



California State Association of Counties

CSAC 2013 STATE ADVOCACY PRIORITIES*

Approved by CSAC Board of Directors – February 2013

The 2013 CSAC State Legislative Priorities reflect an ongoing commitment to successful implementation of 2011 Realignment and a focused effort on health reform implementation, in addition to a diverse array of key county priorities.

- 2011 Realignment
- Health Reform Implementation
- Governor's Proposed Budget
- Vote Thresholds for Locally Approved Taxes
- Redevelopment Dissolution/Resurrection
- Property Tax Allocation
- State Transportation Funding
- MAP 21
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2011 Realignment

In 2013, CSAC will work across disciplines to build county capacity and maximize opportunities for successful and sustained implementation of 2011 Realignment. Counties have worked diligently to implement the broad array of programs transferred to county jurisdiction under the 2011 Public Safety Realignment, but work remains to ensure counties are best positioned to fully achieve the objectives of this historic and far-reaching change. Primary focus will be given to safeguarding local ability to innovate and protect programmatic flexibility, developing and delivering training and education programs that support capacity building, identifying appropriate measures to communicate outcomes and to design longer-term allocation methodologies, as well as advocating for legislative changes to address technical and structural implementation impediments. In the broadest sense, CSAC will engage at all levels to support counties' efforts to manage the new programs and populations over the long term.

Specifically, CSAC expects to be actively engaged in the implementation of 2011 Realignment with the Administration and Legislature, including the appropriate distribution of AB 109 growth funds particularly to address higher-than-projected caseload impacts and county-by-county allocation of growth amounts to the health and human services subaccounts. We anticipate that there will be legislative efforts to reopen the AB 109 allocation formulas through 2013-14, an effort CSAC would oppose, as well as the potential for exploring the future role and composition of the Community Corrections Partnership (CCPs). Further, CSAC will partner with counties, the Legislature, and

* Note that state legislative priorities are established at the start of the legislative year. This document evolves as counties face emerging issues throughout the year.

Administration to identify state policy changes that will allow for greater administrative and program flexibility for health and human services programs.

Health Reform Implementation

California counties will be deeply involved in health reform implementation in 2013. Counties are key partners to the State in promoting the success of federal health reform: counties are providers, operating hospitals, health systems and clinics; counties administer eligibility systems that enroll people in public programs; and counties provide and fund Medi-Cal mental health and substance use disorder treatment services. As part of the health reform implementation discussion, the Administration has proposed two options for California: expanding the existing state Medicaid program or creating a county-run model. Both options would involve the redirection or diversion of county health funds from 1991 Realignment. The two options outlined by the Governor, as well as any other potential health care models that may arise out of discussions with the state, will have significant long-term fiscal and policy effects for counties.

Additionally, California has a number of important policy decisions to make, and Governor Brown announced his intention to call a Special Session of the Legislature on Health Reform in January to address these and other outstanding health policy implementation issues. Chief among the outstanding health issues is the expansion of Medicaid coverage to adults. The discussion of the Medicaid expansion is important to counties because many of the indigent adults for whom counties are currently obligated to provide health services (Welfare and Institutions Code Section 17000) will be eligible for the Medicaid expansion. Counties are in a difficult position – we won't know implementing rules or have actual experience about who gets insurance and how quickly, but are being asked to contemplate a fiscal transaction with the state. CSAC staff will be focused on ensuring that counties are a strong voice in upcoming fiscal and policy discussions about health reform implementation.

Other State Priorities

Governor's Proposed Budget

CSAC will employ short- and long-term approaches to the proposals in the Governor's 2013-14 Proposed Budget, ensuring that county interests are protected during discussions of state budget reductions or restorations.

Vote Thresholds for Locally-Approved Taxes

CSAC has long-supported greater revenue raising authority at the local level and will support legislative constitutional amendments to reduce vote thresholds for local taxes. A number of legislators have expressed significant interest in reducing voter approval requirements for a variety of specific purposes; as such a change requires a constitutional amendment, the challenge ahead is to determine the approach that has the best chance for voter support.

