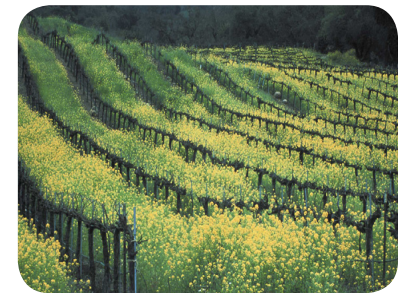


CSAC EXECUTIVE COMMITTEE

BRIEFING MATERIALS

Thursday, April 9, 2015

10:00 a.m. 2:00 p.m.



Meeting Location:
Los Angeles County
Pavilion Hotel, Avalon, Catalina Island

California State
Association of Counties



CALIFORNIA STATE ASSOCIATION OF COUNTIES
EXECUTIVE COMMITTEE
Thursday, April 9, 2015
10:00am - 2:00pm
Descano Beach Club, Avalon, Los Angeles County

A G E N D A

Note: Agenda times are approximate. Matters may be taken up earlier than the published time.

Presiding: Vito Chiesa, President

- | | | |
|---------|--|---------|
| 10:00am | PROCEDURAL ITEMS | |
| 1. | Roll Call | Page 1 |
| 2. | Approval of Minutes of January 15, 2015 | Page 2 |
| 10:15am | SPECIAL PRESENTATION | |
| 3. | Report on Human Sex Trafficking
(followed by group discussion and recommended action) <ul style="list-style-type: none">▪ <i>Supervisor Don Knabe</i> | Page 5 |
| 10:45am | ACTION ITEMS | |
| 4. | Consideration of Proposed CSAC Budget for FY 2015-16 <ul style="list-style-type: none">▪ <i>Matt Cate, CSAC Executive Director</i>▪ <i>Supervisor Judy Morris, CSAC Treasurer</i> | Page 10 |
| 5. | Approval of Operating Reserve Policy <ul style="list-style-type: none">▪ <i>Graham Knaus, CSAC staff</i> | handout |
| 6. | Approval of IRS Form 990 <ul style="list-style-type: none">▪ <i>Graham Knaus, CSAC staff</i> | Page 16 |
| 7. | Consideration of Assembly Speaker's Affordable Housing Package <ul style="list-style-type: none">▪ <i>DeAnn Baker & CSAC advocacy staff</i> | Page 17 |
| 11:30am | INFORMATION ITEMS | |
| 8. | National Association of Counties (NACo) Report <ul style="list-style-type: none">▪ <i>Council Member Riki Hokama, NACo President</i>▪ <i>Matt Chase, NACo Executive Director</i> | |
| 9. | CSAC Legislative and State Budget Update <ul style="list-style-type: none">- Transportation Funding Proposal- Medicaid 1115 Waiver Update<ul style="list-style-type: none">▪ <i>DeAnn Baker & CSAC advocacy staff</i>▪ <i>Alan Fernandes, Chief Lobbyist, Los Angeles County</i> | Page 19 |
| 10. | CSAC Operations and Member Services Update <ul style="list-style-type: none">▪ <i>Graham Knaus, CSAC staff</i> | |
| 11. | CSAC Strategic Plan: Review of Current Vision & Mission Statements <ul style="list-style-type: none">▪ <i>Matt Cate, CSAC Executive Director</i> | Page 43 |

12. Information Reports without Presentation
- ❖ CSAC Corporate Partnership Update
 - ❖ CSAC Litigation Coordination Program Update

13. Other Items

12:00pm LUNCH

1:00pm CLOSED SESSION
Conference with Legal Counsel—Existing Litigation (Gov. Code, § 54956.9(d)(1))
Name of case: *City of El Centro v. Lanier* (Court of Appeal Case No. D066755)

2:00pm ADJOURN

Note: The next Executive Committee meeting will be held on August 6, in Sacramento.

CALIFORNIA STATE ASSOCIATION OF COUNTIES
EXECUTIVE COMMITTEE
2015

President:	Vito Chiesa, Stanislaus
1 st Vice President:	Richard Forster, Amador
2 nd Vice President:	Dave Roberts, San Diego
Immed. Past President:	John Gioia, Contra Costa

Urban Section

Keith Carson, Alameda
Federal Glover, Contra Costa
Carole Groom, San Mateo
Don Knabe, Los Angeles
Susan Peters, Sacramento
Ken Yeager, Santa Clara
Kathy Long, Ventura (alternate)

Suburban Section

Bruce Gibson, San Luis Obispo
Leonard Moty, Shasta
Henry Perea, Fresno
Linda Seifert, Solano (alternate)

Rural Section

Virginia Bass, Humboldt
Ed Valenzuela, Siskiyou
Kim Dolbow Vann, Colusa (alternate)

Ex Officio Member

Judy Morris, Trinity, Treasurer

Advisors

Rick Haffey, CAOAC Advisor, Nevada
Charles McKee, County Counsel Advisor, Monterey

CALIFORNIA STATE ASSOCIATION OF COUNTIES
EXECUTIVE COMMITTEE
January 15, 2015
CSAC Conference Center, Sacramento

MINUTES

1. **Roll Call**

Vito Chiesa, President Richard Forster, 1 st Vice Pres. Dave Roberts, 2 nd Vice Pres. John Gioia, Immed. Past President Keith Carson, Alameda Federal Glover, Contra Costa Carole Groom, San Mateo Susan Peters, Sacramento Ken Yeager, Santa Clara	Bruce Gibson, San Luis Obispo Leonard Moty, Shasta Henry Perea, Shasta Linda Seifert, Solano (alternate) Virginia Bass, Humboldt Ed Valenzuela, Siskiyou Rick Haffey, advisor Charles McKee, advisor
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2. **Approval of Minutes**

The minutes of October 9 and November 14, 2015 were approved as mailed and distributed.

3. **CSAC Corporate Member Presentation**

Mark Moring from Pay Per Cloud addressed the Executive Committee regarding the information technology services they provide to CSAC. He indicated that cybersecurity will be a focus in 2015 and they would like to demonstrate their services to counties on the Executive Committee.

4. **Report on Governor's Budget for 2015-16**

Michael Cohen, Director of State Department of Finance and Diane Cummins, Special Advisor to the Governor, provided an overview of the Governor's proposed budget for 2015-16. The majority of funds will go to K-12 schools. Implementing Propositions 1 and 2, the water bond and rainy day fund initiatives, is a major component of the budget. Also included is \$533m in accelerated pre-2004 mandate repayment, \$150m for Medi-Cal county administrative costs, \$10m to fund county fair operations. The budget also includes a proposal to reduce state costs for retiree health benefits. Details of the Governor's proposed budget were also contained in the January 9, edition of the CSAC Budget Action Bulletin.

5. **Discussion of Budget Impacts on Counties**

CSAC advocacy staff provided reports on the various areas of the Governor's proposed budget that affect counties. Additional details are included in the January 9 edition of the CSAC Budget Action Bulletin, available on the CSAC website. Staff noted that legislative hearing will begin in the coming weeks and staff will provide updates as the budget proposals move through the Legislature.

6. **Appointment of CSAC Treasurer, NACo Board & WIR Representatives**
The CSAC Officers recommended the following appointments for 2015:
CSAC Treasurer - Supervisor Judy Morris
NACo Board of Directors - Supervisors Keith Carson and Richard Forster
NACo WIR - Supervisors David Finigan and Kevin Cann

Motion and second to approve appointments listed above. Motion carried unanimously.

7. **Appointment of CSAC Policy Committee Chairs & Vice Chairs for 2015**
The CSAC Officers recommended the following policy committee appointments:

ADMINISTRATION OF JUSTICE
John Viegas, Glenn, Chair
Keith Carson, Alameda, Vice Chair

AGRICULTURE, ENVIRONMENT AND NATURAL RESOURCES
Diane Dillon, Napa, Chair
Pam Giacomini, Shasta, Vice Chair

GOVERNMENT FINANCE & OPERATIONS
Henry Perea, Fresno, Chair
Erin Hannigan, Solano, Vice Chair

HEALTH & HUMAN SERVICES
Ken Yeager, Santa Clara, Chair
Hub Walsh, Merced, Vice Chair

HOUSING, LAND USE AND TRANSPORTATION
Phil Serna, Sacramento, Chair
David Rabbitt, Sonoma, Vice Chair

Motion and second to approve policy committee chairs and vice chairs for 2015 as listed above. Motion carried unanimously.

8. **State and Federal Legislative Priorities for 2015**
Staff presented the draft CSAC 2015 State and Federal Advocacy Priorities as contained in the briefing materials. It was suggested that the Administration of Justice section be amended to include language regarding Proposition 47.

Motion and second to approve draft State and Federal Advocacy Priorities as amended to include language related to Proposition 47, and direct staff to draft such language. Motion carried unanimously.

9. **CSAC Finance Corporation Report**
The CSAC Finance Corporation recently launched two new programs. The first is a partnership with Medcor, which provides onsite health clinics for county employees. The first one has opened in Kings County. The OneExchange program with Towers Watson offers Medicare eligible retirees a wide array of

health plans to choose from at significantly lower costs than they currently pay to participate in county group plans. The California Statewide Communities Development Authority (CSCDA) received an additional \$38m allocation for the New markets Tax Credits Program. Staff distributed a brochure describing the US Communities purchasing program, which lists the suppliers who currently participate in that program. A new pharmaceuticals supplier was recently added to the program.

10. CSAC Corporate Partnership Update

Staff reported that a regional mini-summit will be held on January 22 in San Bernardino County. Topics are land use and healthcare. Three additional mini-summits are slated for 2015. Details on those will be sent at a later date. Additionally, the CSAC Corporate Partnership program is hosting its annual Premier Leadership Forum on Feb. 11-12 in San Diego County. The event is designed for premier corporate partners and CSAC Executive Committee members.

11. CSAC Strategic Plan Update

Matt Cate announced he is in the process of interviewing firms to facilitate a strategic plan process. Once that is completed, Executive Committee members will be asked to participate in the process.

12. Association Management Software Update

This item was tabled until a future meeting.

13. Informational Reports without Presentation

Reports on the CSAC Litigation Coordination Program, the CSAC Institute for Excellence in County Government, and the Institute for Local Government (ILG), were contained in the briefing materials.

14. Other Items

Matt Cate announced that with the recent departure of three senior CSAC lobbyists, some promotions have taken place. Farrah McDaid-Ting was promoted to Principal Health & Human Services lobbyist and Geoff Neill was promoted to Principal Policy and Fiscal Analyst. In addition, Darby Kernan has been hired as Administration of Justice lobbyist. She previously worked for Senator Steinberg handling criminal justice issues.

President Chiesa reported that the CSAC Officers recently met with Governor Brown and were asked about options for transportation funding in the coming year. President Chiesa asked for input from Executive Committee members regarding the direction CSAC should take on this issue. Staff was directed to collect information and bring it back for discussion at the full Board of Directors meeting in February.

The meeting was adjourned to a closed session.



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March 27, 2015

To: CSAC Executive Committee

From: DeAnn Baker, Director of Legislative Affairs
Farrah McDaid Ting, Legislative Representative
Darby Kernan, Legislative Representative

Re: Commercial Sexual Exploitation of Children (CSEC) – ACTION ITEM

Background. The commercial sexual exploitation of children (CSEC) is a pressing national, state, and local issue. The FBI estimates that 100,000 children in the United States are sold for sex each year, including child sex trafficking, child sex tourism, and child pornography.

In California, the issue is especially urgent. According to the FBI, three of the top 13 highest trafficking areas in the nation are located in California: San Francisco, Los Angeles, and the San Diego metropolitan areas. The age when most youth are lured into CSEC activities is shocking: the average age for boys is between eleven and thirteen, and for girls, it is between ages twelve to fourteen. Even more shocking: the average life expectancy of an exploited child from the time they first enter CSEC activities is 7 years (U.S. News & World Report, Oct. 16, 2005, “*Young Lives for Sale*” by Bay Fang).

County law enforcement, child welfare services, behavioral health, the courts, and community-based organizations all grapple with CSEC youth and report increasing numbers of exploited underage victims. The CSAC Board of Directors recognized the urgency of this issue when they approved the following new CSAC human services platform language on February 19 of this year:

“Counties support efforts to build capacity within local child welfare agencies to serve child victims of commercial sexual exploitation. Commercial sexual exploitation of children (CSEC) is an emerging national and statewide issue. In fact, three of the top ten highest trafficking areas in the nation are located in California: San Francisco, Los Angeles, and the San Diego metropolitan areas. Counties believe this growing and complex problem warrants immediate attention in the Golden State, including funding for prevention, intervention, and direct services through county child welfare services (CWS) agencies. Counties also support close cooperation on CSEC issues with law enforcement, the judiciary, and community-based organizations to ensure the best outcomes for child victims.”

This is also why CSAC actively supported a state budget augmentation last June to earmark more than \$20 million in funding to fund local prevention, intervention, and direct services for CSEC youth (See budget section below for more detail).

The County Counsels’ Association of California, on behalf of CSAC, has also submitted a brief to the United States Supreme Court in support of a Los Angeles City ordinance that allows law enforcement to search motel and hotel guest registers without a warrant during efforts to apprehend human traffickers. The ordinance, which was struck down by the Ninth Circuit Court of Appeals, assisted law enforcement in capturing human traffickers and freeing CSEC youth in numerous cases.

The Supreme Court has yet to hear the appeal.

Other efforts at the state and national levels are underway, including legislation aimed at prevention, identification, and strengthening the tools available to law enforcement for identifying, arresting, and prosecuting child sex traffickers (See state and federal sections below).

Child sex trafficking occurs each day in California, as CSEC youth are transported through our counties and kept captive in varying cities or for specific events. While counties have led the effort to address the unique needs of CSEC youth, including working with law enforcement and the courts to divert suspected exploited children, the need for intensive services tailored to minors who have been ensnared in the illegal sex trafficking trade remains critical. The attached resolution affirms CSAC's commitment to working together to develop strategies to reduce and, hopefully, eliminate the incidence of minors caught in the sex trafficking trade in California.

