NATIONAL ASSOCIATION *of* COUNTIES NACo

2015 AUGUST ADVOCACY *toolkit*

INFORMATION *for* AUGUST ADVOCACY

With Congress in recess for the month of August, county leaders have a great opportunity to advocate for county legislative and regulatory priorities right at home. NACo has put together the following information to help you be an effective advocate during the summer recess.

- Advocacy Opportunities and Planning
- Media Toolkit
- Policy and Regulatory Briefs

ABOUT NACo

The National Association of Counties (NACo) unites America's 3,069 county governments. Founded in 1935, NACo brings county officials together to advocate with a collective voice on national policy, exchange ideas and build new leadership skills, pursue transformational county solutions, enrich the public's understanding of county government, and exercise exemplary leadership in public service.

MISSION

Through NACo, county officials:

- Advocate with a collective voice on national policy
- Exchange ideas and build new leadership skills
- Pursue transformational, cost-effective solutions
- Enrich the public's understanding of county government, and
- Exercise exemplary leadership in public service.

VISION

Healthy, vibrant and safe counties across the United States.

Stronger Counties. **Stronger America.**

ADVOCACY OPPORTUNITIES *and* PLANNING

With the 2015 legislative calendar quickly coming to an end, talk in the nation's capital has shifted to concerns over what is being called "a triple threat for a triple cliff." The U.S. Congress must address the following critical issues before the end of the year: how to proceed on a long-term surface transportation bill, how to find compromise and wrap-up the FY 2016 annual appropriations process without causing a government shutdown, and how to negotiate a budget deal that would likely include a debt-ceiling plan and address federal spending caps. The U.S. House of Representatives is only scheduled to have 43 more in-session days this year, while the U.S. Senate has 60 remaining days in Washington. That doesn't leave much time to finish three major bipartisan, bicameral bills and negotiate with the White House—which will undoubtedly further complicate matters.

Not only must Congress address those three challenges, but they will also likely address many other issues important to our nation's counties. This is why it is so critical to meet with your Members of Congress over the next few months.

Between now and the end of the year, federal lawmakers will be back in their home districts and states more days than they are in Washington. These "district or state work periods," particularly the one occurring during the month of August, provide counties a unique opportunity to communicate with members of Congress and demonstrate your impact within your communities.

If you do not already have plans to meet with your Senators and Representative(s) while they are home, we encourage you to reach out to their offices and request meetings. To schedule a meeting with members of your congressional delegation, you should contact the scheduling staff at the office location nearest to you. Information on office locations and contact numbers can be found on Members' websites. The U.S. House of Representatives directory can be found here and the U.S. Senate directory can be found here.

If possible, county leaders should invite members of Congress and local media to tour county facilities and projects, especially those that closely relate to policy and regulatory issues outlined in this toolkit (e.g. jails, transportation facilities and hospitals that received federal funding, etc.). Lawmakers will appreciate the opportunity to see the facilities supported by federal funds, discuss the programs, meet local elected officials and talk with employees (meaning voters!). Whether you get them in a car and drive around their district or schedule a tour, this is a highly effective way to build the relationship and begin your advocacy efforts.

A federal project tour gives legislators an opportunity to see their contribution to their constituents and also serves as an opportunity for the local community and local elected officials to provide on-site feedback to your members of Congress. If a federal project tour isn't an option for your county, consider inviting your congressional members to attend a county event such as the county fair or county board meeting. Remember to thank them for their time and, if possible, take pictures and issue a press release about the visit.

In addition, in an effort to strengthen the intergovernmental partnership at all levels, NACo has developed the "Counties Connect America" initiative. NACo will use this initiative to leverage the collective political capital of its membership to provide opportunities for county officials to directly engage 2016 presidential and congressional candidates throughout the course of the campaign. On the next page, you will find more information regarding the "Counties Connect America" initiative and ways to become involved.

2016 U.S. PRESIDENTIAL ELECTION

COUNTIES CONNECT AMERICA

OUR NATION'S 3,069 **COUNTIES STAND READY TO WORK TOGETHER** TO NOT ONLY ENSURE A ROBUST INTERGOVERNMENTAL PARTNERSHIP, BUT TO ALSO LEVERAGE OUR COLLECTIVE STRENGTHS **TO HELP MEET THE CHALLENGES AHEAD**.

2016. GET INVOLVED.

#countiesconnectUS

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NACo's 2016 U.S. PRESIDENTIAL ELECTION INITIATIVE: "COUNTIES CONNECT AMERICA"

The upcoming 2016 U.S. presidential election cycle presents counties with an excellent opportunity to connect local elected officials with both state and federal candidates to discuss the importance of a strong intergovernmental partnership. In addition to the White House, the 2016 election cycle will include races for thirty-four Senate seats and thirteen gubernatorial campaigns, with eight states hosting races for both the U.S. Senate and the Governor's mansion in 2016.

