The National Association of Counties:

Legislative Update
Mississippi Association of Supervisors
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Stronger Counties. Stronger America.

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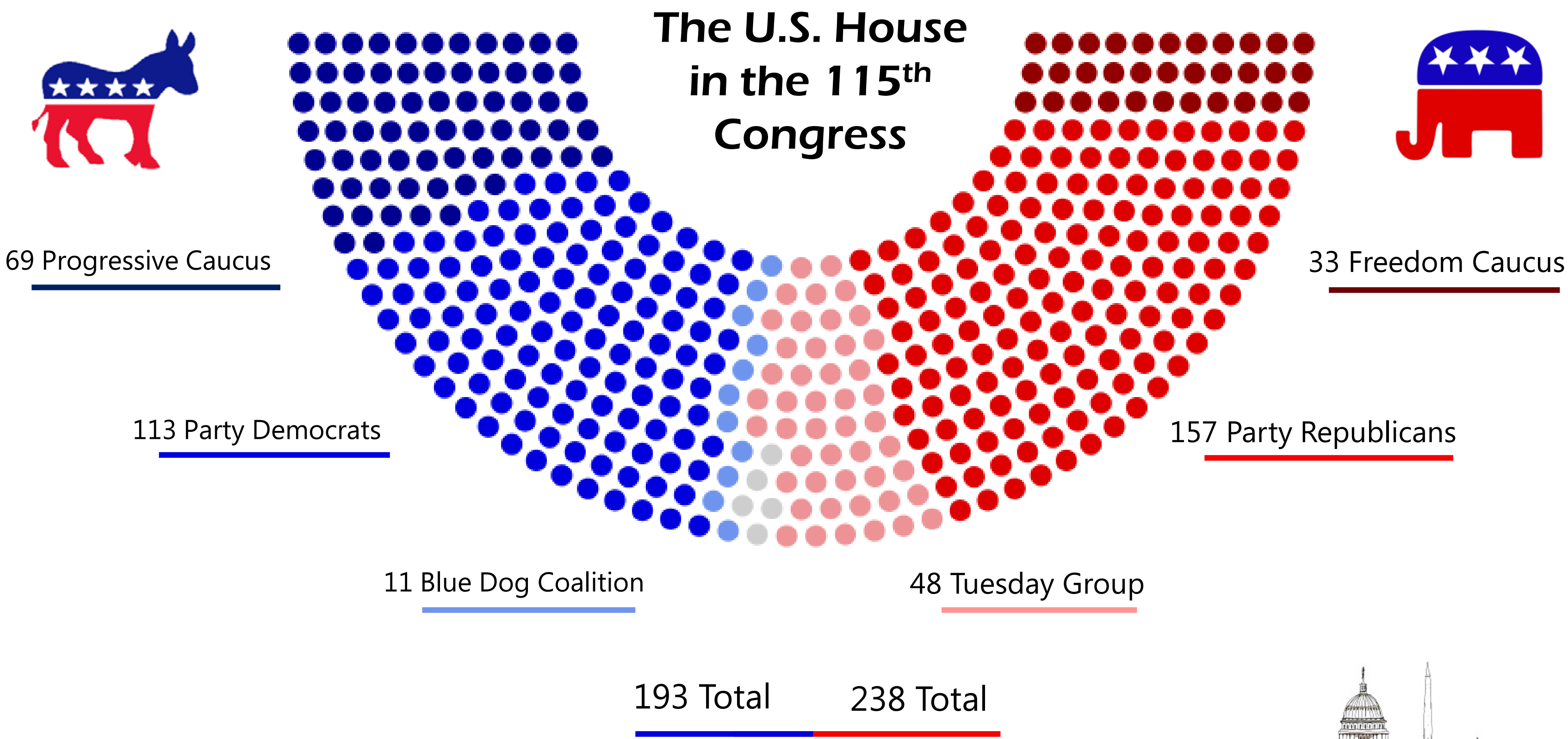
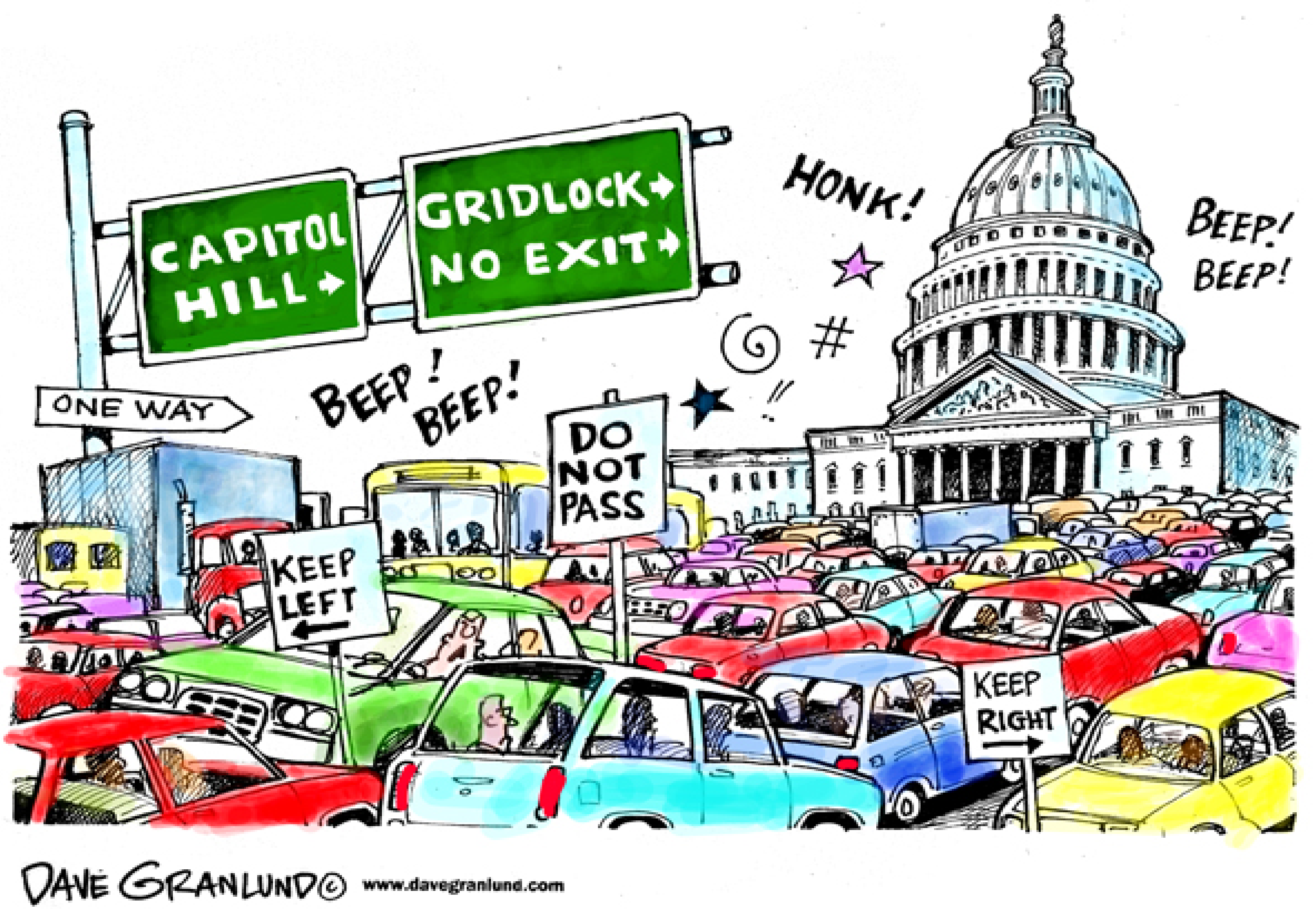
The political spectrum





