress ultimately provided \$257 million in funding.

The President's budget for FY 2013 proposed \$220 million for the EDA. An amendment was accepted on the House of Representatives floor during the debate over the FY 2013 Commerce, Justice, Science appropriations bill to increase funding for the EDA to match the Administration's proposed funding levels. Meanwhile, the Senate has proposed funding the EDA at \$237 million for FY 2013.

RECOMMENDED POSITION: *Support* El Paso County EDA grant applications, including potential applications for improvements to infrastructure projects that support and promote economic development in the County. *Monitor* continued funding of the Economic Development Administration.

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FEDERAL ISSUE: Sequestration

BACKGROUND / HOW IT MAY AFFECT EL PASO COUNTY: Over at least the past two years, much attention in Congress and the White House has been paid to the Federal debt ceiling and proposals to reduce spending or increase revenue. Generally, these discussions have not produced the “Grand Bargain” that many had hoped for. Instead, the most recent compromise along these lines, the American Taxpayer Relief Act, passed just before the end of the 112th Congress and left us with a two-month delay to the “sequester,” some resolution to tax issues, and another looming debt ceiling showdown. This situation remains extremely fluid and will likely change on a frequent basis over the next year, if not more.

Sequestration: Sequestration is the result of the failure of the 2011 Deficit Reduction Committee, a group of 12 members of the House and Senate that was unable to strike a deal to reduce spending and/or increase revenue. The Deficit Reduction Committee was formed as part of the Budget Control Act deal to avert a default on the Federal debt in August 2011.

Sequestration, if left untouched, will result in automatic spending cuts of \$1.2 trillion over nine years (through Fiscal Year 2021), equally split between defense and non-defense spending. A bit more than \$200 billion of this reduction in spending will come from reduced debt service costs, leaving a real cut of \$960 billion, or roughly \$109 billion per year starting in Fiscal Year (FY) 2014. In FY 2013, the sequester was delayed by two months, to March 1, and would result in a cut of \$85 billion. Half of the cuts are to come from defense spending with the remaining to come from non-defense agencies.

Decisions on how to fund individual programs will be left up to the Congressional Appropriations committees on an annual basis beginning with FY 2014. From the County’s perspective, these cuts are more easily managed across the board as opposed to eliminating whole programs, as other proposals have suggested in lieu of sequestration. However, since FY 2013 begins before sequestration will take place, cuts in 2013 will be made by the individual agencies. Other impacts will be roughly 8 percent reductions to a number of Federal formula programs on which the County relies, particularly those related to providing social services to residents.

Few in Congress are pleased with the potential impacts of sequestration. In general, Democrats are not pleased with the forced cuts and the lack of scheduled increases to revenue. Republicans are particularly frustrated over the affect the cuts may have on the Department of Defense, which will face 50 percent of the revenue reduction (because it accounts for more than half of discretionary spending). The two sides will continue to debate efforts to avoid the sequester, likely through other spending reductions to entitlement programs such as Medicare and Social Security, or additional tax increases.

With regard to sequestration’s impact on Fort Bliss, the Army has said that 11,000 civilian employees at the base could be subject to furloughs if the budget cuts go into effect. The furloughs would likely be structured so that civilian employees would lose one day of work per week for 22 weeks, starting in late April, resulting in a 20 percent loss of pay. Furthermore, the Army has reported that Fort Bliss could lose \$136 million in funding if the sequester occurs. While this may not seem like much given the recent investment in the base, it is sure to have impacts.



Debt Limit: Meanwhile, as the debate over avoiding the sequester will continue, the debt limit will also have to be addressed. The U.S. government’s ability to borrow money to pay its obligations is limited by Federal law. The debt limit is currently \$16.4 trillion and is likely to be exceeded in late May 2013.

Republicans have in the past argued that any increase in the debt limit must be accompanied by spending cuts and reforms of a greater amount to mandatory programs generally favored by Democrats such as Social Security and Medicare.

RECOMMENDED POSITION: *Monitor* proposals related to the sequester, especially those linked to spending cuts and tax code changes for their potential impact to El Paso County and Fort Bliss.

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FEDERAL ISSUE: Public Pension Reform

BACKGROUND; HOW IT MAY AFFECT EL PASO COUNTY: The sponsors of the Public Employee Transparency Acts (Rep. Nunes of CA and Sen. Burr of NC), have stated that public pensions are significantly underfunded and are aiming to ensure what, in their opinion, will be more realistic asset projections compared with expected liabilities.

