

NACo LEGISLATIVE UPDATE



About NACo

- ◆ ***The National Association of Counties (NACo) assists America's counties in pursuing excellence in public service*** by advancing sound public policies, promoting county solutions and innovations, fostering intergovernmental and public-private collaboration, and providing value-added services to save counties and taxpayers money
- ◆ Founded in 1935, ***NACo provides the elected and appointed leaders from the nation's 3,069 counties with the knowledge, skills and tools*** necessary to provide fiscally-responsible, quality-driven, and results-oriented policies and services for healthy, vibrant, safe and resilient counties



Why Counties Matter

With America's system of **FEDERALISM**, counties are a **KEY LEVEL** of government, **DIRECTLY** serving the people.

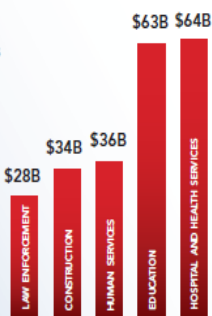


As governments created by states, counties provide **ESSENTIAL PUBLIC SERVICES** including many mandated by **FEDERAL** and **STATE** laws and regulations.

Expenditures

Total expenditures for counties in 2007

\$472 BILLION



Services

Counties employ more than

3.2 MILLION

Americans delivering a variety of services

Healthcare
Transportation
Public Safety and Jails
Courts
Mental Health Services
Build Local Economies
Restaurant Inspections
Community Colleges
Recycling
Solid Waste Management
911 Emergency Systems
Parks and Recreation
Elections
Record Keeping



Elections



Counties fund and oversee more than

112,000

polling places and coordinate

700,000

poll workers **EVERY TWO YEARS**

There are more than

18,000



ELECTED COUNTY OFFICIALS

Preventive Health

Counties provide flu shots and other preventive health services through

1,947

HEALTH DEPARTMENTS

Counties own **75%**

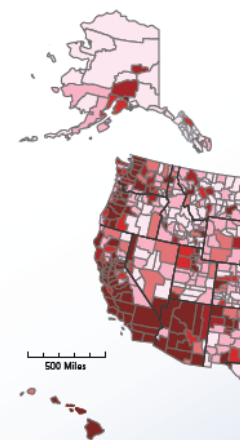


of publicly owned **NURSING HOMES**

Counties own

964

hospitals and spent **\$68.3 BILLION** on healthcare services in 2007



The United States Has **3,069** County Governments

Population

100,000 or more
70,000 to 99,999
50,000 to 69,999
30,000 to 49,999
10,000 to 29,999
Less than 10,000

County Population Range

9,787,747



62

Loving Co. Texas
Los Angeles Co. California

Infrastructure

Counties invested **\$60 BILLION** on infrastructure in 2007 (highways, roads, bridges, utilities, water, and sewer)



Counties spent

\$34 BILLION

on construction of county facilities

Law Enforcement



3,105

county sheriff and police departments nationwide

11.8M

Persons admitted to county jails in 2011.

Transportation

Counties own and maintain



44% of America's Roadways,

228,026 of America's Bridges,

and almost **1/3** of America's Transit Systems and Airports



NACo Data, 2012; NACo Analysis of U.S. DOT Data, 2008; U.S. DOT, 2011; NACo Analysis of U.S. FTA Data, 2011; NACo Analysis of U.S. FAA Data, 2010; NACo Analysis of American Hospital Directory Data, 2011; NACo Analysis of Census of Government Expenditure Data, 2007; Bureau of Justice Statistics, 2012; National Association of County and City Health Officials, 2013; U.S. Census Bureau, Population Division, Vintage 2011 Resident Population Estimates.

