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December 15, 2009

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

STATE LEGISLATIVE AGENDA FOR THE SECOND YEAR OF THE 2009-10 SESSION (ALL SUPERVISORIAL DISTRICTS AFFECTED) (3 VOTES)

SUBJECT

The following recommendations represent the updated policies and proposals for the second year of the 2009-10 Legislative Session, which were developed in coordination with your Board Offices, County departments, the Legislative Strategist and the Sacramento advocates. This package, together with other positions previously adopted by your Board, will guide our State advocacy efforts.

THEREFORE, IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve the attached additions, deletions, and changes to existing Board-adopted policies and positions for inclusion in the 2010 State Legislative Agenda.

2. Instruct the Chief Executive Officer (CEO), affected departments, the Legislative Strategist, and the Sacramento advocates to work with the Los Angeles County delegation, other counties and local governments, and interest groups to pursue these policies, positions, and priorities in the State Legislature and with the Administration and its agencies.

3. Direct the Sacramento advocates to pursue legislation to expand the County's existing real property transaction notification program to include the notification and application of surcharge when notices of default or sale are recorded to inform property owners of real estate fraud protection and foreclosure prevention options and resources.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS

The recommended changes seek to minimize the adverse impact of State actions on the County, achieve greater flexibility over the use of State funds, secure State assistance whenever possible, especially from non-General Fund sources, and promote the growth of the State and local economy.

FISCAL OUTLOOK

During 2009, the Governor and the Legislature enacted an estimated $60.0 billion in solutions to address the State Budget deficit through June 30, 2010. The solutions included a combination of funding shifts, revenue increases, Proposition 1A of 2004 borrowing, deferrals of payments to counties, use of one-time Federal Stimulus funds, and major program reductions falling most heavily on health and human services, education and corrections. **The State Budget reductions resulted in estimated County losses of $150.1 million in FY 2008-09 and $276.4 million in FY 2009-10, for a total two-year loss of $426.5 million.**

On November 18, 2009, the Legislative Analyst's Office (LAO) released its fiscal outlook, which projects a State Budget shortfall of $20.7 billion through the end of FY 2010-11, and annual deficits of approximately $20.0 billion thereafter through FY 2014-15. The Governor has also indicated that the State's shortfall would be at least $12.4 billion to $14.4 billion through June 30, 2011.

According to the LAO, the Legislature made many difficult decisions to close the $60.0 billion budget shortfall through the end of FY 2009-10; however, the LAO points out that <u>it may be more difficult to address the $20.7 billion shortfall in FY 2010-11 because many of the one-time solutions used to balance the budget in 2009 are no longer available</u>. In addition, the State continues to face numerous fiscal uncertainties and risks, such as lawsuits related to prior budgetary actions, which if the courts rule against the State, could increase the budget shortfall by millions or billions of dollars.

Since FY 2007-08 the State General Fund has been reduced by an estimated 17.3 percent from $102.3 billion to $84.6 billion in FY 2009-10. The primary reasons for the decline are major drop in revenues because of the economic slowdown and enacted solutions to balance the State Budget over the past two years. As such, the Governor and the Legislature are faced with the difficult task to find solutions to address a budget

deficit which would represent about 24 percent of the State General Fund by the end of FY 2010-11. As a result of the State's bleak economic outlook, the absence of substantial legislative support for additional revenues, and the State's obligation to meet General Fund spending requirements such as Proposition 98 and debt service costs for voter approved bonds, the County will once again be faced with the possibility of major program curtailments in FY 2010-11 and future fiscal years.

It is anticipated that the Governor will be calling for a new Special Session in December for the Legislature to return to Sacramento to begin work to address this latest fiscal crisis.

COUNTY LEGISLATIVE PRIORITIES

The impact of the previous two State budgets has extended throughout the full spectrum of the County's responsibility for safety net and protective services. The two-year loss of $426.5 million greatly affected the County's ability to maintain vital services for its residents, and the potential of additional State Budget cutbacks would be experienced most deeply in the delivery of health care, social services, and public safety. Because of the State's continuing fiscal problems and the reductions in State financial support already imposed on the County, our State advocacy efforts will be concentrated on the priorities listed below in 2010.