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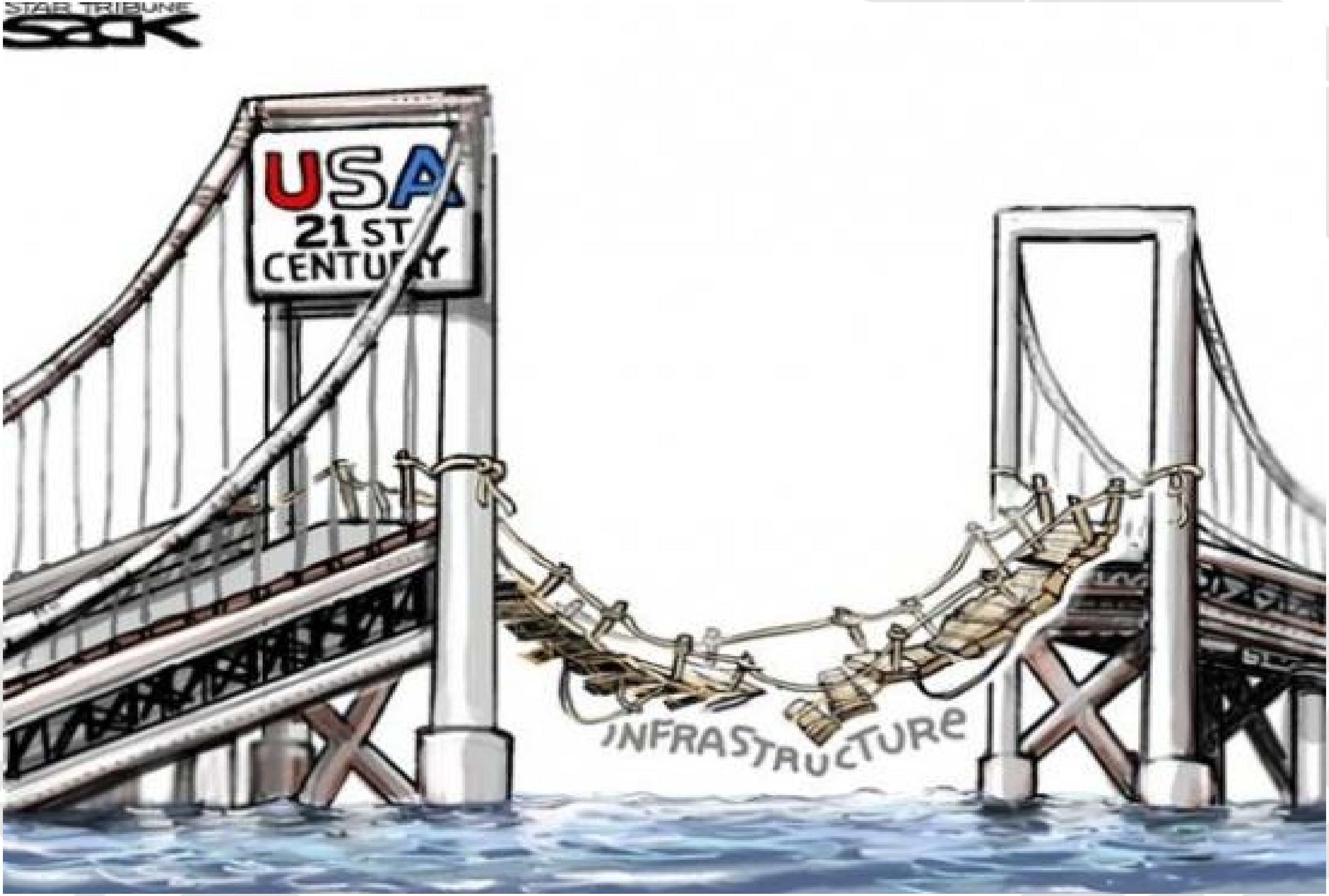