State Budget. Last summer, CSAC supported a successful County Welfare Directors Association (CWDA) budget proposal last year to fund prevention, intervention, and direct services for CSEC youth through county child welfare services (CWS) agencies. In the current year, counties can access a total of \$20.3 million General Fund, which includes initial and one-time costs and can be matched at 50 percent with federal funding. In future years, county child welfare agencies may access up to \$15 million statewide for CSEC program activities through the Department of Social Services.

We note that counties are still identifying additional resource gaps that will require funding to serve this vulnerable population, especially safe shelter options, intensive services to treat trauma, and long-term supports.

State Legislation. Governor Brown signed a raft of CSEC bills into law last fall, including SB 955 (Chapter 712, Statutes of 2014) by Senator Holly Mitchell allowing courts to authorize wiretaps for the investigation and prosecution of human trafficking, and AB 1585 (Chapter 708, Statutes of 2014) by Assembly Member Luis Alejo to allow the courts to set aside a conviction of solicitation or prostitution for those who can prove he or she was a victim of human trafficking. Senator Mitchell was also successful in passing SB 1165 (Chapter 713, Statutes of 2014), which allows sex trafficking prevention education in California's schools. Fines increased from \$20,000 to \$25,000 for people convicted of placing a minor into prostitution.

Assembly Member Brian Maienschein has introduced AB 1051 in this legislative session, which would amend Proposition 21 (2000) to add human trafficking to the list of activities and offenses that may be used to establish criminal gang activity.

California Attorney General. Attorney General Kamala Harris led an Anti-Trafficking Working Group in 2012 and has created a resource center online for recognizing, treating, and prosecuting human trafficking, including minors, at www.oag.ca.gov/human-trafficking. She also released the report "The State of Human Trafficking in California 2012" (available in the Resources Section below) which identifies human trafficking as a top priority for her office.

In January 2015, the Attorney General announced the new Bureau of Children's Justice within the California Department of Justice (DOJ). The mission is to protect the rights of children and focus the attention and resources of law enforcement and policymakers on the importance of safeguarding every child so that they can meet their full potential. The Bureau will focus its enforcement and advocacy efforts on California's foster care, adoption and juvenile justice system, including human trafficking of vulnerable youth. DOJ held meetings in Sacramento, Los Angeles and Oakland with the expectation of working with experts in the areas of children and family services, CSEC youth, juvenile justice, education, and other areas impacting children.

Federal Actions. The House acted early this year in passing by voice vote the Justice for Victims of Trafficking Act of 2015 (H.R. 181). Adopted on January 27, the bill would provide competitive grants to state and local governments from the U.S. Department of Justice to improve the investigation and prosecution of child trafficking crimes, provide training to personnel to respond to victims and address their need for specialized services. The bill would authorize the appropriation of \$5 million annually over FY's 2016-2019.

The Senate Judiciary Committee reported out a similar bill last month on a unanimous vote. That measure is also called the Justice for Victims of Trafficking Act of 2015 (S. 178). Under the Senate legislation, \$7 million is appropriated annually through a victim's compensation fund from assessments placed on persons convicted of sex trafficking and similar offenses. Funding would be made available to state and local governments through a competitive grant process similar to the one under the House counterpart bill.

Once it reached the Senate floor however, Democrats took a closer look at the language and discovered a statutory reference contained in the bill blocking money from the fund for paying for abortions. The so-called Hyde amendment language has been added to existing pots of funding under federal health programs for many years, but Democrats objected to it being tied to a new source of federal funding. The Senate spent nearly two weeks debating the bill and Republicans have been unable to break a Democratic filibuster against it. Senator Boxer (D-CA) has withdrawn her name as a co-sponsor of the bill and Senator Feinstein (D-CA) has made speeches on the floor stating that she will not support passage until the language is struck from the measure. The bill has been pulled from the Senate floor to make way for debate on the Senate budget resolution (S. Con. Res. 11). When S. 178 will be brought back to the floor is uncertain.

This year's Congressional activity on sex trafficking builds upon bipartisan work enacted into law last fall. The new law, the Preventing Sex Trafficking and Strengthening Families Act (H.R. 4980; P.L. 113-183) contains a number of federal, state and local reporting requirements to be implemented over the next few years in order to better understand the breadth of the sex trafficking problem. Included are requirements due to be implemented this fall for child welfare agencies to develop and implement protocols to locate children who have runaway or are missing from foster care; determine the child's experiences while absent from care; develop screening to determine if the child is a sex trafficking victim; and, report the information to the federal government.

Staff Recommendation. Staff recommends that the Executive Committee adopt the attached resolution to increase awareness of CSEC issues and affirm CSAC's commitment to combatting CSEC activities in our counties.

Attachments:

DRAFT CSAC Resolution regarding Commercial Sexual Exploitation of Children

Resources:

- Los Angeles
 - [Succeeding Through Achievement and Resilience \(STAR\) Court](http://www.courts.ca.gov/27693.htm) - <http://www.courts.ca.gov/27693.htm>
 - [“Prostitution in Los Angeles: Court gives girls in sex trade a second chance”](http://www.dailynews.com/social-affairs/20140518/prostitution-in-los-angeles-court-gives-girls-in-sex-trade-a-second-chance) – Los Angeles Daily News <http://www.dailynews.com/social-affairs/20140518/prostitution-in-los-angeles-court-gives-girls-in-sex-trade-a-second-chance>
 - [“January Declared ‘National Human Trafficking Month’ in L.A. County”](http://patch.com/california/arcadia/january-declared-national-human-trafficking-month-la-county-0) – Arcadia Patch <http://patch.com/california/arcadia/january-declared-national-human-trafficking-month-la-county-0>

- Alameda
 - [H.E.A.T. \(Human Exploitation and Trafficking\) Watch](http://www.heatwatch.org/) <http://www.heatwatch.org/>
 - [“Alameda County DA Unveils Billboard Campaign Against Child Sex Trafficking”](http://sanfrancisco.cbslocal.com/2015/01/09/alameda-county-district-attorney-unveils-billboard-campaign-against-human-trafficking-child-sex-exploitation/) – CBS SF Bay Area <http://sanfrancisco.cbslocal.com/2015/01/09/alameda-county-district-attorney-unveils-billboard-campaign-against-human-trafficking-child-sex-exploitation/>

- San Francisco
 - [SFCaHT \(San Francisco Collaborative Against Human Trafficking\)](http://www.sfcaht.org/) <http://www.sfcaht.org/>
 - [SFCaHT Anti-Human Trafficking Teen Poster Contest](http://www.sfcaht.org/teen-poster-contest.html) <http://www.sfcaht.org/teen-poster-contest.html>

- Merced
 - [“Fight against human trafficking changing in Merced County”](http://www.mercedsunstar.com/news/local/article6729123.html) – Merced Sun-Star <http://www.mercedsunstar.com/news/local/article6729123.html>

Reports:

- 2012 Attorney General Report: [“The State of Human Trafficking in California”](http://oag.ca.gov/sites/all/files/agweb/pdfs/ht/human-trafficking-2012.pdf) <http://oag.ca.gov/sites/all/files/agweb/pdfs/ht/human-trafficking-2012.pdf>
- 2013 California Child Welfare Council Report: [“Ending the Commercial Sexual Exploitation of Children”](http://www.youthlaw.org/fileadmin/ncyl/youthlaw/publications/Ending-CSEC-A-Call-for-Multi-System_Collaboration-in-CA.pdf) http://www.youthlaw.org/fileadmin/ncyl/youthlaw/publications/Ending-CSEC-A-Call-for-Multi-System_Collaboration-in-CA.pdf
- National Human Trafficking Resource Center 2007-2012 Report: [“Human Trafficking Trends in the United States – Polaris Project”](http://www.polarisproject.org/human-trafficking/overview/human-trafficking-trends) - <http://www.polarisproject.org/human-trafficking/overview/human-trafficking-trends>
- April 2014 NACo Survey Report: [“The Problem of Human Sex Trafficking in America”](http://www.naco.org/newsroom/pubs/Documents/Surveys/SexTrafficking_Survey_April2014.pdf) http://www.naco.org/newsroom/pubs/Documents/Surveys/SexTrafficking_Survey_April2014.pdf

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Darby Kernan can be reached at (916) 327-7500 Ext. 537 or dkernan@counties.org

**A RESOLUTION TO AFFIRM CSAC'S COMMITMENT TO PREVENTING
COMMERCIAL SEXUAL EXPLOITATION OF CHILDREN IN OUR COUNTIES
AND WORK COLLABORATIVELY WITH ALL COUNTY PARTNERS TO
IDENTIFY, PROTECT, AND SERVE THESE VULNERABLE YOUTH**

IN THE MATTER OF the epidemic of Commercial Sexual Exploitation of Children (CSEC) in the State of California:

WHEREAS, the Board of Directors of the California State Association of Counties (CSAC) recognize that the commercial sexual exploitation of children is a pressing national, state, and local issue, and

WHEREAS, the FBI estimates that 100,000 children in the United States are sold for sex each year, including child sex trafficking, child sex tourism, and child pornography, and

WHEREAS, three of the top 13 highest trafficking areas in the nation are located in California: San Francisco, Los Angeles, and the San Diego metropolitan areas, and

WHEREAS, county law enforcement, child welfare services, behavioral health, the courts, and community-based organizations report increasing numbers of exploited underage victims, and

WHEREAS, counties have led the effort to address the unique needs of CSEC youth, including working with law enforcement and the courts to divert suspected exploited children, and

WHEREAS, county law enforcement, child welfare services, behavioral health, the courts, and community-based organizations continue to grapple with identifying and assisting CSEC youth, and

WHEREAS, the need for intensive services tailored to minors who have been ensnared in the illegal sex trafficking trade remains critical,

NOW, THEREFORE, BE IT RESOLVED BY THE CSAC BOARD OF DIRECTORS TO AFFIRM CSAC'S COMMITMENT TO DEVELOPING AND SUPPORTING STRATEGIES TO PREVENT, REDUCE, AND SERVE THE VICTIMS OF COMMERCIAL SEXUAL EXPLOITATION OF CHILDREN AND WORK TO ELIMINATE SEX TRAFFICKING IN CALIFORNIA.

PASSED AND ADOPTED by the Board of Directors of the California State Association of Counties at its meeting on the ___ day of _____.

By: _____
CSAC PRESIDENT



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95814

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April 9, 2015

To: CSAC Officers
CSAC Executive Committee

From: Judy Morris, CSAC Treasurer
Matt Cate, Executive Director

As Treasurer of CSAC, I present to you the proposed budget for the 2015-16 fiscal year. In conjunction with the Executive Director, Matt Cate, the attached revenue and spending plan for the upcoming year is hereby submitted for your adoption. The budget reflects the expenditures needed to advance CSAC's mission of serving California's 58 counties through effective advocacy, training, and member services programs.

Recommendation: Adopt the proposed FY 2015-16 CSAC budget.

Before addressing next year's budget, it is important to note that CSAC not only stayed within the budget authority approved by this body last year, but also took several important steps to improve the association's overall budget picture.

First, based on the recommendation of the Revenue and Capital Working Group and the officers, CSAC sold the "Ransohoff Building" at 1029 K Street. The building had lost its anchor tenant the year before and 70% of its offices were vacant. Our consultants opined that it would take approximately \$5,000,000 in upgrades to make it desirable to new tenants. In addition, once the Sacramento Kings broke ground on their new arena, the value of the property to investors went up significantly. Accordingly, we were able to secure an excellent price for the property, thereby eliminating a \$20,000 per month operating loss and increasing our reserves by \$2,962,244, the net proceeds of the sale.

Second, due to some uncertainty regarding revenue, executive staff made the decision to cut administrative spending mid-way through the fiscal year. When combined with staffing changes and temporary vacancies, year-over-year spending was reduced by over \$700,000. Finally, a significant investment of time and energy by the CSAC Officers, staff and Executive Committee in our Corporate Associates program resulted in an increase in net revenue of over \$400,000 in the 2014-2015 fiscal year. In sum, CSAC anticipates ending the 2014-2015 fiscal year with over \$1,000,000 in excess revenue, which will further increase our operating reserves.

Looking ahead, the proposed budget is designed to increase reserves by an additional \$700,000. It will also provide growth in spending authority necessary to fill existing vacancies in our advocacy unit while retaining our existing staff. We also recommend providing resources needed to increase CSAC's presence in our member counties through regionally based meetings, additional staff travel to individual counties, CSAC promotion of county best practices through our new video-based communication model and the

expansion of our highly successful CSAC Institute. These enhancements allow CSAC to further focus on member priorities while best positioning the organization for long term sustainability.

Highlights of the proposed CSAC FY 2015-16

Revenues

- Finance Corporation estimated contribution grows by \$200,000 to \$3.5 million.
- Corporate Associates is expected to generate an additional 10% in net revenue, growing by \$40,000 to \$480,000.
- Continuation of CSAC Institute program in San Diego and further expansion into Merced - \$43,000.
- Decrease in gross rental income of \$100,000 due to sale of Ransohoff Building and CSAC Parking Lot.

Expenses

- Decrease in facilities costs of \$150,000 due to sale of Ranshoff property.
- Increase in staff costs of \$590,000 to fill existing vacancies and to provide the Executive Director resources to increase existing salaries as merited.
- Increase expenditures on the CSAC Institute by \$62,000 to cover expansion and other costs of doing business.
- Shift anticipated excess revenues of \$700,000 into reserves.

