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February 09, 2007

Legislation Would Move California Primary Election to February 2008

CSAC expresses concerns about costs to counties

By James Keene, Executive Director

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Senate Bill 113, as introduced by Senator Ron Calderon, would move California's presidential primary election from June to February 5, 2008. While we appreciate the strategic advantages that can accrue to California with a February primary, counties are concerned about the bill's mechanisms for reimbursing them for the cost of the election.

The Senate Elections, Reapportionment, and Constitutional Amendments Committee heard and passed SB 113 on February 7, and the Senate Appropriations Committee passed the bill February 8 on an 11-1 vote.

CSAC testified at both hearings, urging the legislators to consider the fiscal impact of a stand-alone presidential primary on counties, not only in February 2008, but also for each presidential election year thereafter.

The initial cost estimate for a February 2008 presidential primary election, including local and state costs, is currently \$90 million. CSAC is working with counties and the Secretary of State's office to gather local cost data to better estimate the price tag of any February presidential primary election.

The main concern of counties is the lack of a reliable mechanism in SB 113 for reimbursing the counties for a stand-alone presidential primary election. During yesterday's appropriations hearing, the senators voted to amend the bill to include intent language that goes somewhat like this: "It is the intent of the Legislature to fully reimburse the counties, upon certification of the costs, for this election in an expeditious manner."

While CSAC wishes to thank the Appropriations Committee for recognizing the need to reimburse counties for the cost of a February presidential primary election, the intent language raises several issues that counties should consider.

First, the intent language may conflict with the mandate language already present in the bill. Second, the intent language does not specify the process for cost certification. The third issue with the intent language is that it would address reimbursement only for the February 2008 election, and not for future stand-alone presidential primary elections.

Finally, and of utmost concern to CSAC, is that the intent language does not carry the force of law and would not ensure reimbursement of county costs. Consequently, CSAC is requesting that stronger language be included in SB 113 that will guarantee state reimbursement of county costs associated with this measure.

SB 113, with the new amendment, will be in print on Monday and is expected to go before the full Senate on Tuesday, February 13.

Counties with questions on SB 113 should contact either [Karen Keene](#) or [Farrah McDaid](#) at CSAC for more information.

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2007-08 State Budget Highlights

For complete highlights of the 2007-08 State Budget, please [click here](#).

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Mark Your Calendar

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Ask CSAC's Legislative Advocates

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Administration of Justice

For more information, contact Elizabeth Howard at 916/327-7500, ext. 537 or ehoward@counties.org.

Court Facilities

SB 145 (Corbett) – Co-sponsor

Senator Ellen Corbett, who chairs the Senate Judiciary Committee, has introduced SB 145, a measure relating to court facilities. As introduced, the bill makes a necessary technical correction to SB 1732, the Trial Court Funding Act of 2002. It is also intended to be the vehicle to extend the deadline for court facilities transfers, which, under current law, is set for June 30, 2007. CSAC and the Judicial Council are co-sponsoring this measure.

It is expected that SB 145 will soon be amended to incorporate an urgency clause as well as a specific date that will define the period of extension for purposes of allowing court facility transfers beyond the timeframe envisioned in the original transfer legislation. We also anticipate that SB 145 will eventually incorporate provisions that will seek to improve and simplify the transfer process. As more specific details on the legislative approach become available, CSAC will provide the necessary updates.

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Health and Human Services

For more information, contact Kelly Brooks at 916/327-7500 ext. 531, e-mail kbrooks@counties.org or Qiana Charles at 916/327-7500, ext. 564, e-mail qcharles@counties.org.

State Issues All-County Letter Regarding Medicaid Citizenship Requirements

On February 7, the state Department of Health Services (DHS) issued an all-county letter regarding the new Medicaid citizenship requirements. To comply with the new law, counties must verify U.S. citizenship or U.S. national status and identify for most Medi-Cal applicants and beneficiaries who are applying for Medicaid benefits. Since the effective date of July 1, 2006, counties have been working closely with DHS to clarify federal regulations and minimize impacts on the state's most vulnerable population.

The 35-page all-county letter includes instructions on conducting automated birth record matches, assisting applicants and beneficiaries on obtaining necessary documentation, verifying and handling original documents, and identifying who is exempt from the citizenship and identity requirements.

Recall that prior to the enactment of the Deficit Reduction Act (DRA), documentary evidence to establish U.S. citizenship or U.S. national status was not required unless an applicant declared a birthplace outside the U.S. Under the DRA, documentation is required for most Medi-Cal applicants and beneficiaries who declare that they are citizens or national of the U.S. There are a number of documents that verify citizenship and identity, which include a U.S. issued passport, birth record, hospital record, state issued driver's license, and school identification card.

