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June 19, 2009

Democrat-Controlled Budget Committee Issues Final Report--Governor, GOP Legislators Declare It DOA

By Paul McIntosh, Executive Director

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As Democrats on Wednesday, June 17, issued the [report](#) that will serve as the basis for bills amending the 2009-10 State Budget, Governor Schwarzenegger and Legislative Republicans announced that they would not support the proposal. The report results from weeks of work by the Budget Conference Committee, composed of three Democrats and two Republicans each from the Senate and Assembly. While the 10 legislators agreed on billions of dollars in cuts, it is the billions on which they do not agree that will now take center stage.

The Budget Conference Committee's Final Report includes a \$3.8 billion reserve and addresses the budget gap for both the coming fiscal year (2009-10). The document points out that "over half of the total solution" is a result of "deep cuts in every area" that total over \$11 billion.

Republicans do not strongly object with those cuts, but find highly objectionable some of the taxes and other revenues that the plan would implement. These include accelerating certain tax withholdings that the Governor proposed; imposing a withholding requirement for independent contractors, a 9.9% oil severance tax, a \$1.50 per pack cigarette tax; and levying a surcharge on property insurance that will fund CalFIRE. All of these actions plus other revenue measures described below would produce about \$7 billion.

Two of the revenue proposals would increase local revenue somewhat. Extending sales tax nexus to out-of-state sellers, such as Amazon, that pay commissions to California firms or residents for sales referrals would reportedly bring in \$50 million of ongoing revenue to locals; requiring businesses without a resale license- to register with the Board of Equalization for purpose of paying use tax would also generate some local revenue.

The remaining \$5 billion of solutions the report contains include other measures and one-time solutions such as selling the part of the State Compensation Insurance Fund's book of business (\$1 billion) and deferring state employee paychecks from June 30 to July 1 (\$1.2 billion).

Despite the interparty conflicts, Democratic leaders have said that budget debates and votes will begin as early as Monday and have predicted that the Legislature will pass a budget with or without tax increases by the middle of next week.

County Issues

Of particular importance to counties, the Conference Report adopts a two-year shift to the state of nearly the entire local share of the Highway Users Tax, which sustains almost every road department in the state. The two-year shift would

exceed \$1.7 billion. The Conference Committee also voted to suspend the first two quarters of Proposition 42 payments – totaling \$288 million – until May 2010.

However, the committee rejected the Governor’s proposal to borrow \$1.98 billion of property taxes from local agencies, and also did not approve the Legislative Analyst’s Office (LAO) proposal to take half (\$250 million) of the recently enacted Vehicle License Fee increase that funds local public safety programs.

Redevelopment agencies, after recently winning a lawsuit against the state to keep it from shifting \$350 million of their 2008-09 revenue, are not yet out of the woods after all. Legislators voted to change the statute somewhat in an attempt to address the legal issue the court identified in finding for the redevelopment agencies, and will be taking not only the \$350 million for 2008-09, but the same amount again in each of the next two fiscal years.

The committee approved a one-year suspension of Williamson Act subventions, for a state savings of \$34.7 million. The committee also suspended a number of mandates to save nearly \$100 million, though the legal justification for indefinitely deferring paying claims for years that the mandate was not suspended seems suspect.

The committee approved a \$300 million realignment of CalWORKs grants to counties that will increase the existing county share of 2.5%. The committee earmarked revenue for the shift from the Vehicle License Fee administrative funds at the Department of Motor Vehicles. This fund source was identified by the LAO last year, at which time the LAO recommended the Department of Motor Vehicles raise fees to cover the loss of these administrative funds.

For more detail on these proposals and all other local impacts contained in the Budget Conference Committee’s Final Report, please visit CSAC’s Budget News page [here](#).

We will bring counties more news as the budget situation evolves.

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Administration of Justice

For more information, please contact Elizabeth Howard at 916/650-8131 or ehoward@counties.org or Rosemary Lamb at 916/650-8116 or rlamb@counties.org.

Restrictive Covenants AB 985 (De La Torre) – Request for Comment As Amended on June 9, 2009

AB 985, by Assembly Member Hector De La Torre, has been significantly amended to address the issue of unlawful restrictions — based on race, color, religion, family status, and national origin, among others — contained in a property’s covenants, conditions and restrictions (CC&Rs). As counties may recall, Assembly Member De La Torre pursued a measure last year (AB 2204) that would have required a comprehensive review and modification of CC&Rs on properties built prior to a specified date, which contemplated significant new duties for the assessor, recorder, and county counsel. Counties raised opposition based strictly on fiscal grounds; the bill ultimately was held in the Senate Appropriations Committee.

