



California State Association of Counties

(As adopted by the CSAC Executive Committee)

CSAC 2015 STATE ADVOCACY PRIORITIES

California counties remain focused on implementing numerous significant reforms involving fundamental shifts of responsibilities in the public safety and health arenas that require flexible and efficient solutions. While economic recovery in California has remained steady, it has been modest and inconsistent throughout our 58 counties. Further, income growth has not been uniform across our communities, thus placing further challenges on counties tasked with providing public services to those in need. With the goal of ensuring that all counties succeed, CSAC is leading efforts to ensure that counties can effectively manage new responsibilities and meet service demands in an ever-changing environment. From working to protect existing revenues and avoiding new costs to encouraging innovation and collaborative problem solving, CSAC remains at the forefront of significant statewide issues, fighting for counties and the Californians we serve.

The 2015 CSAC State Legislative Priorities reflect an ongoing commitment to successful implementation of 2011 realignment and implementation of the Affordable Care Act, as well as seeking resources to address infrastructure deficiencies from transportation to water systems. The chart below outlines areas of opportunity to retain and secure financial resources for counties. Additionally, CSAC will advance county interests within a diverse array of key county issues.

Protecting Vital County Resources

Every day, year after year, CSAC works to protect billions of dollars in financial resources that support locally delivered services. For 2015, the priority funding areas below will serve as the focus of CSAC’s advocacy efforts. While other funding sources also require ongoing, permanent vigilance, the list below represents policy areas where CSAC will lead the charge to protect existing resources and secure new or renewed funding for California counties. Brief descriptions of many issues can be found in the pages that follow.

2011 Realignment <i>Ensure proper distribution of 2011 realignment, including the \$1 billion AB 109 allocation and allocation of mental health funds</i>	\$6B
AB 85/Affordable Care Act Implementation <i>Ensure proper distribution of 1991 realignment funds, including retaining funds for public health and returning savings associated with indigent health</i>	\$1.3B
Cap and trade funds <i>Secure additional funding for local government GHG reduction projects and protect funding for affordable housing and sustainable communities</i>	\$0.5B - \$1B
Dept of Fish and Game Payment In-Lieu of Taxes (PILT)	\$18M

<i>Includes payment of past due monies owed to counties since 2002-03</i>	
Water Bond <i>Influence water bond allocation and guideline development for local government access to funding for groundwater implementation, stormwater and flood control programs, regional planning funds and clean drinking water programs</i>	\$2B
Court security funding <i>Maintain recent increases and secure new resources for new facilities</i>	\$2M - \$5M
Mentally Ill Offender Crime Reduction grants (MIOCR) <i>Increase grants for juvenile and adult offenders' mental health services</i>	\$100M
Medi-Cal Administration <i>Protect existing and seek new funding for county outreach, eligibility, and enrollment</i>	\$500M
In-Home Supportive Services (IHSS) Maintenance of Effort <i>Monitor the mechanics of the 2012 IHSS MOE deal</i>	\$1B
Property tax allocation issues <i>Secure continued funding for counties with insufficient ERAF</i>	\$5M
Mandate backlog <i>Secure further repayment of debts for pre-2004 and suspended mandates</i>	\$1.9B
Transportation Funding <i>Ensure existing gas tax revenues are accurately allocated and secure additional transportation revenues for local streets and roads</i>	\$800M - \$1.2B
Special Distribution Fund <i>Secure funding to mitigate gaming impacts on government services</i>	\$9M
TOTAL	\$13B

2015 Legislative Priorities

Budget Priorities

Pre-2004 Mandate Repayment. CSAC will continue to support the Administration's commitment to paying down the Wall of Debt mandates and urge the Governor to continue to make the full repayment a priority. Should current year revenues not be sufficient to complete the remaining \$800 million in reimbursements owed to local agencies, we request that the Administration continue to pay down this debt, either through direct appropriation or via the Rainy Day Fund reserve.

Payment-in-lieu of Taxes (PILT). CSAC will advocate for approximately \$18 million in PILT owed counties dating back to FY 2002-03. The law clearly indicates that the state owes counties for the loss of local property taxes resulting from the state taking ownership of private lands. PILT funds are discretionary dollars to local governments and remain critical to some of the smallest counties. The non-payment of PILT by the state has a direct impact on local general funds and the ability to provide services, many state mandated.