NACo has developed the "Counties Connect America" initiative to help county officials engage in the presidential election and for the candidates to learn about counties. With help from state associations, we will drive the message that counties are an integral part of the local/state/federal partnership. Counties are the fabric that connects American civil society - designed to serve as connectors between the federal and state governments and constituents. It is that connection with constituents that serves as the foundation for the initiative's message. Our proximity to the people fosters a heightened level of accountability while generating measurable results.

According to a recent poll on government favorability:

63% of the public had a favorable opinion of **LOCAL GOVERNMENT**

57% of the public had a favorable opinion of **STATE GOVERNMENT**

28% of the public had a favorable opinion of **FEDERAL GOVERNMENT**

*PEW Research Center - March 2013

Through the "Counties Connect America" initiative, county officials can leverage this connection to help demonstrate the significant role counties play in a strong intergovernmental partnership. Additionally, NACo will work to ensure county officials are actively engaged by presidential candidates while providing the necessary tools and information to help deliver the county message.

If you are interested in participating in the "Counties Connect America" initiative or wish to receive updates on candidate engagement opportunities, please email Connect@NACo.org.

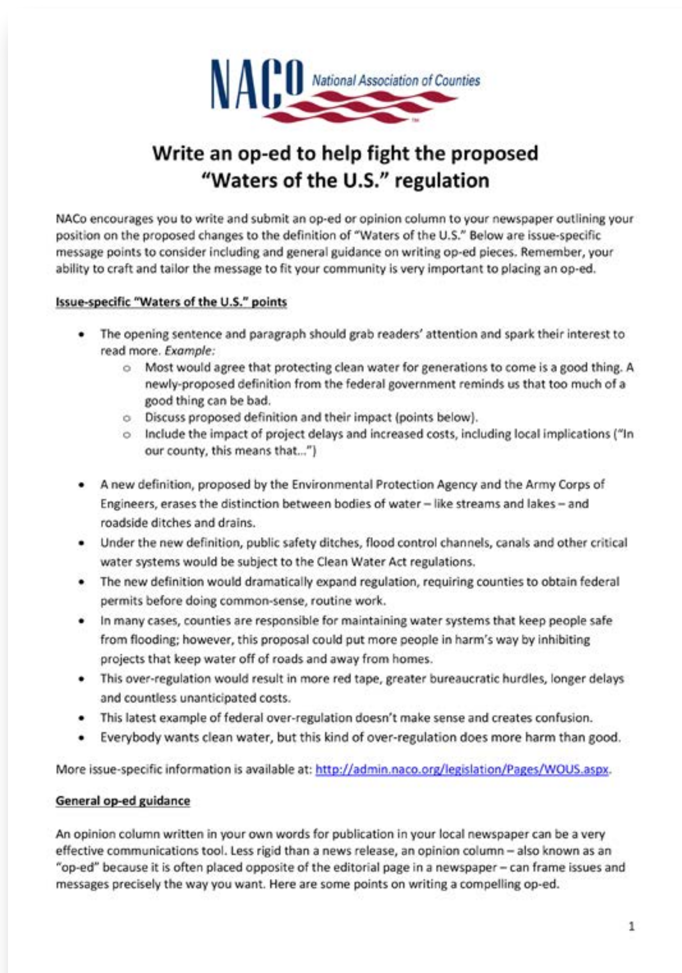
MEDIA TOOLKIT

While members of Congress are in their states and districts during the summer recess, county officials have a great opportunity to work with local media outlets to draw attention to key federal policy priorities. Inform your community about a congressional visit to your county projects through a press release. NACo's Media Relations Guide for Counties is available to assist county officials in working with local media outlets.

Submitting an op-ed or guest commentary to local papers is also an excellent way to express your views in a highly-visible way. NACo created a short guide on writing an op-ed on the proposed redefinition of "Waters of the U.S." along with general guidance on writing effective op-eds. Here is an example of an op-ed in the Denver Post, by NACo President Sallie Clark.

NACo HAS TOOLS TO ASSIST YOU WITH LOCAL MEDIA OUTLETS

- To access the media relations guide, click here
- To access the op-ed guide, click here


NACO National Association of Counties

Write an op-ed to help fight the proposed "Waters of the U.S." regulation

NACo encourages you to write and submit an op-ed or opinion column to your newspaper outlining your position on the proposed changes to the definition of "Waters of the U.S." Below are issue-specific message points to consider including and general guidance on writing op-ed pieces. Remember, your ability to craft and tailor the message to fit your community is very important to placing an op-ed.