AB 985 takes a different approach to eliminating discriminatory language from CC&Rs. As amended on June 9, the measure would expand the current process by which the property owner can request a modification to restrictive covenants by giving a title or escrow company, real estate broker or agent, or any other person the ability to make such a request. The measure would also impose notification requirements on the recorder when modification requests are made and subsequent action is taken.

AB 985 also creates a mechanism similar to that which was created pursuant to AB 1168 (Jones, 2007), relative to redaction of Social Security numbers. Under the provisions of AB 985, the county recorder would be required to create a “public” record (i.e., modified to redact the discriminatory CC&R language) and an untouched, “official” record. Only the public record would be disclosed to the public; the official record would only be released pursuant to a subpoena or court order. Finally, AB 985 would give county boards of supervisors the authority — but not the requirement — to impose an as-yet-unspecified fee for the recording of the first page of every instrument and paper for purposes of supporting the activities associated with creation of a public and official version of the record.

We urge counties to examine the provisions of AB 985 as soon as is practical and identify workload and cost impacts.

When the measure was heard in the Senate Judiciary Committee this week, the discussion focused on the level of the fee

and how to appropriately calibrate it in order to cover costs. It is our understanding that the fee is intended to cover all county costs associated with implementing the provisions of AB 985. CSAC concerns are centered on how to appropriately craft a funding mechanism to ensure that there is an appropriate revenue source to cover costs. AB 985 cleared the Senate Judiciary Committee on a 5-0 vote, and it will be heard next in the Senate Banking, Finance and Insurance Committee.

**Probation Performance Incentives
SB 678 (Leno and Benoit) – Support
As Amended on June 4, 2009**

SB 678, by Senators Mark Leno and John Benoit, would enact the California Community Corrections Performance Incentive Act. The key objective of the measure is to create performance incentives for local governments to develop community corrections strategies that reduce prison commitments. With increased supervision, monitoring, and intermediate sanctions, probation departments would be better positioned to decrease criminal activity and manage this population locally. Based on a jurisdiction's success — measured in the reduction of felony probationers who are sent to prison — the state would share its savings derived from the lowered prison population.

CSAC staff strongly encourages counties to examine the June 4 amendments to SB 678 and contact Rosemary Lamb (rlamb@counties.org) with comments or questions. The amendments recast the mechanics by state savings would be calculated and shared between the state and counties. We are eager to hear county input on the construct of the performance incentive approach, including the recent amendments. CSAC will continue to update counties on this measure as it moves through the legislative process.

The Chief Probation Officers of California are the sponsors of SB 678. The measure passed out of the Assembly Public Safety Committee on June 16 on a 7-0 vote.

**Posting of Ordinances
AB 715 (Caballero) – Support
As Amended on June 10, 2009**

AB 715, by Assembly Member Anna Caballero, would authorize a county board of supervisors or city council to post recently passed ordinances on the Internet.

Local governments are currently required — pursuant to Government Code Section 25124 — to publish recently passed ordinances within 15 days of their passage in a newspaper of general circulation and distributed within the county. The ordinance must specify the vote of each supervisor on the ordinance. AB 715 would give local governing bodies, including boards of supervisors, the option to meet this notification requirement by either posting information on the ordinance in a local newspaper or via a cost-free option of posting the information on the county's official Web site.

AB 715 was heard in the Senate Local Government Committee on June 16; it was held in committee. Committee members expressed concerns that if a city or county only posted information via the Internet, members of the public — who utilize the newspaper as their main source (and sometimes only source) of information — would not be made aware of new ordinances. In addition, members felt that while posting ordinances on the official local government Web site might be more cost efficient, this efficiency should not come at the expense of the public's access to information. The author committed to working with stakeholders and the committee's consultants to address their concerns. AB 715 is opposed by the California Newspaper Publishers' Association.

NACo to Host Free Webinar on Youth Detention Reform at the County Level: Juvenile Detention Alternatives Initiative

The National Association of Counties (NACo) will be holding a free webinar on Thursday, July 9 from 11 a.m. to 12:15 p.m. PST, entitled *Youth Detention Reform at the County Level: Juvenile Detention Alternatives Initiative*. Counties are encouraged to join to learn about the Annie E. Casey Foundation's Juvenile Detention Alternatives Initiative (JDAI).