Please note that CSAC staff is currently reviewing the all-county letter. CSAC will work closely with our affiliates to determine the potential impacts, and implementation and cost issues for counties. For more detailed information regarding the all-county letter, please visit, www.dhs.ca.gov/dra.

Governor Appoints Director of the California Department of Aging

On February 6, the Governor announced the appointment of former Assembly Member Lynn Daucher as the director of the state Department of Aging. While in the Legislature, Daucher was a strong advocate for aging issues and served as chair and vice-chair of the Committee on Aging and Long-Term Care. The Department of Aging and Long-Term Care performs a wide range of functions related to advocacy, interagency linkages, and coordination. They also administer the Older Americans Act programs for supportive and in-home services, congregate and home-delivered meals, Adult Day Health Care, health insurance counseling and case management, and a system of multipurpose senior centers.

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Housing, Land Use and Transportation

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Infrastructure Bond Update

The Senate Subcommittee on Fiscal Oversight and Bonded Indebtedness, chaired by Senator Tom Torlakson, met last week to hear from State Treasurer Bill Lockyer, Controller John Chiang, Legislative Analyst Elizabeth Hill and Fred Klass with the Department of Finance (DOF) regarding infrastructure bond implementation. The focus was on providing accountability to the public and transparency as the Legislature deliberates on how to invest the nearly \$43 billion infrastructure bond package approved by the voters in November 2006.

There are 67 programs contained within the five bond measures, with 21 of those representing entirely new programs containing \$18 billion. Even those that do not require new processes and legislative criteria for allocation are subject to further refinements and accountability processes that fall under the Governor's Executive Order S-02-07 and are also likely to require language in budget trailer bills.

DOF gave a brief overview of the Governor's Executive Order S-02-07, reported in the January 26 Bulletin, and explained

the role of the two dozen state departments, agencies and commissions with oversight over the bond proceeds. The departments also described the Web site that it plans to make available to the public containing the thousands of projects that will be funded through these investments.

The state treasurer and controller put forward a proposal for formation of a Citizens Oversight Commission, independent of government, to review the investments made. The role of the commission would be to monitor the state's general fund-backed bond expenditures approved by the voters or the Legislature. The commission would collect information on expenditures and bond-financed projects, and regularly disseminate the information to the public in a widespread, easily understood manner.

The commission would consist of 11 members, including the state treasurer, state controller, director of finance, and eight private citizens (two each appointed by treasurer, controller, Governor, Assembly speaker, and Senate Rules Committee). The treasurer and controller assert that compared to other bond oversight entities, the commission would have stronger credibility with the public, as it is comprised of public citizens and not government representatives. Treasurer Bill Lockyer's opening remarks at the Senate Appropriations Subcommittee on Fiscal Oversight and Bonded Indebtedness, as well as his key issues and points, and his joint proposal with State Controller John Chiang for a Citizen's Bond Oversight Commission can be found at: <http://www.treasurer.ca.gov/news/speeches/20070207.pdf>.

The Legislative Analyst provided testimony based on a recently released report, *Increasing Effectiveness Through Legislative Oversight*. The report made the following findings and recommendations:

- The November 2006 Bond Package Provides \$43 Billion for infrastructure. These bonds fund 67 different programs. More than \$18 billion is allocated to 21 new programs and the remaining \$25 billion is for existing programs.
- The Governor proposes more than \$11 billion in spending by the end of fiscal year 2007-08.
- Paying off the bonds will have to fit into the state's long-term budget plan.
- The Legislature should take an active oversight role to ensure accountability. In designing the framework for new programs, the Legislature should emphasize long-term benefits and statewide priorities. A program's goals and the criteria for selecting projects should be clearly defined.
- The Legislature can add additional oversight by rejecting the use of continuous appropriations, limiting administrative costs (no more than 5% of any program), using special committees and joint hearings, and requiring and reviewing annual reports.
- The desire to distribute funds quickly should be balanced with practical considerations.
- Finally, coordination among state entities is needed, as at least two dozen state entities will be involved in implementing the bond programs.

The full-length report can be found at:

http://www.lao.ca.gov/2007/2006_bonds/2006_bonds_012207.aspx

An additional LAO report that may be of interest, *Frequently Asked Questions About Bond Financing*, can also be found on the LAO website at: http://www.lao.ca.gov/2007/bond_financing/bond_financing_020507.aspx

Additional Senate Hearings

The Senate Transportation and Housing Committee is holding a hearing on the Housing Bond Proposition 1C on February 13. The state Department of Housing and Community Development (HCD) has released several proposals for the implementation of Proposition 1C. We expect that a presentation will be made on those proposals. Several bills have also been introduced that focus on the \$850 million for infill infrastructure and \$200 million for parks. Most of the other accounts within Proposition 1C represent existing programs from the previous housing bond and thus will remain under administration by HCD without the need for further legislative action.