Issue-specific "Waters of the U.S." points

- The opening sentence and paragraph should grab readers' attention and spark their interest to read more. *Example:*
  - Most would agree that protecting clean water for generations to come is a good thing. A newly-proposed definition from the federal government reminds us that too much of a good thing can be bad.
  - Discuss proposed definition and their impact (points below).
  - Include the impact of project delays and increased costs, including local implications ("In our county, this means that…")
- A new definition, proposed by the Environmental Protection Agency and the Army Corps of Engineers, erases the distinction between bodies of water – like streams and lakes – and roadside ditches and drains.
- Under the new definition, public safety ditches, flood control channels, canals and other critical water systems would be subject to the Clean Water Act regulations.
- The new definition would dramatically expand regulation, requiring counties to obtain federal permits before doing common-sense, routine work.
- In many cases, counties are responsible for maintaining water systems that keep people safe from flooding; however, this proposal could put more people in harm's way by inhibiting projects that keep water off of roads and away from homes.
- This over-regulation would result in more red tape, greater bureaucratic hurdles, longer delays and countless unanticipated costs.
- This latest example of federal over-regulation doesn't make sense and creates confusion.
- Everybody wants clean water, but this kind of over-regulation does more harm than good.

More issue-specific information is available at: http://admin.naco.org/legislation/Pages/WOUS.aspx.

General op-ed guidance

An opinion column written in your own words for publication in your local newspaper can be a very effective communications tool. Less rigid than a news release, an opinion column – also known as an "op-ed" because it is often placed opposite of the editorial page in a newspaper – can frame issues and messages precisely the way you want. Here are some points on writing a compelling op-ed.

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POLICY *and* REGULATORY BRIEFS