Redevelopment Dissolution/Resurrection

Counties remain critical players in the ongoing dissolution of community redevelopment agencies. CSAC is committed to assisting counties in their multiple roles as successor agency, oversight board participants, and tax administrators to ensure consistent and timely communication and coordination among the county, local stakeholders, and the state.

Legislators continue to have a strong interest in developing a new tool for local economic development. CSAC will work to ensure any new local economic development authority is available to counties and protects county revenues.

Property Tax Allocation

CSAC has identified a number of counties in which there are a variety of property tax allocation issues that limit the counties' ability to obtain reimbursement for state revenue exchanges. CSAC will work with these counties, the Legislature, and the Administration to seek long-term solutions that ensure counties receive full funding for agreed-upon state revenue exchanges.

State Transportation Funding

Transportation stakeholders are finalizing funding recommendations targeted at the Legislature in order to address the significant funding shortfalls (nearly \$300 billion over the next decade) identified in the recently released California Statewide Transportation Needs Assessment. Polling is expected to take place in December to measure public support for various revenue options. There is a sense of urgency to generate new revenues for transportation as when California's Cap and Trade program applies to the production of fuels beginning no later than 2015, auction revenues will increase the price of gasoline, which is the primary funding source that both the state and local systems have historically depended on for preservation and capital improvements. Based on CSAC Board action we have policy to support new revenues for transportation purposes, but we must remain engaged in developing specific legislative proposals that will determine allocations between the state, regions, counties, cities and transit agencies.

In addition, with the passage of Proposition 30 transportation stakeholders intend to seek a sunset on the \$128 million annual HUTA (Highway Users Tax Account) funds that were diverted for General Fund purposes in 2012. This revenue was intended to fund the state and local systems in return for providing close to \$1 billion in truck weight fees for General Fund relief during negotiations on the Transportation Tax Swap in 2011.

MAP 21

The Administration and Legislative leadership and policy staff are both drafting different legislative proposals that will dictate how federal transportation taxes are allocated into the future. CSAC has several priorities to ensure safety and preservation on the local system and bridges remain a priority for funding. Moving Ahead for Progress in the 21st Century Act (MAP 21) represents the first major programmatic overhaul to federal transportation funding in two decades. The consolidation of core federal transportation programs and an increased focus on performance measurement means that California needs to determine how federal funds will be allocated within the state and with what, if any, additional state requirements will be attached to the federal funds. CSAC is working with a broad group of stakeholders to ensure federal funds are allocated in a way that will help the State achieve statewide transportation priorities such as safety and preservation of the existing network, in the most efficient and effective manner.

Regulatory/CEQA Reform

Governor Brown and moderate caucus members of the Legislature have expressed an interest in California Environmental Quality Act (CEQA) reform to streamline projects and promote job creation. In response, Senator Steinberg has created a working group comprised of experienced CEQA attorneys and efforts are underway to outline potential legislative proposals. While CEQA/regulatory streamlining remains a CSAC goal with respect to the delivery of public works and other critical projects associated with county service delivery, we do not have specific policy associated with

private sector interests. Staff has commitments from senior senate staff and representatives on the working group to ensure we are kept apprised of these ongoing efforts.

Cap & Trade – Secure Funding for Local Government Programs

The first allocation of Cap and Trade funds will be decided in the 2013-14 state budget. CSAC staff will work with a number of partners through several different coalitions to secure a portion of these revenues for local governments for a variety of different purposes, including planning, transportation, energy efficiency and other greenhouse gas emissions reductions activities. CSAC is a member of a coalition of transportation stakeholders seeking to ensure that the portion of cap and trade auction revenues associated with fuel production is dedicated for transportation purposes. In addition, CSAC will remain engaged in the OEHHA (Office of Environmental Health Hazard Assessment) process to develop an Environmental Health Screening Tool given the potential impact on the allocation of Cap and Trade revenues for disadvantaged communities.

SB 5 Clean-Up (Flood Management/Land Use) – Seek Statutory Changes to Address Outstanding Issues

SB 5 (Machado, Chapter 364, Statutes of 2007) requires cities and counties to comprehensively address flood management and flood risk issues within local planning documents and to demonstrate a 200-year level of flood protection when approving certain types of development. Additional statutory changes are needed to address outstanding implementation issues regarding the application of SB 5 to all discretionary projects and infill development.