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COUNTIES MATTER TO HEALTH

Counties support the majority of the nation's more than **2,800 local health departments** to promote resident health and safety.

Through **750 behavioral health authorities and community providers**, county governments also plan and operate community-based services for persons with mental illnesses and substance abuse conditions.

Counties invest over **$83 billion** annually in community health and hospitals.

Overview of the Affordable Care Act

- Enacted in 2010 when Democrats controlled Congress and the White House; major provisions took effect in 2014
  - Public Law 111-148, the "Patient Protection and Affordable Care Act"
  - Public Law 111-152, a related budget reconciliation bill

- Insurance mandates and Medicaid expansion
  - Insurance "mandates" require individuals/employers to have/provide coverage
    - Established exchanges for individuals and small employers to buy insurance
    - Provided income-based subsidies to help individuals afford insurance
  - Medicaid expanded to cover more adults; additional funds provided to states

- Coverage requirements
  - Insurers subject to antidiscrimination rules
  - Plans must cover 10 essential benefits

- Financing
  - Taxes and fees imposed on individuals, employers and industries
  - Payments to disproportionate share hospitals reduced
  - Medicare payments reduced

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Sources: BGOV bill page for Public Law 111-148 and Public Law 111-152 SLIDE SOURCE: BLOOMBERG NEWS