**California State Association of Counties
Budget FY 15-16**

	Actual FY 13-14	Budget FY 14-15	Year End 2014/15	Proposed Budget 15-16
Revenues:				
Membership Dues	3,430,506	3,430,506	3,430,506	3,430,506
Finance Corp Participation	3,300,000	3,300,000	3,300,000	3,500,000
Rental and Parking Income	619,198	677,271	273,253	170,076
Administrative Miscellaneous	484,556	492,500	553,771	524,200
CSAC Conferences	328,625	360,000	383,963	367,500
CEAC	147,395	142,880	142,880	146,452
Corporate Associates	552,100	846,000	936,300	975,000
Litigation Program	<u>385,693</u>	<u>417,586</u>	<u>417,586</u>	<u>432,276</u>
Total Revenues	9,248,073	9,666,743	9,438,259	9,546,010
Expenditures:				
Salaries/Benefits	5,161,455	5,507,310	4,775,049	5,363,577
Staff Outreach	110,125	100,500	113,081	129,200
Leadership Outreach	102,903	85,000	96,176	85,000
NACo Meetings & Travel	112,106	77,500	96,614	111,000
Public Affairs/Communications	52,731	48,500	50,906	53,250
CSAC Conferences	550,813	547,645	506,653	446,848
Facilities	884,759	1,039,159	550,259	400,996
Office Operations	541,335	616,145	533,061	504,324
Donations	105,000	50,000	115,000	115,000
CEAC	137,595	142,880	142,764	146,452
Outside Contracts	446,889	445,300	428,200	395,000
Corporate Associates	521,189	440,514	488,184	495,378
Litigation Program	357,527	417,316	412,414	430,014
CSAC Institute	<u>73,816</u>	<u>111,786</u>	<u>107,739</u>	<u>170,093</u>
Total Expenditures	9,158,243	9,629,555	8,416,100	8,846,132
PROFIT/(LOSS)	89,830	37,188	1,022,159	699,878

ACCOUNT EXPLANATIONS -
BUDGET YEAR 15-16

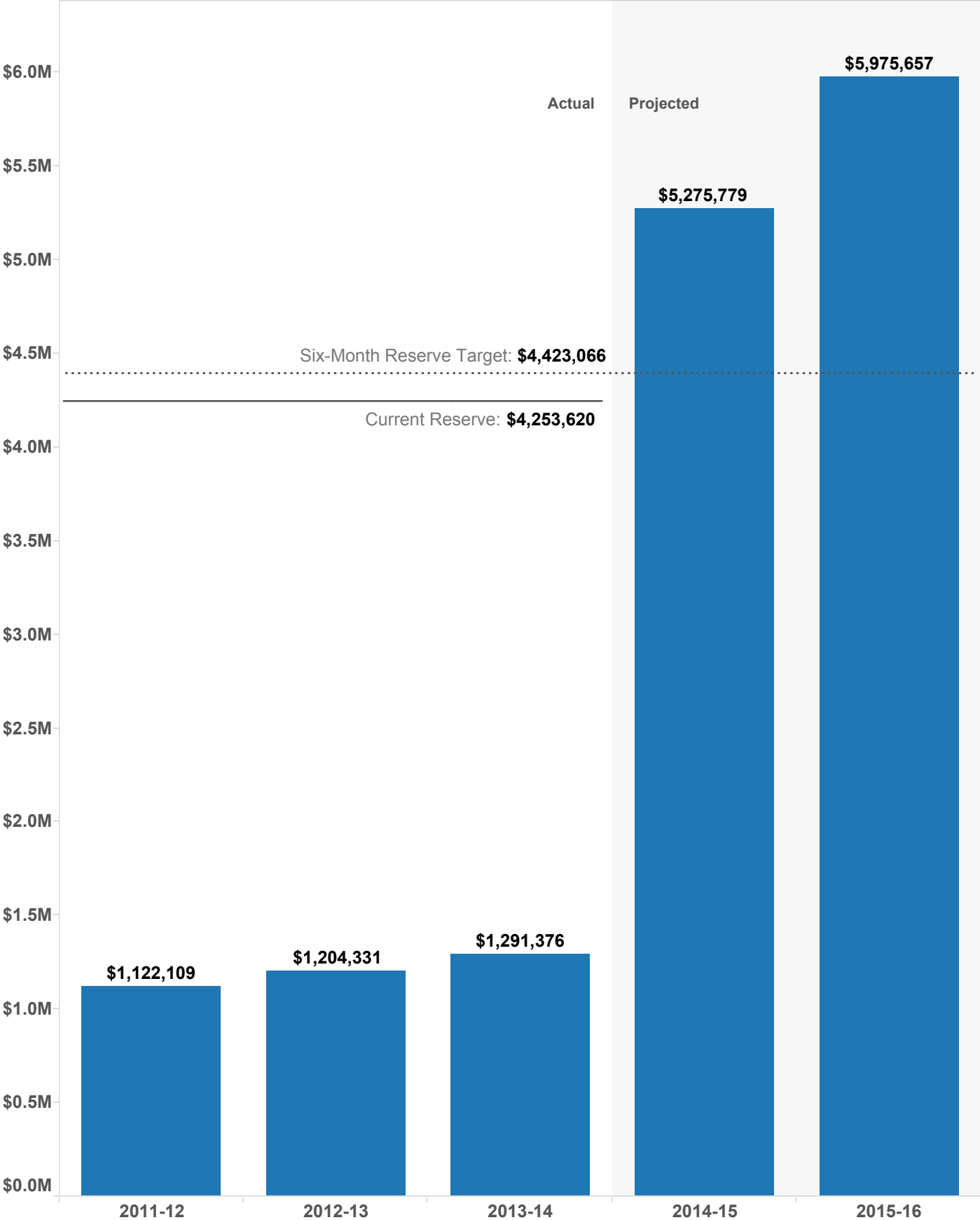
15/16 Budget

ACCT#	EXPLANATION
INCOME:	
MEMBERSHIP DUES	ANNUAL DUES FROM COUNTIES. NO INCREASE SCHEDULED THIS YEAR.
FINANCE CORP PARTICIPATION	CSAC FINANCE CORPORATION CONTRIBUTIONS TO CSAC.
RENTAL INCOME	RENTAL INCOME FOR 1100 K STREET. INCOME LESS THIS YEAR DUE TO THE SALE OF 1029 K STREET AND THE PARKING LOT.
ADMINISTRATIVE MISCELLANEOUS	1) ADMINISTRATION FEES COLLECTED FROM CSAC AFFILIATES FOR PAYROLL AND BENEFIT SERVICES. 2) SALES FOR CSAC ROSTERS, MAILING LIST AND LABELS.3) PRINTING AND COPYING REVENUE GENERATED FROM THE CSAC PRINT SHOP. 4) INTEREST INCOME FROM CHECKING ACCTS AND CALTRUST ACCOUNTS. 5) CONTRACT FOR COMPUTER SERVICES WITH LA COUNTY. 6) SOFT DRINK COMMISSIONS AND FEES FROM JOB ADVERTISING ON CSAC WEBSITE.
CSAC CONFERENCES	REGISTRATION FEES FOR CSAC ANNUAL CONFERENCE AND LEGISLATIVE CONFERENCE.
CEAC	CEAC CONTRACT.
CORPORATE ASSOCIATES	CORPORATE ASSOCIATES MEMBERSHIP DUES AND SPONSORSHIP FOR ANNUAL CONFERENCE AND OTHER EVENTS. EXHIBITOR FEES.
LITIGATION PROGRAM	FUNDED BY A SEPARATE FEE TO SUPPORT CSAC'S ADVOCACY IN STATE AND FEDERAL COURTS, AND TO COORDINATE LITIGATION INVOLVING MULTIPLE COUNTIES. THE 2015-16 FEE IS PROPOSED TO INCREASE BY 4% (\$751 FOR THE LARGEST COUNTIES, AND \$8 FOR THE SMALLEST COUNTIES) TO COVER EXPECTED COST INCREASES. ALSO INCLUDES A \$50,000 TRANSFER FROM CSAC GENERAL FUND FOR IN-HOUSE GENERAL COUNSEL LEGAL SERVICES.
EXPENSES:	
SALARIES/BENEFITS	1) SALARIES REFLECT A DISCRETIONARY MERIT INCREASE. 2) EMPLOYEES THAT ARE TIER 1 ARE CURRENTLY PAYING 18-20% OF EMPLOYEE PORTION OF SBCERA, TIER 2 PAY 100% OF EMPLOYEE PORTION. 3) BENEFITS TO INCLUDE HEALTH, DENTAL, VISION, LIFE AND WORKERS COMP. 4) PAYROLL TAX. 5) AUTO ALLOWANCE 6) ANNUAL EMPLOYEE WORKSHOP 7) PARKING 8) 50% OF WELLNESS PROGRAM.
STAFF OUTREACH	INCLUDES ALL IN AND OUT-OF-TOWN BUSINESS EXPENSES FOR LEGISLATIVE AND ADMINISTRATIVE STAFF.
LEADERSHIP OUTREACH	ALL BUSINESS EXPENSES FOR CSAC BOARD OF DIRECTORS, EXECUTIVE COMMITTEE AND OFFICERS.

**ACCOUNT EXPLANATIONS -
BUDGET YEAR 15-16**

ACCT#	EXPLANATION
NACO MEETINGS & TRAVEL	COSTS ASSOCIATED FOR ALL LEGISLATIVE, ADMINISTRATIVE STAFF AND BOARD MEMBERS TO ATTEND NACO SUPPORTED EVENTS.
PUBLIC AFFAIRS/COMMUNICATIONS	1) ALL COSTS ASSOCIATED WITH PRODUCING & DISTRIBUTING THE ROSTER 2) CHALLENGE AWARDS 3) LEGISLATIVE BULLETIN 4) WEB SITE. 5) WRITTEN, AUDIO AND VIDEO COMMUNICATIONS.
CSAC CONFERENCES	ALL COSTS ASSOCIATED WITH LEGISLATIVE AND ANNUAL CONFERENCE. ALSO INCLUDES STAFF SUPPORT.
FACILITIES	ALL COSTS ASSOCIATED WITH THE MAINTENANCE OF 1100 K STREET. COSTS INCLUDE REPAIRS, UTILITIES, PHONES, INSURANCE, JANITORIAL, DEBT SERVICE AND PROPERTY TAXES.
OFFICE OPERATIONS	ALL COSTS ASSOCIATED WITH OPERATIONS SUCH AS 1) CELL PHONES 2) MEMBERSHIP FEES 3) OFFICE SUPPLIES 4) POSTAGE/DELIVERY 5) R&M AND PURCHASES OF COMPUTERS AND EQUIPMENT 6) COPIERS AND BUSINESS EQUIPMENT.
DONATIONS	CONTRIBUTIONS TO INSTITUTE FOR LOCAL GOVERNMENT(ILG), CSAC RESEARCH AFFILIATE.
CEAC	CEAC EXPENDITURES.
OUTSIDE CONTRACTS	LEGAL CONSULTING , ACCOUNTING SERVICE AND PROFESSIONAL SERVICES SUCH AS WATERMAN CONTRACT AND IT SERVICES.
CORPORATE ASSOCIATES	ALL COSTS ASSOCIATED WITH RUNNING CORPORATE ASSOCIATES PROGRAM INCLUDING SALARY AND BENEFITS FOR PROGRAM MANAGER.
LITIGATION PROGRAM	ALL COSTS ASSOCIATED WITH CSAC'S LITIGATION COORDINATION PROGRAM, AND IN-HOUSE GENERAL COUNSEL LEGAL SERVICES.
CSAC INSTITUTE	CSAC'S CONTRIBUTION TO THE INSTITUTE TO ASSIST IN THE FACILITATION OF THE PROGRAM.

CSAC Reserve, 2011-12 to 2015-16



Return of Organization Exempt From Income Tax
 Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)
 ▶ Do not enter Social Security numbers on this form as it may be made public.
 ▶ Information about Form 990 and its instructions is at www.irs.gov/form990.

2013

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

A For the 2013 calendar year, or tax year beginning 7/01, 2013, and ending 6/30, 2014

B Check if applicable: <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	C County Supervisors Association of Calif. 1100 K Street #101 Sacramento, CA 95814	D Employer Identification Number 94-6000551	E Telephone number 916 327-7500
F Name and address of principal officer: <u>Matt Cate</u> Same As C Above		G Gross receipts \$ <u>9,164,236.</u>	
I Tax-exempt status: <input type="checkbox"/> 501(c)(3) <input checked="" type="checkbox"/> 501(c) (<u>4</u>) (insert no.) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527		H(a) Is this a group return for subordinates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No H(b) Are all subordinates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If 'No,' attach a list. (see instructions)	
J Website: ▶ <u>www.csac.counties.org</u>		H(c) Group exemption number ▶	
K Form of organization: <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ▶		L Year of formation: <u>1911</u> M State of legal domicile: <u>CA</u>	

Part I Summary

	1	Briefly describe the organization's mission or most significant activities: <u>Advance local effective govt.</u>		
Activities & Governance	2	Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets.		
	3	Number of voting members of the governing body (Part VI, line 1a).....	3	61
	4	Number of independent voting members of the governing body (Part VI, line 1b).....	4	61
	5	Total number of individuals employed in calendar year 2013 (Part V, line 2a).....	5	95
	6	Total number of volunteers (estimate if necessary).....	6	61
	7a	Total unrelated business revenue from Part VIII, column (C), line 12.....	7a	232,662.
	7b	Net unrelated business taxable income from Form 990-T, line 34.....	7b	-36,990.
Revenue	8	Contributions and grants (Part VIII, line 1h).....	Prior Year	Current Year
	9	Program service revenue (Part VIII, line 2g).....	3,550,000.	3,300,000.
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d).....	4,259,970.	5,006,872.
	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e).....	11,085.	15,320.
	12	Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12).....	349,444.	225,082.
Expenses	13	Grants and similar amounts paid (Part IX, column (A), lines 1-3).....	8,170,499.	8,547,274.
	14	Benefits paid to or for members (Part IX, column (A), line 4).....	115,000.	105,000.
	15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10).....		
	16a	Professional fundraising fees (Part IX, column (A), line 11e).....	5,910,781.	6,047,420.
	b	Total fundraising expenses (Part IX, column (D), line 25) ▶		
	17	Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e).....	2,666,671.	2,446,555.
	18	Total expenses. Add lines 13-17 (must equal Part IX, column (A), line 25).....	8,692,452.	8,598,975.
Net Assets or Fund Balances	19	Revenue less expenses. Subtract line 18 from line 12.....	-521,953.	-51,701.
	20	Total assets (Part X, line 16).....	Beginning of Current Year	End of Year
	21	Total liabilities (Part X, line 26).....	8,388,758.	8,461,003.
22	Net assets or fund balances. Subtract line 21 from line 20.....	4,890,715.	5,014,661.	
			3,498,043.	3,446,342.