Resolution of the two outstanding issues will necessitate additional discussions between staff from the Department of Water Resources (DWR) and the Senate Natural Resources and Water Committee, the environmental community and local government representatives. CSAC will be actively involved in the development of a legislative solution that provides assurances that “loopholes” to the 200-year level of flood protection are not created.

Water Board Rulemakings/Policies – Support Revisions that Result in Cost-Effective, Implementable and Non-Prescriptive State Standards

State Water Resources Control Board Permit (Water Board) permit revisions remain a concern, including the Municipal Separate Storm Water System (MS4) Permit and the Industrial Storm Water General Permit. Given the significant cost implications to counties, it is imperative that CSAC continue to support revisions that reduce the risk of litigation and result in cost-effective and implementable permits. It is also imperative that the Stormwater Permits include “revised” Receiving Water Limitations (RWL) language consistent with the specific goals outlined in CSAC’s comment letter to the Water Board.

Achieving success in the rulemaking process will involve continued partnership with other local government stakeholders and the private sector. Engaging our members will be especially important to demonstrate the practical implications of proposed rulemakings on valuable public projects.

Solid Waste – Advancing Waste to Energy Policies and Alternatives to Landfills

CSAC is advocating for the advancement of solid waste conversion technologies (CT) in California in order to establish a clear regulatory path by allowing for renewable energy and solid waste diversion credits for CT technologies. In the next legislative session, we anticipate a legislative/ regulatory proposal moving forward that would change statutory definitions related to conversion technology and address the associated renewable energy and disposal credits for CT. Staff is actively engaged in the support and development of these proposals and is working in close coordination with the

County Engineers Association of California. Given the longstanding environmental opposition to CT, CSAC will need to engage in a significant outreach and education component if any proposal is to be successful.

Delta Solutions – Represent County Interests in the Development of the Delta Plan and any Conveyance Options

CSAC’s existing policy recognizes the Delta as a critical region of statewide importance encompassing vital water, transportation, energy, agriculture and economic interests. As the Delta Plan is finalized and discussions continue regarding conveyance options, CSAC will advocate for assurances that guarantee significant county involvement in the project development process, including discussions regarding funding, and support actions that ensure mitigation of proposed project impacts.

2-1-1 Statewide Implementation

CSAC has actively supported both state and federal legislation to help build and fund a statewide 2-1-1 referral system. 2-1-1 is a free, easy-to-remember telephone number that connects people to essential community information and services. In 2008, over one million Californians called 2-1-1 for help finding needed community services such as rent and mortgage assistance, food and shelter, health care, job training, transportation, child care, and senior care. 2-1-1 also plays an informational role during emergencies and disasters and relieves pressure on the 9-1-1 system at these critical times. CSAC will work at both the state and federal levels to promote the need for a comprehensive statewide 2-1-1 system.



CSAC 2013 FEDERAL ADVOCACY PRIORITIES

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CSAC's contract for federal affairs services with Waterman and Associates provides for a nine-issue agenda. CSAC staff, in consultation with Waterman and Associates, developed the following list of federal issues of significance to California's counties. These nine issues will represent the association's top lobbying priorities for 2013, with CSAC staff and Waterman and Associates working together to identify other emerging topics that may necessitate action throughout the year.

Clean Water Act Section 404 Permitting

CSAC will promote legislation that would provide a permitting exemption for maintenance removal of sediment, debris, and vegetation from flood control channels and basins. The bill (HR 2427), which CSAC helped to develop and build support for in the current legislative session, would need to be reintroduced in the new 113th Congress.

Native American Affairs/Fee-to-Trust Reform

CSAC continues to oppose congressional efforts aimed at approving so-called Carcieri "fix" legislation, which would restore the Secretary of the Interior's authority to take land into trust for all tribes absent concomitant reforms in the Indian fee-to-trust process. Continue to advocate for CSAC's comprehensive fee-to-trust package.

