

**ALAMEDA COUNTY
BOARD OF SUPERVISORS'
PERSONNEL/ADMINISTRATION/LEGISLATION
COMMITTEE**

Monday, November 13, 2017
1:30 p.m.

Supervisor Keith Carson, Chair
Supervisor Wilma Chan

Location: Board of Supervisors Chambers – Room 512 5th floor
County Administration Building
1221 Oak Street, Oakland, CA 94612

Summary/Action Minutes

I. Federal Legislative Update – CJ Lake

The House and Senate are in session this week. The House will vote on their tax reform legislation later this week while the Senate will hold a Finance Committee markup of their respective tax reform bill.

Appropriations

The current Continuing Resolution (CR) is set to expire on December 8 and there is speculation that Congress may pass another CR pushing the funding deadline from December 2017 back to January or February of 2018.

Senate Democrats have also sent a letter to Office of Management and Budget (OMB) Director Mick Mulvaney requesting an additional supplemental appropriations bill aimed at providing disaster relief for communities impacted by the recent hurricanes and wildfires.

We expect the Administration to send another supplemental disaster appropriations request to Congress as early as this Wednesday to assist with recovery from the hurricanes and wildfires.

Tax Reform

The House Ways and Means Committee approved its Tax Cuts and Jobs Act (H.R. 1) Thursday on a party-line vote of 24-16. The full House is set to debate the legislation this week beginning on Wednesday and potentially through Thursday or Friday. A final vote on the bill is also expected to take place this week. House Republican leadership expects the legislation to pass despite several Republicans' opposition to language eliminating the SALT deduction for income and sales taxes.

The Senate Finance Committee is scheduled to begin marking up its respective bill this afternoon and will likely continue through the week. Committee members have filed over 350 amendments. Although timing for floor action is uncertain in the Senate, the bill could move as early as next week, but more likely the week after Thanksgiving. Senate leadership has not released the text of the legislation, but we expect a version to be released tomorrow. At this point, the draft does add to the deficit after the first ten years. Senate Republicans need to address this issue in order to use reconciliation because adding to the deficit violates the Byrd Rule.

Key Differences between the House and Senate Bills

SALT:

- House bill would *eliminate* the deduction for income and sales taxes; the deduction for property taxes would be capped at \$10,000 (corporations would still be able to fully claim the SALT deduction).
- Senate draft includes a *full SALT repeal*.

Municipal Bonds:

- House bill would generally maintain the tax exemption for municipal bond interest (it would eliminate the exemption for bonds used to finance professional sports stadiums)
- Senate draft maintains the tax exemption.

Private Activity Bonds:

- House bill would eliminate the exemption on newly issued PABs. This provision would ultimately eliminate 4% LIHTC since it can only be claimed if 50 percent or more of the project is funded using tax-exempt PABs.
- Senate draft would maintain the tax-exempt status of PABs.

**According to the Community Finance Development Association, over 80 percent of all PAB issuances are for housing.

Advance Refunding Bonds:

- The House bill *and* Senate draft would eliminate the tax exemption for advance refunding bonds. Under current law, advance refunding allows counties to refinance outstanding bonds to take advantage of better terms and rates.

Alternative Minimum Tax:

- Both bills would eliminate the alternative minimum tax (AMT). The tax is applied to earnings from a small percentage of municipal bonds sold by issuers, such as airports and housing authorities that have substantial private-activity components in their deals.

Ultimately, the House and Senate is expected to hold a conference committee in order to reconcile the differences between their two bills.

HHS Secretary Nomination

President Trump officially nominated Alexander Azar this morning to be the next Secretary of Health and Human Services. Azar previously served as HHS Deputy Secretary and as General Counsel during the George W. Bush Administration. More recently, he was a pharmaceutical executive at Eli Lilly. Azar is likely to face pointed questions from Senate Democrats skeptical of his pharmaceutical industry background and previous opposition to ideas aimed at reining in drug prices, like drug re-importation.

Purpose:

- Report progress
- Advocacy or Education
- Request PAL_Committee Recommendation or Position
- Other: Federal legislative update**

Recommendation from PAL Committee: Support. Move to the full Board of Supervisors.