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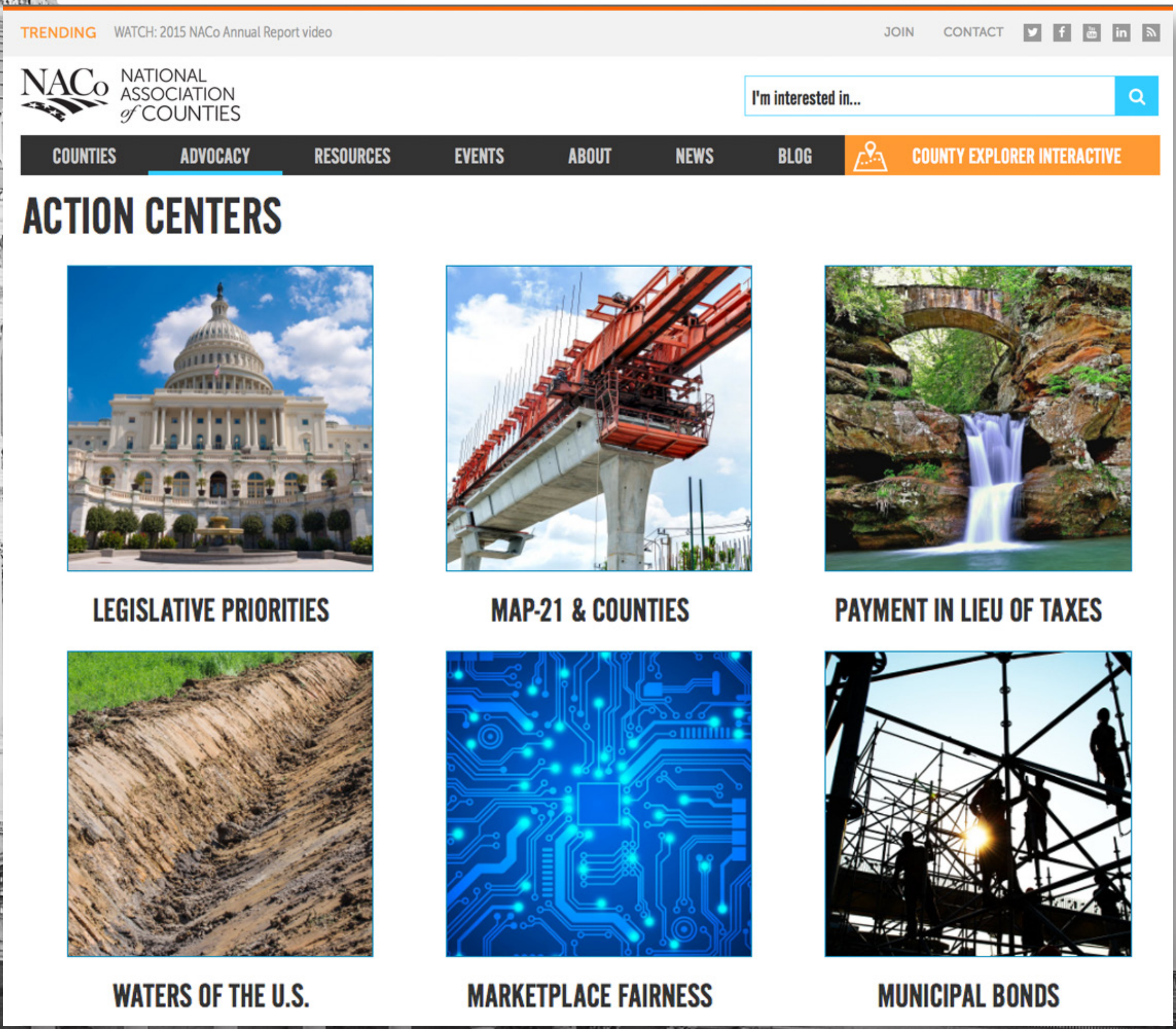
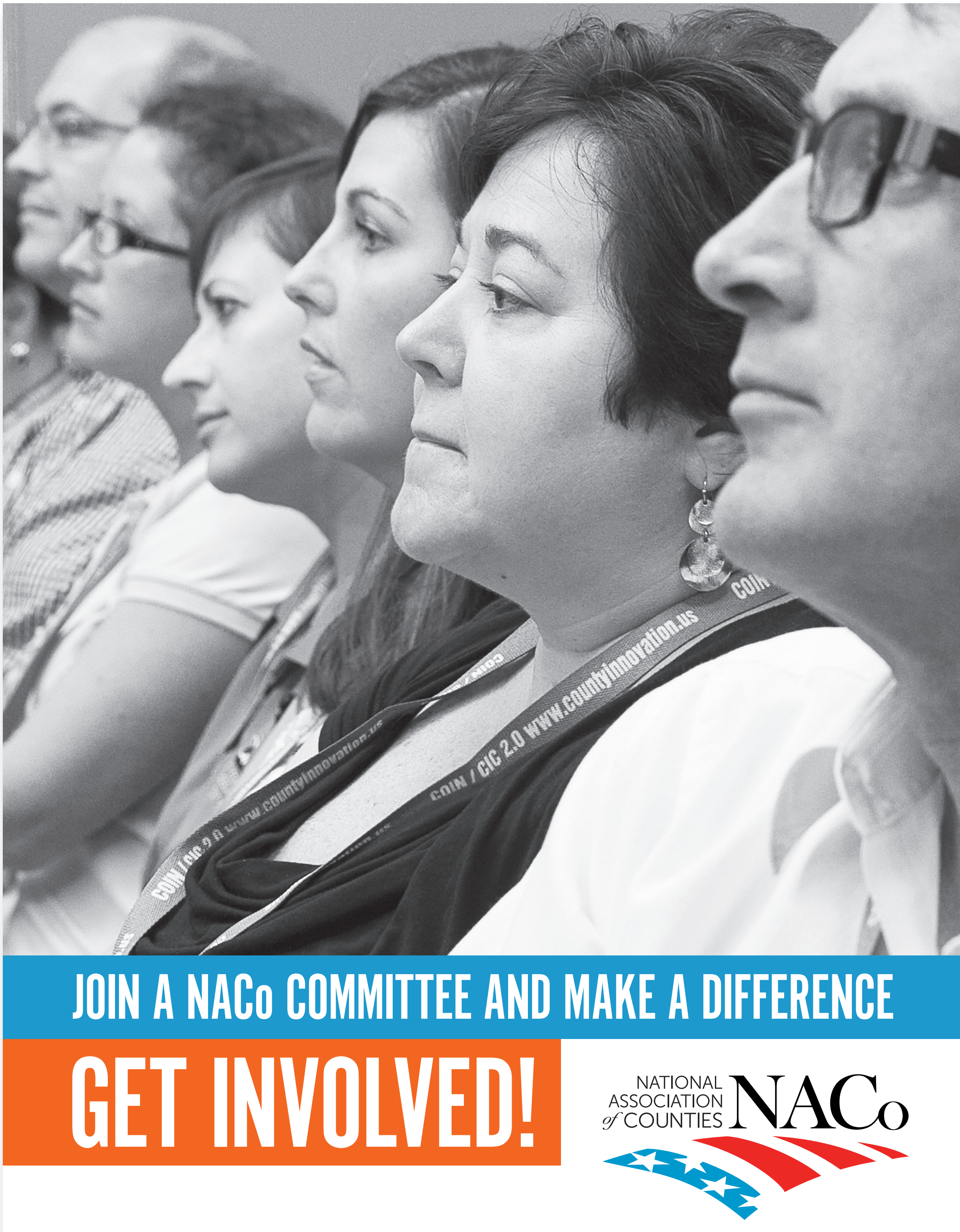
CHECK OUT NACo's ADVOCACY CENTERS



INTERESTED IN WORKING ON THESE ISSUES AT THE FEDERAL LEVEL?

