ALAMEDA COUNTY
BOARD OF SUPERVISORS'
PERSONNEL/ADMINISTRATION/LEGTISLATION COMMITTEE

Monday, December 14, 2015
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 as they work to finalize the FY16 omnibus appropriations legislation as well as a measure to make certain tax breaks permanent. The House is expected to file the must-pass spending measure as early as tomorrow morning with hopes of passing the bill before the December 16th deadline, when the current Continuing Resolution (CR) expires.

Omnibus Appropriations & Policy Riders

The House and Senate have until midnight on Wednesday to hash out various policy differences as the current Continuing Resolution (CR) is set to expire on that date. Republican and Democratic Members of Congress have said that progress has been made on the expected $1.1 trillion omnibus appropriations measure and hope to file the legislation tomorrow.

The delay in a final deal is due to various policy issues rather than funding levels. As we have reported previously, there are a number of policy riders that Republicans would like to attach to the bill that include lifting the 40-year ban on exporting crude, and overturning the Environmental Protection Agency's Waters of the U.S. rule, among others. We are hearing that the last negotiations involve Democratic demands for lifting the ban on crude oil exports.

Tax Extenders

House and Senate Leadership are currently negotiating a combination of 70+ tax provisions including business tax credits such as, the R&D tax credit as well as tax credits like the Earned Income Tax Credit and the Child Tax Credit that expire in 2017. A deal on a tax package is linked to negotiations on the omnibus. Leadership is trying to include enough provisions so that both Republicans and Democrats would be willing to support. However, Democrats have said they are concerned at the cost of the package, which could be $800 billion and would not be paid for. At the same time, Democrats are trying to include as many priorities in the tax package, knowing Republicans will need their votes in order to pass the omnibus bill. One top priority is indexing the Child Tax Credit to inflation.

Any deal on tax credits is still up in the air and the negotiations are linked to the ongoing omnibus discussions. There likely will be separate votes on the omnibus measure and on the tax extenders package in the House, which would be accompanied by a rule to combine the two measures into one vote in the Senate.

If the package falls apart, there will be a smaller two-year package that will simply extend these tax credits retroactively to January 2015 and run through December 2016.

Purpose:
☐ Report progress
☐ Advocacy or Education
☐ Request PAL Committee Recommendation or Position
☒ **Other: Federal legislative update**

This item was informational only and required no Committee action.

II. State Legislative Update –Platinum Advisors

Controller's Report

The Controller released her report on November receipts showing the big three revenue sources beating projections again. For November sales tax revenues of $3 billion beat estimates by $154 million, income tax receipts of $3.8 billion topped projections by $47 million, and corporation taxes were nearly double the estimate with totals reaching $89 million. For the fiscal year to date General Fund revenue reached $37 billion, exceeding projections by $502 million.

While the LAO forecasts General Fund revenues for the 2015-16 fiscal year beating projections by $3.5 billion, the outlook for transportation funds continues to be dire. Under the gas tax swap, the BOE is required to annually adjust what is called the "price based excise tax" in order to keep the swap revenue neutral. For the 2015-16 fiscal year the BOE was required to reduce this excise tax from 18 cents per gallon to 12 cents per gallon. This reduced revenue will be available for the SHOPP, STIP, and local streets and roads by nearly $900 million.

With continued low gas prices, the BOE is expected to further reduce the price based excise tax by at least 2 cents – dropping this excise tax from 12 cents to 10 cents per gallon. This 2 cent reduction would cut revenue for local streets and roads by $131 million, and also reduce STIP revenue by $131 million. The BOE is required to adopt a new rate by March 1 of each year, and that new rate takes effect on July 1st. The BOE's estimate for any adjustment to the price based excise tax should be available in late January.

Special Session

The Senate Conference Committee on Health Care Finance will meet on Thursday in Oakland at the Elihu Harris State Office Building at 10:30 to discuss ABX2 1 and SBX2 2. The measures address the reauthorization of the managed care organization tax. A similar hearing was held in Los Angeles two weeks ago, and at that time progress hadn't been made on finding a compromise between health plans, the Administration, and legislators. As we've previously mentioned, a compromise will be especially difficult as the Legislative Analyst is projecting high revenues for the budget year and in future years, and legislators are less likely to vote to extend a tax in an election year.

Public Employees, Pension and Retiree Healthcare Benefits. Initiative Constitutional Amendment

Former San Jose Mayor Chuck Reed and former City Councilman Chuck DeMaio from San Diego, who are working on ballot measures targeting public workers' pension benefits, announced last week that they will move forward with signature gathering on two new measures. Several previous versions of their proposed initiatives were dropped due to unsatisfactory summaries from the Attorney General's Office. Reed and DeMaio filed a lawsuit, but the case was dismissed by the 3rd District Court of Appeal. The major issue with prior versions of the initiatives was that they would affect 1.7 million current public employees who would be forced to move from their current pension programs toward less costly 401(k) plans. The Legislative Analyst opined that the provision was likely to lead to court cases to determine whether voters can overturn contractual obligations.

The revised initiatives affect only new public employees. The first would require workers hired after January 1, 2019 to enroll in a 401(k) style retirement plan. The second measure would cap employer retirement benefits at 11% of base compensation for the majority of public employees, and 13% for public safety employees. The proponents of the measure will begin gathering the required 585,407 signatures to qualify for the November 2016 ballot now, and will ultimately submit the measure that polls most positively.

Purpose:

☐ Report progress
☐ Advocacy or Education
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PUBLIC COMMENT

None.

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