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here	Signature of officer	Date		
	Type or print name and title.			
Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed PTIN
	<u>Debbie McCardle Ask, C.P.A.</u>	<u>Debbie McCardle Ask, C.P.A.</u>		<u>P00052634</u>
	Firm's name ▶ <u>John Waddell & Co., CPAs</u>	Firm's EIN ▶ <u>94-2329070</u>		
	Firm's address ▶ <u>3416 American River Drive, #A</u> <u>Sacramento, CA 95864</u>	Phone no. <u>(916) 488-2460</u>		

May the IRS discuss this return with the preparer shown above? (see instructions) Yes No



March 31, 2015

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California
95814

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916.327-7500

Facsimile
916.441.5507

To: CSAC Executive Committee

From: Kiana Buss, Legislative Representative
Chris Lee, Legislative Analyst

Re: **Permanent Source for Affordable Housing – ACTION ITEM**

Recommendation. Consistent with existing CSAC policy, staff recommends that the Executive Committee approve a support position for AB 1335 (Atkins) and AB 35 (Chiu), two integral pieces of Assembly Speaker Toni Atkins’ affordable housing legislative package.

Background. Speaker Atkins set the agenda for the 2015 legislative session early by introducing a number of significant policy proposals. At the top of her list is a comprehensive package of bills to address housing affordability in the state. The Legislative Analyst’s Office recently reported that housing prices in California continue to far exceed prices in the rest of the country. The average price of a home in the state is two-and-a-half times the average national price and rents are fifty percent higher than the rest of the country. The housing affordability crisis is in part due to the demand to live in California and also the high cost of land and construction costs in the state. The Speaker’s package would generate and invest a substantial amount of new revenue (up to approximately \$1.6 billion annually) into housing to address the affordability issues with the following proposals:

- AB 1335 (Atkins) would establish a permanent source for affordable housing by assessing a \$75 fee on real estate transaction documents, excluding home sales (would generate approximately \$700 million annually);
- AB 35 (Chiu) would increase the state’s Low Income Housing Tax Credit to assist in the development of affordable rental units (would generate \$300 million and access an additional \$600 million in federal funds); and
- Other statutory changes to ensure California can tap into federal funding.

Policy Considerations.

- 1) *Existing CSAC Policy.* CSAC has standing policy in support of a permanent source for affordable housing but does not detail the specific approaches the association would support.

Identify and generate a variety of permanent financing resources and subsidy mechanisms for affordable housing, including a statewide permanent source for affordable housing. These sources need to be developed to address California’s housing needs, particularly with the reduction of federal and state contributions in recent years.

- 2) *Co-Benefits.* While housing advocates have long argued that safe, clean, and affordable housing is a critical component to building sustainable communities and supporting a vibrant economy, recent efforts

to address health care from a more comprehensive whole person care approach and investing in programs to reduce recidivism have put a new premium on affordable housing. AB 1335 and AB 35 would generate approximately \$1.6 billion annually in new state revenues and drawing down existing federal funds to build new or rehabilitate existing affordable housing that helps achieve these cross-cutting policy goals.

- 3) *County Clerk-Recorders.* The County Recorders' Association of California (CRAC) opposed a similar measure last year (SB 391, DeSaulnier). CRAC was opposed to the fundamental policy of assessing a fee on recorded documents as it, "would add to the already substantial recording costs and places additional financial burden at the expense of ordinary Californians." Secondly, CRAC expressed concerns that the language is vague and would require county recorders to, "deal with public inquires and differentiate what is considered in connection with a transfer."
- 4) *Differing Opinions.* Individual counties took support positions on a similar measure last year (Alameda, Contra Costa, Los Angeles, Sacramento, and San Francisco) and oppose positions (Butte, Colusa, Lassen, Mono, Orange, San Luis Obispo, Sierra and Siskiyou). Counties that opposed the measure made similar arguments as CRAC but counties in support argued that the new revenues are necessary to address an affordability crisis that impacts the entire state even in light of the concerns raised by the recorders.

Action Requested. Staff is requesting the Executive Committee approve a support position on AB 1335 (Atkins) and AB 35 (Chiu). Staff will continue to look for opportunities to improve the AB 1335 (Atkins) to ensure any new requirements on county recorders is clear and will not result in implementation issues.

Staff Contact. Please contact Kiana Buss (kbuss@counties.org or (916) 327-7500 x566) or Chris lee (clee@counties.org or (916) 327-7500 x521) for additional information.

General Fund Requests for FY 2015-16

Program Area	Proposal	General Fund Cost* (millions)	Source	Vote Requirement	CSAC 2015 Priority
SUPPORTED BUDGET PROVISIONS AND LEGISLATION					
Cal Fresh	Funding to provide a state-funded energy assistance subsidy for CalFresh recipients	\$9.2	January Budget	Majority	
Fairs	One-time funding for deferred maintenance	\$7.0	January Budget	Majority	
Fairs	Ongoing funding	\$3.0	January Budget	Majority	
Insufficient ERAF	Fund counties without enough ERAF for Triple Flip and VLF Swap	\$5.0	January Budget	Majority	
Trial Court Security	Ongoing funding, doubled from prior fiscal year	\$2.0	January Budget	Majority	
SB 678 Probation Grants	Performance and evidence based probation funding based on prior year methodology	\$125.0	January Budget	Majority	
PILT 1	Fund annual cost	\$0.644	January Budget	Majority	✓
Pre-2004 Mandates 1	Repayment of local government mandate debt	\$533.0	January Budget	Majority	✓
Williamson Act	Funding at reduced level	\$34.0	Supplemental budget item	Majority	
PILT 2	Back pay of local government agency share (non-school share)	\$8.5	Supplemental budget item	Majority	✓
Pre-2004 Mandates 2	Additional local government mandate repayment	\$267.0	Supplemental budget item	Majority	✓
Adult Protective Services Training	Increase state funding support for statewide APS training.	\$5.0	Supplemental budget item	Majority	
CalWORKs Housing Support Grants	Funding to expand the CalWORKs HSP to serve additional children and families, augmenting January Budget allocation	\$30.0	Supplemental budget item	Majority	
ICAN mandate	Don't suspend, or at least pay debt from previous years	\$90.0	Supplemental budget item	Majority	
MIOCR	Funding increase from \$18 million	\$50.0	Supplemental budget item	Majority	✓
Special Distribution Fund	Tribal gaming impact mitigation	\$9.1	Supplemental budget item	Majority	✓
Relative Caregiver	Funding for relative and foster parent recruitment, retention and support	\$30.2	Supplemental budget item	Majority	
AB 971 (Chang)	Special Elections Reimbursement	\$50.0	Legislation	Majority	
OTHER BUDGET PROVISIONS AND LEGISLATION					
Child Care	Increase state funding support for additional child care slots and reimbursement	\$600.0	Supplemental budget item	Majority	
Earned Income Tax Credit	Option 1: Piggy back on Federal credit Option 2: Focus on lowest incomes Option 3: Grant a credit for childless adults	\$1000 - opt 1 \$450 - opt 2 \$400 - opt 3	Supplemental budget item	Majority	
AB 35 (Chiu)	Low Income Housing Tax Credit increase	\$300.0	Legislation	Majority	
SB 23 (Mitchell)	Repeal the current law under the Maximum Family Grants, which does not allow the birth of a new child to be factored in when calculating a family's grant amount	\$205.0	Legislation	Majority	
SB 317 (De Leon)	Safe Neighborhood Parks, Rivers, and Coastal Protection Bond Act of 2016	\$160**	Legislation	Two-thirds	
January Budget Provisions Supported = \$684,844,000.00 Supplemental Budget Provisions Supported = \$523,800,000.00 ***Total Supported Budget Provisions = \$1,208,644,000.00 Other Budget Items = \$1,000,000,000.00 to \$1,600,000,000.00 Legislation Supported = \$50,000,000.00 Other Legislation = \$665,000,000.00 Total Budget and Legislation Supported = \$1,258,644,000.00 Total Other Budget and Legislation = \$1,665,000,000.00 to \$2,265,000,000.00					

* Annual estimate

** 5 year total bond package funding equals \$3.5 billion dollars

*** Additional \$150 million (\$48.8 million GF) in-mid-year budget allocation received for Medi-Cal Admin Funding to conduct eligibility work



March 27, 2015

To: CSAC Executive Committee

From: Kiana Buss, CSAC Legislative Representative
Chris Lee, CSAC Legislative Analyst

Re: **New Transportation Revenue Proposals**

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916.441.5507

Background. CSAC staff presented a report to the Board of Directors on February 19, 2015 regarding the pressing need for additional funding for the maintenance and preservation of the existing state and local transportation system as well as the Governor's acknowledgement of these significant needs in his state of the state address. As you recall, local streets and roads currently have an annual shortfall of approximately \$8 billion to bring the local system into a state of good repair over the next decade, whereas the state highway system has a similar ten-year \$6 billion annual shortfall. Finally, staff presented CSAC's existing policies in support of new revenue for local transportation and outlined several immediate, short-term and long-term issues and solutions.

Since February, there has been increasing recognition from the Legislature that action is needed to address the substantial and persistent funding shortfalls, and proposals in both the Assembly and the Senate that aim to address the issue are beginning to take shape. CSAC has participated in regular discussions with a coalition of transportation stakeholders as well as meetings with legislators and staff who are working on specific revenue proposals.

Policy Considerations. As staff reported in February, CSAC has long-standing policy in support of new revenues for transportation. Relevant policy principles from the CSAC Platform are provided below. Additionally, the CSAC Board of Directors reaffirmed existing CSAC policy in May 2012 in support of flexible new revenues for transportation that could include a gas tax increase, indexing the gas tax, increasing the vehicle license or registration fee, or a combination of these or other options (attachment one).

Transportation systems must be regularly and consistently maintained in order to preserve the existing public infrastructure (current revenues are not keeping pace with needs of the local road or state highway or transit systems), reduce the future costs to tax-payers, and to protect the environment. All users of the system have a responsibility to adequately invest in the transportation infrastructure that is so critical to every-day life.

Transportation financing needs exceed existing and foreseeable revenues despite growing recognition of these needs at all levels of government. Further, traditional sources of revenue for transportation are declining as communities develop more sustainably and compactly in order to reduce vehicle miles traveled and GHG emissions to meet statewide climate change goals. Additional funding is required and should be supported and any new sources of funding should produce enough revenue to respond significantly to transportation needs.

Potential Solutions. CSAC has participated in discussions regarding immediate transportation funding solutions proposed for 2015-16 fiscal year, as well as short-term solutions, which are likely be temporary with approximately 5-year sunset dates. In each instance, CSAC has continued to advocate for equal sharing of revenues between local streets and roads and state highways. While actual bills have yet to be introduced for the short-term solutions being developed, the Legislature seems to be heavily focused on the preservation and maintenance of existing streets and highways, including county roads. At the same time, the California Transportation Commission's road usage

technical advisory committee has continued its work studying the potential of replacing the state's gas tax with a new user fee over the long-term.

Immediate Solutions

1. **Tax Swap Excise Rate Smoothing:** Staff previously reported to the Board of Directors the impending reduction in gas excise tax revenues for local streets and roads maintenance in 2015-16 as a result of the revenue-neutrality provisions of the gas tax swap. Since that report, Senator Jim Beall has introduced SB 321, an urgency measure that aims to reduce the volatility of revenues from the adjustable excise tax that replaced the prior sales tax on gasoline under the gas tax swap.

CSAC has participated in a working group that has examined potential means of reducing volatility. Consensus appears to be emerging that a formula that relies more heavily on historical gas prices and less on future projections will benefit local governments' ability to plan transportation budgets. For 2015-16, this approach would also reduce the currently-anticipated \$477 million reduction in local transportation funding to a one-year \$221 million cut. Moreover, based on a retrospective analysis of revenues during the last four fiscal years, this approach to setting the excise rate would reduce future swings in revenues without sacrificing revenue neutrality or the automatic adjustments for inflation that are inherently included in a price-based tax.

2. **Tax Swap - Hold Transportation Revenues Harmless:** While the rate smoothing effort outlined above would partially offset the anticipated one-year reduction in gas tax revenues for transportation programs, additional adjustments would be necessary to hold transportation programs completely harmless in FY 2015-16.

CSAC staff believe it is more prudent to provide tax swap excise rate smoothing to address the immediate impacts to transportation funding in the budget year and focus our efforts on short-term funding solutions to provide new revenue over the next five years rather than find a one-time hold-harmless solution. The concern is that it would take a two-thirds vote to hold harmless FY 2015-16 revenues and could impact our more valuable and meaningful short-term solutions which also require a two-thirds vote. As provided for above, smoothing would also blunt the FY 2015-16 impact so it can be viewed as a partial solution to our immediate year funding problem.

Short-Term Solutions

While specific proposals have yet to be released as of the time of this writing, the Legislature is expected to soon consider proposals which would, taken together, incorporate to varying degrees each of the potential revenue options that were outlined in CSAC staff's February report to the Board of Directors. As a reminder, those options included:

1. Increase the base gas tax. Each additional cent of gas tax levied would generate approximately \$150 million a year at current consumption rates.
2. Increase the vehicle license fee. A one-percent increase in the vehicle license fee (from the current 0.65% to 1.65%) would generate approximately \$2.9 billion annually. Since the license fee is based on the value of a vehicle, it is-- at least in some cases-- less regressive than a gas tax increase.

3. Increase the vehicle registration fee. There are approximately 33 million registered vehicles in California, which includes some fee-exempt vehicles. Each additional dollar in registration fees would generate approximately \$30 million annually. A registration fee could also be used to ensure that vehicles that do not use gas or diesel contribute to the maintenance of highways and streets.
4. Redirect Weight Fees back to Transportation. Pursuant to the 2010 transportation tax swap, approximately \$1 billion in weight fee revenues that would otherwise go to transportation projects is dedicated to paying off transportation related general obligation bond debt service. This revenue could go back to local streets and roads and state highways on a permanent basis or even one-time to address the immediate needs in FY 15-16.