Beginning February 27, the Senate Transportation and Housing Committee is planning to hold three consecutive Tuesday hearings on the Transportation Bond Proposition 1B. CSAC will provide testimony specifically on the \$2 billion for the Local Streets and Roads Program (LSR) and the \$1 billion State-Local Partnership Program. The hearings will focus on various program categories contained with Proposition 1B, beginning with the core highway and road programs.

CSAC continues to remain engaged in developing legislation for implementation. In particular we are joining the League of California Cities in developing a parallel process for public accountability and transparency for the \$2 billion LSR account. We are working with numerous key legislative and administrative representatives to develop what is expected to ultimately be trailer bill language necessary for cities and counties to access these monies. Several bills have been introduced on various programs contained within Proposition 1B, but they are all "spot bills" at this time.

In addition, we continue to remain involved in numerous stakeholder meetings developing legislation for the \$850 million

and \$200 million from Proposition 1C mentioned above, as well as \$580 million from Proposition 84 for sustainable communities, including \$90 million for planning grants. Assembly Member Loni Hancock has introduced AB 29, a proposal to allocate the \$850 million. Senator Negrete-McLeod, chair of the Senate Local Government Committee, has introduced SB 167 to allocate the \$90 million in planning grants and we understand that Assembly Member Caballero, Chair of the Assembly Local Government Committee, is also interested in this account as well.

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Revenue and Taxation

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Federal Budget: Government Reporting of Vendor Payment Information

In a continuing effort to raise federal revenues without raising taxes, President George W. Bush's budget proposal released earlier this week contains several proposals to improve compliance with tax law – to the tune of \$29 billion – largely through information reporting requirements that would take effect on January 1, 2008 and lead to higher compliance rates.

One of these proposals would accelerate the current law requirement that state and local governments provide information on nearly every vendor payment for products and services regardless of transaction amount from January 1, 2008 to January 1, 2011. Notably, this proposal does not accelerate the additional requirement that state and local governments withhold and remit to the federal treasury 3 percent of the gross amount of these transactions. (Reporting provided by Alysoun McLaughlin at NACo.)

LAO Issues Report Answering FAQs about Bond Financing

This 12-page report, which was issued this week by the Legislative Analyst's Office, complements their recently issued *Implementing the 2006 Bond Package*. It answers basic questions about the state's use of bonds to finance its infrastructure. For instance, the report compares general obligation bonds to lease-revenue bonds in a side-by-side table. It also answers common questions about how much debt the state is currently carrying, the cost of debt, and the state's bond ratings. You can download the report for free from their website at www.lao.ca.gov.

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Washington, D.C., Report

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President Bush unveiled his \$2.9 trillion fiscal year 2008 budget request February 5, calling for policy changes to slow the growth of major entitlement programs, such as Medicare and Medicaid. Despite the Bush administration's effort to rein in spending, the budget deficit for the upcoming fiscal year, which begins October 1, is estimated to be \$239 billion, or about a \$5 billion decrease from the projected fiscal 2007 deficit.

As expected, the Defense Department is a big "winner" in President Bush's spending package, with the administration proposing an 11 percent hike for the military. In contrast, the president's budget plan would scrap or modify a number of discretionary domestic programs, including the State Criminal Alien Assistance Program (SCAAP) and the Community Development Block Grant (CDBG).

It should be noted, however, that under the administration's fiscal 2008 budget plan, some domestic programs would be increased slightly, including the State Children's Health Insurance Program (SCHIP). Nevertheless, independent analysts note that the boost in SCHIP funding is only one-third of what is necessary to maintain the same enrollment over the next five years, which would effectively curtail states' health expansion initiatives.

The president's fiscal 2008 budget request is not expected to receive a warm reception on Capitol Hill, especially with the Democrats now in control of both houses of Congress. Even when Republicans controlled Congress, a number of the

president's domestic initiatives were rejected by GOP lawmakers. Further, Democrats, and perhaps some moderate Republicans, are expected to question Bush's plan to target domestic spending while pushing for an extension of the president's tax cuts.

President Bush's budget blueprint obviously includes many provisions of interest to California's counties. Noted below are just some of the county-related highlights of the president's fiscal plan for next year.

Health and Social Services

Although Congress approved cuts to Medicaid in last year's budget reconciliation bill, the Bush administration hopes to realize additional savings in the health care program through administrative reforms. Chief among these reforms are proposals to restrict significantly the methods states and counties employ to raise the state match for Medicaid, which would directly affect county hospitals in California that serve a significant number of indigents.