Recidivism Reduction Grants / Behavioral Health Interventions. CSAC will advocate for \$100 million in additional resources for the Mentally Ill Offender Crime Reduction (MIOCR) program to assist with mental health services for both the juvenile and adult criminal justice populations.

Medi-Cal County Administrative Costs. CSAC will seek an additional \$100-150 million (split between state and federal funds) for county administration of Medi-Cal in the current year. We continue to develop an estimate for the budget year based on the work counties are required to perform, what counties can reasonably expect to spend, and what appears reasonable to the Administration.

Administration of Justice

2011 Public Safety Realignment. CSAC will continue to actively work in collaboration with the Administration, Legislature, and key public safety stakeholders in addressing public safety realignment implementation issues, primarily related to sentencing changes associated with AB 109. In 2015, CSAC's primary areas of focus will be the long-term impacts associated broadly with county liability, long-term jail offenders, and better managing of behavioral health concerns of the court-involved population. Specifically, CSAC will continue to advocate for a hard cap on felony jail terms, seek – in collaboration with the state – potential remedies and mutually beneficial behavioral health responses and strategies, and promote additional investment of \$100 million in the Mentally Ill Crime Reduction Grant Program. Our ongoing commitment to a robust realignment-related training and education program will continue.

Supplemental court security funding (new court facilities). In follow up to last year's success in securing both funding and a process by which counties can seek supplemental court security funding associated with the activation of a new court facility, CSAC – in collaboration with the California State Sheriffs' Association – will advocate for sustained baseline funding for those counties awarded resources in 2014-15, work to identify potential future needs, and undertake individual county outreach where needed. In 2015-16, the funding level for the supplemental court security line item must be calibrated to cover ongoing approved county costs from the current year along with an estimate of the potential new costs in the budget year. In addition, CSAC is requesting elimination of the per-deputy funding cap.

Criminal Justice/Affordable Care Act Intersection. The CSAC Administration of Justice and Health and Human Service Policy Committees continue to work collaboratively to promote best practices and encourage maximum participation associated with new opportunities for the court-involved population under the Affordable Care Act. As part of these efforts, CSAC is requesting a statutory change that would expressly grant counties the authority to claim federal financial participation for Medi-Cal eligible inmates who have 24+ hour stays at a hospital if the services delivered are for mental health or psychiatry. Those costs are allowable for the juvenile population. It is our understanding that DHCS indicated its intent to permit claiming only for health (and not mental health) services. We continue to work with the Administration to secure finalized and streamlined claiming protocols as soon as is practical.

Reinvestment in the Juvenile System. CSAC will partner with the Chief Probation Officers of California to refocus interest in the juvenile justice system, specifically related to smart and targeted prevention and intervention efforts aimed at preventing deeper downstream involvement in the criminal justice system. This initiative will encompass a commitment of time and resources to exploring counties' gang violence intervention and prevention efforts and well as broad-based framing of issues to help refocus interest and resources on a vital component of the

criminal justice system that largely has been overlooked during the intensive triage period following the October 2011 implementation of public safety realignment.

Proposition 47. CSAC anticipates criminal justice system disruption associated with the implementation of the new sentencing structure imposed by Proposition 47, approved by voters in November 2014. To assess impacts and ensure that counties are well positioned to benefit from allocation of any state savings anticipated in 2016-17, CSAC will work closely with counties, our criminal justice system partners, the Administration, Legislature, the California Department of Corrections and Rehabilitation (CDCR), and other key stakeholders in assessing specific operational and fiscal impacts.

Agriculture, Environment and Natural Resources

Groundwater Legislation Clean-up & Implementation. CSAC will work closely with counties, the Administration and the Legislature regarding needed changes to the new groundwater sustainability laws that will facilitate county implementation without threatening the intent of groundwater sustainability. CSAC serves as the county representative contact at the Administration's regular meetings on the groundwater legislation implementation. CSAC is also organizing several educational forums in 2015 for county officials on the groundwater legislation.