Federal Policy Agenda

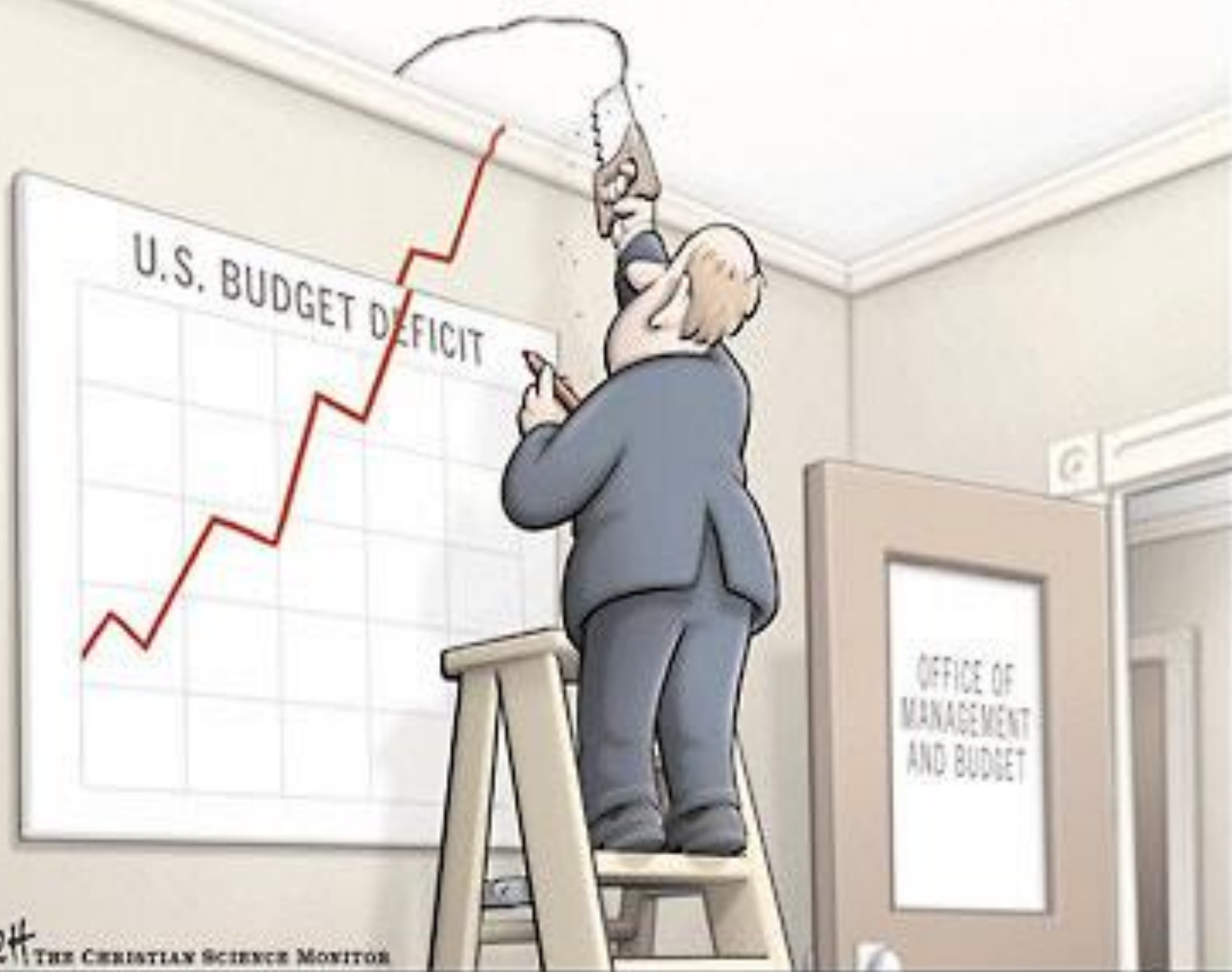
Snapshot of Key County Issues

- ◆ White House/OMB and Federal Agency Regulatory Review
- ◆ Affordable Care Act and Impact on Counties
- ◆ FY2014 Federal Appropriations Aid to State & Local Govts.
- ◆ Immigration Reform and County Impact
- ◆ PILT and Secure Rural Schools Funding and Extension
- ◆ Marketplace Fairness Act (Existing Remote/Online Sales Taxes)
- ◆ Multi-Year Farm Bill Reauthorization
- ◆ Workforce Investment Act (WIA) Reauthorization
- ◆ MAP-21 Highway and Transit Reauthorization