Featuring two Juvenile Detention Alternatives Initiative (JDAI) county sites, counties will learn about why and how the program was implemented, challenges faced, and the positive outcomes achieved. JDAI programs have shown that youth detention can be decreased and money saved, all without posing a risk to public safety. Learn about what counties have experienced with JDAI and how this initiative might benefit your own county.

To register for the webinar, please copy the following link into your browser:

National Institute of Corrections Hosts Free Webinar: The Mentally Ill in Jail, Whose Problem is It Anyway?

The National Institute of Corrections is hosting a free three-hour webinar to provide an overview of opportunities that can help counties and others work with persons suffering from mental illness who are in jail. The video conference will investigate the scope of the problem and propose creative solutions from model programs across the county that others can implement. Participants will be able to call in questions during the webinar using a toll-free number that will be displayed on the screen during the broadcast.

The webinar is set to air from 9 a.m. to 12 noon PST on Wednesday, July 15. To register for the conference go to www.nicic.gov/Broadcasts. Registration closes on July 13.

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AgricultureandNaturalResources

For more information, contact Karen Keene at 916/327-7500, ext. 511, or e-mail kkeene@counties.org or Cara Martinson at 915/327-7500, ext. 504, or email cmartinson@counties.org.

Solid Waste

AB 473 (Blumenfield) – Support

As Introduced on February 24, 2009

AB 473, by Assembly Member Bob Blumenfield, would require an owner of a multifamily dwelling, consisting of five or more living units, to provide the appropriate recycling services for that dwelling. CSAC supports AB 473 because it would require that the owner of a multifamily dwelling provide the appropriate recycling services for its occupants, therefore increasing recycling rates and providing recycling opportunities for all residents regardless of their type of home. This bill is set for hearing in the Senate Environmental Quality Committee on June 22.

Fish and Game

AB 804 (Hall) – Support

As Amended on June 18, 2009

AB 804, by Assembly Member Isadore Hall, would provide that an operator of water delivery and storage facilities, who has prepared and implemented a plan to control and eradicate dreissenid mussels in accordance with the existing provisions of law, would not be subject to any civil or criminal liability for the introduction of dreissenid mussel species as a result of operations of those facilities. CSAC supports this bill because we agree that water system operators and their employees should not be subject to unwarranted civil or criminal penalties if they are observing current legal requirements. This bill is set for hearing in the Senate Natural Resources Committee on June 23.

Energy

AB 262 (Bass) – Support

As Amended on April 14, 2009

AB 262, by Assembly Speaker Karen Bass, would conform the statute governing the Energy Efficiency and Conservation Block Grant Program (EECBG) to the federal American Recovery and Reinvestment Act (ARRA) guidelines, and provide a necessary fix to an eligibility issue that currently excludes 13 counties from the EECBG Program. When statutes were passed governing EECBG, ARRA had not yet been enacted and an eligibility criterion that does not conform to ARRA was put into law. AB 262 takes the eligibility language out of statute and instead requires the EECBG program to conform to federal guidelines. This bill is necessary to allow the 13 counties, including: Alameda, Butte, Marin, Merced, Placer, San Joaquin, Santa Barbara, Santa Clara, Santa Cruz, Solano, Stanislaus, Tulare and Ventura, to be able to participate in the EECBG program. CSAC strongly encourages those counties listed above to express their support for this measure and contact their legislative delegation. This bill has been set for hearing on June 30 in the Senate Energy, Utilities and Commerce

Budget Updates

Williamson Act

As reported in CSAC's Budget Action Bulletin, the Budget Conference Committee voted to suspend Williamson Act subvention payments for one year, for a general fund savings of \$34.7 million. The committee did not include in their vote any recommendation for statutory changes related to contracts with landowners. CSAC continues to advocate for Williamson Act subvention funding, and strongly encourages counties opposed to the suspension to send letters to their respective legislative delegation.

State Responsibility Area Fees

As reported in CSAC's Budget Action Bulletin, the Budget Conference Committee approved the State Legislative Analyst's Office (LAO) recommendation to include a fee on structures located with the State Responsibility Areas (SRA). It is our understanding that the Board of Equalization will collect the fee and there will be an appeals process. The SRA fee will be \$30 in moderate fire hazard severity zone, \$40 in high and 450 in very high fire hazard severity zone. It is also our understanding that the fee can be adjusted based on inflationary factors. CSAC strongly encourages counties concerned about this measure to contact their legislative delegation.