Stormwater Funding. Counties are having difficulty raising revenue to support flood protection infrastructure upgrades and maintenance and compliance with new water quality requirements because of the vote threshold requirements under Proposition 218. CSAC, in collaboration with other public and private stakeholders, will support legislation that would amend Article XIII D, section 6(c) of the California Constitution (Proposition 218) to expand its exemption from the majority-property-owner or 2/3-registered-voter election requirement from "fees or charges for sewer, water, and refuse collection services" to "fees or charges for storm water and flood control, sewer, water, and refuse collection services".

Water Bond Implementation. Proposition 1 (Prop 1), the \$7.5 billion Water Bond was approved by California voters on Nov. 4, 2014. Prop 1 will fund investments in water projects and programs as part of a statewide, comprehensive water plan for California. The ultimate value and effectiveness of the bond will depend on how it is implemented and how the funds are spent. CSAC will work with the Legislature and Administration on the implementation of Prop 1 and guideline development with a specific focus on groundwater management funding, clean drinking water funding, stormwater and flood control programs and Integrated Regional Water Management Planning funds, among other items.

Marijuana Regulation. Similar to last year, the California Police Chiefs Association and the California Cannabis Industry Association are planning to sponsor separate pieces of legislation that would, in differing ways, establish a statewide regulatory framework for the cultivation, processing, transportation, testing, recommendation and sale of medical marijuana. As directed by CSAC policy on medical marijuana, CSAC will continue to advocate for strong local control and environmental protections in the legislation relative to cultivation activities and dispensary operations. In addition, CSAC will continue to oppose proposed requirements that would impose unreasonable enforcement responsibilities onto counties.

Rural Counties Initiative & PILT. CSAC will continue to advocate for a restoration of funds for Payments in Lieu of Taxes (PILT). Additionally, CSAC will advocate for a Rural Infrastructure Program to provide additional funding to California's smallest counties for critical infrastructure investments that ensure the health and safety of California's unique, rural communities. Furthermore, CSAC will continue to advocate for programs of particular importance to rural areas, including farmland and open space preservation and county fairs.

Cap and Trade. The Legislature approved and the Governor signed California's first Cap and Trade Expenditure plan this year, totaling \$872 million in investments to reduce Greenhouse Gas (GHG) emissions in California. In addition, the budget created a framework for how the Legislature will allocate future Cap and Trade auction revenues with 60% of all futures funds dedicated to continuous appropriations for a variety of different program areas (see Housing, Land Use & Transportation section for additional details). However, 40% of Cap and Trade funds have been secured for natural resource investments in future budget years, upon annual appropriation of the Legislature. CSAC will continue to advocate for local government eligibility for these funds, with a focus on programs in the waste management, energy and water resources sectors.

Employee Relations

Pensions. CSAC will participate in a discussion with other public agency stakeholders, the California Public Employees' Retirement System (CalPERS), the Administration and the Department of Finance regarding what should be considered compensation when computing retirement benefits. Since its passage in 2012, the Public Employees' Pension Reform Act (PEPRA) has necessitated cleanup language, including what can be classified as pensionable compensation. CSAC will advocate for maximum flexibility, while maintaining the need for fiscal prudence at both the local and state levels.

CSAC will lead the effort to ensure additional PEPRA cleanup is held as a priority by CalPERS and the Administration, specifically the exemption for public retirees to serve in a locally elected capacity without being forced to reinstate or waive their access to retirement benefits.

Workers' Compensation. CSAC will be active in strongly opposing further efforts by labor organizations to increase such benefits at the cost of public employers.

Open Meetings and Public Records Act. CSAC will join other public agency advocates in ensuring access to open government remains without imposing greater costs to our public agencies.

Collective Bargaining. As is the case each legislative session, labor organizations will undoubtedly attempt to modify the Meyers-Milias Brown Act (MMBA) to make it more difficult for public agencies to balance fair benefits with budgetary needs at the collective bargaining table. CSAC will maintain its strong opposition to any change to MMBA that would provide an unfair advantage to employee organizations.