Pension Tier Changes – Conflict with IRS Requirements

The rising cost of public employee pension plans remains a concern for California's counties. A number of counties have proposed their own local solutions, such as allowing current employees to elect lower pension benefits with lower retirement contributions, but Internal Revenue Service (IRS) rules are an obstacle to these reforms. Under a 2006 IRS ruling, allowing current county employees to elect lower pension benefits may force all county employees to have to pay taxes on their retirement deductions – whether they switch plans or not.

CSAC supports legislation that would revise the IRS ruling so that local governments can propose and implement their own local plans, without severe consequences. Such a bill (HR 205) was introduced by Representative Loretta Sanchez (D-CA) in the 113th Congress and would revise IRS Ruling 2006-43 to provide local agencies the authority to implement their plans.

Property Assessed Clean Energy Program

CSAC supports legislative and administrative remedies that would help restart stalled PACE programs. The Federal Housing Finance Agency (FHFA) issued a directive in 2010 that effectively shut down PACE programs in California and across the country. FHFA was later ordered to proceed through a formal rulemaking process on its PACE directive.

Bipartisan legislation (HR 2599) that would prevent FHFA from adopting policies that contravene established state and local PACE laws will likely be reintroduced in 2013.

Remote Sales Tax Legislation

CSAC supports federal legislation that would authorize state and local governments to require tax collection and remittance by remote sellers. While there will be efforts in the upcoming lame-duck session of Congress to approve a compromise remote sales tax bill, those efforts may fall short, meaning the issue will resurface in 2013.

Under current law, online retailers are exempt from collecting sales taxes in states where they have no physical presence, or "nexus." In these situations, the consumer is responsible for calculating the use tax and remitting the payment to the relevant jurisdictions, but compliance is low. As online sales continue to grow, local governments are losing billions of dollars in uncollected sales tax revenue.

Secure Rural Schools Act Reauthorization

CSAC continues to advocate for a multi-year reauthorization of the SRS program. In the absence of a long-term renewal, CSAC would support a short-term extension of the Act.

The SRS program was extended for one-year (through fiscal year 2012) as part of the recently enacted surface transportation legislation (MAP-21). Unless the program is reauthorized, final payments will be distributed to eligible jurisdictions between November 2012 and January 2013.

State Criminal Alien Assistance Program

CSAC will continue to lead and advocate for the highest possible funding level for the SCAAP program, which is a key source of federal funding for 50 of California's counties. Additionally, continue to advocate for a long-term reauthorization of SCAAP. Finally, oppose the expected reissuance of the U.S. Department of Justice's policy change aimed at eliminating SCAAP payments to jurisdictions for the costs of incarcerating inmates whose immigration statuses are "unknown."

Health Reform Implementation

California has a number of significant policy issues to settle in 2013 to prepare for federal health care reform implementation in 2014. CSAC expects to play a key role in that implementation, ranging from managing the eligibility and enrollment functions to providing direct health care services. And, under Governor Brown's proposed 2013-14 budget, counties might expand their roles in operating health systems. All of these unknowns, including the breadth of California's Medicaid expansion, are dependent on direction from the federal Centers for Medicare and Medicaid Services (CMS). CMS is continuing to issue importance guidance to states about implementation. CSAC may weigh in on some of the implementation rules. CSAC foresees significant county communication with CMS and the Obama Administration as California prepares to implement the Affordable Care Act.

U.S. Army Corps of Engineers' Levee Vegetation Removal Policy

CSAC will continue to oppose the Corps' levee vegetation removal policy, which generally requires local flood control agencies to remove woody vegetation from levees in order to allow for easier inspections and to reduce any potential weakening of levees from root growth and overturned trees.

Opportunities to oppose the Corps' policy exist in both the regulatory and legislative arenas. With regard to the latter, the current Congress will likely leave unfinished a Water Resources Development Act (WRDA) reauthorization bill, meaning the new 113th Congress will consider the measure in 2013. The WRDA legislation is a potential vehicle for language that would require the Corps to undertake a comprehensive review of its levee vegetation standards.

CSAC INTERNAL MONITORING

In addition, CSAC will continue to provide internal monitoring on a number of issues that are of significance to California's counties.