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Employee Relations

For more information, contact Eraina Ortega at 916/327-7500, ext. 521 or eortega@counties.org, or Faith L. Conley at 916/327-7500, ext. 522 or fconley@counties.org.

CalPERS Board Approves Smoothing Method Modifications

At its June 17 meeting, the California Public Employees' Retirement (CalPERS) Board approved smoothing method modifications for schools and local agencies. The following are key elements of the approved proposal:

- Increasing the corridor limits for the actuarial value of assets from 60% to 120% of market value to 80% to 140% of market value on June 30, 2009.
- Reducing the corridor limits for the actuarial value of assets to 70% to 130% of market value on June 30, 2010.
- Returning to the 80% to 120% of market value corridor limits for the actuarial value of assets on June 30, 2011 and thereafter.
- Isolate and amortize all gains and losses during fiscal year 2008-09, 2009-10 and 2010-11 over fixed and declining 30-year periods.

CalPERS believes that the global market decline, which has taken place in 2008-09 is a unique event. Accordingly, investment losses should be handled differently by modifying smoothing methods to blunt the impact of increased employer rates counties will be facing in coming years.

As a result of the approved proposal, rate increases due to investment losses in 2008-09 will be phased in over three fiscal years. Should CalPERS earn its assumed 7.75% investment return in the next two years, the employer rates will still increase to levels we would see under the current smoothing method, but two years later. The effect on employer rates will depend on each plan's ratio of market value of assets to covered payroll.

Click [here](#) for CalPERS' full analysis of the proposal.

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Government Finance and Operations

Local Taxes

ACA 9 (Huffman) – Support As Amended on April 27, 2009

ACA 9, by Assembly Member Jared Huffman, would put a measure before California voters that would reduce the voter approval requirement for local taxes and bonds to 55%.

Currently, counties have neither the financial resources to operate state programs and also meet local needs, nor the ability to predict service levels beyond each legislative session. In order to meet each community's unique needs, counties must be given greater fiscal independence from the state and federal budget processes, including the authority to offer the voters the option of approving revenues at a level sufficient to provide the degree of local services the community desires.

The Assembly Revenue and Taxation Committee postponed hearing ACA 9 on June 15, and now plans to consider the measure at its meeting on June 22.

Use Taxes

AB 469 (Eng) – Support As Amended on June 18, 2009

AB 469, by Assembly Member Mike Eng, would make clear that Californians who owe use tax must pay that tax by reporting it directly to the BOE or on their income tax form.

The Senate Revenue and Taxation Committee will consider AB 469 at its meeting on June 24.

Disaster Relief

AB 50 (Nava) – Support As Amended on June 1, 2009

AB 50, by Assembly Member Pedro Nava, would reimburse Santa Barbara County for property tax losses resulting from the November 2008 and May 2009 wildfires there.

The Senate Governmental Organization Committee will consider AB 50 at its meeting on June 23.

AB 15 (Fuentes) – Support As Amended on May 21, 2009

AB 15, by Assembly Member Felipe Fuentes, would reimburse the Counties of Los Angeles and Ventura for property tax losses resulting from the October and November 2008 wildfires there.

The Senate Revenue and Taxation Committee will consider AB 15 at its meeting on June 24.

AB 79 (Duvall) – Support As Amended on May 21, 2009

AB 79, by Assembly Member Mike Duvall, would reimburse the Counties of Orange, Riverside, and San Bernardino for property tax losses resulting from the November 2008 wildfires there.

The Senate Revenue and Taxation Committee will consider AB 79 at its meeting on June 24.

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HealthandHumanServices

Health
AB 657 (Hernandez) – Support
As Amended on June 2, 2009

AB 657, by Assembly Member Ed Hernandez, would establish a Health Professions Workforce Task Force to assist in the development of a health professions workforce master plan for the state.

Counties, as providers and purchasers of health care, support the creation of a health care workforce master plan for the state. The scarcity of qualified medical personnel in California continues to hamper our ability to provide quality health care to our residents and employees.

The significant shortage of qualified medical personnel affects all counties large and small. For large urban counties and counties that operate hospitals, the shortage of medical personnel threatens their ability to meet state staff ratio standards and attract physicians. The impacts of the medical workforce shortage are also dire in rural counties, where access to medical specialists is severely limited. All counties report difficulty attracting and retaining primary care physicians.

AB 657 will be heard in the Senate Health Committee on June 24.