Government Finance and Operations

Municipal Bankruptcy. The Great Recession has regrettably been marked by three significant municipal bankruptcies in California; the Cities of Vallejo, Stockton, and San Bernardino are going through or have completed the Chapter 9 bankruptcy process in federal court. Stockton's case, however, has brought with it significant implications for other local agencies that find themselves in fiscal crisis. In October, a federal bankruptcy judge ruled that payments to CalPERS (Stockton's pension system) could be reduced by the court.

While Stockton's bankruptcy plan does not include reduced payments to CalPERS, it is likely that the Legislature will view this ruling – the first of its kind in California – as one that poses significant financial risk to CalPERS and its members. CSAC successfully negotiated resolution on the last bill that sought to limit local agencies' access to federal bankruptcy by requiring a neutral mediation process prior to filing (or declaration of a fiscal emergency); however, it is likely that the Legislature will seek to revisit this issue in the coming session.

While legislators have discussed municipal bankruptcy in the past, this new issue brings with it an additional policy consideration: the safety of public employees' retirement provided by CalPERS. We don't yet know where legislative leaders or the Governor will land with regards to an appropriate remedy.

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. Depending on the outcome of the November election, the Legislature may seriously consider a number of measures that reduce 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. 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. Further, CSAC will continue to advocate against unnecessary changes to the current dissolution process in order to ensure that former tax increment revenues flow back to affected taxing entities and that former redevelopment agencies wind down in an expeditious manner. Based on the Governor's veto messages on several bills dealing with redevelopment, the Administration will be taking a leadership role with interested legislators in crafting future solutions.

Mandates. The current process for identifying reimbursable mandates and securing payments owed to local agencies for mandated programs and services is arcane and oftentimes biased against local agencies. While the state is making progress on paying down the debt associated with pre-2004 mandate reimbursements, CSAC will continue to advocate for additional funding to ensure that debt is resolved, as well as future reforms to ensure a more equitable mandate reimbursement process.

Health and Human Services

Renewal of California's Federal Medicaid Section 1115 Waiver. With California's current federal Medicaid Section 1115 Waiver ending in October 2015, the Department of Health Care Services will be submitting their proposal for the subsequent waiver in early 2015. CSAC will remain engaged in the stakeholder processes and will be advocating for another five-year waiver that provides at least the same level of funding for county safety-net providers as the current waiver. The waiver concept paper released by the Administration included a proposal to seek federal approval to fund "shelter," or housing, using Medicaid funds. In collaboration with our county partners, CSAC will advocate for federal funding to test county whole person care pilot programs that aim to integrate health, behavioral health and social services that may include utilizing funding for housing and shelter services.

Drug Medi-Cal Organized Delivery System Waiver. The Department of Health Care Services plans to request a waiver amendment to California's current Section 1115 waiver to operate the Drug Medi-Cal (DMC) program as a county opt-in organized delivery system. Counties choosing to participate would act as specialty health plans for the delivery of substance use disorder treatment, similar to the existing delivery of specialty mental health services at the county level.

CSAC will be advocating for the waiver amendment to include the flexibility to test pilots allowing some counties to assume the role of the specialty health plan, to make integration as seamless as possible, and considerations for rural counties.

The Administration has yet to finalize the financing considerations. They have proposed creating a county-specific sharing ratio based on history and future projections. CSAC will remain engaged in the development of the financing mechanism as it evolves.

Connecting Jail and Health and Human Services. CSAC will continue to seek partnership opportunities with the Department of Health Care services, the Department of Social Services, private foundations and other stakeholders on enrollment, eligibility, quality and improving outcomes for the court-involved population. CSAC will seek opportunities to obtain funds for inpatient hospitalizations, including psychiatric hospitalizations, for adults and juveniles while incarcerated. CSAC will also seek opportunities to connect the court-involved population to social services that will improve outcomes and reduce recidivism.

AB 85 Formulas. CSAC will continue to engage the Administration and monitor the integrity of the mechanics associated with the diversion of the 1991 Health Realignment funds under AB 85.

Poverty. California's poverty rate continues rank amongst highest in the nation. Poverty undermines the success of our programs and the families we serve. It is anticipated that several bills and issues related to poverty will be introduced in the upcoming legislative session. CSAC will convene a workgroup to establish policies to address poverty and homelessness at the county level.