Byrne Grant Funding

The fiscal year 2012 budget provides \$470 million for the Byrne Memorial Justice Assistance Grant (JAG) program. CSAC strongly supports prioritizing Byrne funding in the annual appropriations process and will continue to work collaboratively with our congressional delegation and others to secure and promote increased funding for the program and the positive local outcomes it helps achieve.

Child Welfare Financing Reform

As part of TANF reauthorization, Congress may consider legislation to reform the child welfare financing system, as well as provide additional resources to stabilize families and train and retain child welfare staff. CSAC supports additional programmatic flexibility, along with an updated foster care payment methodology.

Clean Air Act

The Clean Air Act provides general authority for the Environmental Protection Agency (EPA) to adopt and enforce its "exceptional events" regulations but fails to give EPA sufficient direction regarding the application of those regulations. The exceptional events regulations are based upon specific Clean Air Act provisions aimed at providing important and real protections for states substantially impacted by natural and foreign dust emissions beyond their control. Unfortunately, when EPA fails to recognize the presence of such events, particulate matter (PM) standards are very likely exceeded and the affected county is subject to punitive consequences. EPA is currently in the process of reviewing the underlying science on particulate matter and determining whether to change the PM standards. CSAC will monitor this process and actions by Congress to prevent the imposition of sanctions on the affected jurisdictions and to address EPA's application of the Clean Air Act's exceptional event provisions.

Community Development Block Grant

The fiscal year 2012 budget includes \$2.95 billion for the Community Development Block Grant (CDBG) program. The current level of funding is close to a \$400 million reduction from fiscal year 2011.

CDBG, as well as many other discretionary spending programs, sustained cuts in the fiscal year 2012 budget as a result of the continued focus on deficit reduction. CSAC, along with other county and city government partners, are calling on Congress to restore funding for the CDBG program to allow localities to continue to provide a wide variety of economic and community development activities, such as home rehabilitation loans, public works and infrastructure projects, and various youth-related services.

Cooperative Endangered Species Conservation Fund

CSAC supports increased funding for the U.S. Fish and Wildlife Service's Cooperative Endangered Species Conservation Fund (CESCF). The CESCF is currently funded at \$47 million in fiscal year 2012, a cut of roughly \$12 million from the previous fiscal year, and down nearly 50 percent from fiscal year 2010 levels. Funding should be restored to help provide much needed support to regional Habitat Conservation Plans (HCPs) in California and nationally.

Digital Goods and Service Tax Fairness Act

CSAC opposes legislation that would prohibit state and local governments from imposing taxes on digital goods and services that are taxable under current law. Legislation (HR 1860) currently pending in Congress could be reintroduced in 2013.

Eliminate Inmate Exception

CSAC will work to eliminate the federal health benefits "inmate exception" for persons in county jails and detention centers who are in custody pending disposition of charges. Counties are prohibited from billing federal programs for the health services provided to jail inmates prior to adjudication.

Farm Bill Reauthorization

CSAC supports congressional efforts to reauthorize the federal Farm Bill, including provisions affecting the Supplemental Nutrition Assistance Program (SNAP), rural development programs, and renewable energy development. The current Farm Bill, which provides subsidies and other aid to farmers nationwide, expired on September 30, 2012. Most programs authorized by the Act will continue to be funded through March 27, 2013 as part of the current Continuing Resolution (PL 112-175).

Federal Geothermal Royalties

The Geothermal Steam Act of 1970 specifies a formula for the distribution of geothermal revenues to federal, state, and county governments. Under the formula, the federal government retains 25 percent of the revenue, the States receive 50 percent, and county governments receive 25 percent. Several recent attempts have been made to permanently repeal the sharing of geothermal revenues with counties. Given the importance of these revenues to the affected counties, CSAC opposes any legislation that would discontinue geothermal royalty payments to county governments.

MAP 21 Reauthorization

CSAC will continue to monitor implementation of MAP-21 at both the state and federal levels. Additionally, although MAP-21 does not expire until September 30, 2014, CSAC will monitor any congressional hearings in 2013 relative to transportation reauthorization.