AB 710 (Yamada) – Support
As Amended on April 22, 2009

AB 710, by Assembly Member Mariko Yamada, will create the Veterans' Substance Abuse and Mental Health Services Fund for the purpose of receiving federal Substance Abuse and Mental Health Services Administration (SAMHSA) grant money. This bill will additionally require the California Department of Veterans' Affairs (CDVA) to submit an application to SAMHSA for this funding and then deposit it into the newly created fund. Monies from the fund would then be continuously appropriated by the Legislature to CDVA to fund community-based organizations providing substance abuse and mental health services to veterans.

AB 710 will be heard in the Senate Veterans Affairs Committee on June 23.

AB 1571 (Committee on Veterans Affairs) – Support if Amended
As Amended on June 18, 2009

AB 1571 would require a county's local stakeholder group involved in the planning of county mental health programs, to include veterans and representatives from veterans' organizations and would require the Department of Mental Health, when it reviews the county plan, to inform the Department of Veterans Affairs of any outreach programs specifically for veterans.

Existing law requires each county mental health program to prepare and submit to the Department of Mental Health a three-year plan which would be approved after review and comment by the Mental Health Services Oversight and Accountability Commission. The plan must be developed with specified local stakeholders.

CSAC and the California Mental Health Directors Association continue to work with the author on the reporting requirements associated with veterans. While the intent of this bill language is to identify the number of veterans served, attempting to do so in the way it is currently drafted will create administrative costs without resulting in accurate or meaningful information about veterans. Better data about veterans is sorely needed on a statewide basis, and have communicated to the author a desire to work with relevant state and community based organizations on how best to meet that shared goal.

AB 1571 will be heard in the Senate Veterans Affairs Committee on June 23.

Human Services
AB 295 (Ammiano) – Support
As Amended on June 1, 2009

AB 295, by Assembly Member Tom Ammiano, would eliminate the pilot status of the existing wraparound services program that is already operating in 40 counties. It also allows counties participating in a second pilot program aimed at increasing adoptions of older foster children to spend the project funding over a longer period.

The wraparound that seeks to maintain seriously emotionally disturbed children safely in their own homes instead of treatment facilities has repeatedly been shown to be successful and cost-effective.

The Senate Human Services Committee will consider AB 295 at its meeting on June 23.

***AB 510 (Evans) – Support
As Amended on April 2, 2009***

AB 510, by Assembly Member Noreen Evans, would prevent CalWORKs recipients who are unable to access welfare-to-work services due to the effects of recent budget cuts from being unfairly penalized.

The Senate Human Services Committee will consider AB 510 at its meeting on June 23.

***AB 719 (B. Lowenthal) – Support
As Introduced on February 26, 2009***

AB 719, by Assembly Member Bonnie Lowenthal, would extend food stamps for one year to foster youth after they “age out” of the current system.

The Senate Human Services Committee will consider AB 719 at its meeting on June 23.

***AB 938 (Committee on Judiciary) – Support
As Amended on June 18, 2009***

AB 938, introduced by the Assembly Judiciary Committee, would require county social workers to begin searching for adult relatives within 30 days when they remove children from their homes.

Searching for and contacting adult relatives of these abused and neglected children is already part of social workers' plan of action upon removing them from their homes, but new federal law accelerates the time in which they are performed. AB 938 would implement that new federal statute. Counties also support the state continuing the practice of funding the increased level of service this bill implements.

The Senate Human Services Committee will consider AB 938 at its meeting on June 23.

***AB 1058 (Beall) – Support
As Amended on June 1, 2009***

AB 1058, by Assembly Member Jim Beall, would make two key changes to CalWORKs program eligibility rules, allowing applicants and recipients to own reliable cars and build a small amount of savings. These changes will promote work participation and self-sufficiency, respectively. The current allowed vehicular value has not changed since the program's inception and dates to a 1977 Food Stamp rule. These changes will make it more likely that a CalWORKs recipient is able to find work and that once they are self-sufficient and out of the program one minor catastrophe (health, for instance) doesn't put them right back into the program.

The Senate Human Services Committee will consider AB 1058 at its meeting on June 23.

***AB 1324 (Bass) – Support
As Amended on May 14, 2009***

AB 1324, by Speaker Karen Bass, would provide assistance to foster youth who may have been victims of identity theft.

Foster youth who are victims of identity theft find increased difficulty in obtaining housing and accessing other financial services once they are emancipated. AB 1324 requires them to be referred to a government or nonprofit organization that provides information and assistance to victims of identity theft. Current law says the youth be referred to “an approved counseling organization”.

The Senate Human Services Committee will consider AB 1324 at its meeting on June 23.