Separately, Assembly Member Jim Frazier, chairman of the Assembly Transportation Committee, has introduced ACA 4, which accomplish the fifth potential revenue option outlined in our February memorandum: reduction of the voter threshold for local sales tax measures. Twenty counties have adopted countywide local sales tax measures for transportation. Another 15 counties predict success if the voter threshold is reduced. This would generate \$300 million for transportation annually and about \$120 million more for the local system.

Action Requested. No action is requested at this time.

Staff Contact. Please contact Kiana Buss (kbuss@counties.org or (916) 327-7500 x566) or Chris Lee (clee@counties.org or (916) 327-7500 x521) for additional information.



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May 31, 2012

To: CSAC Housing, Land Use, and Transportation Policy Committee

From: Mike Penrose, Chair, CEAC Transportation Committee
DeAnn Baker, CSAC Senior Legislative Representative
Kiana Buss, CSAC Senior Legislative Analyst

Re: Recommendations for New Transportation Revenues

Background

During the CSAC Housing, Land Use, and Transportation Policy Committee (HLT Committee) meeting in November 2011, after a presentation on the California Transportation Commissions' Statewide Transportation System Needs Assessment Report (CTC Report), Chair, Supervisor Efren Carrillo (Sonoma County), directed staff to develop a list of revenue options for the HLT Committee to consider to address California's enormous and still growing needs on the transportation network. As reported to the HLT Committee, the CTC Report found that the total cost of system preservation, system management, and system expansion over a ten-year period in California is roughly \$536.2 billion. With a total estimated revenue of \$242.4 billion over the same period, Californians are facing a \$293.8 billion shortfall in order to bring the transportation network into a state of good repair and maintain it in that condition into the future.

CSAC staff has worked with the County Engineers Association of California (CEAC) to develop a list of possible revenue sources for new transportation funding. In addition to developing the list of possible revenue sources, the CEAC Transportation Committee developed a set of principles for evaluating each possible revenue stream to see how well each option fits within existing CSAC policy and the goals of the HLT Committee and Association as a whole. Staff has also listed the major pros and cons related to each possible revenue stream.

After an in-depth discussion on eleven various revenue options, CEAC agreed that four in particular were the most appropriate to fund the transportation needs that are most important to counties (i.e. local streets and roads, state system, and transit). They are listed in alphabetical order and do not reflect any sense of priority.

Principles

- I. Unified Statewide Solution. All transportation stakeholders must stand united in the search for new revenues. Any new revenues should address the needs of the entire statewide transportation network.
- II. Equity. New revenues should be distributed in an equitable manner, benefiting both the north and south and urban, suburban, and rural areas alike.

- III. System Preservation. Given the substantial needs for all modes of transportation, a significant portion of new revenues should be focused on system preservation. Once the system has been brought to a state of good repair (the most cost effective condition to maintain the transportation network), revenues for maintenance of the system would be reduced to a level that enables sufficient recurring maintenance.
- IV. All Users Based System. New revenues should be borne by all users of the system from the traditional personal vehicle that relies solely on gasoline, to those with new hybrid or electric technology, to commercial vehicles moving goods in the state, and even transit, bicyclists, and pedestrians who also benefit from the use of an integrated transportation network.
- V. Alternative Funding Mechanisms. Given that new technologies continue to improve the efficiency of many types of transportation methods, transportation stakeholders must be open to new alternative funding mechanisms. Further, the goal of reducing greenhouse gases is also expected to affect vehicle miles traveled, thus further reduce gasoline consumption and revenue from the existing gas tax. The existing user based fee, such as the base \$0.18-cent gas tax is a declining revenue source. Collectively, we must have the political will to push for sustainable transportation revenues.

Local Streets and Roads Revenue Options

- I. Gas Tax Increase and Indexing. Increase the excise tax on gasoline and/or index the new revenues along with the base \$0.18-cent gas tax to keep pace with inflation. Another option is to just index the existing \$0.18 base portion of the gasoline tax. Per every one-cent gas tax increase, approximately \$150 million is generated. The California Statewide Local Streets and Roads Needs Assessment Report identified a \$79.9 billion shortfall over the next ten years or an \$8 billion annual need just to address the preservation of the local street and road system. Thus, this equates to a 56-cent gas tax increase just to meet local system preservation needs.

Pros	Cons
User-based fee; pay at the pump to use the system	Declining revenue stream – vehicles are more efficient, hybrid and electric technology, less consumption. Further, greenhouse gas reduction goals strive to reduce vehicle miles traveled, less consumption
Indexing makes the tax sustainable by keeping pace with the cost of living and construction costs	

Tax payers pay over time, not in a lump-sum	
---	--

- II. Sales Tax on Gasoline Options. Reinstating the sales tax on gasoline and/or reducing the voter threshold for the imposition of local sales tax measures for transportation purposes. The two options could be implemented individually or together as a package of changes to the sales tax on gas. The sales tax on gasoline would have generated approximately \$2.8 billion in FY 2012-13 if it were still in place. If shared between the State, transit, and cities in the same manner as the previous sales tax, it would generate \$560 million for counties in the same fiscal year. Regarding the local sales tax option, the self-help counties coalition estimates another 15-17 counties could pass local measures with a reduction to a 55% voter threshold.

Pros	Cons
Increasing revenue stream; generates more revenues as the price of gas increases	Unlikely to have support from the Legislature and Governor given the transportation tax swap and 2012 November ballot initiatives
Tax payers pay over time, not in a lump-sum	Also effected by reduced consumption
	Political viability since Prop 42 was passed by the voters to direct sales taxes on gasoline to transportation and was then replaced with the new HUTA by the Legislature in the swap

- III. Transportation System User Fee. Institute a one-percent annual vehicle registration fee based on the value of a vehicle and dedicate revenues to transportation. Research indicates 27 million vehicles would be subject to the fee. Funds would be distributed in the same manner of the old sales tax, 40% to counties and cities, 40% state highways, and 20% transit. The fee would generate \$2.7-\$3 billion annually, which would provide counties \$540-600 million. The Transportation System User Fee is especially intriguing as Transportation California, representing business, construction, and labor groups, has already drafted a proposal and is undertaking an education and outreach campaign to build support for a near-term ballot measure.

Pros	Cons
New idea; different from conventional sales tax or gas tax proposals	Annual fee so taxpayers feel the burden all at once

Sustainable; captures revenues from all vehicle operators of the road system including operators of electric vehicles and other alternative fuel vehicles	A fee based on value of a vehicle is close to VLF, which can be a hot button issue, voters react to it, i.e. Schwarzenegger reducing the VLF and taking over as Governor
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IV. Vehicle Miles Traveled Fee. Institute a fee based on a vehicle miles traveled per registered vehicle, personal and/or commercial. This could require GPS tracking devices to be installed in vehicles or perhaps reporting on a quarterly, semi-annually, or an annual basis to the State on the total number of miles driven per registered vehicle. It is unclear how much such a tax would need to be set at to generate the funds necessary to address California’s transportation revenue shortfalls. In 2010, there was 327 million vehicle miles traveled in the state.

Pros	Cons
User based revenue; pay to use the system	Concerns about privacy rights related to a GPS tracking device
Can link fee to peak driving times like congestion pricing on toll roads	It is a potentially declining revenue source as greenhouse gas reduction goals attempt to reduce VMTs
	Implementation would be significant given there isn’t the same or similar process already set up

The CEAC Transportation Committee also considered the following revenues possibilities but did not conclude that these options were as viable or sustainable or otherwise did not meet the overarching principles:

- Weight Fee Increase
- Regional Fee
- Local Fee
- Public-Private Partnerships
- Infrastructure Bank
- Toll Roads
- Congestion Pricing

Recommendation.

Again, the four aforementioned revenue options appear to be the most viable and sustainable opportunities for increased revenues to address the significant funding shortfalls for transportation in California. The CEAC Transportation Committee recommends that the HLT Committee take action to recommend that the CSAC Board of Directors support these options to fund our transportation needs. Policy direction should be broad enough to allow CSAC to support any of the options that meet our overall policy goals.



HURST+BROOKS+ESPINOSA

March 20, 2015

TO: Matt Cate, Executive Director, CSAC

FROM: Kelly Brooks-Lindsey, Partner, Hurst Brooks Espinosa, LLC

Re: Medicaid Section 1115 Waiver Renewal: Medi-Cal 2020 Draft Paper

The Department of Health Care Services (DHCS) unveiled its draft Medicaid Section 1115 Waiver concept paper on March 16, 2015, followed by a webinar on March 18. The concept paper includes a number of proposals previously discussed with stakeholders. DHCS intends to submit a final proposal to the Centers for Medicare and Medicaid Services (CMS) on March 27, 2015. They are currently soliciting feedback from stakeholders on the draft concept paper. Counties can submit comments to WaiverRenewal@dhcs.ca.gov. Additionally, DHCS is encouraging stakeholders to submit letters of support to CMS.

This memorandum provides an overview of DHCS's concept paper and additional detail provided on the webinar.

BACKGROUND

California's "Bridge to Reform" Medicaid Section 1115 Waiver expires on October 31, 2015. The current waiver provides approximately \$10 billion to California over its five-year life, with \$2 billion directly benefiting the state General Fund. The Brown Administration, under the leadership of DHCS, is moving forward to renew the waiver.

California's waiver renewal, which is dubbed Medi-Cal 2020, represents the state's vision for continued transformation of the Medi-Cal program's delivery and payment systems. California is focused on critical aspects of health reform, including expanding access, improving quality and outcomes, and controlling the cost of care. DHCS believes the waiver proposal is also a framework for ensuring ongoing support for California's safety net and ensuring the long-term viability of Medi-Cal and the Medicaid expansion.

Medi-Cal 2020 makes the case for a waiver renewal worth \$15 to \$20 billion in federal funds for the next five years.

The paper emphasizes California's trailblazing in managed care enrollment – 80 percent, or over 9 million individuals, are currently enrolled into Medi-Cal managed care plans. The paper also heavily emphasizes continued integration of primary and behavioral health care as an important component of the next phase of the waiver demonstration.

The paper details three key strategies for achieving the vision of Medi-Cal 2020:

- **Delivery System Transformation and Alignment Programs.** DHCS is proposing to “reinvent thinking on how to promote quality, improve health outcomes, expand access and promote cost efficiency” by creating six cross-cutting programs that DHCS believes will advance delivery system transformation:
 - 1) Managed Care Systems Transformation & Improvement Program
 - 2) Fee-for-Service Transformation & Improvement Program
 - 3) Public Safety Net System Transformation & Improvement Program
 - 4) Workforce Development Program
 - 5) Increased Access to Housing and Supportive Services
 - 6) Whole Person Care Pilots
- **Public Safety Net Global Payment for the Remaining Uninsured.** Transforming California's public safety net for the remaining uninsured by unifying the Disproportionate Share Hospital (DSH) and Safety Net Care Pool (SNCP) funding streams into a global payment system.
- **Shared Savings.** California is proposing to test a new investment strategy with the federal government by initiating a Federal-state shared savings model.

Each of these waiver elements are discussed in greater detail on the following pages.

CSAC PRIORITIES

There are a number of major priorities for counties heading into the waiver renewal discussions, including ensuring that the next waiver includes the same level of funding for public hospitals and counties. Additionally, it is important that another Medicaid waiver include a Delivery System Reform Incentive Program (DSRIP) successor that will allow public hospitals and health systems to continue the important transformation work, continue to improve outcomes, and increase efficiencies. There are also important opportunities for improving care coordination – through a county-based whole person care pilot and in better integrating primary care and behavioral health services.

DHCS's draft concept paper, as presented on March 16, addresses the counties' priorities. Additionally, the paper introduces a new concept transforming California's public safety net for the remaining uninsured by created a global payment system. Individual payments would allow each hospital system more certainty about its budget and how much federal funds would be available. The global payments

offer a unique opportunity for California to serve as an incubator in testing new payment methods for delivering care to the uninsured and in transforming care away from high cost settings – like emergency rooms – toward primary care.

Additionally, counties should note that the waiver document is very cross-cutting and impacts a number of county services – including county health and hospital systems, public health, mental health, substance use disorder treatment, social services, housing, homeless services, veterans’ services, probation and public safety. DHCS’s vision for Medi-Cal 2020 includes breaking down silos across public systems, providers and health plans to improve care for Medi-Cal members. It is clear that to achieve the Triple Aim, health plans, providers and public systems – health, behavioral health, social services, and public safety – will need to forge new and lasting relationships focused on outcomes.

FINANCING

The current waiver has provided approximately \$10 billion in federal funds over the five-year life of the waiver. The Medi-Cal 2020 concept paper includes details to support \$17 billion in federal funds for a five-year waiver renewal. DHCS is proposing to continue a number of elements from the current budget neutrality calculation into the 2015 waiver renewal, which assists in California's case for approximately \$7 billion in additional federal funds.

Budget Neutrality Background. Part of the budget neutrality calculation requires states to calculate their costs without the waiver and then to update those costs with the waiver. The difference between the “without” waiver and “with” waiver costs is the basis for budget neutrality. States use the budget neutrality calculation to inform how they approach CMS in asking for additional federal funds. See page 35 of the concept paper and Appendix D for additional detail on budget neutrality.

The Medi-Cal 2020 concept paper details that the existing Medicaid Section 1115 waiver authorities and programs that would continue through 2020 include the Coordinated Care Initiative, the Community Based Adult Services (CBAS) waiver, the managed care program, Indian Health Services uncompensated care, Designated State Health Programs, the pending Drug Medi-Cal Organized Delivery System waiver, and the provision of full scope benefits for pregnant women with incomes between 109-138% of the federal poverty level.

California's current waiver uses fee-for-service (FFS) costs in its budget neutrality calculation. The movement of seniors and persons with disabilities into Medi-Cal Managed Care occurred in the existing waiver and the geographic managed care expansion. In the 2010 waiver, DHCS's budget neutrality calculation included a comparison of per member per month costs of Medi-Cal beneficiaries in FFS and in Medi-Cal managed care.