Federal Policy Agenda

Key Issues and Timelines

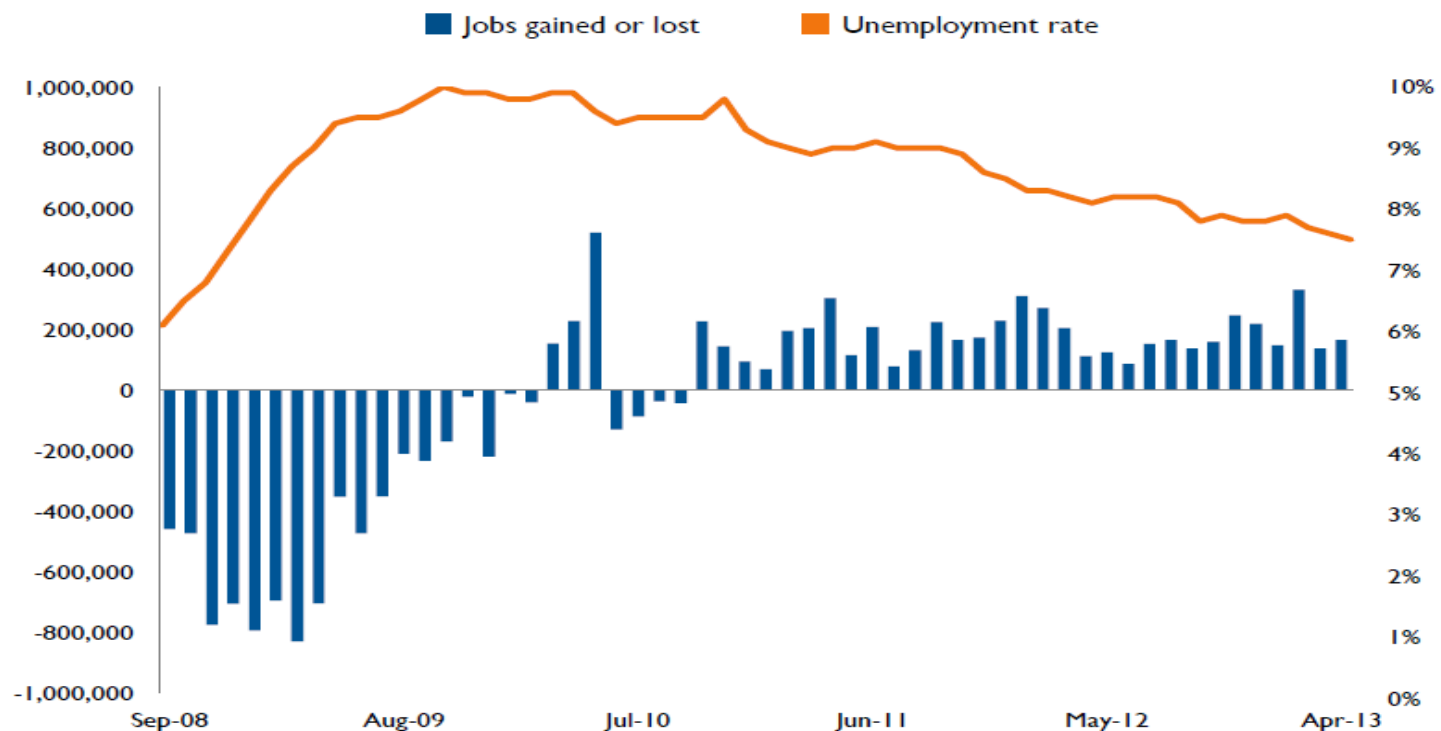
- **Sequestration in Effect:** Across-the-Board Cuts (Began March 1, 2013)
- **FY2013 Federal Appropriations:** Process Completed for FY2013
- **President's FY2014 Budget:** Release was Delayed Until April 10, 2013
- **FY2014 Appropriations Process:** Congress has made little progress
- **End of Fiscal Year 2013:** On September 30, 2013
- **Federal Debt Ceiling:** Needs to be raised by mid-October
- **Tax and Entitlement Reform:** Congressional Hearings have Started