State Budget. As indicated above, given the State's chronic budget problems and the uncertain economic environment, **the County will focus its advocacy efforts on the restoration and preservation of State funding, working primarily through the budget process. In addition, the County will continue to support adequate funding for programs it operates on behalf of the State, and oppose additional program reductions unaccompanied by a commensurate diminution of responsibility and any attempt to shift costs to the County.**

Health Care Financing. California's current 1115 Medicaid Waiver, which funds disproportionate share hospitals and indigent care, is set to expire in August 2010. The State Department of Health Care Services is working on the Waiver renewal and will engage stakeholders to assist in the development of the agreement. The next Waiver is vital for the County. It should provide additional resources and focus on reforming the health care delivery system through the development of additional medical homes and coordinated care for the patients we serve, while containing costs.

In the upcoming year, **the County will seek, in collaboration with other stakeholders, the Administration, and the Legislature, to ensure that the renewal of the Medicaid Waiver maximizes the drawdown of Federal funds for services and facilities to support and strengthen the County's health care system and**

safety net, and to expand health care coverage and access for low-income individuals.

Corrections Reform. In August 2009, a three-judge Federal court panel ordered the State to reduce the prison population, over two years, to 137.5 percent of its design capacity which would have resulted in the release of an estimated 46,000 inmates. The State filed an appeal of the court order before the U.S. Supreme Court, but ultimately complied with the three-judge panel and submitted a plan in September 2009. The plan was rejected in October and the State submitted a revised plan on November 12, 2009. However, it is anticipated that once the final court order is issued, the three-judge panel will require the State to make further reductions to meet the required prison population level.

As the State continues to seek for ways to comply with the court order, it is very likely that it would have to re-visit options such as the alternative custody proposal which would allow for the early release of elderly and medically infirm inmates, and the proposal to eliminate some "wobbler" crimes which are currently considered as either felonies or misdemeanors. If enacted, these proposals would impose significant costs on the County's health, social services and public safety programs. **Therefore, the County will seek to be included in the development and implementation of any Corrections Reform proposals which affect the County and its residents. The County will also pursue funding to provide adequate services to assist offenders in the successful completion of probation, avoid subsequent criminal activities, and enable them to successfully reintegrate back into their communities.**

Major Reform Proposals. As a result of the ongoing State Budget crisis, the political gridlock within the Legislature and between the Governor and legislators, and other major problems in Sacramento, a number of organizations such as, California Forward and Repair California, are in the process of pursuing initiatives aimed at: 1) reforming the State Budget process and local government financing; 2) convening a Constitutional convention; and 3) further protecting local revenue sources, such as property taxes, transit, transportation and redevelopment funds. In addition, the Legislative Leadership has created the State and Assembly Select Committees on Improving State Government. These efforts are expected to result in reform measures for placement on the November 2010 General Election ballot or legislative recommendations to reform the State Budget process.

Given the interdependence and the complexity that characterizes the relationship between counties and the State, it is very important that the County carefully analyzes and advocates on any reform proposals which may have major policy and fiscal implications for the County. **Therefore, the County will analyze and participate in the development of any reform measures which have a major fiscal or operational impact on County programs and/or operations.**

Water Quality Initiative. Stormwater and urban runoff drain into the flood control system, waterways, and ultimately into the ocean with virtually no treatment. The County, the City of Los Angeles, and other cities within the County are seeking to construct watershed management projects that can remove pollutants from runoff.

All cities and County unincorporated areas face critical water quality challenges. The Los Angeles Area Regional Water Quality Control Board enforces the Total Maximum Daily Loads (TMDLs), which is the amount of various pollutants that can go into waterways and still meet public health standards. Each pollutant has its own specific TMDLs, which applies to all cities and unincorporated areas, whether along the ocean or far inland with seemingly no connection to waterways. There are significant fines for violations of each TMDLs, ranging from $10,000 to $25,000 per day/per violation. Currently, the Los Angeles County Flood Control Act authorizes the Los Angeles County Flood Control District (District) to levy taxes to pay the obligations of the District, but does not allow the District to impose a fee to mitigate stormwater runoff TMDLs.