Trump Administration Ends Payments, Creating Uncertainty in Individual Market

- Trump administration said Oct. 12 it would stop insurer subsidies
  - HHS cited lack of appropriation, said payments would end with next installment
  - Had been providing them on monthly basis without longer-term commitment
  - President Trump had previously threatened to withhold payments to force a deal on ACA overhaul

- Industry says lack of funding would destabilize individual market
  - Still required to reduce cost-sharing even without federal reimbursement
  - Insurers had warned this could increase premiums by 20 percent
    - Some have already raised rates for 2018, others left exchanges because of uncertainty and other losses
    - Others could try to make further changes before open enrollment begins Nov. 1

- Congress, states could act to continue payments
  - Congress could appropriate payments
    - Some Senate ACA proposals would have extended payments temporarily before repealing; House-passed reconciliation bill called for repeal
    - Sens. Lamar Alexander (R-Tenn.) and Patty Murray (D-Wash.) have been working on bipartisan agreement to stabilize market

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SLIDE SOURCE: BLOOMBERG NEWS

IF YOUR HEAD ISN'T SPINNING YET, JUST THIS WEEK…….

ALEXANDER-MURRAY DEAL

- Increase flexibility for 1332 waivers. Specifically it modifies the "affordability" guardrail but still requires comparable affordability for low-income individuals, individuals with serious health needs, and other vulnerable populations.

- Modify the 1332 waiver process by: 1) extending the time period for waivers from 5 years to 6 years, 2) allowing state to copy already existing/approved waivers, 3) shortening the HHS review of waivers from 180 days to 90 days, 4) allows Governors to approve waivers applications, 5) allows for a fast-track approval for emergency situations (45 day approvals), and 6) clarifies budget neutrality in that budget neutrality is assessed for the entirety of the waiver and the term of the 10-year budget plan.

- Fund cost-sharing reduction (CSR) payment for the rest of 2017, as well as 2018 and 2019.

- Prevent "double dipping" from plans reaping both increased premiums after they increased rates for 2018 to account for no CSRs and then the CSRs that the bill funds. Specifically, it has the state insurance regulator submit a certification to HHS that it will make sure plans receiving CSRs in 2018 pass those benefits to consumers.

- Allow catastrophic or "copper plan" for people older than 30, while maintaining a single risk pool.

- Direct $106 million to states for enrollment outreach for 2018 and 2019.

- Direct the HHS Secretary to issue regulations on the implementation of health insurance compacts established under 1333 of the ACA to allow for selling insurance in more than one state.