Congregate Care Reform. CSAC will continue to engage the Department of Social Services as their proposal to redesign the foster care agency and group home system moves forward. Counties are especially interested in potential fiscal impacts and retaining the flexibility to ensure the best placement option for each child in the foster care system.

Eliminating EBT Fees. CSAC has joined a coalition to advocate for a reduction in the amount of bank fees that CalWORKs and CalFresh recipients pay through the use of the Electronic Benefit Transfer (EBT) system California families that qualify for and receive public assistance on Electronic Benefit Transfer (EBT) cards currently pay about \$19 million a year from their grant amounts to withdraw cash from ATMs or check their account balances.

Housing, Land Use and Transportation

New Revenue for Transportation Infrastructure. CSAC will continue to work with a coalition of transportation stakeholders to identify and evaluate viable new revenue options to replace and/or augment the gasoline excise tax (gas tax) for transportation infrastructure investments. The local street and road system is facing a more than \$7 billion annual shortfall for the maintenance and preservation of the existing system, let alone other critical modes of transportation. Mileage-based road user charges seem to be gaining traction as a potential replacement revenue source. Accordingly, CSAC will participate in the California Transportation Commission's Road User Charge (RUC) Technical Advisory Committee (TAC) to inform the development of a vehicle miles traveled based demonstration project in California.

Even if the state moves to replace the gasoline excise tax with a RUC, implementation will take many years. CSAC will also explore interim revenue options to bridge the funding gap in the short-term. This will include options such as securing the near-term repayment of approximately \$1.2 billion in existing transportation loans, returning truck weight fees back to transportation (\$950 million is currently being diverted to pay transportation related general fund bond debt service), identifying a replacement revenue source to pay existing and future transportation bond debt service, new transportation infrastructure bonds, and reducing the voter threshold for local transportation sales tax measures (estimated to potentially generate over \$300 million annually for local transportation priorities). Additionally, CSAC will continue to work with stakeholders to sunset the existing diversion of \$128 million in annual Highway User tax Account (HUTA) revenue to the general fund. Staff will also continue to monitor gas tax subventions to counties to ensure counties receive accurate levels of funding.

Permanent Source for Affordable Housing. Safe, decent and affordable housing is the foundation of healthy and sustainable communities. The Department of Housing and Community Development (HCD) reports that 1 million Californians lack access to affordable housing, that 2 in 3 renters are overpaying, and that 1 in 5 renters have overcrowded households. The Affordable Housing and Sustainable Communities (AHSC) Program provides an opportunity to invest new revenues into building affordable housing in the state but a more flexible permanent source of funding, not limited to GHG-related funds, is also needed. CSAC will support efforts to create a permanent source for affordable housing.

CSAC will continue regular conversations with the department to ensure state oversight of local planning activities is commensurate with statutory authority. The challenge of affordable housing requires a proactive partnership between counties, cities and the state. CSAC staff will work to develop new relationships and find ways to partner together to incentivize and encourage planning for affordable housing in California.

Cap and Trade Implementation. A significant majority of cap and trade auction revenues were continuously appropriated in the FY 2014-15 state budget, including 20-percent of all future cap and trade auction proceeds for affordable housing and sustainable communities. With the fuels coming under the cap in 2015, auction revenues are expected to grow significantly into the future. CSAC will continue to work with the Strategic Growth Council (charged with implementing the AHSC program) and other state agencies and departments to ensure all counties are eligible to apply for grants and loans under the program and that eligible projects include improvements to the local street and road network that have greenhouse gas (GHG) emissions reductions benefits and provide the right-of-way for active transportation and mass transit.

Sixty-percent of all cap and trade auction proceeds have been budgeted on an on-going basis. The other 40-percent of revenues were allocated on a one-time basis in FY 2014-15 for energy, water and natural resource programs and projects. This puts the appropriation of 40-percent of cap and trade revenues squarely in the middle of budget negotiations between the Administration and Legislature on an annual basis.

Tribal and Intergovernmental Affairs. CSAC will proactively engage with the Administration and Legislature to influence the renegotiation of 1999 Tribal-State Gaming Compacts which are set to expire in 2019. CSAC's priorities for the revised compacts include requiring judicially enforceable local mitigation agreements for any new or expanded gaming or related facilities, a more robust tribal environmental review process with state oversight to ensure adequacy of environmental documents, and ensuring robust mitigation mechanisms for preexisting local off-reservation impacts from gaming enterprises underway prior to date of any new compacts.