Therefore, **the County will pursue legislation to authorize the District to implement stormwater fees, upon voter approval consistent with the requirements of Proposition 218, to fund clean water programs.**

RECOMMENDED CHANGES TO THE COUNTY'S STATE LEGISLATIVE AGENDA

The changes in the Attachment represent requests from County departments and commissions to add or modify policy statements consistent with their operational goals and plans. New policy statements represent emerging programs and issues for which we are seeking your Board's concurrence to guide future advocacy efforts. Some policies are no longer applicable, and therefore, have been removed. The recommended changes include modifications to policy statements for various items including: procurement of diesel-electric powered hybrid fleet vehicles; authority for the issuance of County bonds to securitize loans to offset the State's borrowing of property taxes; full funding for Youth Offender Block Grant; extension of the time period to expend Proposition 1B transportation funds when the State defers Proposition 42 and/or Highway Users Tax Administration funds; and various public health initiatives.

All other previously adopted State Legislative Agenda policies and positions remain in effect; and as such, advocacy will continue on these matters. A revised comprehensive list of all State Legislative Agenda policy statements will be published subsequent to consideration of the changes included in this letter.

Legislation for which the County will seek sponsorship, consistent with existing Board policies and positions, was provided in the October 30, 2009 Sacramento Update. However, it should be noted that the State's fiscal condition will likely affect the Legislature's receptivity to any County sponsored legislation with potential State cost

increases. The State's dire fiscal condition will also require that the County's advocacy be focused primarily on the State Budget.

PROPOSAL FOR COUNTY SPONSORSHIP IN 2010

On January 13, 2009, your Board approved a motion by Supervisor Ridley-Thomas, which directed the CEO to report back on, among other things, efforts to address the foreclosure and real estate fraud crisis. The motion also directed the Registrar-Recorder and the Department of Consumers Affairs to report back on the feasibility of instituting a mechanism to provide information and assistance to homeowners when a notice of default is recorded.

On March 17, 2009, the CEO provided your Board a report regarding how the County can move forward to provide strategic and effective assistance to homeowners that face foreclosure and/or real estate fraud. The report contained a recommendation to enhance the County's existing real property transaction notification program by pursuing legislation which would authorize the County to: 1) provide notification to homeowners and lawful occupants of the property upon the recording of notices of default or sale; 2) charge a fee for the recording of notices of default and sale; and 3) utilize revenue generated by the real estate transaction fees to inform property owners of real estate fraud protection and foreclosure prevention options.

Existing law authorizes the County to charge a fee up to $7 at the time a deed, deed of trust, or quitclaim deed is recorded and to mail a notification to homeowners. The Board approved fee is currently at $4. Since 1997, the County has operated a homeowner notification program to notify property owners when such documents are recorded, and to inform them about real estate fraud protection and forgery. The mailings also instruct homeowners to contact the County's Department of Consumer Affairs for information and assistance.

The Registrar-Recorder indicates the proposed legislation would enhance the existing notification program to inform property owners and potentially tenants of property subject to foreclosure that such action has been initiated. According to Department of Consumer Affairs, the proposal could augment the existing public assistance and education program by providing information on real estate fraud protection and foreclosure prevention options and resources to homeowners in default. County Counsel drafted and approved legislative language to pursue this proposal.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The proposed policies and proposals in the State Legislative Agenda are consistent with the County's Strategic Plan Goals of: 1) Operational Effectiveness; 2) Children, Family

and Adult Well-Being; 3) Community and Municipal Services; 4) Health and Mental Health; and 5) Public Safety. These goals are achieved by:

- recommending new policies and revisions to existing Board-adopted policies to respond to State actions affecting the County and current economic conditions and challenges;

- providing timely advocacy on proposals that could significantly affect County programs and services; and

- pursuing legislation to secure new funding sources and oppose reductions in program funding or new unfunded mandates on the County.

CONCLUSION

The recommended general policies and updated proposals in the Attachment are submitted for your Board's consideration as the guiding principles for the County's advocacy efforts in the second year of the 2009-10 State Legislative Session. The policies and proposals contained in this package are in addition to, and are not intended to be exclusive of, other positions your Board may adopt. As in the past, the State Legislative Agenda will be updated to reflect subsequent Board actions.