Unemployment

Unemployment Rate Continues Downward Trend

Jobs Gained and Lost vs. Unemployment Rate, Sept. 2008-Present
(seasonally adjusted)

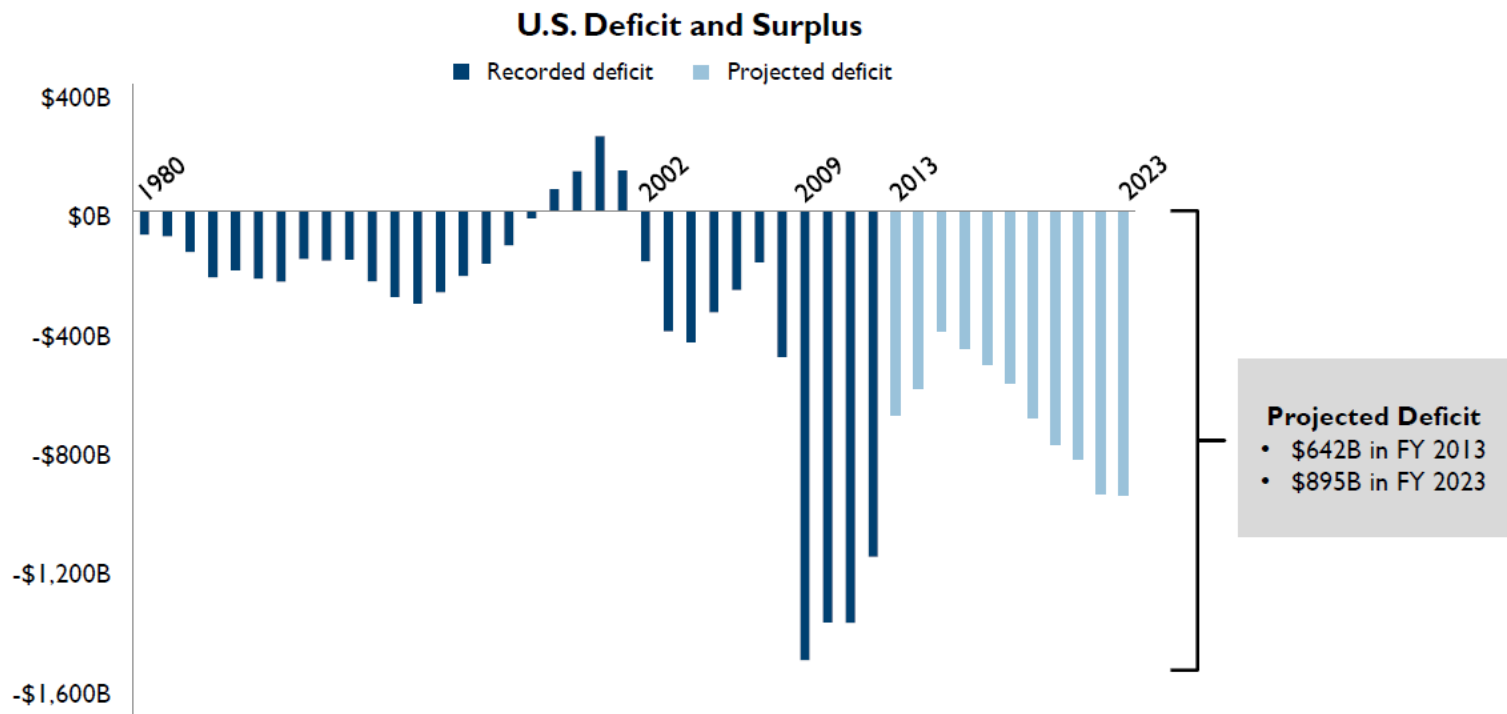


Analysis

Unemployment rate fell from 7.6% to 7.5% in April, with 165,000 jobs added

Federal Budget Picture

Budget Deficit Has Hit Record Highs in Past Five Years



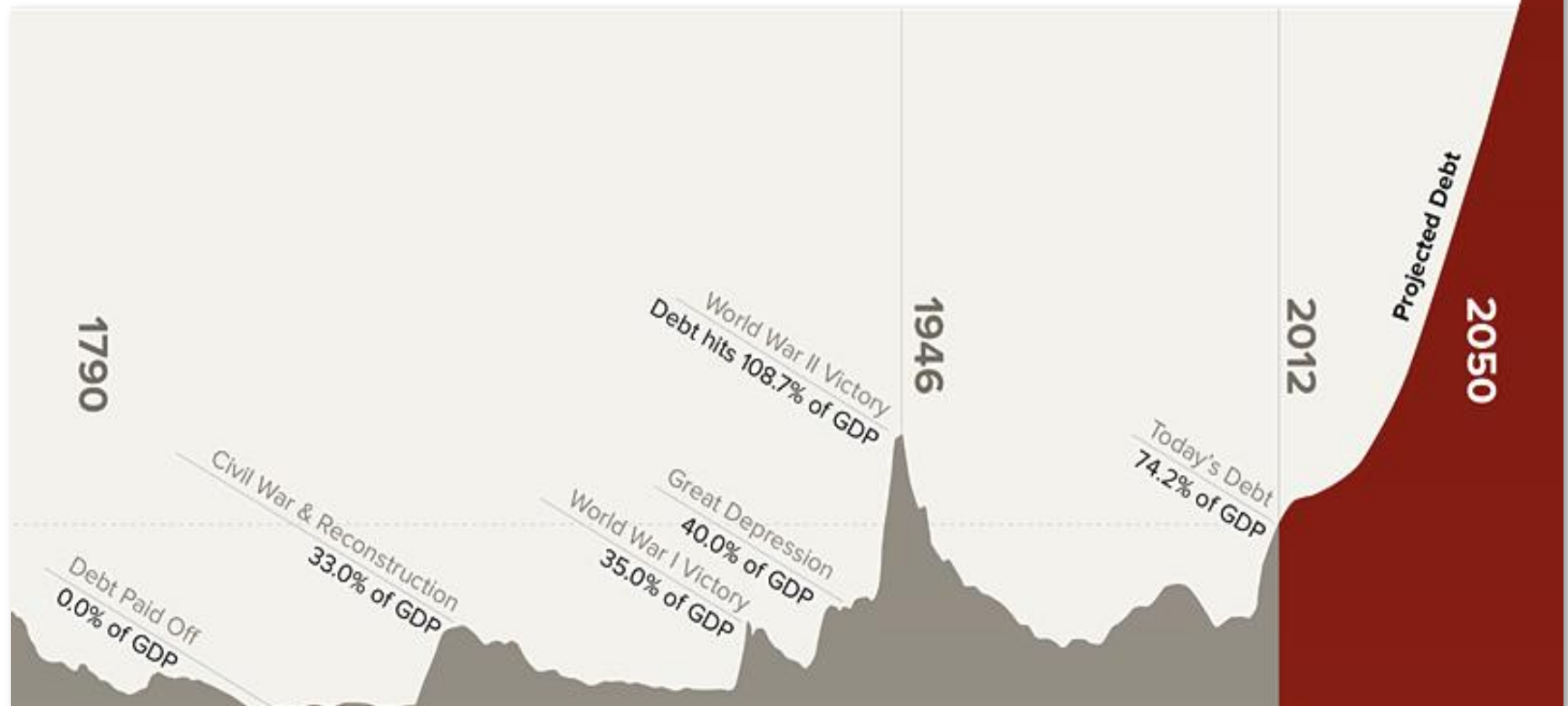
Analysis

- Deficit expected to decrease from FY 2012 to FY 2015 but remain at historically high levels through next decade
- Deficit will increase steadily from FY 2015 to FY 2023 due to rising health care costs and entitlement spending as well as interest payments on federal debt