Medical and Long-Term Care Premiums

In the Pension Protection Act of 2006, Congress granted specified public safety officers the ability to use up to \$3000 per year of tax free dollars from their qualified retirement plans to pay for medical and long term care premiums. Extension of this benefit to all retirees who participate in a qualified retirement plan could encourage people to save more while lessening the burden on government budgets to cover rising health care costs. CSAC supports federal legislation to extend to all retirees the option to use tax free distribution from qualified retirement plans to pay for medical and long-term care premiums.

National Flood Insurance Program (NFIP)

CSAC supports the creation of a new agricultural flood hazard area under the National Flood Insurance Program (NFIP). Specifically, Congress should establish a FEMA flood zone for agriculturally-based communities to allow replacement or reinvestment development in historically agricultural floodplains. This program would not require expensive elevation of structures or dry flood proofing, but would still have requirements for wet flood proofing certain structures. Congress should instruct FEMA for these special agricultural zones to adjust the NFIP rate to be more

actuarially structured to evaluate the actual flood risk based on levees providing historical protection, as opposed to assuming that no protection actually exists.

Payments-in-lieu-of-Taxes

Pursuant to PL 110-343, all counties received 100 percent of authorized Payments-in-lieu-of-Taxes (PILT) payments in fiscal years 2008 through 2012. Prior to fiscal year 2008, PILT payments were subject to the annual appropriations process. As part of MAP-21, Congress approved an additional one-year extension (through fiscal year 2013) of PILT.

CSAC will support efforts to convert the temporary mandatory spending into a permanent feature of the PILT program.

State's Water Crisis

California's political leaders and various state and local water interests continue to pressure California's congressional delegation and the Obama administration to address the state's chronic water shortage. A wide range of proposals are being discussed that would address water transfers, endangered species laws, water quality and California Bay-Delta protections, to name a few. CSAC will monitor these proposals to ensure consistency with the organization's comprehensive policy direction on water.

Temporary Assistance for Needy Families Reauthorization

CSAC will support changes to the Temporary Assistance for Needy Families (TANF) program that would restore state and county flexibility to tailor work and family stabilization activities to families' individual needs. CSAC will also support maintaining the focus on work activities under TANF, while recognizing that "work first" does not mean "work only."

Transient Occupancy Tax

CSAC will work to ensure counties' continued authority to assess and collect transient occupancy taxes on the full rate paid by the consumer for all appropriate transient lodging, regardless of whether the consumer pays through a hotel or any other vendor.

Waters of the U.S.

In 2011, the Obama administration announced that it was updating draft guidance on the scope of waters that would be regulated under the Clean Water Act (CWA). According to EPA, the number of waters identified as protected by the CWA under the revised "Waters of the U.S." guidance will increase compared to current practice. The expansion of federal jurisdictional authority over state and local waters has elicited concern from state and local resource agencies, as well as federal lawmakers. CSAC will continue to monitor congressional efforts to block EPA's administrative actions.

Workforce Investment Act Reauthorization

The Workforce Investment Act (WIA) expired in 2003 and has been the subject of a number of congressional hearings in recent years. While several WIA reauthorization measures have been introduced in Congress, none of the bills have gained sufficient bipartisan traction. Looking ahead, House Majority Leader Eric Cantor (R-VA) has made job-training legislation a priority, increasing the likelihood that the 113th Congress will act on a WIA reauthorization bill.

2-1-1 Statewide

CSAC has actively supported both state and federal legislation to help build and fund a statewide 2-1-1 referral system. 2-1-1 is a free, easy-to-remember telephone number that connects people to essential community information and services. In 2009, over 1.6 million Californians called 2-1-1 to find needed community services such as rent and mortgage assistance, food and shelter, health care, job training, transportation, child care, and senior care. 2-1-1 also plays an informational role during emergencies and disasters and relieves pressure on the 9-1-1 system at these critical times. The value of this service was evident during the 2007 San Diego wildfires when 2-1-1 call centers provided information and support to more than 130,000 callers in five days.

Currently, just 27 of California's 58 counties have 2-1-1 service covering 92 percent of the population. CSAC will continue to work at both the state and federal levels to promote the need for a comprehensive statewide 2-1-1 system.