Respectfully submitted,

WILLIAM T FUJIOKA
Chief Executive Officer

WTF:RA
MR:VE:IGEA:sb

Attachment

c: Executive Officer, Board of Supervisors
Acting County Counsel
All Department Heads

ATTACHMENT

RECOMMENDED STATE LEGISLATIVE POLICIES ADDRESSING ISSUES OF MAJOR COUNTY INTEREST

Table of Contents

		Page
1.	Children and Families	1
	1.3 Child Care and Child Development	1
2.	Environment, Natural Resources and Recreation	1
	2.1 Air Quality	1
	2.5 Watershed Management and Flood Control	1
	2.6 Water Supply	1
	2.7 Recycling and Waste Reduction	2
3.	General Government	2
	3.7 County Investment Practices	2
	3.11 Library Services	2
4.	Health	3
	4.6 Public Health	3
5.	Housing and Community Development	3
6.	Justice and Public Safety	4
	6.7 Juvenile Justice	4
8.	Mental Health	4
9.	Revenue and Taxation	4
11.	Transportation	5
12.	Utilities and Infrastructure	6
	12.3 Construction Contracts	6

1. Children and Families

1.3 Child Care and Child Development

4. ~~Support efforts to make the local stipend program permanent to address the retention of qualified persons working in licensed programs that serve a majority of children who receive child care subsidies as well as child care employees working in State subsidized child development centers.~~ **(Requested by the Office of Child Care)**

Justification: This policy is no longer needed. The FY 2009-10 State Budget Act included County-sponsored trailer bill language ABX4 2 (Chapter 2, Statutes of 2009) to eliminate the June 30, 2009 sunset date and to permanently expand Los Angeles County's Child Care Recruitment and Retention Incentive Program.

2. Environment, Natural Resources and Recreation

2.1 Air Quality

11. **Support legislation that would allow public agencies to procure on-road, diesel-electric powered, hybrid vehicles to be deployed as fleet work vehicles. (Requested by the Department of Public Works)**

Justification: The Department of Public Works indicates that by South Coast Air Quality Management District rule, public agencies are prohibited from purchasing non-emergency on-road diesel-powered, medium and heavy-duty work vehicles. The Department would like to include on-road, clean diesel-electric hybrid vehicles as well, particularly heavy-duty trucks that haul high weight loads, because current alternative fuel vehicles in some cases cannot perform well enough to move large loads efficiently and are not cost-effective.

2.5 Watershed Management and Flood Control

12. **Support proposals that provide funding for the evaluation of structural and hydraulic conditions and rehabilitation of sewer infrastructure to reduce sanitary sewer overflows and for the protection of surface and ground water supply. (Requested by the Department of Public Works)**

Justification: The Department of Public Works recommends support for proposals that provide funding for Sewer Maintenance Districts for structural and hydraulic evaluation and rehabilitation of existing sewer infrastructure.

2.6 Water Supply

11. **Oppose legislation that restricts the use of recycled water for groundwater basin recharge or for any application, except direct potable reuse. (Requested by the Department of Public Works)**

Justification: The Department of Public Works indicates that the use of recycled water for groundwater recharge or for any application, except direct potable reuse, would help meet the growing demand for water in the County and reduce regional demand for imported water supplies. This indirect potable water reuse would be consistent with statewide recycled water use goals and standards, and would promote the State's policies for safe, reliable, and beneficial reuse of recycled water for approved users.

2.7 Recycling and Waste Reduction

13. Support legislation ~~to~~ **that** place**s** greater emphasis on producer/manufacturer responsibility for the environmental impact of their products and the waste that is produced**, and shifts end-of-life management and financial responsibilities from local governments to producers, in order to reduce public costs and encourage improvements in product design that promote environmental sustainability.** **(Requested by the Department of Public Works)**

Justification: The Department of Public Works indicates this proposed change is consistent with the Board of Supervisors action of November 5, 2008, to pursue legislation and statewide policies that shift end-of-life management costs from local governments to manufacturers and encourage redesign of products to reduce health and environmental impacts.