***AB 1325 (Cook) – Support
As Amended on May 6, 2009***

AB 1325, by Assembly Member Paul Cook, would add a new, culturally appropriate permanency option for Native American children in foster care, known as tribal customary adoption. While similar to traditional adoption in that biological parents no longer have day-to-day custody, a tribal customary adoption does not completely terminate parental rights. Tribal customary adoption is recognized by the federal government and has been used in other states with success. This option

would be considered along with traditional adoption and guardianship. AB 1325 sets forth considerations for the tribe in developing the tribal customary adoption order as well as provisions for the resolution of disagreements that may arise. The bill sets a four-year sunset of its provisions.

The Senate Human Services Committee will consider AB 1325 at its meeting on June 23.

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Housing, Land Use and Transportation

For more information, contact DeAnn Baker at 916/327-7500, ext. 509, or dbaker@counties.org or Kiana Buss at 916/327-7500, ext. 566, or kbuss@counties.org.

Transportation

AB 561 (Carter) – Support

As Introduced on February 25, 2009

AB 561, by Assembly Member Wilmer Amina Carter, would expand the definition of "highway worker" to include a contractor while under contract with the California Department of Transportation or a city or county employee who performs maintenance, repair, or construction of highways or local streets and road infrastructure for the purpose of enhanced penalties for assault or battery upon a "highway worker."

County employees – local street and road maintenance and rehabilitation crews – put their lives on the line in order to provide an important service which all Californians rely on in everyday life. Their job puts them in harm's way of traffic and motorists who have been known to take anger out on road crew workers through physical violence. As such, the state should extend the current assault and battery criminal protections provided to state highway workers to local street and road workers as well.

AB 561 passed out of the Senate Public Safety Committee on June 9 by a unanimous vote. It now goes before the Senate Appropriations Committee.

SB 481 (Cox) – Support

As Amended on May 14, 2009

SB 481, by Senator Dave Cox, would correct a conflict between state and federal law over the authority of public airports to manage wildlife that can be hazardous to the traveling public and to the flight's crew. This bill resolves this conflict by making it explicit that public airports have the same authority under state law to manage wildlife as they do under federal law according to the terms of a federally-issued permit (known as a federal fish and wildlife depredation permit).

SB 481 is scheduled for a hearing before the Assembly Water, Parks, and Wildlife Committee on June 16.

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Washington, D.C., Report

For more information, contact Joe Krahn, Waterman and Associates, 202/898-1444, or e-mail jk@wafed.com.

As expected, health care reform grabbed center stage in Washington the week of June 15, with energy legislation and the Fiscal Year 2010 appropriations bills also sharing the spotlight. Congressional leadership is pressing to make significant progress on these thorny issues prior to the week-long Independence Day recess, which is scheduled to begin June 29.

With multiple committees in both the Senate and House developing legislation to overhaul the nation's health care system, a number of controversial issues must be resolved before the legislative process moves forward. Chief among these issues is whether there should be a government-run insurance program and how to pay for any emerging health reform package.

The Senate Finance Committee was scheduled to mark up June 23 a draft health care bill, which was expected to be unveiled this week. However, a congressional budget agency estimated that the preliminary draft would cost a whopping

\$1.6 trillion over 10 years, sending Finance Committee leaders back to the drawing board. The other Senate panel with jurisdiction over health care, the Health, Education, Labor, and Pensions (HELP) Committee, began consideration of its proposal June 17. For their part, House Democrats unveiled their bill June 19, with the financing component expected after the July 4 break.

With regard to next year's budget, the first of 12 Fiscal Year 2010 spending measures passed the full House June 18 as lawmakers cleared the Commerce-Justice-Science spending bill. Both the House and Senate Appropriations Committees also recently cleared their respective versions of the Fiscal Year 2010 Homeland Security spending measure. The legislation is expected on the floor of the House and Senate prior to the July 4 recess.

In other spending news, the Fiscal Year 2009 supplemental appropriations bill (HR 2346) passed the Senate June 18, clearing the measure for President's Obama's signature. The \$105.9 billion package mainly funds military operations in Iraq and Afghanistan.

In other developments, the Senate Environment and Public Works Committee approved June 18 a bill (S 787) that would modify the Clean Air Act's definition of water. Specifically, the term "navigable waters of the United States" would be scrapped in favor of the broader "waters of the United States." It should be noted that the committee adopted an amendment that would exempt wastewater treatment plants and converted croplands from the new definition.