Once again, the Bush administration is proposing to provide states the option of receiving more flexibility over the use of Title IV-E foster care funds in exchange for capping their federal allocation over a five-year period. Despite the administration's repeated calls to provide this option, it has failed to send a draft bill to Capitol Hill. Likewise, no member of Congress introduced such a measure last session.

In other social services programs, President Bush's fiscal 2008 spending request estimates that the cost of the food stamp program will slightly increase from roughly \$33.4 billion in fiscal 2007 to about \$35 billion next year. As it has in the past, the administration seeks to limit food stamp eligibility for families that receive non-cash assistance under the Temporary Assistance for Needy Families (TANF) program.

Additionally, the president proposes to exclude all retirement savings for purposes of determining food stamp eligibility. It is estimated that this proposal would cost the federal government \$611 million over five years.

Community and Economic Development

The Bush administration is proposing to reform and reduce funding for the Community Development Block Grant (CDBG) program. The administration proposes to push an improved formula to better target funds to communities with the greatest need and to hold communities accountable for results. The formula part of the revised CDBG program would be funded at \$2.97 billion in fiscal 2007, compared to \$3.71 billion this year.

Under the administration's reform plans, programs such as the Brownfields Economic Development Initiative, the Community Loan Guarantee Program (Section 8) and the Rural Housing and Economic Development would be eliminated. The administration argues that these programs are duplicative and their activities are eligible to be funded by CDBG and other programs.

Justice Assistance and Homeland Security

In its ongoing effort to rein in spending on state and local justice assistance programs, the Bush administration's budget plan would overhaul funding for these programs. In addition to eliminating SCAAP – currently funded at roughly \$400 million – the administration would reorganize justice assistance programs by consolidating existing programs into two new grant programs: the Violent Crime Reduction Partnership Initiative and the Byrne Public Safety and Protection Program. The net effect of the reorganization plan would be a reduction in funding for state and local law enforcement assistance programs.

In addition, President Bush's spending proposal would terminate the Southwest Border Prosecutor Initiative, which is funded at about \$48 million in the current fiscal year.

In the area of homeland security, President Bush's fiscal 2008 spending plan provides \$187 million for the State Homeland Security Grant Program, a reduction from the estimated current funding level of \$509 million. The administration's spending request would also cut the Urban Area Security Initiative from an estimated \$747 million in fiscal 2007 to \$600 million next year.

As part of the transportation and infrastructure protection program, the Bush administration's budget would provide \$456 million in fiscal 2008 for a variety of transportation-related security activities, including the Transit Security Grant Program and the Port Security Grant Program.

Additionally, next year's budget plan calls for \$9.1 billion for Customs and Border Protection, compared to a funding level of \$8 billion in fiscal 2007.

Additional Budget Highlights

Other key elements of President Bush's fiscal 2008 budget request include:

- More than \$39.5 billion for federal-aid highways, the amount provided for in the 2005 surface transportation law and \$9.4 billion for mass transit, \$309 million less than outlined in the 2005 law.
- \$2.75 billion for the Airport Improvement Program, compared to an estimated allocation of nearly \$4.27 billion in fiscal 2007.
- \$17.2 billion for the Temporary Assistance for Needy Families (TANF) block grant program, the same funding amount as the current year.
- About \$4 billion for child support enforcement, compared to roughly \$4.4 billion in fiscal 2007.
- \$1.2 billion for the Social Services Block Grant (SSBG), compared to \$1.7 billion in fiscal 2007.
- \$1.3 billion for aging services programs, a \$6 million reduction from fiscal 2007.
- Elimination of the Community Services Block Grant, which currently is funded at \$630 million.
- Termination of the Preventive Health Block Grant, which received \$99 million in fiscal 2006.
- Nearly \$2.2 billion for programs under the Ryan White CARE Act (HIV/AIDS), compared to \$2.06 billion fiscal 2006.
- \$693 million for the Maternal and Child Health Grant, the same level as fiscal 2006.
- \$428 million for the Mental Health Block Grant, the same as this year's estimated funding amount.
- Almost \$1.76 billion for the Substance Abuse Block Grant, the current estimated level of funding.
- \$198 million for the Payment-in-Lieu of Taxes (PILT) program, compared to an estimated \$233 million in the current fiscal year.

President Bush's budget proposal is only the beginning of a long and arduous process to craft a budget for fiscal year 2008, which begins October 1. Administration officials began their annual trek up to Capitol Hill on February 6 to defend the president's budget priorities before several congressional committees. This marked the first time that Bush administration officials appeared before panels dominated by a Democratic majority.

Assuming both chambers adopt the budget resolution, congressional appropriators will begin the task of drafting the various spending bills for the upcoming fiscal year, using the budget resolution as their guideline. Often, these negotiations take months to complete, and are usually accompanied by a heavy dose of partisan rhetoric.