3. General Government

3.7 County Investment Practices

3. **Support proposals that authorize the County to issue bonds to securitize loans, such as property tax revenues pursuant to Proposition 1A of 2004, which the State borrows from local governments.** **(Requested by the Chief Executive Office)**

Justification: The Chief Executive Office recommends that this item be added because it would provide for the securitization of loans, including Proposition 1A of 2004 loans, via issuance of bonds, including tax-exempt bonds. This policy is consistent with the Board's action of October 27, 2009.

3.11 Library Services

~~7. Support continuation of the county library exemption from any extension of the negotiated local government tax shift in 2005, and oppose actions that would negate the exemption and/or reduce or eliminate protection of local government's property taxes.~~ **(Requested by the Public Library)**

Justification: According to the Public Library, this policy is no longer necessary because of the recent borrowing of property tax monies by the State pursuant to Proposition 1A of 2004. In addition, we have existing Board policy to preserve the County's tax base in last year's approved Agenda.

~~8. Oppose proposals to borrow local property taxes under the provisions of Proposition 1A of 2004, including the County Library's dedicated share of property taxes since the library does not have a contingency fund or alternate funding to backfill potential major reductions in revenue, which could result in reducing hours and services to the public.~~ **(Requested by the Public Library)**

Justification: According to the Public Library, this policy is no longer necessary because of the recent borrowing of property tax monies by the State pursuant to Proposition 1A of 2004. In addition, we have existing Board policy to preserve the County's tax base in last year's approved Agenda.

4. Health

4.6 Public Health

28. **Support proposals that would allow for the reporting of HIV-Tuberculosis co-infection on forms sent to the State Department of Public Health and the Centers for Disease Control and Prevention. (Requested by the Department of Public Health)**

Justification: The Department of Public Health indicates that this policy would allow the County to support legislative initiatives that remove the current reporting restrictions and provide additional funding for tuberculosis patients with HIV co-infections.

29. **Support proposals that reduce harmful indoor air pollutants in workplaces and sensitive use environments such as schools, day care centers, and nursing homes. (Requested by the Department of Public Health)**

Justification: The Department of Public Health indicates that adults spend, on average, 87 percent of their time indoors and children under age 12 spend about 86 percent of their time indoors. There are multiple indoor sources of pollution leading to potentially high exposures of indoor air pollutants that could pose a significant risk to health. By focusing on indoor air pollution in workplaces and sensitive use environments, the health problems that are related to these pollutants can be addressed and alleviated.

5. Housing and Community Development

21. ~~Oppose~~ **Support** legislation that ~~decreases~~ **provides Public Housing Authorities with** ~~the~~ flexibility ~~that Public Housing Authorities have in~~ to administer and use public housing and Section 8 Program funds **as well as revenues generated from the Rental Housing Construction Program. (Requested by the Community Development Commission)**.

Justification: The Community Development Commission (CDC) indicates current State regulations prohibit owners of Rental Housing Construction Program (RHCP) properties from retaining revenue in order to offset additional expenditures related to

rehabilitation and modernization of their units and buildings. According to CDC, expanding this priority to include RHCP funding flexibility would allow CDC to strengthen its advocacy efforts to increase its share of program revenue.

6. Justice and Public Safety

6.7 Juvenile Justice

17. **Support proposals to provide full funding, adjusted for inflation, for Youth Offender Block Grant. (Requested by the Probation Department)**

Justification: The Probation Department indicates that the FY 2009-10 State Budget transfers State General Fund monies to the Youthful Offender Block Grant (YOBG) Program and states legislative intent to provide increased funding in the FY 2010-11 budget based on inflation. This policy addresses future growth in the YOBG Program and the need to ensure that sufficient funds are allocated to meet the needs of youthful offenders.

8. Mental Health

24. **Support proposals that promote the integration of health and mental health treatment for at-risk populations such as persons with a primary diagnosis of mental illness in a manner that protects the special needs of that population; and support legislation that establishes a medical home within the County mental health departments for such individuals. (Requested by the Department of Mental Health)**

Justification: The Department of Mental Health recommends that this item be added because on average, individuals with serious mental illness die 25 years earlier than ordinary citizens. This is because the mental illness causes them difficulty in finding and continuing in treatment for physical illnesses. Analysis has shown that this is the most costly client population to treat yet they have the poorest outcomes. The Medical Home Model is considered a best practice and county mental health already has a successful track record in the use of a “home model” or single fixed point of responsibility for coordination of treatment.