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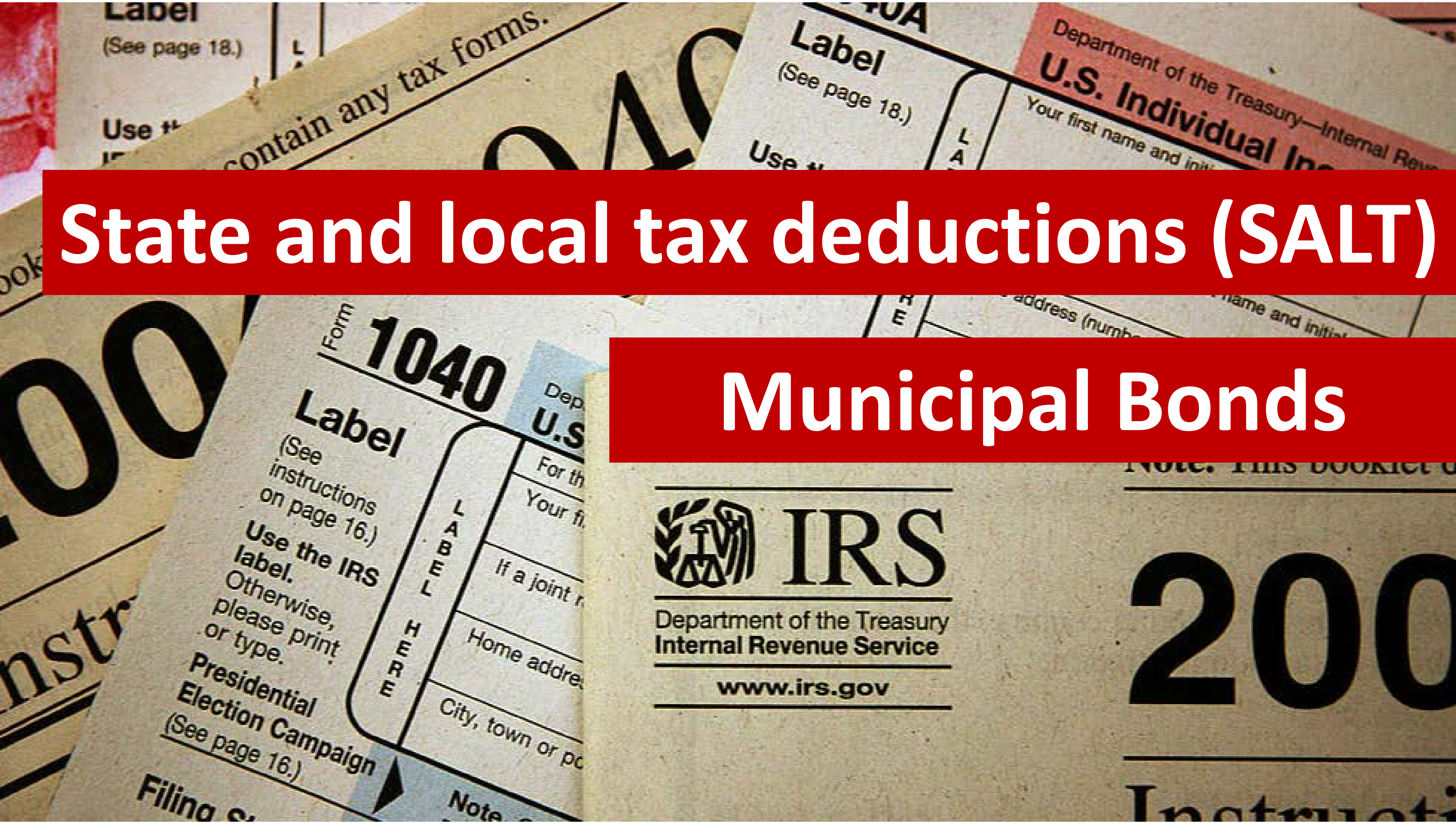
State and local tax deductions (SALT)

Municipal Bonds



NO DOUBLE TAXATION

CONGRESS SHOULD PRESERVE THE STATE AND LOCAL TAX DEDUCTION IN TAX REFORM

IN 2015, AT LEAST

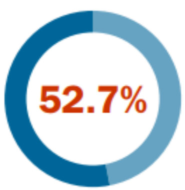
OF ALL ITEMIZERS TOOK THE STATE AND LOCAL TAX DEDUCTION

IN 2015, OVER

36 MILLION

INDIVIDUALS AND FAMILIES MAKING LESS THAN $200,000 CLAIMED THE DEDUCTION

THOSE FAMILIES ACCOUNTED FOR OVER HALF -



OF THE TOTAL AMOUNT OF DOUBLE TAXATION AVOIDED IN 2015

WHAT IS THE STATE AND LOCAL TAX DEDUCTION?

The state and local tax deduction allows taxpayers to deduct state and local taxes paid from their federally taxable income. Deductibility of these taxes prevents double taxation, since state and local taxes are mandatory payments.

WHY DO WE CARE?

States and local governments deploy revenues from state and local property, income and sales taxes to finance infrastructure projects, local law enforcement, emergency services, education costs and many other services. Deductibility allows state and local governments to maintain authority over local tax structures supporting these services.

WHAT WOULD ELIMINATING DEDUCTIBILITY DO?

Eliminating or capping federal deductibility for state and local property, sales and income taxes would represent double taxation on American taxpayers, a principle strongly rejected throughout the rest of the tax code. Additionally, by eliminating federal deductibility of state and local taxes, Congress would shift the intergovernmental balance of taxation and limit state and local control of our tax systems.

DID YOU KNOW?

The state and local tax deduction has existed for over a century since the institution of the original 1913 federal tax code.