Federal Budget Picture

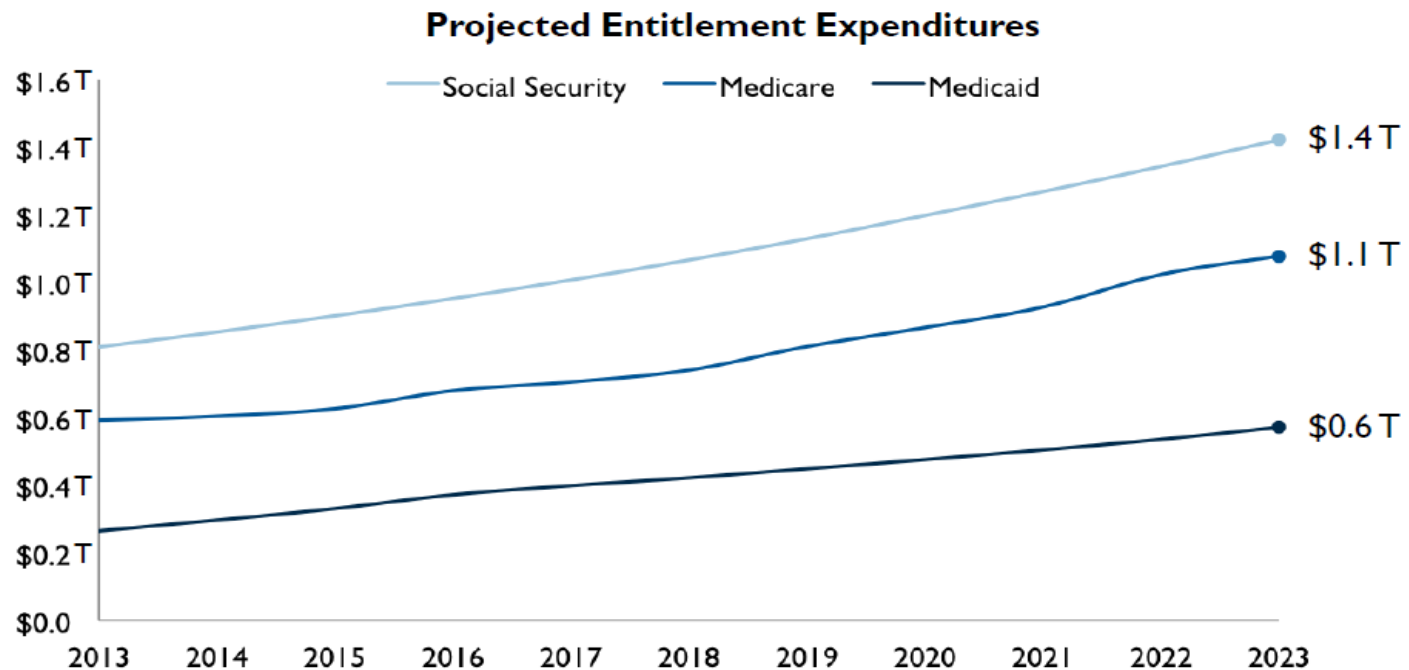
Projected U.S. Debt

Absent Reforms, U.S. Debt is Set to Skyrocket in the Coming Decades



Federal Budget Picture

In the Long Term, CBO Projects Over \$25 Trillion in Entitlements Expenditures



Analysis

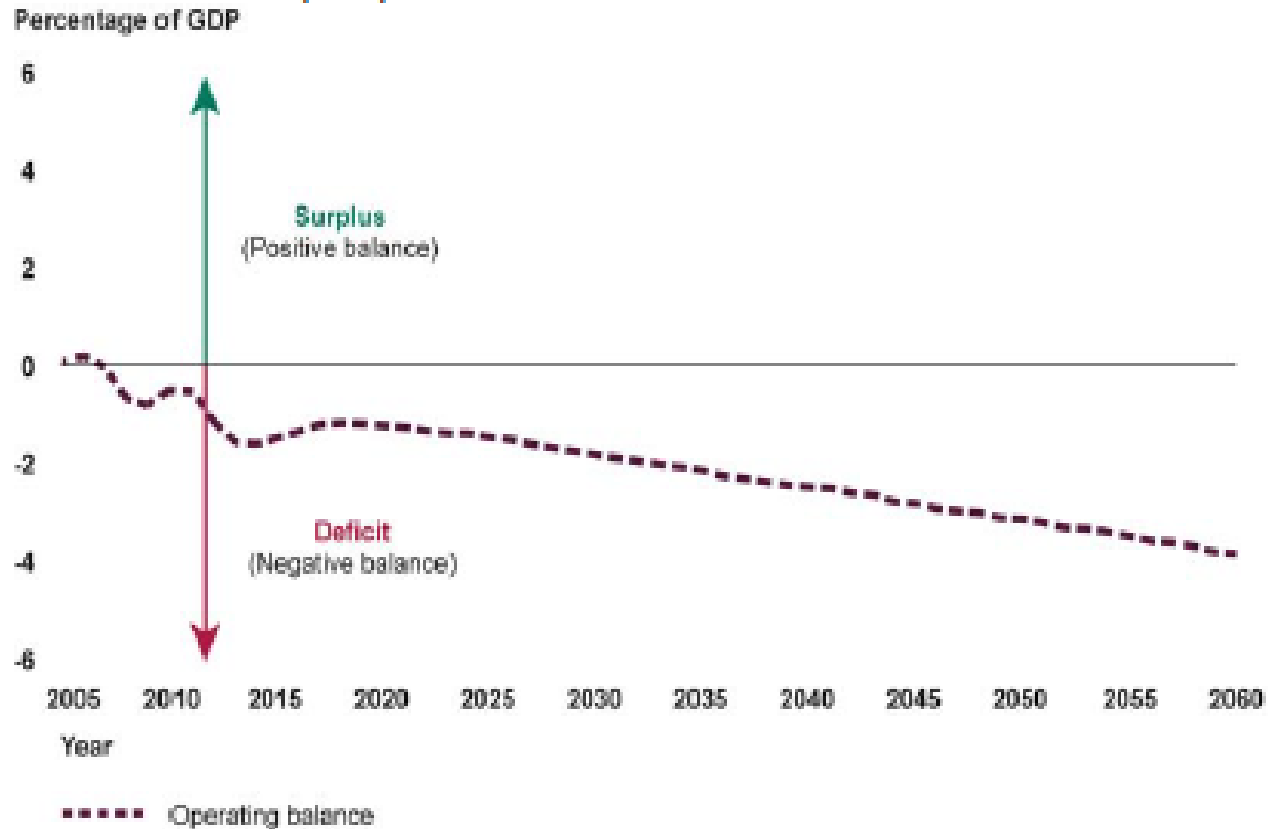
- Social Security expenditures are estimated to account for almost one-fourth of government spending in 2014
- Medicaid spending is projected to rise steadily in part because many states intend to expand Medicaid coverage under the Affordable Care Act
- Social Security spending is projected to total \$11.9T for 2013 to 2023, Medicare will total \$8.7T and Medicaid will total \$4.6T over the same time period

Federal Budget Picture

Fiscal sustainability is a challenge shared by all levels of government. According to the GAO, state and local sectors face persistent and long-term fiscal pressures. **Absent policy changes, there is a growing gap between receipts and expenditures in future years**

GAO Projections for State and Local Governments

Figure 1: State and Local Operating Balance Measure, as a Percentage of Gross Domestic Product (GDP)