9. Revenue and Taxation

~~6. Support legislation to establish a procedure for notifying new property owners of any outstanding tax obligations following a property sale, and providing that penalties and interest will apply only if the new owner then fails to pay on time, provided that sufficient time is allowed counties to process notices and counties are reimbursed for costs.~~ **(Requested by the Assessor and the Treasurer and Tax Collector)**

Justification: The Assessor and Treasurer and Tax Collector (TTC) recommend that this item be deleted. The Assessor indicates that it is impossible to provide notice to taxpayers prior to the December 10 delinquency date for those individuals who

purchased properties after September 1. The TTC added that there is not any effective way for the County to provide such a notification due to the short time frame in identifying individuals who take title after the property tax roll is closed and before the tax bills are mailed.

27. **Support legislation that enhances the administration of property taxes by using more efficient methods of administration, and support legislation that clarifies, streamlines, and outlines clear property tax policy for local governments. (Requested by the Assessor).**

Justification: The Assessor indicates that a general policy such as this is needed in anticipation of providing support for forthcoming legislative effort(s) to enhance the efficiency of property tax administration, better serve the public and to address efficiencies and savings considering the fiscal situation of the State and County.

11. Transportation

18. **Support legislation that further restricts the borrowing of revenues received by the County from the excise tax on gasoline and diesel. (Requested by the Department of Public Works)**

Justification: The Department of Public Works indicates that for the last three fiscal years, the State has deferred the monthly transfer of excise tax revenues from the Highway Users Tax Account to cities and counties for local streets and roads maintenance, and recommends support for proposals to restrict the State from borrowing these funds which are primarily used for salaries and equipment necessary to operate and maintain the extensive transportation infrastructure in the unincorporated County areas.

19. **Support legislation that extends the period of time to expend Proposition 1B transportation funds if the State defers Proposition 42 and/or Highway Users Tax Administration (HUTA) funds due to local governments. (Requested by the Department of Public Works)**

Justification: The Department of Public Works indicates that existing law requires local governments to expend Proposition 1B transportation funds within three fiscal years from the year in which they receive an allocation. Due to HUTA deferrals in current and previous State budgets, counties have had to use Proposition 1B local streets and roads funds to backfill the deferrals until cities and counties are repaid. As a result, bond funded projects are typically delayed until the State repays local governments.

20. **Support legislation that allows all direct and indirect environmental, engineering, accounting, legal and reasonable administrative costs to be recovered from Bridge and Thoroughfare Districts in unincorporated Los Angeles County, in addition to actual construction costs. (Requested by the Department of Public Works)**

Justification: The Department of Public Works (DPW) indicates that existing law limits the use of Bridge and Thoroughfare (B&T) District fees for construction purposes. The term construction is defined to include design, acquisition of right-of-way, administration of construction contracts and actual construction. However, the term construction for unincorporated San Diego and Orange counties is defined to additionally include all direct and indirect environmental, engineering, accounting, legal and reasonable general agency administrative costs. DPW currently has to finance these additional costs by the Road Fund's Master Plan of Highways program, and would like to expand the definition of construction to apply to unincorporated Los Angeles County to allow the department to effectively manage the six B&T Districts to complete transportation projects.

12. Utilities and Infrastructure

12.3 Construction Contracts

1. **Support legislation that authorizes the Board of Supervisors to delegate the approval of change orders to the Director of Public Works for infrastructure construction contracts, including roads, bridges, flood control, and waterworks projects, and modify the maximum change order contract amount delegated to the Director based on the Consumer Price Index. (Requested by the Department of Public Works)**

Justification: The Department of Public Works (DPW) indicates that legislation to allow the Board to delegate to the Director of DPW the ability to approve change orders for all construction contracts managed by the Department would streamline the County's management process on Board-approved contracts. The law currently allows the Board to delegate change order approval for Capital Projects only.