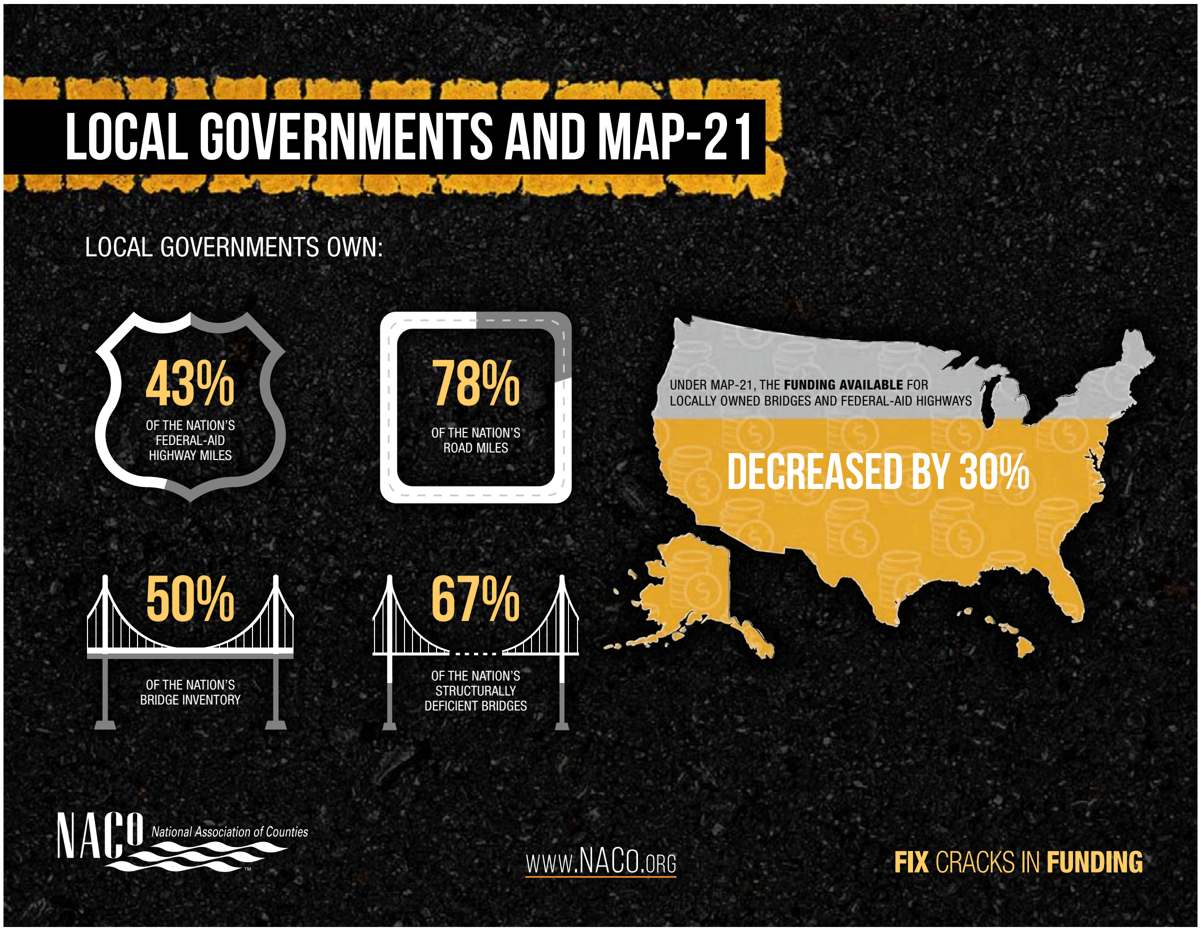


HIGHWAY TRUST FUND *and* SURFACE TRANSPORTATION REAUTHORIZATION

BACKGROUND

In 2012, Congress passed the current federal surface transportation law known as Moving Ahead for Progress in the 21st Century Act (MAP-21). MAP-21 authorized federal highway and transit programs through September of 2014. The programs authorized by MAP-21 are primarily funded through the Highway Trust Fund (HTF). The HTF collects revenue from federal motor fuels taxes to pay for highway and transit projects across the country.

Since 2008, the HTF has experienced funding shortfalls and has required multiple transfers to ensure its solvency and meet its obligations. The HTF's funding shortfalls are primarily caused by lower levels of fuel consumption and the fact that the tax rate on gasoline (18.4 cents per gallon) has not been raised since 1993 and was never indexed to the rate of inflation. In the lead-up to the passage of MAP-21, the Congressional Budget Office predicted that the HTF would become insolvent before the end of 2014. Rather than fix the HTF, Congress deferred action and left the HTF in a dire state, letting the HTF head toward insolvency.



COUNTY INTEREST

Counties own 45 percent of all public roads (compared to the 32 percent of public roads owned by cities and townships, 19 percent by states, and 3 percent by the federal government) and 39 percent of the nation's bridge inventory, and are involved with almost a quarter of the nation's transit systems. As significant owners of the nation's surface transportation network, counties often receive HTF dollars through their State DOTs to support eligible transportation projects. In addition, the policies and programs authorized through MAP-21 and future surface transportation authorization bills impact the funding available for county-owned infrastructure, transportation planning processes, and project delivery requirements and regulations.

STATUS

On July 30, 2015, Congress passed a short-term measure that will keep the HTF solvent and extend MAP-21 through October 29, 2015. In addition, the Senate passed the "Developing a Reliable and Innovative Vision for the Economy (DRIVE) Act," the chamber's six-year authorization bill that includes meaningful policy reforms for counties, such as increased and designated funding for more county-owned bridges, safety reforms for high-risk rural roads and others. Although the bill addresses a number of NACo's priorities for surface transportation reauthorization, NACo continues to be concerned about some specific policy provisions in the bill and hopes to work with Congress over the course of the reauthorization process to make the final bill a better product for counties and county-owned infrastructure. The reauthorization process now turns to the U.S. House of Representatives where committee leadership has committed to working with the Senate to produce a final bill before the latest extension expires in October.