Health Care Reform

Efforts to reform the nation's health care system is creating an environment on Capitol Hill fraught with partisan wrangling, particularly in the Senate HELP Committee. As noted above, the panel began consideration of its health care package June 17, but is not expected to complete action on a bill until late the week of June 22.

The bill, which is sponsored by HELP Committee Chairman Edward Kennedy (D-Mass), has been the target of much criticism from the panel's Republicans. Among other objections, GOP committee members have objected to the preliminary price tag of the measure, noting a Congressional Budget Office (CBO) estimate that portions of the bill would cost \$1 trillion over 10 years while leaving 30 million people uninsured.

The CBO analysis did not include proposals to add coverage, including the expansion of Medicaid, or the establishment of a government-run health plan to compete with private insurers.

It should be noted, however, that Chairman Kennedy's proposal is still a "work in progress" with a number of modifications likely to be made at the committee level. As currently drafted, Kennedy's bill would establish a system of state-run "gateways" to assist individuals lacking insurance to shop for health plans. Additionally, the federal government would help pay the premiums of those earning less than five times the poverty level.

Further, insurance companies would not be allowed to deny coverage to people with pre-existing conditions. The measure would also limit the profits of health insurers as well as limit the differences in premiums because of age, health status, gender and occupation.

For the most part, the responsibility of paying for any health care reform legislation will fall on the Senate Finance Committee, which reportedly has a better chance of producing a bipartisan package than Kennedy's panel. The chairman of the Finance Committee, Max Baucus (D-Mont), has been meeting with his Republican colleagues on the committee in an effort to strike a compromise and put a bipartisan stamp on the bill.

In an apparent attempt to mollify Republicans and moderate Democrats, Finance Committee staff recently signaled the panel is crafting a health care measure with a price tag under \$1 trillion. The aim of committee members is to cover as many uninsured individuals as possible while holding the costs under the \$1 trillion threshold.

As previously noted, House leadership unveiled its plan to overhaul health care June 19. To date, House Democrats have provided only a general outline of their proposal. Hearings on the Democrats' proposal are expected to be held the week of June 22.

On the other side of the aisle, a group of moderate House Republicans outlined June 16 their approach to overhauling health care. Under the GOP plan, health insurance would be expanded by allowing small businesses to band together to buy insurance, reducing medical malpractice lawsuits, and increasing the use of health savings accounts to purchase health care-related services.

In a related development, the Obama Administration held a meeting on health care reform at the White House for a select group of stakeholders that included NACo President-elect and Sonoma County Supervisor Valerie Brown and Tom Joseph of Waterman & Associates, CSAC's federal advocacy firm.

SCAAP

In a victory for California's counties, the House approved June 16 an amendment to the fiscal year 2010 Commerce-Justice-Science (CJS) Appropriations bill (HR 2847) that restores \$100 million in funding for the State Criminal Alien Assistance Program (SCAAP). The SCAAP restoration effort was championed by Congressman Michael Honda (D-CA) and strongly supported by several key members of the California congressional delegation, including Representatives Jerry Lewis (R-CA), Adam Schiff (D-CA), Ken Calvert (R-CA), Linda Sánchez (D-CA), David Dreier (R-CA), Dennis Cardoza (D-CA) and Gary Miller (R-CA).

The floor amendment, which was endorsed by House CJS Appropriations Subcommittee Chairman Alan Mollohan (D-WV), brings HR 2847's SCAAP funding level to \$400 million. The version of the House CJS bill that was approved by the Appropriations Committee only included \$300 million for the program, or a \$100 million cut.

Overall, HR 2847 would provide \$64.4 billion in budget authority for CJS-related spending, or a 12% increase over Fiscal Year 2009 levels.

Across Capitol Hill, the Senate CJS Appropriations Subcommittee is scheduled to mark up its fiscal year 2010 spending bill on June 25. Funding levels for individual programs will not be available until the time of the committee markup.

Transportation Reauthorization

Key transportation policymakers at both ends of Pennsylvania Avenue grabbed headlines this week with starkly contrasting announcements regarding the future of the nation's highway and transit law, known as SAFETEA-LU. With roughly three months to go before the act's expiration, the dueling policy proclamations put the Obama administration at clear odds with the chairman of the House Transportation & Infrastructure (T&I) Committee, James Oberstar (D-MN).

Speaking for the administration, Transportation Secretary Ray LaHood announced June 17 that the White House strongly favors an 18-month extension of current law. According to LaHood, of paramount concern to the White House is addressing critical reforms that will replenish the ailing Highway Trust Fund. Recent estimates show that the trust fund is projected to run a shortfall of as much as \$7 billion by the end of the summer.