DHCS is proposing to continue to calculate budget neutrality by using a comparison of FFS costs with managed care costs. DHCS has acknowledged that CMS will likely raise questions with the continued assumption of FFS for the “without” waiver calculation. Counties should anticipate that this will likely be a negotiation point between the state and federal governments.

DHCS released some funding detail on the March 18 webinar not included in the Medi-Cal 2020 concept paper. Additional funding details include:

- **Global Payments for the Uninsured:** \$6.2 billion in federal funds for five years to transform existing DSH and SNCP payments into public safety net global payments (\$12.4 billion total funds) for the remaining uninsured. The current waiver includes \$236 million in SNCP funds in the final 16-months of the waiver.

Please recall that the Administration is proposing to combine SNCP and Disproportionate Share Hospital (DSH) funds into global payments for the remaining uninsured. Currently DSH and SNCP are only available for designated public hospitals; the global payments proposal funding source would only be available for designated public hospitals in the 2015 waiver.

The current waiver does not include DSH payments in the budget neutrality calculation. The Administration is assuming that the federal DSH allotment that California would otherwise receive will be part of the global payments. It is anticipated DSH payments will be approximately \$1.1 billion in 2016. DSH payments will decline over the life of the waiver due to cuts slated to occur at the federal level. DSH payments are included in the 2015 waiver budget neutrality calculation on both the “without” and “with” waiver.

- **State designated health programs:** \$400 million in federal funds each year for five years (\$2 billion total) for state designated health programs. The current waiver contains \$2 billion for state designated health programs. As part of California’s 2010 waiver, CMS approved the following designated state health programs as eligible for federal match:
 - ✓ California Children’s Services (CCS)
 - ✓ Genetically Handicapped Persons Program (GHPP)
 - ✓ Medically Indigent Adult Long Term Care (MIALTC)
 - ✓ Breast and Cervical Cancer Treatment Program
 - ✓ AIDS Drug Assistance Program
 - ✓ Expanded Access to Primary Care (EAPC)
 - ✓ County Mental Health Services Program
 - ✓ Department of Developmental Services
 - ✓ Prostate Cancer Treatment Program
 - ✓ Cancer Detection Programs; Every Woman Counts
 - ✓ County Medical Services Program (for the period November 1, 2010 through December 31, 2011)
 - ✓ Office of Statewide Health Planning and Development:
 - Song Brown HealthCare Workforce Training Program
 - Steven M. Thompson Physician Corp Loan Payment Program
 - Mental Health Loan Assumption Program
- **Public Safety Net System Transformation & Improvement Program:** \$800 million in federal funds each year for five years (\$4 billion total federal funds) for a Delivery System Reform

Incentive Program (DSRIP) successor that DHCS is calling Public Safety Net System Transformation and Improvement Program. The current waiver contains approximately \$3.3 billion for DSRIP. DHCS is proposing to include non-designated hospitals, or district hospitals, in the Public Safety Net System Transformation and Improvement Program in the 2015 waiver. Currently DSRIP is available only to designated public hospitals.

- **Delivery system transformation and alignment payments:** \$2 billion each year for five years in federal funds (\$10 billion total) for the delivery system changes for five cross-cutting programs that DHCS believes will advance delivery system transformation: 1) Managed Care Systems Transformation & Improvement Program; 2) Fee-for-Service Transformation & Improvement Program; 3) Workforce Development Program; 4) Increased Access to Housing and Supportive Services; and 5) Whole Person Care Pilots. DHCS has not provided detail regarding how the \$2 billion would be allocated among the five cross-cutting programs.

The following chart details the elements of the waiver proposal and the proposed federal funding and total funding levels over the five years. The figures in the chart assume that the federal government agrees to California’s shared savings proposal.

MEDI-CAL 2020 PROGRAM FUNDING – FEDERAL FUNDS & TOTAL FUNDS

	5-Year Total Federal Funds	5-Year Total All Funds
Global Payments for the Uninsured (merging of DSH and SNCP)	<u>\$6.2 billion</u> Funds decline over the 5 years – starting at \$1.4 billion in FY 16-17 and declining to \$1.25 billion in FY 19-20.	<u>\$12.4 billion</u> Funds decline over the 5 years – starting at \$2.8 billion in FY 16-17 and declining to \$2.5 billion in FY 19-20.
Designated Health Programs	\$2 billion federal funds	\$4 billion total funds
<i>DELIVERY SYSTEM TRANSFORMATION & ALIGNMENT</i>		
Public Safety Net System Transformation and Improvement Program	\$4 billion (\$800 million/year)	\$8 billion (\$1.6 billion/year)
Other transformation & alignment programs <ul style="list-style-type: none"> ▪ Managed care ▪ Fee for service ▪ Workforce ▪ Housing ▪ Whole Person Care 	\$5 billion (\$1 billion/year)	\$10 billion (\$2 billion/year)
Indian Health Services Uncompensated Care	\$3.875 million (\$.775 million)	\$7.75 million (\$1.55 million/year)
TOTAL	\$17.2 billion	\$34.4 billion

SHARED SAVINGS

The Federal-State Shared Savings initiative included in the concept paper seeks recognition of the Federal savings that California's waiver renewal generates and would allow the state to keep and reinvest portion of those savings in the Medi-Cal program for continued delivery system transformation. [See p. 34 of the concept paper.] DHCS argues that this concept has been used in commercial and public insurance markets (for example, Medicare, Duals) and should be explored in Medicaid.

California would receive a portion of Federal savings in the form of ongoing performance payments as long as net savings to the Federal government are demonstrated as calculated under the Waiver Budget Neutrality agreement. If California does not attain the agreed-upon level of savings to be shared, expenditures on the reinvestment Waiver strategies would need to be reduced in order to maintain budget neutrality. This is also a new concept and will likely be an area of negotiation between California and the federal government.

MANAGED CARE SYSTEMS TRANSFORMATION & IMPROVEMENT PROGRAM

DHCS is looking to transform disparate financial incentives by creating shared accountability across providers and plans. The proposals in this area are focused heavily on behavioral health care. Reforms include pay-for-performance based on quality and resource utilization, as well as shared savings between providers, managed care plans and the state that will lower the cost of care relative to expected cost trends. The state is also interested in rethinking the managed care capitation rate process to incentivize payments reform that promote investments to enable shared savings. For additional detail, see pages 14-17 of the concept paper.

The paper includes three specific strategies:

1. **Shared Savings Incentives with Managed Care Organizations.** The state would identify targeted populations and/or services for which they would like to see change in outcomes and cost, and increased shared accountability among plans, county services and providers. If the plan, in partnership with providers and the behavioral health system (joined in what would be similar to accountable care groups) is able to demonstrate costs below total costs of care and meet mutually determined outcome and quality targets, the plan would be eligible to receive shared savings incentive payments.

Additionally, the state is interested in addressing social determinants of health through this proposal. The state would identify non-traditional services that a plan could provide and, depending on a demonstration of the impact on improved outcomes, would permit a plan to receive an incentive payment. Tenancy supports would be an example of non-traditional services and are discussed further in the "Increased Access to Housing and Supportive Services" section.

2. **Pay-for-Performance Strategies for Managed Care Plans to Implement with their Providers.** DHCS is proposing to standardize metrics for pay-for-performance (P4P) programs. The paper outlines a number of required and optional measures.
3. **Integrate Behavioral Health and Physical Health at the Plan/county and Provider Levels.** The paper includes two integration approaches that do not need to be implemented simultaneously:
 - Plan/County Coordination Model. Participating Medi-Cal managed care plans would be required to work with county mental health plans to support Medi-Cal members with identified mental health issues. The managed care plans and county mental health plans would be jointly responsible for improving health outcomes and reducing avoidable emergency room visits and hospital stays by promoting care coordination and information sharing for members. An incentive pool would be allocated to both the managed care and county mental health plans under two incentive payment streams: 1) for developing a process and procedures to affect change and 2) for meeting joint performance goals for a set of quality and outcome measures. The quality incentive payments would be allocated after plans have met the measures and would be the majority of payments. Over time, this model would evolve to a risk based shared savings model.
 - Provider Integration Model. This model would encourage physical health and mental health plans to implement an integrated care model for patients with serious mental health and other chronic health conditions at the provider level. Medi-Cal managed care plans would offer incentives to increase physical health and behavioral health integration, using either a coordination or co-location approach, and could include the use of telehealth.

FEE-FOR-SERVICE TRANSFORMATION & IMPROVEMENT PROGRAM

California is proposing to improve care delivery in the fee-for-service program in two key areas – dental services and maternity care. Details can be found on pages 17-18 of the concept paper.

Medi-Cal Dental. California is proposing to implement a statewide provider incentive payments for the provision of dental preventative services. Dental providers would be eligible to receive incentive payments for providing increased access to dental services. Incentive payments would be available for dental providers who are new Medi-Cal providers and provide specified levels of access to Medi-Cal beneficiaries (e.g. dedicate X percent of their practice for Medi-Cal members). In addition, for existing Medi-Cal dental providers, incentives would be available to increase the number of Medi-Cal members they treat. Please note that this mirrors some of the workforce proposals.

Maternity Care. California proposes to pilot a hospital incentive program for maternity care. The program would provide bonus payments to hospitals that meet or exceed quality threshold baselines on four performance measures: 1) early elective delivery, 2) cesarean section rate for low-risk births, 3) vaginal births after cesarean delivery rate, and 4) unexpected newborn complications in full term babies.

PUBLIC SAFETY NET SYSTEM TRANSFORMATION & IMPROVEMENT PROGRAM

The Delivery System Reform Incentive Program (DSRIP) is a five-year, federal pay-for-performance quality improvement initiative for California's 21 public hospitals in the existing waiver, which provides \$3.3 billion over five years. DSRIP funding has been used to expand access to primary care, improve quality of care and health outcomes and increase efficiency at public hospitals.

Under Medi-Cal 2020, California is proposing to build upon DSRIP by creating a "public safety net system transformation and improvement program." In addition to California's 21 public hospitals, the 42 healthcare districts, known as non-designated public hospitals, would participate in the Public Safety Net System Transformation and Improvement Program. Due to the diversity of district hospitals, DHCS is proposing to implement a "tiered" approach for these hospitals' participation in the successor DSRIP. Additionally, California is requesting a funded planning period of up to 12 months to give interested district hospitals time to get the tools and technical assistance in place to participate.

For additional details on the public safety net system transformation and improvement program, please see pages 18-21 of the concept paper.

DHCS's goal is to drive even further change in public safety net systems, while also providing a more standardized approach and outcomes focused metrics. California is proposing five core domains to drive quality improvement and population health advancement:

1. **System Redesign.** Projects in this domain are focused on redesigning ambulatory care for primary and specialty care, integration of post-acute care, and integration of behavioral health and primary care services.
2. **Care Coordination for High Risk, High Utilizing Populations.** Examples of such populations includes foster children, individuals who have recently been incarcerated and patients with advanced illness. Objectives for this domain are focused on care management, reducing avoidable acute care utilization, palliative care, and patient experience and improving health indicators for chronically ill patients, including those with mental health and substance use disorders.
3. **Prevention.** Areas of emphasis in this domain are focused on areas such as cardiac health, cancer, and perinatal care.
4. **Resource Utilization Efficiency.** This domain is focused on eliminating the use of ineffective or harmful clinical services and curbing the overuse and misuse of clinical services. Projects in this domain will focus on appropriate use of antibiotics, high cost imaging and pharmaceuticals.

5. **Patient Safety.** This domain is focused on improving performance on metrics related to potentially preventable events and reducing inappropriate surgical procedures.

WORKFORCE DEVELOPMENT PROGRAM

The concept paper acknowledges a number of California's workforce challenges for Medi-Cal providers – including enrollment growth in Medi-Cal and increased competition for providers as a result of the Affordable Care Act, an aging workforce, an aging Medi-Cal population, geographic and cultural differences between provider and member distribution, and a long educational “pipeline” for some professions. Additional specifics on workforce development can be found on pages 22-24 of the concept paper.

To address these challenges, California proposes:

Incentives to Increase Provider Participation. DHCS wants to provide financial incentives to encourage new providers to accept Medi-Cal members and to encourage existing Medi-Cal providers to increase the number of Medi-Cal members they are serving. The incentives would target geographic areas with the greatest need and professions and specialties that are the most challenging to recruit providers. Additional emphasis would be on racially/ethnically diverse health professionals.

Financial Incentives for Non-Physician Community Providers. California would provide incentives to managed care plans to support non-physician community providers, including Community Health Workers and Peer Support Specialists. The paper highlights that expanded use of peer support in mental health and substance use disorder treatment, in particular, can further improve care coordination between primary health and behavioral health needs of patients.

Screening Brief Intervention, and Referral to Treatment (SBIRT) Training and Certification. California would expand SBIRT to make it available in additional settings and to make the trainings and certification available to a broader spectrum of providers. Currently, SBIRT is only required for Medi-Cal enrollees in primary care settings.

Training:

- Targeted Training for Non-Physician Health Care Providers. Voluntary training for non-physician health care providers such as In-Home Supportive Services (IHSS) workers, Community Health Workers, patient navigators, Peer Support Specialists, and others
- Palliative Care Training. Increased voluntary training programs on palliative care for physicians, nurses and other appropriate licensed providers.
- Expanded Residency Training Slots. California would provide targeted funding for existing and new residency programs at teaching health centers or primary care sites, particularly those for which federal Health Resources and Services Administration (HRSA) grant funding ends in 2015.

In addition, under the waiver renewal, California would provide incentives for additional training slots in geographic areas of the state where there are shortages in the number of physicians that participate in Medi-Cal, and for the specialties that are in the greatest need. The programs would further target medical school graduates to take positions in racially and economically diverse areas in order to improve access to culturally appropriate care for Medi-Cal members.

Incentives to Expand the Use of Telehealth. Under the waiver, California will provide incentives for telehealth. First priority is for geographic areas or certain specialists where access is more limited. The state will pilot-test incentive payments to encourage the use of telehealth and require corresponding reporting of outcome data.