The Special Distribution Fund (SDF), the sole mechanism for mitigation of local impacts under the 1999 compacts, is insolvent. Starting in FY 2014-15, counties will no longer receive SDF grants unless the Legislature and Governor backfill the account or gaming revenues paid into the account increase. CSAC will seek a \$9 million appropriation to fund the SDF grants to counties until Tribal-State Gaming Compacts are renegotiated to replace the SDF with local agreements.



CSAC 2015 FEDERAL ADVOCACY PRIORITIES

CSAC staff, in consultation with Waterman and Associates, developed the following list of federal issues of significance to California's counties. These issues will represent the association's top lobbying priorities for 2015, with CSAC staff and Waterman and Associates working together to identify other emerging topics that may necessitate action throughout the year.

MAP-21 Reauthorization. CSAC will continue to promote a number of key transportation priorities as part of the ongoing highway and transit reauthorization process. Among other issues, the association strongly supports a dedicated federal funding stream for local bridges, both on- and off-system. Additionally, CSAC is seeking opportunities to: further streamline the regulatory and project delivery processes; promote programs that increase safety on the existing transportation system; and, advocate for initiatives that protect previous and future investments via system maintenance and preservation.

State Criminal Alien Assistance Program. CSAC will continue to serve as a lead advocate in efforts to protect - as well as enhance - the SCAAP program, which is a key source of federal funding for a significant number of California's counties. CSAC will fight to eliminate statutory language that authorizes the U.S. Department of Justice to transfer up to 10 percent of SCAAP funding to other justice accounts.

CSAC also will continue to advocate for a long-term reauthorization of SCAAP and will continue to seek several key programmatic changes to the program. Such changes could come about as part of an immigration-reform effort.

Native American Affairs/Fee-to-Trust Reform. CSAC will continue to lead local government opposition to any legislative effort that would overturn the Supreme Court's *Carcieri v. Salazar* decision absent concomitant reforms in the Indian fee-to-trust process; likewise, the association will continue to promote its comprehensive legislative reform proposal. CSAC will continue to oppose administrative changes to the federal acknowledgment process that would diminish the role of local governments and other interested parties.

Payments-in-lieu-of-Taxes. CSAC will continue to advocate for a long-term reauthorization of mandatory entitlement funding for the PILT program. In the absence of a long-term renewal, CSAC will support full funding for PILT via the appropriations process. Mandatory funding for PILT expired in fiscal year 2014, and final payments were distributed to counties in June.

Secure Rural Schools Act Reauthorization. CSAC will maintain efforts aimed at securing a multi-year reauthorization of the SRS program. Absent a long-term program renewal, CSAC supports a short-term extension of the Act. The program expired at the end of fiscal year 2013, and final payments were distributed to eligible counties in April of 2014.

Property Assessed Clean Energy Program. CSAC supports legislative and administrative remedies that would help expand residential 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. Bipartisan legislation that would prevent FHFA from adopting policies that contravene established state and local PACE laws remains on the table.

Water Resources. CSAC will monitor legislative proposals to ensure consistency with the association's comprehensive policy direction on water. Given the ongoing drought, various interests continue to pressure California's congressional delegation and the Obama administration to address the state's chronic water shortage. A 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 continue to promote legislation that would provide a *Clean Water Act* Section 404 permitting exemption for maintenance removal of sediment, debris, and vegetation from local flood control channels and basins.

CSAC also will continue to monitor and support congressional efforts to block EPA's administrative actions aimed at expanding regulatory authority over certain bodies of water. The EPA's proposed "Waters of the U.S." regulation remains highly controversial and is opposed by a variety of stakeholders, including state and local governments, agricultural interests, and the Small Business Administration.

Remote Sales Tax Legislation. CSAC will continue to advocate for federal legislation - the *Marketplace Fairness Act* - that would authorize state and local governments to require tax collection and remittance by remote sellers. 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.