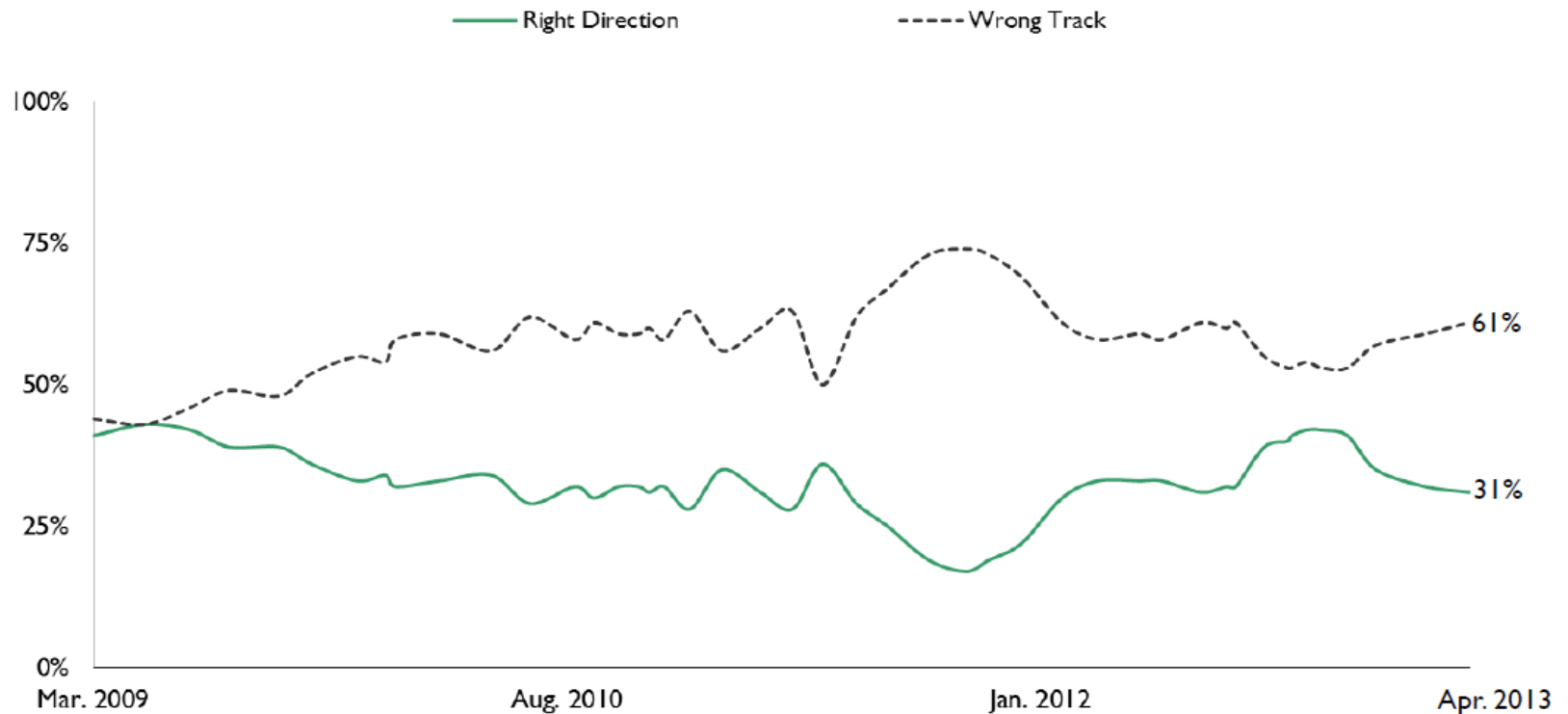


Source: GAO simulations, updated April 2013.

Political Context

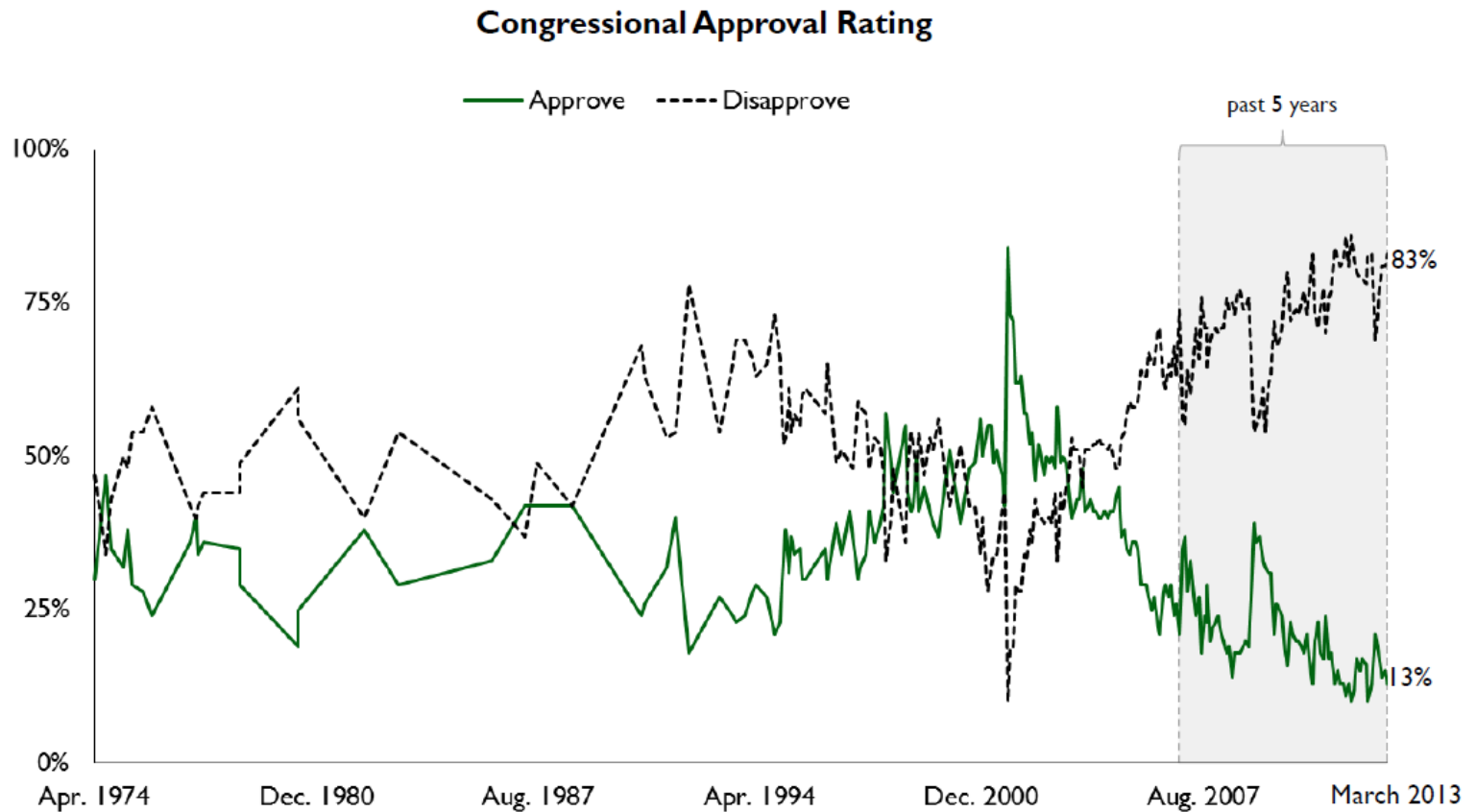
Public Skeptical on National Outlooks

Percentage Responding to Question:
“All in all, do you think things in the nation are generally headed
in the right direction, or do you feel things are off on the wrong track?”