STATE AND LOCAL GOVERNMENTS PROVIDE CRITICAL SERVICES WITH REVENUE GENERATED THROUGH STATE AND LOCAL TAXES, INCLUDING:

INFRASTRUCTURE

EDUCATION

HEALTH SERVICES

PUBLIC SAFETY AND EMERGENCY SERVICES

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Issue: Tax reform

Key dates

Apr. 26	May 6	Oct, Nov,
WH releases tax reform blueprint	House Ways & Means Chair releases tax reform plan	Reform package receives vote in Congress

County priorities:

1. Preserve tax-exempt status of municipal bond interest
2. Protect federal deductibility of state and local taxes
3. Collection of existing sales tax on online purchases (Marketplace Fairness)

Remote Taxes: 115th Congress Outlook

Reintroduction of Legislation

1. Marketplace Fairness Act (MFA)
2. Remote Transactions Parity Act (RTPA)

Potential Supreme Court Review

1. South Dakota (Referred to U.S. Supreme Court)
2. Alabama

National Legislative Priorities

PROMOTE COUNTY SURFACE TRANSPORTATION PRIORITIES

NACo will work to ensure that any transportation and infrastructure measures to reflect county priorities, including allocating more funding for locally owned infrastructure, increasing local decision making authority, prioritizing investments that increase economic development, mobility and safety. NACo will also continue to urge Congress to resolve the long-term solvency of the Highway Trust Fund.

COUNTIES OWN 46% OF ALL PUBLIC ROAD MILES

COUNTIES OWN 38% OF THE NATIONAL BRIDGE INVENTORY

COUNTIES ARE INVOLVED IN A THIRD OF THE NATION'S PUBLIC TRANSPORTATION SYSTEMS AND AIRPORTS

PROTECT THE TAX-EXEMPT STATUS OF MUNICIPAL BONDS

NACo supports preserving the federal deductibility of local property and income taxes and the tax exempt status of municipal bonds that provide critical funding for public facilities, infrastructure and development. Provisions like the tax exemption for municipal bond interest have been part of the federal tax code for over 100 years, helping to efficiently and safely finance trillions of dollars in public works projects.

THE MAJORITY OF TAX-EXEMPT BONDS FINANCE THE BUILDING OF SCHOOLS, HOSPITALS, ROADS AND OTHER INFRASTRUCTURE

75% OF OUR NATION'S PUBLIC INFRASTRUCTURE PROJECTS ARE COMPLETED USING BOND FINANCING

Though not under the jurisdiction of congressional transportation committees, municipal bonds maintaining their tax-free status is paramount for local communities to fund infrastructure projects. While tax reform is debated NACo continues to advocate for these bonds retain their tax-free status. Tax-exempt bonds are a critical tool for counties that facilitates the budgeting and financing of long-range investments in infrastructure and facilities necessary to meet public demand.

Without the tax exemption, counties would pay more to raise capital, a cost that would ultimately be borne by taxpayers, through mean such as reduced spending on roads and bridges that counties are responsible for, decreased economic development, and higher taxes or user fees.

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TRANSPORTATION PRIORITIES 115TH CONGRESS

- FAA Reauthorization
- Ensure county priorities in President-elect Donald Trump's proposed infrastructure plan; Support long-term transportation funding and financing; ensuring the Highway Trust Fund realizes long-term solvency.
- Appropriations (Budget)

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• FAA REAUTHORIZATION

- Current extension expires September 30, 2017
- Reason for previous extension after a long-term bill due to disagreement over the issue of Air Traffic Control (ATC) Privatization
- Both House and Senate hoping to work towards long-term re-authorization, but there is mutual worry of Congressional calendar (ACA, Tax Reform etc.) allowing for a long-term bill debate and consensus by expiration. Possibility of “kicking can down the road” to buy time.
- NACo continues to advocate for a long-term reauthorization that addresses and strengthens support for
    - Airport Improvement Grant Program (AIP) – INCREASED!!!
    - Essential Air Service (EAS) and Small Community Air Service Development Program (SCASDP) – INCREASED!!!
    - Raising the Passenger Facilities Charge (PFC)

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POSSIBLE INFRASTRUCTURE PACKAGE

- Administration
- House
- Senate

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POSSIBLE INFRASTRUCTURE PACKAGE

Administration

- President Trump has stated his desire for a $1 Trillion+ infrastructure plan.
- Would include non-traditional infrastructure sectors such as energy, technology (broadband) and VA Hospitals.
- Administration has touted private sector investment as way to pay for package, including innovative financing (tax credits) and public-private partnerships.
- NACo has been in direct and continued contact with the White House's Special Advisor to the President for Infrastructure concerning county priorities.
- NACo maintains that there must be direct federal funding for infrastructure, as private sector investments are not appropriate for all parts of the country.