INCREASED ACCESS TO HOUSING AND SUPPORTIVE SERVICES

As part of DHCS's vision for improving care coordination for California's most vulnerable populations, the concept paper proposes a new approach to providing care to individuals experiencing homelessness, including tenancy supports and intensive medical case management. These concepts are detailed on pages 24-26 of the state's paper. The state will partner with Medi-Cal managed care plans, counties, community organizations, and Federal partners to develop county-specific pilot programs in counties where there is a commitment from the full spectrum of stakeholders that will provide homeless individuals with the support to find and maintain housing and gain consistent access to needed community supports. DHCS anticipates that Medi-Cal managed care plans will see cost savings in serving homeless individuals and will designate a portion of those savings to reinvest in the supportive services that will assist homeless individuals in maintaining their health, including housing supports. Details include:

Target population. 60,000 at risk Medi-Cal members, including: individuals who are currently homeless or will be homeless upon discharge from institutions (hospital, sub-acute care facility, skilled nursing facility, rehabilitation facility, Institutions for Mental Disease (IMD), or county jail) AND a) have repeated incidents of emergency room use, hospitals admissions, or nursing facility placements; OR b) have two or more chronic conditions; OR c) mental health or substance use disorders. DHCS notes that this population may include veterans.

Intervention Strategies:

- Managed Care Plans. Through the waiver, DHCS would provide access to intensive housing-based care management services and intensive care management to tenants who meet target population criteria. Managed care plans will have the option of paying for non-traditional services such as nutritional services, continuous nursing, personal care, habilitation services, and tenancy supports (like outreach and engagement, housing search assistance, stabilization,

paying rent and bills on time, not disruptive to other tenants, maintaining SSI and other benefits).

- **Regional Housing Partnerships.** Local partnerships may be eligible for incentive funding through the waiver to establish and support regional integrated care partnerships specifically focused on housing. These partnerships would be required to include managed care plans, county health agencies (including county behavioral health), cities, hospitals, and housing and social services providers. A region could include a single county, a portion of a large county, or counties working together. The lead entity could be a county, managed care plan, local non-profit coordinating organization or foundation. Regional partnerships would include a number of elements:
 - DHCS would request proposals from counties and plans to partner. These partnerships would build on the section 2703 health homes programs (also known as 90/10 health homes) where appropriate.
 - Programs would support housing as a health care intervention approach.
 - Counties/plan would receive incentive payments under the pilot to create and maintain the partnership, including support to develop MOUs/MOAs/contracts, create shared data systems and develop processes for assisting eligible Medi-Cal members in moving to permanent housing.
 - Counties and plans would receive performance payments to the extent that a pilot achieves specific performance metrics (e.g. members of the target population accessing subsidized housing units, certain HEDIS or other quality measures, reduction in use of ED and other institutional services).
 - Each pilot must include a shared savings funding pool made up of contributions from plans and counties based on savings generated.

DHCS envisions the savings pool will provide support for services like respite care; fund support for long-term housing, including housing subsidies; finance further expansion of housing-based case management; and leverage local resources to increase access to subsidized housing units. The savings pool can also provide long-term rental subsidies and assistance.

WHOLE PERSON CARE PILOTS

The concept paper also provides additional detail about Whole Person Care Pilots. Regional partnerships – a county or group of counties, jointly working with Medi-Cal managed care plans in the region – would be eligible to pursue Whole Person Care pilots. The Whole Person Care Pilot section is on pages 27-28 of the concept paper. Details include:

Pilot Partnerships. Pilots would be required to include all of the following participants, as appropriate to the targeted population:

- Medi-Cal managed care plans (in counties with more than one plan, the pilot must include at least two plans participating)
- County behavioral health systems

- Hospitals
- Clinics and doctors
- Other medical providers
- Social services agencies and providers
- Public health agencies and providers
- Non-medical workforce
- Housing providers/local housing authorities
- Criminal justice/probation
- Other community-based organizations with experience serving high need populations.

Critical Elements. Proposals must have a clear governance structure that describes the role of the various partner entities and proposed financing arrangements. Pilots must include a detailed plan for achieving care coordination and integration, including behavioral health integration.

Target Population. Pilots must describe how they will identify the target population who frequently use multiple systems, what data will be used, local partnerships, and minimum enrollment target. At a minimum, the target population must be at least 50 Medi-Cal members or the top 1 percent of emergency/inpatient users.

Patient Centered Care. Pilots must specify how they plan to structure care teams; how they will create individualized care plans for each patient that addresses the medical, behavioral, and social needs of the patient; and how they will select a single accountable individual on the care team to ensure the care plan is carried out in a culturally and linguistically competent manner. Pilot will need to integrate with the section 2703 health home programs (or 90/10 health home) to the extent that the county is participating in the health home project.

Social Supports. Pilots must assess the needs of the target population and provide additional supports such as social services (CalFresh, child care, homeless services, foster care supports, job training); benefit advocacy; outreach and engagement strategies; housing and enhanced care coordination and tenancy supports; criminal justice; and public health.

Shared Data and Evaluation. Pilots will need to describe how data will be shared across agencies and how shared data will be used for care coordination and patient-centered care. Specific evaluation criteria includes:

- Improvements in health outcomes, health status and disparities
- Success at enrolling individuals for eligible social supports
- Housing
- Impacts on total cost of care, scalability and sustainability beyond the waiver term

Financial Flexibility. Pilot sites must identify additional services and supports that they expect to offer in addition to non-traditional Medicaid services and work with DHCS to establish appropriate reimbursement mechanisms. Pilot partners must agree to reinvest any savings into areas that further support whole person care.

PUBLIC SAFETY NET GLOBAL PAYMENT FOR THE REMAINING UNINSURED

The concept paper includes a proposal to create Public Safety Net Global Payments for the remaining uninsured. The Global Payments are detailed on pages 29-33 of the concept paper. DHCS is interested moving away from volume-based and cost-based care and, instead, towards risk-based care for the remaining uninsured. DHCS intends to incentivize coordination of care for the remaining uninsured, including rewarding the provision of primary care. Specifically, DHCS is proposing to combine two funding sources – DSH and SNCP funds – into a Public Safety Net Global Payment for the remaining uninsured.

Disproportionate Share Hospital (DSH) Funding Background

Currently, DSH payments are not part of the existing waiver. However, DHCS is proposing to include those payments in Medi-Cal 2020. DSH funds currently provide reimbursement for hospital-based services.

DSH payments are federal payments that provide additional reimbursement to those hospitals that serve a significantly disproportionate number of low-income patients (both Medicaid and uninsured). States receive an annual federal DSH allotment to pay for a portion of the uncompensated care costs. California's allotment is approximately \$1.188 billion, with designated public hospitals receiving approximately \$1.176 billion (federal funds).

Federal health care reform included provisions to reduce DSH; those reductions are slated to begin in 2016-17. The DSH reductions increase each year until 2022 when they stabilize. Nationally, the DSH cut is approximately 50 percent of the current DSH total. It is not yet clear how the DSH reduction formula will work in the context of state Medicaid expansions (i.e. how the DSH cuts will be implemented in states that chose not to do a Medicaid expansion v. those states, like California, that opted to expand Medicaid).

Safety Net Care Pool Background

The Safety Net Care Pool was an element of the 2005-2010 waiver, as well as the current waiver. The state and designated public hospitals are eligible to claim uncompensated costs of services to the uninsured using certified public expenditures (CPEs). Private hospitals and non-designated public hospitals cannot access the SNCP.

At the height of the SNCP, over \$900 million was available for the state and designated public hospitals to claim. In 2015, less than \$636 million in federal funding is available. The state is able to claim \$400 million per year out of the SNCP. Public hospitals are eligible to claim approximately \$236 million in the final 16 months of the waiver.

Global Payments Overview

The following chart provides an overview of how DSH and SNCP are used today and how they compare to the global payments as outlined by DHCS:

	DSH today	SNCP today	Global Payments
Uncompensated costs related to Medi-Cal	✓		
Uncompensated costs related to the uninsured	✓	✓	✓
Uncompensated costs related to undocumented persons	✓		✓
Hospital costs	✓	✓	✓
Non-hospital costs		✓	✓
Intergovernmental transfers (IGTs)	✓		✓
Certified Public Expenditures (CPEs)	✓	✓	

Elements of this new global payment include:

- Each individual public hospital system would have its own “global payment” from within the pool of overall federal funding. Individual payments would allow each hospital system more certainty about its budget and how much federal funds would be available.
- Funding would be claimed quarterly with the public hospital providing the necessary IGT, which moves away from today’s cost-based methodology.
- A public hospital system would achieve “points” for threshold service targets, with a base level of points required for each system to earn their full global budget.
- Partial funding would be available for partial achievement of points.
- Points would allow for the continuation of traditional services but encourage more appropriate and innovative care. Additionally, point values would be developed for innovative or alternative services where there is currently little to no reimbursement.

Services. The state will establish baseline threshold point targets for services currently provided today. DHCS has grouped services into four categories.

- **Category 1. Traditional Outpatient:** Face-to-face outpatient visits an individual could have at a public hospital facility. Specifics include: a) non-physician practitioner (RN, PharmD, Complex Care Management); b) traditional, provider-based primary care or specialty care visit; c) mental health visit; d) dental; e) public health visits (TB clinic, STC screening); f) post-hospital discharge/post-ED primary care; g) emergency room/urgent care; h) outpatient providers/surgery (wound check), provider performed diagnostic procedures, other high-end ancillary services (e.g. chemo, dialysis)
- **Category 2. Non-Traditional Outpatient:** Outpatient encounters where care is provided by nontraditional providers or in nontraditional or virtual settings. Specifics include: a) community health worker encounters; b) health coach encounters; c) care navigation; d) health education and community wellness encounters; e) patient support and disease management groups; f) immunization outreach; g) substance use disorder counseling groups; h) group medical visits; i)

wound check; j) pain management; k) case management; l) mobile clinic visits; m) palliative care; n) home nursing visits post-discharge; o) paramedic treat and release encounters.

- **Category 3. Technology-Based Outpatient:** Technology-based outpatient encounters that rely mainly on technology to provide care. Examples include: a) call line encounters (nurse advice line); b) texting; c) telephone and email consultations between provider and patient; d) provider-to-provider eConsults for specialty care; e) telemedicine; f) video-observed therapy.
- **Category 4. Inpatient and Facility Stays.** Specifics include: a) recuperative/respite care days; b) sober center days; c) sub-acute care days; d) skilled nursing facility days; d) general acute care and acute psychiatric days; e) higher acuity inpatient days in ICU and CCU; f) highest acuity days and services such as trauma, transplant and burn

Threshold. To determine threshold amounts, each system would estimate the volume and mix of uninsured services likely to occur based on historical data and projected estimates of uninsured care needed. The intent is to determine the level of services that would have been provided absent this proposal. The thresholds would need to be adjusted over time to account for the federal DSH reductions.

Evaluation and Accountability. The proposal would also include an evaluation component. California would be seeking to demonstrate that shifting payment away from cost and toward value can encourage care in more appropriate settings, to ensure that patients are seen in the right place and given the right care at the right time. DHCS would establish clear metrics to measure whether the pooled funding is successful. The evaluation would focus on the resource allocation and workforce investments and the extent to which investments shift the balance of primary and specialty care toward longitudinal care in primary care settings. Potential metrics:

- Ratio of new to follow-up appointments within specialty care
- Average time to discharge from specialty care
- Ratio of primary care to emergency room/urgent care visits
- Mental health/substance use disorder visits
- Inpatient stays related to ambulatory sensitive conditions
- Non-emergency use of the emergency room
- Use of non-traditional workforce classifications (such as community health workers)
- Expansion of the roles/responsibilities (within the scope of practice) for traditional workforce classifications

GOALS AND METRICS

Medi-Cal 2020 is a demonstration waiver, and as such the federal government requires an evaluation of the waiver. DHCS is developing performance metrics – including statewide measures, regional measures, plan measures and provider measures. The state is committed to measuring improvement through the initiatives outlined above. The paper does not provide detail on the measures, but DHCS indicates they are looking at reducing preventable events (i.e. readmissions and inappropriate emergency room use) and improved access to timely care.

NEXT STEPS

DHCS's March 16 concept paper is a draft document. They are soliciting feedback from stakeholders and intend to formally submit the Medi-Cal 2020 waiver proposal to CMS on March 27, 2015. Once the proposal is submitted to CMS, California will begin its federal negotiations in earnest. In April, DHCS will be doing a webinar for CMS similar to the stakeholder webinar on March 18 to formally walk through the proposal. It is not unusual for waiver negotiations to take several months. DHCS anticipates communicating with stakeholders – formally and informally over the next several months – as they get a better understanding of how CMS views various components of the waiver proposal.

When negotiations between the state and federal governments conclude on the major concepts, CMS will create the Special Terms and Conditions (STCs), the legal document governing the waiver. Finally, once the STCs are complete, state implementation of the waiver can begin. The goal is to begin implementation in November 2015.

Additionally, the California Legislature will be involved in the waiver development and implementation. Currently there are two bills – AB 72 by Assembly Member Rob Bonta and SB 36 Senator Ed Hernandez – that make changes to state law in order to implement Medi-Cal 2020. Each author chairs the Health Committee in his respective house. Both bills are currently in spot bill form; details will be added as details emerge on the discussions between California and CMS.

Hurst Brooks Espinosa, LLC will continue to provide updates to counties and CSAC on details that on California's Medi-Cal 2020 Waiver renewal – the final waiver submission, the political and policy negotiations that unfold over the next several months, and the legislative process.

For additional questions, please contact Kelly Brooks-Lindsey at kbl@hbeadvocacy.com or 916.272.0011.

CSAC Mission Statement

The mission of the California State Association of Counties (CSAC), is to represent county government before the California Legislature, U.S. Congress, state and federal agencies and other entities, while educating the public about the value and need for county programs and services. CSAC provides a broad range of services to all 58 counties in California through its Finance Corporation activities, public policy development, training, insurance service programs, research and a variety of communication tools, including Internet services.