Political Context

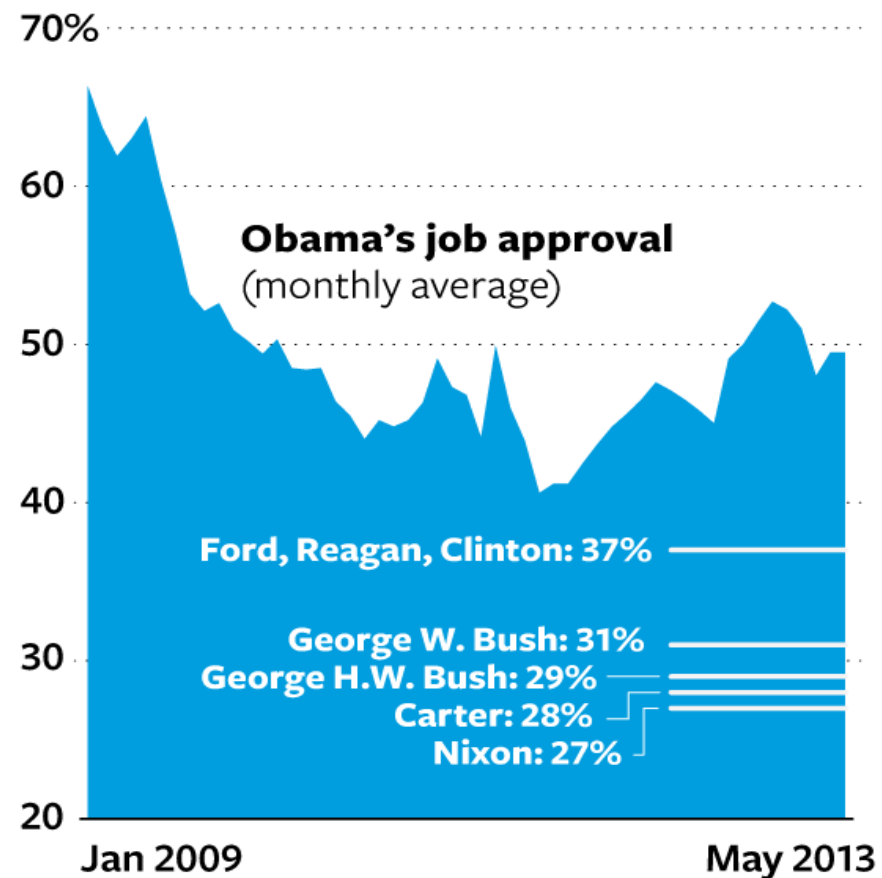
Congressional Approval Hovers Near Three-Decade Low



Political Context

President Obama's approval ratings have remained solid—he has not yet recorded a steady approval rating under 40 percent, something that every president since Nixon has done

President Obama's job approval and his predecessors' job-approval low points



Source: Gallup

White House Agenda Distracted

- IRS Issues
- Benghazi Attack
- DOJ Secretly Acquiring AP Reporter Phone Records
- *This triple play has lead to months of hearings and has delayed White House momentum on any of its other agenda items, including reaching some kind of grand bargain on deficit reduction or jobs bills*
- Syria

Federal Policy Agenda



Triple Threat of Issues Facing Counties

◆ Entitlement Reform

- ☑ ***Medicaid*** cuts and cost shifts to states and counties

◆ Tax Reform

- ☑ Elimination/reforms to ***tax-exempt municipal bonds***
- ☑ Elimination of ***state and local property, income and sales tax deductions*** on federal income tax forms

◆ Sequestration and Annual Appropriations

- ☑ ***Federal aid cuts*** to state and local governments

Entitlements Are Still on the Menu

- Health care spending has slowed
- BUT entitlement spending is still driver of deficit and debt

Medicaid

- Medicare and Social Security are 100% federal
- Medicaid financing and administration is federal, state and county
- In 32 states, counties are required to provide health care for low income, uninsured or underinsured residents
- In 22 states, counties put up part of the non-federal match for Medicaid
- There are 964 county hospitals and 647 county nursing homes serving Medicaid beneficiaries in communities nationwide
- House FY2014 budget changes Medicaid to block grant
- The President's FY2014 budget basically leaves Medicaid alone

Municipal Bonds

Proposals to Alter the Tax-Exempt Status of Municipal Bonds Continue to Remain a Threat to County Government

2010

- **Simpson-Bowles:** Proposed elimination of all income tax expenditures; interest earned on state and local municipal bonds would be fully taxable for newly-issued tax exempt municipal bonds

2012

- **President's FY2013 Budget Proposal:** Proposed placing a 28 percent limit on the value of specified deduction or exclusions from AGI and all itemized deductions; the limit would apply on interest earned for new and outstanding state and local tax exempt bonds

March
2013

- **FY2014 Senate Budget Resolution:** Suggested the possibility of a cap being placed on tax expenditures, which could include the exemption for interest earned on state and local municipal bonds

April
2013

- **President's FY2014 Budget Proposal:** Reiterates 28 percent cap on the value of certain tax benefits, including interest earned on new and outstanding state and local tax exempt bonds

Immigration Debate has Stalled

SENATE	HOUSE	PRESIDENT
Bi-partisan comprehensive immigration reform legislation (S. 744) passed in June by a 68-32 vote	Efforts to introduce comprehensive legislation appear to have stalled, a series of piecemeal bills have passed through committees of jurisdiction	A draft of the President's immigration reform proposal was leaked on February 16, but is unlikely to become a bill unless Congress gridlocks