Six categories of change to jumpstart infrastructure improvements

	Examples
Launch new projects	Air traffic control reform
Expedite existing projects	Keystone XL pipeline
Adjust policies	Federal Highway Administration SEP-15 program
Adjust regulations	Pre-NEPA right-of-way acquisition and design regulations
Adjust statutes	FPISC creation via the FAST ACT
Expand funding	Broaden TIFIA and Private Activity Bonds; Enable Public-Private Partnerships

INFRASTRUCTURE INITIATIVE
Key Points

- Identify specific projects, impressive in nature, that would benefit large population areas and presumably their economies as well.

- Realign certain public entities for privatization. An early example of this idea is the current push in the administration and by some in Congress to privatize the nation's air-traffic control system. Another idea includes the sale of some government properties to the private sector as a source of revenue generation.

- Leverage the private sector in the form of public-private partnerships. This has long been promoted within the halls of Congress as a way for private dollars to build infrastructure, and collecting a return on the investment through tolls on lanes and bridges.

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"ENCOURAGE SELF HELP"

Most concerning, however, to county governments is the second principle in the document, titled "Encourage Self-Help."

This notion builds upon the administration's desire to force local governments to come up with their own funding, without help from Washington. This would strain the successful federal-state-local partnership in infrastructure that has been a bedrock for decades and place a debilitating burden on the backs of residents in the form of new taxes and degraded infrastructure.

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POSSIBLE INFRASTRUCTURE PACKAGE

Senate

- Senate Republicans await the Administration’s proposal for an infrastructure package but key Transportation Chairman have stated the need for a direct funding component, as all areas of the country would not attract private investment.

- Senate Democrats introduced an “Infrastructure Blueprint” which calls for $210 billion dedicated to roads and bridges with another $200 billion for vital infrastructure and major projects, $180 billion for rail and bus systems, $65 billion for ports, airports and waterways, $110 billion for water and sewer systems, $100 billion for energy infrastructure, and $20 billion for public and tribal lands for construction, maintenance and restoration projects at the four Federal land management agencies including, the National Parks Service, the US Forest Service, the Bureau of Land Management, and the U.S. Fish and Wildlife Service.

    - Besides transportation, the plan includes money for expanding broadband access in rural areas ($20 billion), veterans' hospitals ($10 billion) and funding for schools ($75 billion). The proposal also calls for a $10 billion investment in innovative financing. Patrick Leahy (D-VT), in a press conference this morning, stated that both rural and urban areas’ infrastructure must be addressed in the package. Democrats claim their package would create 15 million jobs.

    - There was no “pay for” for the blueprint when introduced.

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POSSIBLE INFRASTRUCTURE PACKAGE
House of Representatives

- Chairman Bill Shuster just this week stated that he would like to see an infrastructure package introduced this fall. Senior T&I staff tells NACo that Chairman Shuster will evaluate the President's plan when introduced, but will ensure the House of Representatives retains the responsibility of amending and crafting before introduction and passage.

- Ranking Member Peter DeFazio plans to introduce *The Investing in America: A Penny for Progress.* This proposal provides more than $500 billion in infrastructure investment to improve the conditions of our Nation's highways, bridges, and public transit systems, address the Federal underinvestment which has caused the current state of good repair backlog, and address future highway and transit needs through fiscal year (FY) 2030. To finance the additional investment, the Investing in America: A Penny for Progress proposal authorizes the U.S. Department of Treasury to issue 30-year Invest in America Bonds annually, through 2030. Each bond will be repaid at the end of its 30-year term, using revenues from indexing the gasoline and diesel user fee beginning in 2017.

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To Raise or not to Raise, that is the Question……

Trump on the gas tax: President Donald Trump told Bloomberg this week that he "would certainly consider" raising the gas tax, noting that truckers are in favor of it. Trump's infrastructure adviser, Richard LeFrak, speaking with CNBC , praised the president for his "political courage," adding that he believed a gas tax hike is "going to be considered" as part of the infrastructure plan.

But then…: It wasn't long after Trump's interview landed that White House press secretary Sean Spicer sought to quash the gas tax talk, saying Trump "did not express support" for an increase. "He expressed that a group that had met with him expressed support [for] it and that he, out of respect, would consider their request," Spicer told reporters. "That's it - there was no endorsement of it or support for it.“

THANK YOU!

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