II. State Legislative Update – Brownstein Hyatt Farber Schreck

The Legislature remains on Interim Recess until January 3, 2018. The Tentative Legislative Calendar for 2018 has been released and below are some of the important upcoming dates:

January 1 – Statutes take effect

January 3 – Legislature reconvenes

January 10 – Budget must be submitted by Governor

January 12 – Last day for policy committees to hear and report to fiscal committees fiscal bills introduced

January 19 – Last day to submit bill request

January 31 – Last day for each house to pass bills introduced in that house in the odd-numbered year

February 16 – Last day for bills to be introduced

March 22 – Spring Recess upon adjournment

Priority Two-Year Bill Deadlines

There are numerous priority bills that became two-year bills in 2017, that may regain momentum in 2018. Please see previous PAL notes for description of the bills. Below are the deadlines for action on these priority bills in the second year of the current two-year session:

AB 626 (Garcia) – Last held on the Assembly Appropriations Suspense File in 2017, this bill must pass out of the Assembly by January 31, 2018, in order to move forward in the Legislature

AB 726 (Holden) /AB 813 (Holden) – Last ordered to the Senate Rules Committee, where they were held in 2017, these bills are eligible to be acted on until August 31, 2018.

AB 1250 (Jones-Sawyer) Last ordered to the Senate Rules Committee, where it was held in 2017, this bill is eligible to be acted on until August 31, 2018.

SCA 12 (Mendoza) –Currently on Assembly Desk, this constitutional amendment may become active at any point before the end of the 2017-18 session.

New SB 1 Poll

According to a new poll conducted by USC Dornsife and the Los Angeles Times, 54.2% of registered California voters surveyed said they would do away with the new gas tax and fees from SB 1, while 45.8% said they would keep the tax increase as is. The online poll surveyed 1,504 eligible state voters from October 27 through November 6, 2017, in the midst of the new gas tax going into effect. The opposition was strongest amongst Republicans surveyed – 74.6%. The survey also showed that the gas tax increase was supported by 55% of Democrats.

Treasurer Cannabis Banking Report

On November 7, 2017, California Treasurer John Chiang released a report from the Cannabis Banking Work Group, which provides recommendations to cannabis businesses and government agencies on how to reduce risk in the industry. The current lack of access to banking services in the cannabis industry forces businesses to deal in large sums of cash, which creates a host of problems and nuances that need to be resolved. The report explores four ways that the cannabis banking issue can be addressed: 1) Use armored courier services to transport the cash that will be used to pay state and local taxes, in the short term; 2) Expand banking services under current law; 3) Create a state driven financial institution that acts as a bank for cannabis businesses; and 4) Work with the cannabis industry, the federal government and other states that have legalized cannabis to either lighted banking rules or remove cannabis as a Schedule 1 drug.

Cap and Trade

On November 8, 2017, the California Air Resources Board (ARB) announced that all parties covered by the cap and trade greenhouse gas reduction program have met their annual compliance obligations. This means that all facilities covered by cap and trade have surrendered 30% of their overall obligation for 2016, putting California on track to meet its 2020 and 2030 greenhouse gas reduction goals. According to new data released by the ARB, the industries regulated under the cap and trade program were successful in reducing greenhouse gas emissions by nearly 55 in 2016, which exceeds reductions in years prior which varied from 0.7% to nearly 2%.

State Controller's October Cash Report

The State Controller reports October revenues of \$6.74 billion, short of projections by \$38.7 million. The first four months of the 2017-18 fiscal year, total revenues of \$32.65 billion, are outpacing budget projections by \$544.8 million or 1.7%.

Purpose:

Report progress

Advocacy or Education

Request PAL Committee Recommendation or Position

Other: State legislative update

III. End of 2017 State Legislative Session and Governor's Action on Legislation

[Attachment](#)

The Governor's deadline to sign or veto bills that passed the State Legislature by the end of session was October 15, 2017. The End of Session Report provides the overview of the County's State legislative advocacy in 2017. In addition the report includes a list of all the bills that passed the Legislature and enumerates the Governor's action on each bill.

During the legislative session, under the auspices of the PAL Committee, the County adopted positions on 71 State bills and conducted advocacy on six specific budget requests. In 2017, the County sponsored two bills, one concurrent resolution and co-sponsored one bill.

The advocacy efforts represented 14 policy areas such as early care and education, In Home Support Services, health housing, jobs, judiciary, public safety, lead poisoning, local government, revenue & taxation, social services, transportation, utilities and other areas such as protection of civil liberties and increasing State website accessibility for persons with disabilities.

2017 Notable Accomplishments

Alameda County continues to be actively engaged in many policy areas important to delivering the best services for our residents. Below are a few highlights of 2017 as a result of the leadership of Supervisor Keith Carson while President of the California State Association of Counties (CSAC) and the County's specific advocacy work through Brownstein Hyatt Farber Schreck. The Board, BHFS and Department/Agency heads are continuously building coalitions statewide to educate Legislators and advance the County's legislative agenda.

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PUBLIC COMMENT

None.

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