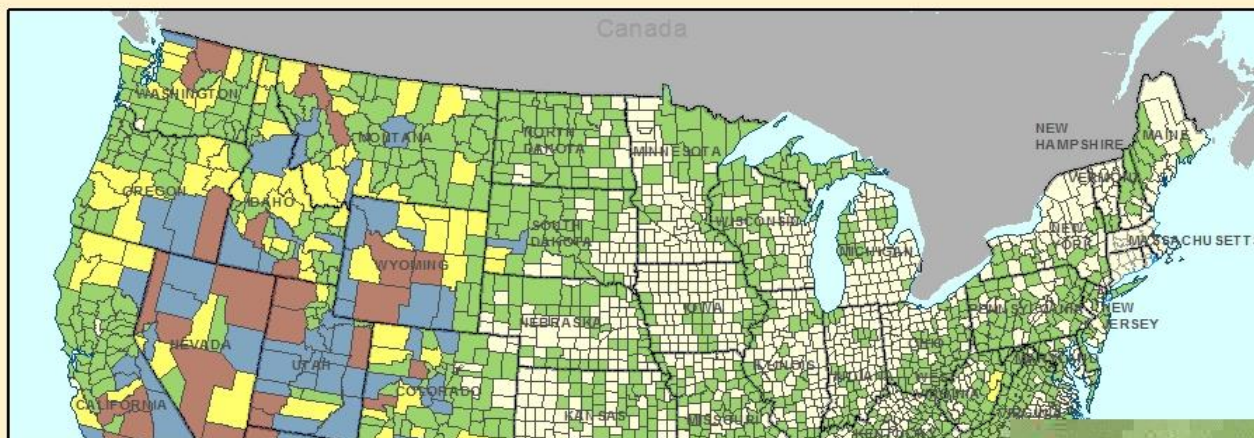
Payment in Lieu of Taxes



- ✗ The Emergency Economic Stabilization Act provided 5 years of mandatory funding for PILT (FY2008-FY2012)
- ✗ In 2012, Congress included mandatory funding for PILT in MAP-21—for FY2013
- ✗ Unless Congress acts, counties will have received their last fully funded PILT disbursement in June of 2013. Without additional mandatory funding, PILT will revert to a discretionary program subject to the annual appropriations process
- ✗ There was an attempt to include in the Senate Farm bill but it was ruled out of order
- ✗ What's it going to take? Senior leaders looking for right vehicle and right timing

Payment in Lieu of Taxes

Alaska



Secure Rural Schools



Current Status

- ✗ In July of 2012, MAP-21 was signed into law and included mandatory funding for SRS in FY2012
- ✗ Counties received their last payment under the SRS program in January 2013
- ✗ Needs to be reauthorized before October 1

Options Moving Forward

- ✗ **Stand alone in House for FY2015 (HR 1526)**
 - ◆ Senate does not want; President has issued veto threat; would need vehicle
- ✗ **Helium Bill** (*looks to mitigate a helium shortage by allowing BLM to sell crude helium from the federal helium reserve*)
 - ◆ House passed helium bill in April with no SRS funding
 - ◆ Last week Senate passed their version that included an extension of SRS for an additional year (5% below last year's level)
 - ◆ UPDATE: House may consider Senate version with SRS section intact. To be successful, it would need to be passed by the House (again) and then go to the Senate (again)

Two Key Issues Dominating the Congressional Schedule

■ Concluding the FY2014 Appropriations Process

- ◆ Appropriations measure needed to prevent federal government shutdown
- ◆ Fiscal year 2013 officially ends on September 30

■ U.S. Will Reach Debt Limit Mid-October

- ◆ According to the U.S. Department of Treasury, the debt ceiling will need to be raised in Mid-October
- ◆ Treasury has exhausted all “extraordinary measures” to postpone raising the debt ceiling

FY14 Appropriations

Appropriators have moved FY2014 bills, but process has stalled

■ Senate Appropriations Progress (\$1.059 trillion; repeals sequester)

- ◆ Appropriations Committee has approved 11 of 12 bills (Interior-Environment remains)
- ◆ No bills have been approved by full Senate; Senate Leadership could not limit debate on Transportation-HUD measure

■ House Appropriations Progress (\$967 billion; leaves sequester intact)

- ◆ Appropriations Committee has approved 10 of 12 bills (Interior-Environment, Labor-HHS-Education remain)
- ◆ 4 bills have been approved by the full House: Defense, Military Construction-Veterans Affairs, Homeland Security, and Energy and Water
- ◆ Transportation-HUD bill pulled from floor before August recess

■ Reasons for the Delay

- ◆ Lack of agreement between chambers and parties on total spending
 - Democrats want more spending for non-defense programs
 - Republicans challenged with internal divisions

Debt Limit

Debt Terminology

U.S. National Debt

Total outstanding borrowing by the federal government

Current National Debt

\$16.7T

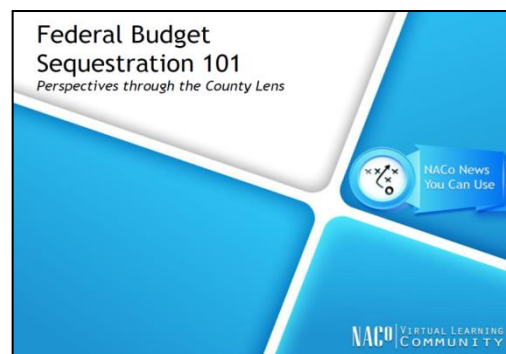
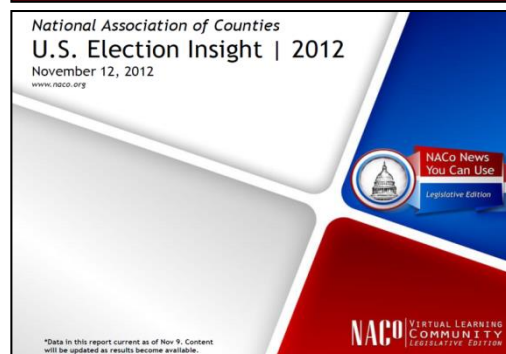
Debt Ceiling

A set limit at which the U.S. Treasury is no longer authorized to finance U.S. debt obligations

Current Debt Ceiling

\$16.4T (On Feb. 4, 2013, the President signed into law a bill suspending the debt ceiling through May 18, 2013. On May 19, 2013, the debt ceiling came back into effect and U.S. debt exceeded the debt limit. The debt is currently funded by 'extraordinary measures.')

For More Legislative Analysis Visit www.naco.org



2014 Major Conferences



2014 Legislative Conference

- March 1-5, 2014 * Washington, D.C.
- Help NACo tackle key federal policy issues
- Network with Administration and Congress officials



2014 NACo Annual Conference

- July 11-14, 2014 / Orleans Parish, LA
- Network with your peers and explore ideas
- Learn about new innovations, trends and emerging practices in county government

Questions?



Contact Us!

For questions or more information, feel free to contact us

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A Sense of Politics...

“Politics is the art of looking for trouble,
finding it everywhere, diagnosing it
incorrectly, and applying the wrong
remedies.” ~ Groucho Marx

A Sense of Politics...

“Politics is the art of postponing
decisions until they are no longer
relevant.”

~ Henri Queuille