Temporary Assistance for Needy Families Reauthorization. CSAC will continue to promote TANF reauthorization legislation that would restore state and county flexibility to tailor work and family stabilization activities to families' individual needs. The association also supports maintaining the focus on work activities under TANF, while recognizing that "work first" does not mean "work only."

Child Welfare Services. CSAC supports increased federal funding for services and income support needed by parents seeking to reunify with children who are in foster care. The association also supports increased financial support for programs that assist foster youth in the transition to self-sufficiency, including post-emancipation assistance such as secondary education, job training, and access to health care.

In addition, CSAC supports retaining the entitlement nature of the Title IV-E Foster Care and Adoption Assistance programs and elimination of outdated rules that base the child's eligibility for funds on parental income and circumstances. Finally, CSAC supports federal funding to address the service needs of youth who are victims of commercial sexual exploitation.

In 2014, Congress approved the *Preventing Sex Trafficking and Strengthening Families Act* (HR 4980). The new law makes several federal reforms to better serve foster youth and includes provisions that focus on the emerging issue of sex trafficking of minors. While the Act exemplifies the bipartisan approach that Congress typically takes on child welfare issues, sufficient funding is needed to support the goals of the law.

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.

U.S. Army Corps of Engineers' Levee Vegetation Removal Policy. In 2014, Congress approved a major water resources reform bill known as the *Water Resources Reform and Development Act* (PL 113-121). Among other things, the legislation includes language championed by CSAC that requires the U.S. Army Corps of Engineers to undertake a comprehensive reexamination of its controversial levee vegetation removal policy. CSAC will actively monitor the Corps' review process, which, under the law, must be concluded by December 10, 2015.

Health Reform Implementation. CSAC will support continued federal funding for the Affordable Care Act, including measures supporting state and county administration of the law.

Pension Tier Changes - Conflict with IRS Requirements. CSAC will continue to support legislation (HR 205) that would clarify the authority of local governments to propose and implement creative solutions to rising pension costs. At the same time, the association will urge the Internal Revenue Service (IRS) to remove regulatory barriers that prevent local governments from implementing their own local pension reforms.

Tax-Exempt Status of Municipal Bonds. CSAC will oppose any proposal that seeks to limit or eliminate the tax treatment of municipal bonds. Under current law, investors are not required to pay federal income taxes on interest earned from most bonds issued by state and local governments. The tax exempt status of municipal bonds therefore provides counties with a cost-effective tool to finance public infrastructure projects and capital improvements.

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

It should be noted that Congressman John Garamendi (D-CA) introduced such legislation - the *Flood Insurance for Farmers Act of 2012* (HR 4020) - in the 112th Congress. The congressman is expected to reintroduce the bill in the 113th Congress.

Community Development Block Grant. CSAC will promote increased 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. CDBG funds have been targeted for cuts in recent budget cycles, making it increasingly challenging to maintain adequate funding for the block grant.

Eliminate Inmate Exception. CSAC supports the elimination of 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.

Digital Goods and Services Tax Fairness Act. CSAC will oppose legislation that would prohibit state and local governments from imposing taxes on digital goods and services that are taxable under current law. Digital goods and services are online purchases that are downloaded directly by consumers, including music downloads, movies, and newspaper subscriptions. House Judiciary Chairman Bob Goodlatte (R-VA) may seek to package such a proposal with remote sales tax legislation.

Byrne Grant Funding. CSAC strongly supports prioritizing Byrne funding in the annual appropriations process and will work collaboratively with the California congressional delegation and others to secure and promote increased funding for the program and the positive local outcomes it helps achieve.

Federal Geothermal Royalties. CSAC opposes any legislative effort that would discontinue geothermal royalty payments to county governments. 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.

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.

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.

Medical and Long-Term Care Premiums. 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. In the Pension Protection Act of 2006, Congress granted specified

public safety officers the ability to use up to \$3,000 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.

Municipal Bankruptcy. CSAC will monitor the progress of legislation (H.R. 95, Conyers), which would, among other provisions, modify conditions for confirming a Chapter 9 municipality bankruptcy plan to provide special protection for employees protected by a collective bargaining agreement and for retirees whose benefits would be modified under the Chapter 9 plan.