Specifically, the legislation would require additional reporting of assets and liabilities and more significantly, require that assets in a public plan such as the Texas County and District Retirement System (TCDRS) are projected to grow at the rate of Treasury securities instead of more optimistic projections tied to historic stock market indices, thereby greatly increasing plan liabilities. This might require projected growth rates of less than 1 percent annually instead of a growth rate of 7 or more percent, which is a typical growth rate for many public plans. The legislation would also disallow any future Federal bailout of public pension plans. Ultimately, the legislation would likely make pension plans more expensive to participate in for local governments, yet would also aim to make them more secure.

More recently, Sen. Orrin Hatch (UT), the Ranking Member of the Senate Finance Committee, released a report saying that public pension debt “threatens America” and that “defined benefit pension plans are inappropriate for state and local governments.” He concluded his report by stating his intention to introduce a legislative solution in the future.

It is expected that similar legislation will be reintroduced during the 113th Congress.

RECOMMENDED POSITION: *Monitor* Federal legislative proposals related to public pensions, e.g., the Public Employee Pension Transparency Act, which could significantly impact the Texas County and District Retirement System.

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FEDERAL ISSUE: Energy Efficiency Programs

BACKGROUND; HOW IT MAY AFFECT EL PASO COUNTY: For the past few years, El Paso County has pursued a number of alternative energy and energy efficiency projects. For example, the currently-funded geothermal exploration project at the McGregor Range at Fort Bliss is intended to assist the Army with their growing energy needs on base.

Several energy programs authorized in the Energy Independence and Security Act of 2007 (EISA) are scheduled to be reauthorized this year. Members of the House Science, Space, and Technology Committee have already expressed a desire to move forward on legislation related to the research, development, and demonstration of various energy initiatives.

This bill could include a reauthorization of geothermal energy programs as well as the Energy Efficiency and Conservation Block Grant (EECBG) program. The EECBG program was modeled after the Community Development Block Grant program, and offered mostly formula grants to entitlement communities for projects that reduced fossil fuel consumption through increased energy efficiency or conservation. EECBP was funded once by the American Reinvestment and Recovery Act at \$3.2 billion, with \$434 million available through competitive grants to those that did not receive direct allocations. The City of El Paso received a direct allocation of more than \$5.8 million from the EECBG program as the entitlement community for the region. Unfortunately, EECBG was only funded once by Congress, and it is unlikely to be funded again in the current budget environment.

While the U.S. House of Representatives are intent on moving energy reauthorization legislation this year, it is unclear whether such measures may be able to proceed in the Senate. What is certain, however, is that authorization legislation this Congress will be at substantially lower budget numbers than in previous years. That means that it will be more important than ever to protect priority programs.

Meanwhile, the Army continues to pursue a goal of producing 1 gigawatt of renewable energy at its installations by 2025. At Fort Bliss, officials are planning a 20-megawatt, solar photovoltaic project that will be carried out in partnership with the El Paso Electric utility. Initially, the system will provide peak off-grid power. Plans ultimately call for the power to be integrated with a microgrid and offer the post complete energy security.

RECOMMENDED POSITION: **Monitor** energy legislation and position El Paso County for project funding. **Support** continued funding for demonstration projects in alternative energy technologies and energy efficiency programs.

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FEDERAL ISSUE: Sales-Tax Legislation

BACKGROUND; HOW IT MAY AFFECT EL PASO COUNTY: Currently, retailers are only required to collect sales tax in states where they have brick-and-mortar stores. The burden then falls to consumers to report to state tax departments any sales taxes they owe for online purchases. Often, consumers do not report those purchases when completing their tax returns. As a result, local retailers are at a competitive disadvantage because they must collect sales taxes while out-of-state retailers, including many large online and catalog retailers, in effect give their customers a discount by collecting no state or local sales taxes. Consumers are left with the confusing yet legal responsibility to report the sales taxes owed on online purchases on their tax returns.

The current sales tax system is perceived as being unfair to brick-and-mortar retailers that employ local residents, including local stores as well as national chains like Best Buy or Home Depot. It is also a drain on local government revenues. In 2012, uncollected sales tax is estimated to cost local governments \$23 billion nationwide.

To correct this inequity, legislation was introduced in the Senate during the 112th Congress and was seen as having the best chance of becoming law. The bipartisan legislation was cosponsored by 19 Senators, and for the first time had the backing of some major online retailers such as Amazon.com. In the House, similar, bipartisan legislation also gained traction with 56 cosponsors. To protect small, online retailers, both pieces of legislation exempted sellers who make less than \$500,000 in total remote sales to qualify from the requirement to collect the tax.

Local, state, and national business groups, such as the Texas Retailers Association, the SW College Bookstore Association, Best Buy, and Amazon.com have spoken out in favor of these types of bills. Four Texas Republicans and one Texas Democrat in the House were cosponsors of the legislation in the 112th Congress.