TALKING POINTS:

- Counties play a crucial role in our nation's transportation infrastructure. Counties own 45 percent of all public roads and 39 percent of the nation's bridge inventory, and are involved with a third of the nation's transit systems and airports.
- What's best for America's transportation system and for counties is a long-term vision and funding certainty at the federal level. Therefore, counties urge Congress to work expeditiously to complete work on a six-year reauthorization bill with long-term funding.
- MAP-21 significantly decreased the funding available for locally-owned infrastructure. In fact, due to the program consolidation and elimination under MAP-21, the funding for county-owned and municipal-owned highways and bridges decreased by 30 percent.
- We urge Congress to increase the role of counties in statewide planning and project selection processes. To help achieve greater performance and efficiency of our transportation system, local elected officials should have an elevated degree of involvement in decision-making and are well positioned to provide input on potential projects and support economic and community development.
- Counties urge Congress to provide more funding for the Surface Transportation Program (STP) and increase the portion of STP dollars that are sub-allocated to local areas. The STP program receives 27 percent of the highway funding from MAP-21 but has to support the vast majority of the system (78 percent of the nation's highway miles and 77 percent of the nation's bridges). Before MAP-21, 62.5 percent of the program's funding was sub-allocated to local areas. MAP-21 changed the portion that gets sub-allocated to 50 percent. Counties want Congress to, at minimum, restore the sub-allocated percentage to 62.5 percent.

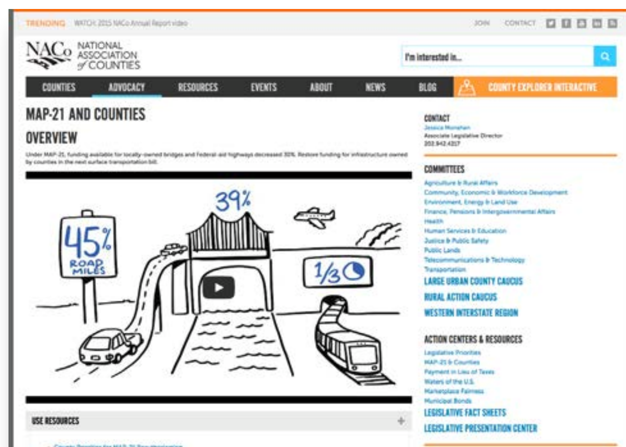
- Counties want to continue funding for public transportation through the HTF. The HTF is made up of to two major accounts: the highway account and the transit account. Currently, 80 percent of the HTF funds federal highway programs and 20 percent funds federal public transportation (transit) programs. Without funding from the HTF, federal transit formula dollars would be subject to the annual appropriations process, which has proven to be an unpredictable and unreliable funding process.
- Counties want Congress to support additional county priorities for MAP-21 reauthorization. For more information on NACo's priorities for MAP-21 reauthorization, click [here](#).

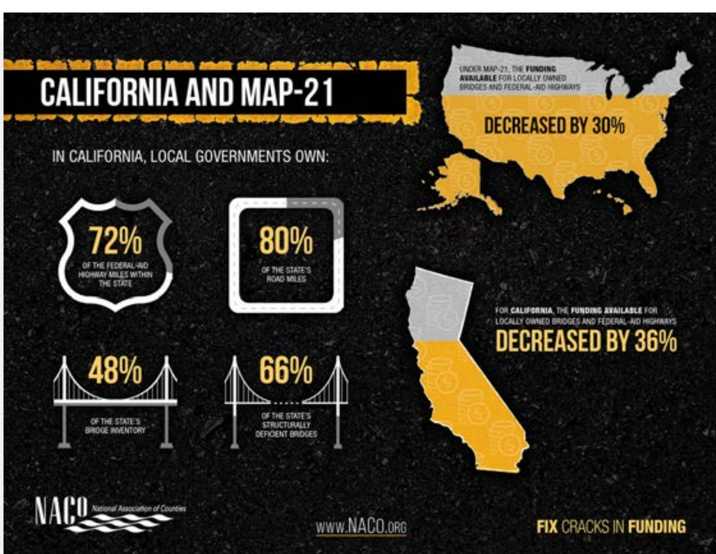
RELEVANT COMMITTEES (FIND YOUR MEMBER):

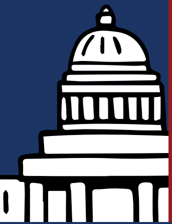
- [House Transportation and Infrastructure Committee](#) (Jurisdiction: Highway and Transit Programs)
- [House Ways and Means Committee](#) (Jurisdiction: HTF)
- [Senate Environment and Public Works Committee](#) (Jurisdiction: Highway Programs)
- [Senate Banking Committee](#) (Jurisdiction: Transit Programs)
- [Senate Commerce Committee](#) (Jurisdiction: Highway Safety and Freight)
- [Senate Finance Committee](#) (Jurisdiction: HTF)