Recognizing that the administration's plan will be met with some concern, LaHood indicated that the reality of the fiscal environment and the critical demand to address infrastructure investments in a smarter, more focused approach were the key factors driving the White House's proposal. Secretary LaHood also noted that Congress is working on health care, global warming, and appropriations bills, leaving little time for transportation reauthorization efforts.

It should be noted that Senate Environment and Public Works (EPW) Committee Chairwoman Barbara Boxer (D-CA) has endorsed the administration's call for an 18-month extension of current law. According to Boxer, the White House proposal to replenish the trust fund will keep economic recovery and job creation efforts moving forward, while providing Congress with the necessary time to pass a comprehensive multi-year transportation bill. The EPW Committee has jurisdiction over federal highway programs.

At odds with his Senate counterpart and the White House, House T&I Committee Chairman Oberstar continued his calls this week for Congress to pass a comprehensive, multi-year highway and transit bill prior to SAFETEA-LU's September 30 expiration. Joined at a June 18 press conference by T&I Ranking Member John Mica (R-FL), Oberstar unveiled a white paper outlining his committee's priorities for a new surface transportation bill while asserting that an 18-month extension was unacceptable and would delay economic recovery efforts.

All told, Oberstar's transportation white paper calls for \$500 billion in road, transit, and high-speed rail spending over six years, or a 57 percent boost over current investment levels. The outline is silent, however, on the issue of how to finance the dramatic increase in new spending.

The white paper also proposes consolidating the majority of highway funding into four core formula categories that are designed to: bring highway and bridge systems to a state of good repair; improve highway safety; develop new and improved capacity; and, reduce congestion and greenhouse gases. Transit funding also would be consolidated into four major programmatic categories.

In addition, the Oberstar-Mica outline would require States and local governments to establish transportation plans with specific performance standards. Under the proposal, state and local progress in meeting standards would be measured annually and adjusted as necessary to achieve specific objectives.

It should be noted that the release of the T&I white paper precedes the unveiling of an actual draft bill, which is expected to occur next week. According to Oberstar, the T&I Committee's Highway and Transit Subcommittee could mark up a draft measure as early as June 24.

Climate Change/Renewable Energy

With nine House committees sharing jurisdiction over comprehensive global warming legislation (HR 2454) - and with a broad range of views among key lawmakers in the lower chamber - reaching a working consensus on the bill has been a formidable task for Democratic House leaders. Nevertheless, Energy and Commerce Committee Chairman Henry Waxman (D-CA), the chief architect of HR 2454, indicated June 18 that substantial progress has been made among key committee leaders that could allow the legislation to move to the floor.

According to Chairman Waxman, revisions in the bill's language - designed to garner votes from farm state Democrats and other key factions with the Democratic Party - could be completed as early as June 22. With a consensus now emerging, House floor votes on HR 2454 could occur after the July 4 recess.

Despite optimism expressed by Waxman and other key House leaders, a large number of Democrats reportedly remain undecided on the climate change package. According to House Natural Resources Committee Chairman Nick Rahall (D-WV), members from coal-producing districts continue to have concerns regarding the bill's mandate to decrease greenhouse gas emissions to 17%t below current levels by the year 2020. As an alternative, several members are promoting a 14% emissions reduction target.

In addition to emissions reduction goals, HR 2454 also would mandate that 20% of the nation's electricity come from renewable energy sources by 2020. Under the bill, five percent of the total could come from increased energy efficiency.

Across Capitol Hill, the Senate Energy and Natural Resources Committee approved June 17 its own comprehensive energy bill. The legislation, which remains in draft form, was cleared on a 15-8 vote. Four Republicans voted for the measure, including Ranking Member Lisa Murkowski (R-AK).

Among other things, the bill would mandate that 15 percent of the nation's power come from renewable energy sources by 2021, including up to four percent from improved efficiency. The legislation also would allow the federal government to supersede state and local authority to site power lines that would transmit new renewable power. The preemption debate will likely continue when the full Senate debates the energy bill.

It should be noted that the compromise that was forged in the Energy and Natural Resources Committee - which includes expanded drilling in the Gulf of Mexico - could unravel once the bill reaches the floor of the upper chamber. Floor action is not expected to happen until this fall, at which time Majority Leader Harry Reid (D-NV) has expressed his intention to combine the energy bill with climate change legislation that the EPW Committee is planning to mark up this summer.

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