This bill has been reintroduced in the House and Senate in the 113th Congress, and already has significant support with 20 cosponsors in the Senate and 37 cosponsors in the House, including Texas Representatives Conaway and Poe. Rep. Olson supported the legislation in the last Congress and may do so again in this Congress. Legislation of this type could be also wrapped up into a future spending reduction or tax reform measure in the 113th Congress.

RECOMMENDED POSITION: *Support* legislation that requires companies making catalog and internet sales to collect and remit the associated taxes.

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FEDERAL ISSUE: Hotel Occupancy Taxes

BACKGROUND; HOW IT MAY AFFECT EL PASO COUNTY: In the 111th Congress, attempts were made by senior Senators to insert language into various pieces of legislation that would have exempted Online Travel Companies (OTC), e.g., Expedia, Travelocity, and others, from remitting taxes based on the retail rate paid by the end consumer. For instance, if Expedia or a similar purveyor were to pay \$60 for a room in El Paso County and then sell that room to a consumer for \$100, they would be able to, under the proposal, only remit \$6 dollars to the local government instead of \$10 (using a 10 percent bed tax for illustrative purposes).

In late September of 2012, the District of Columbia government won a suit where a judge ruled that online travel firms should pay taxes on the full retail price of hotel rooms they sell to consumers. Courts across the country have ruled differently on this issue over the past few years, which has led online travel purveyors to continue to seek Federal legislation that would codify their goal of not remitting taxes on the price of the hotel room paid by the consumer.

Earlier in 2012, several of these online discount travel brokers (including Expedia, Orbitz, and Priceline) organized and registered to lobby under a new organization called the “Interactive Travel Services Association,” whose purpose is to advocate on several issues, including “taxes and fees related to travel.”

From October 2011 through September 2012, El Paso County is projected to collect \$3,170,587 in hotel occupancy taxes, which is used to support the coliseum and the tourism industry in the region. This level of funding underscores the importance of this revenue source and the need to ensure it is not constrained by detrimental legislation.

RECOMMENDED POSITION: *Oppose* legislation that would exempt Internet travel brokers from paying taxes on the full room rate paid by the consumer, thereby costing El Paso County and its political subdivisions the opportunity to collect the appropriate Hotel Occupancy Taxes from visitors to the region.

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FEDERAL ISSUE: Tax-Exempt Bonds

BACKGROUND; HOW IT MAY AFFECT EL PASO COUNTY: Although municipal bonds have been tax-exempt for almost 100 years, a number of Federal proposals continue to be discussed which target the tax exemption of tax-exempt bonds, particularly as part of the debate to end the sequester or reduce Federal spending. This could be particularly harmful to El Paso County as the University Medical Center is planning to let \$150 million in bonds in the first quarter of 2013. With local governments facing severe budget difficulties, any proposal to limit the tax exemption would put more pressure on local finances by reducing demand for tax-exempt bonds and increasing borrowing costs for state and local governments, ultimately leading to higher taxes or reduced services. Specifically:

- The Administration has proposed as part of a jobs and deficit reduction plan to limit the benefit of itemized deductions and certain exclusions to 28 percent for higher income taxpayers.
- The Administration's plan also includes a new debt reduction trigger which could further limit the exclusion for tax-exempt bond interest income below 28 percent. The new trigger could limit the tax savings from tax-exempt bonds every year, increasing the risk and the cost of all tax-exempt bonds.
- The Administration's National Commission on Fiscal Responsibility and Reform, also called Simpson-Bowles, has recommended a tax reform plan which would end the tax exemption for newly-issued state and local bonds.
- The Bipartisan Policy Center has proposed a tax reform plan, also known as Domenici-Rivlin, which would end the tax exemption for all new private-purpose bonds.
- Senators Wyden and Coats introduced the Bipartisan Tax Fairness and Simplification Act which would replace tax-exempt bonds with taxable bonds and a tax credit.
- Senator Coburn has proposed a tax reform plan which would repeal the program which authorizes tribes to issue tax-exempt bonds for economic development purposes.
- The Congressional Budget Office has released a report on revenue-raising options which includes a proposal to replace the tax exemption of municipal bonds with a direct subsidy for issuers.

It is estimated that the difference in the rate of earnings the County and other local governments would need to offer prospective buyers of their taxable bonds would depend on the market, but typically would range from 1.5 to 2 percent more for those offerings. On \$1 million borrowed, this would likely cost \$20,000 more in interest per year. Taking this further, if the County were to amortize a \$100 million loan over 30 years at taxable bond rates 2 percent higher than if the bonds were tax-exempt, the additional cost to taxpayers over the 30 years would be roughly \$30 million.

RECOMMENDED POSITION: *Oppose* legislation that would threaten the tax exemption on state and local bonds, including a 28 percent cap on tax-exempt municipal bonds.