CSAC is committed to assisting California counties in providing a vital and efficient system of public services for the general health, welfare and public safety of every resident. County governments spend in excess of \$30 billion a year and comprise a work force of more than 280,000 professionals. Each day county government directly or indirectly touches the lives of every Californian. The magnitude of this human effort demands strong and credible participation in our democratic institutions.

“ADVOCATE... COLLABORATE... EDUCATE... AND COMMUNICATE”

The California State Association of Counties (CSAC), governed by elected county supervisors, is a nonprofit corporation dedicated to meeting specific needs of counties including advocacy as a primary responsibility, client services and public/private partnerships. Established in 1895, CSAC provides leadership to support its 58 member counties in the following ways:

- Initiates structural and fiscal reform to address how services are determined, delivered and funded in the State of California.
- Advocates on behalf of county government and the people it serves before the executive, legislative and judicial branches of state and federal governments in policy development and implementation.
- Promotes excellence in county government.
- Strengthens communication and consensus among counties within a context that recognizes their diverse needs.
- Promotes education and understanding about the fundamental value of county programs and services and the challenges facing them.
- Anticipates and responds to the needs of our membership through specialized programs and services.
- Encourages and develops partnerships with other local governments, related associations, and the private sector in order to enhance the positions and policies of CSAC.
- Facilitates intergovernmental problem-solving.
- Ensures efficient and effective operations while seeking new opportunities and methodologies to foster continued excellence within CSAC.

CSAC VISION STATEMENT

The California State Association of Counties' (CSAC) VISION is to be recognized and respected as *the voice* and *the leader* for California counties and the people they serve. The organization plays a pivotal role as the source of education and information on issues affecting all California counties. As local governments in California undergo dramatic changes, CSAC is uniquely positioned to provide leadership, support and advice to counties as they adjust to new roles and challenges at the local, state, and federal level. Efforts shall be proactive and collaborative to inspire public trust and excellence in government and shall involve our membership, affiliate members, private and public sector partners, nonprofit entities and CSAC staff.

CSAC Executive Committee Report – 4.9.15

1. Partnership Program Update: We now are at 64 partners and are currently in “selling season.” We expect to add a number of new partners throughout the year. Here is how we stand currently:

- 22 Premier Partners (New 2015: Alliant, CGI, and CSAC–EIA will be moving to Premier in July)
- 7 Executive Partners (New 2015: California First, Molina Healthcare, others considering)
- 35 Associate Partners (New 2015: AARP, ESRI, Dewberry Architects, inContact, and Northrop Grumman Aerospace Systems)

2. Regional Meetings: These one day regional events are designed to bring together our members and leaders from regional counties, our CSAC Executive and Advocacy Team members and our Premier and Executive level partners. Panels and round table discussions help foster the sharing of information and creative solutions critical to excellent county governance.

- San Bernardino – January 22 COMPLETED. We had over 50 in attendance, 6 counties participated as we discussed HHS, Cap and Trade, Live Well San Diego, and Public/Private partnerships with DLR.
- Northern California Counties – March 12 COMPLETED. We had 12 counties in attendance and 35 total attendees. We discussed AB 109 growth funding, county IT oversight and strategic planning, and finished the day with a great CAO panel.
- We are considering other CSAC Regional Summits for 2015, in August and October. Locations TBD.

3. 2014-15 Budget year summary: The overall profit of the CSAC Partnership Program for the 2014-15 budget year is tracking at just over \$400,000 and much higher than previously anticipated. This is much improved over profit in fiscal year 2013-2014 of \$30,000. Our goal for 2015-2016 is to continue to grow the program and profit by 20%.

Thank you again for your support of our Partnership Program.

Respectfully submitted,



Jim Manker
CSAC Director of Corporate Relations

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- 3. Molina Healthcare**
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- 4. Optum**
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- 6. Santa Ynez Band of Chumash Indians**
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- 8. Waterman & Associates**
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12. ecoATM, Inc.

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30. Sierra West Group, INC.

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Jennifer B. Henning

MEMORANDUM

**To: Supervisor Vito Chiesa, President, and
Members of the CSAC Executive Committee**

From: Jennifer Henning, Litigation Coordinator

Date: April 9, 2015

Re: Litigation Coordination Program Update

This memorandum will provide you with information on the Litigation Coordination Program's new case activity since your last regular meeting in January 2015. Recent CSAC court filings are available on CSAC's website at: <http://www.csac.counties.org/csac-litigation-coordination-program>.

Atkin v. City of Los Angeles

Pending in the Second District Court of Appeal (filed July 29, 2014)(B257890)

This case involves five police recruit trainees who were placed on light-duty after sustaining minor injuries in training. Instead of staying in these light-duty assignments temporarily, they stayed for months; one recruit was there for more than a year. When asked, the recruits all said they were not ready to return to the academy, so the LAPD terminated their employment, but invited them to re-apply when their injuries healed. Instead, the recruits sued the city for disability discrimination. A jury awarded the recruits total damages of over \$12 million, which included their projected lifetime income at the LAPD, police pensions and benefits. Subsequently, the trial court awarded plaintiffs \$1.6 million in attorney fees, including a 2.0 multiplier. The city has appealed, arguing that since police recruits are conditional employees, these recruits could be terminated for failing to meet the conditions of their employment (i.e., completing their training). CSAC will file a brief in support of the city.

April 9, 2015

CREED-21 v. San Diego Association of Governments

Previously published at: 231 Cal.App.4th 1056 (4th Dist. Div. 1 Nov. 24, 2014)(D063288), *petition for review granted* (Mar. 11, 2015)(S223603)

The San Diego Regional Association of Governments (SANDAG) was the first region in the State to adopt a regional planning blueprint under the guidelines of SB 375, which is intended to integrate transportation, housing and land use to create more sustainable communities. This case is a CEQA challenge to the plan, alleging a variety of deficiencies in the EIR, including that the EIR was required to be consistent with Executive Order S-03-05. That order, signed by Governor Schwarzenegger in 2005, sets targeted dates for progressive reductions in emissions. The Attorney General intervened to argue that the targets in the Executive Order are mandatory, not aspirational. The San Diego County Superior Court set aside the EIR, rejecting SANDAG's argument that EO S-03-05 only sets goals, not requirements. Instead, the court found that consistency with the Executive Order was required, even though SANDAG could show the plan would comply with the targets set by the Air Resources Board in AB 32 and SB 375. The Fourth District affirmed, concluding that the EIR had an obligation to consider the Executive Order's role in shaping state climate policy. CSAC supported a petition for review, which the Court granted, but limited to one issue: Must the environmental impact report for a regional transportation plan include an analysis of the plan's consistency with the greenhouse gas emission reduction goals reflected in Executive Order No. S-3-05 to comply with the CEQA?

In re Isaiah W. (Los Angeles County Dept of Children and Family Services v. Ashlee R.)

Previously published at: 228 Cal.App.4th 981 (2d Dist. Aug. 8, 2014)(B250231), *petition for review granted* (Oct. 29, 2014)(S221263)

Minor was removed from his mother's care at birth. At the detention hearing, mother informed the court that she may have Indian heritage. The Los Angeles Department of Children and Family Services conducted an investigation, and based on the results, the juvenile court concluded that there was no reason to know that the minor was an Indian child as defined by the Indian Child Welfare Act (ICWA). The parents did not object or argue that the ICWA was applicable. Ultimately, the court terminated parental rights. At that hearing, the court again concluded that that minor was not an Indian child, and the parents again did not object to the finding. Mother appealed the termination of parental rights, arguing for the first time on appeal that the juvenile court erred in finding that it had no reason to know minor was an Indian child. The Court of Appeal concluded that the mother was foreclosed from challenging the ICWA determination because she failed to timely appeal from the ICWA finding in the juvenile court's dispositional order. Based on a split of authority in the Courts of Appeal on this issue, the California Supreme Court granted review. CSAC will file a brief in support of Los Angeles County.

April 9, 2015

Lamar Central Outdoor v. City of Los Angeles

Pending in the Second Appellate District (filed Aug. 14, 2014)(B260074)

Plaintiff, which wanted to convert some of its existing offsite commercial signs to digital signs, challenged the city's ordinance banning offsite commercial billboards. Specifically, plaintiff argued that the ban violates the California Constitution's liberty of speech clause, which it argues affords greater speech protection than the First Amendment. Plaintiff also argued that the ban violates equal protection rights. Despite the fact that the city's ordinance has been upheld by the Ninth Circuit against a First Amendment challenge, the trial court granted the writ, ordering the city to review plaintiff's applications without regard to sign content and prohibiting the city from applying the ban to the permit applications. The court found the ban to be unconstitutional as a content-based regulation that fails heightened or strict scrutiny analysis under the California free speech clause, and also fails under the federal standard using intermediate scrutiny. CSAC will file a brief in support of the city.

Levin v. City and County of San Francisco

Pending in the Ninth Circuit Court of Appeals (filed Nov. 19, 2015)(14-17283)

The city enacted an ordinance in 2014 that requires property owners withdrawing their rent-controlled property from the rental market to pay an "enhanced" lump sum to a displaced tenant for relocation assistance. The property owner must pay the tenant the difference between the unit's current monthly rental rate and the fair market rental value of a comparable unit in the City for the ensuing two years. Plaintiffs, who are property owners obligated to make relocation payments, brought this action alleging that the ordinance imposes a facially unconstitutional exaction and a taking in violation of the Fifth Amendment, violates substantive due process and Fourth Amendment rights, and is preempted by the State's Ellis Act (which governs rent control). The federal district court struck down the ordinance as an unconstitutional taking, concluding that the ordinance "lacks an essential nexus and rough proportionality to the effects of the proposed new use of the specific property at issue" and therefore "does not pass constitutional muster." The court did not address the Ellis Act/state law preemption issue. CSAC will file a brief in support of the city limited to two issues: constitutional avoidance, and the nexus applicable to development fees.

Lynch v. California Coastal Commission

Previously published at: 229 Cal.App.4th 658 (4th Dist. Div. 1 Sept. 9, 2014)(D064120), *petition for review granted* (Dec. 10, 2014)(S221980)

Plaintiffs sought a permit from the California Coastal Commission to demolish a broken erosion control structure and construct a new seawall to help protect their beach front home. The Commission granted the permit subject to several conditions, including a permit duration of 20 years, and a recorded deed

April 9, 2015

stating that plaintiffs elected to comply with the conditions in order to build seawall. Though plaintiffs raised objections to the conditions at the Commission hearings, they nevertheless recorded the deed restrictions and constructed the seawall. At the same time, they filed this litigation arguing that the conditions exceeded the Commission's authority and amounted to a taking. The Court of Appeal upheld the Commission's actions, concluding that plaintiffs waived their right to challenge the permit when they accepted the conditions and constructed the project. In so ruling, the court relied on the longstanding maxim, "He who takes the benefit must bear the burden." The court also concluded that the 20-year permit duration did not amount to an unconstitutional taking. The Supreme Court has agreed to review several issues, including: (1) Whether plaintiffs could appeal the project conditions while also accepting the permit and building the project; and (2) Whether issuing a permit that would expire in 20 years amounted to an unconstitutional taking. CSAC will file a brief in the case limited to the issue of whether a project applicant can accept a permit and build a project while at the same time appealing the conditions of the permit.

Sierra Club v. County of San Diego

231 Cal.App.4th 1152 (4th Dist. Div. 1 Oct. 29, 2014)(D064243), *ordered published* (Nov. 24, 2014), *petition for review denied* (Mar. 11, 2015)(S223591)

In a case raising the same issues as the CREED-21 case above, the Fourth District invalidated San Diego County's Climate Action Plan (CAP). In relevant part, the court concluded that the EIR was required to comply with Executive Order S-3-05's GHG reduction target. CSAC supported the county's petition for Supreme Court review. However, even though the Court granted review in CREED-21, the request to review this case was denied.

2015 CSAC Calendar of Events

January

- 14 CSAC Executive Committee Orientation Dinner, Sacramento
6:30pm Reception, 7:15pm Dinner, Esquire Grill, 13th & K Streets, Sacramento, CA 95814
- 15 CSAC Executive Committee, Sacramento
10:00am – 1:30pm, CSAC Conference Center, 1020 11th Street, 2nd Floor, Sacramento, CA 95814

February

- 11-13 CSAC Premier Partner Forum, San Diego County
- 19 CSAC Board of Directors Meeting, Sacramento
10:00am – 1:30pm, CSAC Conference Center, 1020 11th Street, 2nd Floor, Sacramento, CA 95814
- 21-25 NACo Legislative Conference, Washington, D.C.

April

- 8 CSAC Executive Committee Dinner, Avalon, Los Angeles County
6:00pm, Steve's Steakhouse, 417 Crescent Avenue, Avalon, CA 90704
- 9 CSAC Executive Committee Meeting, Avalon, Los Angeles County
10:00am – 1:30pm, Pavilion Hotel, Avalon, Catalina Island

May

- 20-22 WIR Conference, Kauai County
- 27-28 CSAC Legislative Conference, Sacramento
- 28 CSAC Board of Directors Meeting, Sacramento
12:00pm – 3:00pm, CSAC Conference Center, 1020 11th Street, 2nd Floor, Sacramento, CA 95814

July

- 10-13 NACo Annual Conference, Mecklenburg County/Charlotte, North Carolina

August

- 6 CSAC Executive Committee Meeting, Sacramento
10:00am – 1:30pm, CSAC Conference Center, 1020 11th Street, 2nd Floor, Sacramento, CA 95814

September

- 3 CSAC Board of Directors Meeting, Sacramento
10:00am – 1:30pm, CSAC Conference Center, 1020 11th Street, 2nd Floor, Sacramento, CA 95814

October

- 7-9 CSAC Executive Committee Retreat, San Luis Obispo
Cambria Pines Lodge, 2905 Burton Drive, Cambria, CA 93428

December

- 1-4 CSAC 121st Annual Meeting, Monterey
- 3 CSAC Board of Directors Meeting, Monterey
2:00pm – 4:00pm, Monterey Conference Center, One Portola Plaza, Monterey, CA 93940
- 16-18 CSAC Officers' Retreat, Napa County