NACo RESOURCES

- To access the MAP-21 state profiles, click [here](#)
- To access the individual state funding and finance profiles, click [here](#)
- To view NACo's transportation advocacy video, click [here](#)



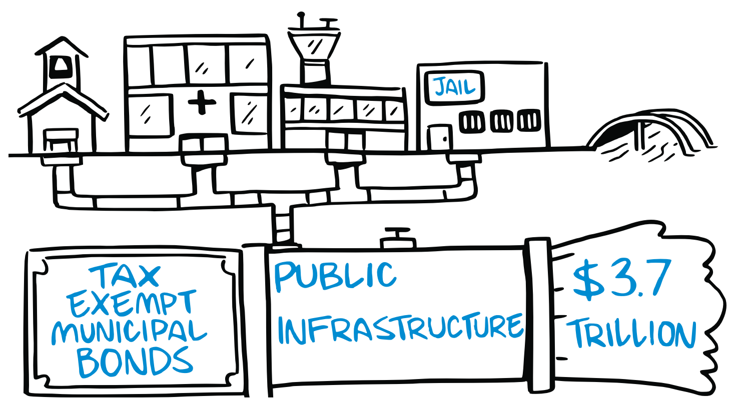




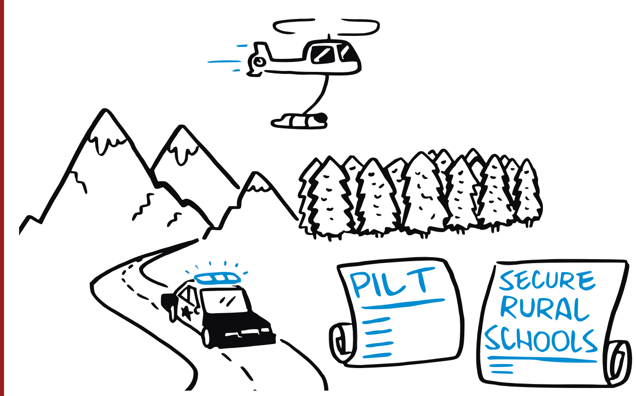
FEDERAL POLICIES MATTER TO COUNTY GOVERNMENT MATTERS TO AMERICA

The public service mission of our nation's 3,069 county governments is clear: foster safe, healthy and vibrant communities. To achieve this shared goal, members of the National Association of Counties stand ready to work with our federal partners to:

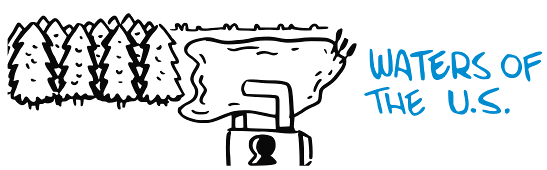
PRESERVE THE TAX-EXEMPT STATUS OF MUNICIPAL BONDS



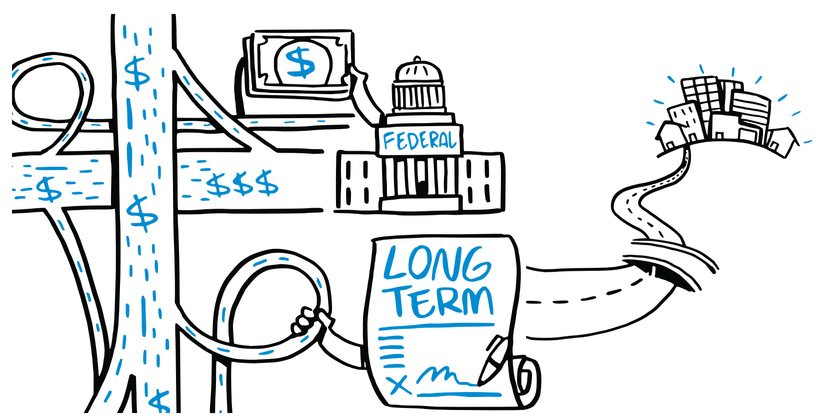
ENSURE FULL FUNDING FOR THE PAYMENT IN LIEU OF TAXES AND SECURE RURAL SCHOOLS PROGRAMS



CREATE A CLEAR, WORKABLE DEFINITION OF "WATERS OF THE U.S."

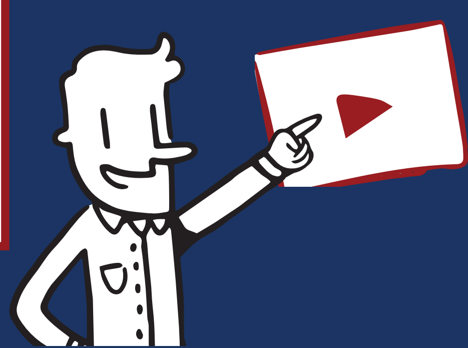


FIX THE HIGHWAY TRUST FUND AND PASS A LONG-TERM SURFACE TRANSPORTATION AUTHORIZATION BILL



ENABLE COUNTIES TO COLLECT EXISTING SALES TAXES ON REMOTE AND ONLINE SALES

LEARN MORE ABOUT AMERICA'S COUNTIES AT
www.NACo.org/CountiesMatter

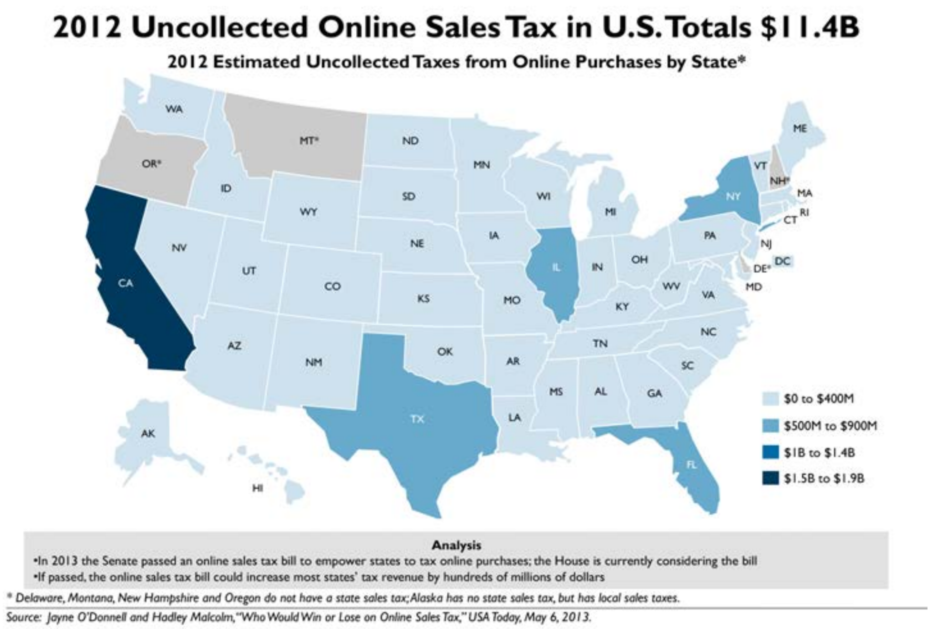


NATIONAL ASSOCIATION of COUNTIES NACo

REMOTE SALES TAX LEGISLATION *and* THE INTERNET TAX FREEDOM ACT

BACKGROUND

There are two issues important to counties related to tax and technology that will potentially see action this fall. The first is the ability to enforce existing sales tax laws on remote or online purchases. The second is an extension of current law that preempts state and local tax authority over Internet access.



For over a decade, NACo has called on Congress to grant state and local governments the authority to enforce existing sales tax laws on remote purchases made over the Internet. Over the years, several legislative initiatives have been introduced to resolve this issue. The 113th Congress saw the most progress when the Senate passed the Marketplace Fairness Act (MFA) of 2013 with a strong bipartisan vote (69-27).

In the 114th Congress, MFA champions, Sens. Michael Enzi (R-Wyo.), Richard Durbin (D-Ill.), Lamar Alexander (R-Tenn.) and Heidi Heitkamp (D-N.D.) reintroduced the MFA as S. 698 in March. In the U.S. House of Representatives, a similar bill, the Remote Transactions Parity Act (H.R. 2775) was introduced by Rep. Jason Chaffetz (R-Utah) with strong bipartisan support. S. 698 is essentially the same bill the Senate passed in 2013 that requires out-of-state merchants to collect the same taxes that merchants on Main Street currently collect. H.R. 2775 is very similar to S. 698 in that it contains the bulk of what is included in the MFA, but would ultimately phase out the exemption under which a small seller would not be required to collect taxes from customers and it includes language that establishes a physical presence standard for the definition of a remote seller. It is currently unclear how differences between the two bills would be resolved but for now, neither measure has seen floor action.

The second issue stems from a law enacted by Congress in 1998 that was intended to serve as a three year prohibition of state and local government taxation of Internet access. The Internet Tax Freedom Act (P.L. 105-277) was subsequently extended several times and the most recent extension (P.L. 113-235) is set to expire September 30, 2015. Since the original intent was to allow the Internet to grow, the preemption of state and local authority on taxing Internet access is arguably no longer needed. The Internet of 2015 is clearly far more advanced than the Internet of 1998 and is ubiquitous in today's global economy.

The ability to decide whether or not a tax on Internet access makes sense based on local needs should be entrusted to those who can best make the decision - state and local governments. Another temporary extension is preferable to the current initiatives being considered by Congress that would permanently extend ITFA (S. 431, H.R. 235). Unfortunately, in June the House passed H.R. 235 by voice vote. It remains unclear when the Senate may take up the measure.

COUNTY INTEREST

The issue of taxing remote sales has compounded in recent years due to the extraordinary development of the Internet's use as a retail marketplace, resulting in billions of dollars lost by state and local governments in uncollected sales taxes and Main Street businesses finding themselves at a significant competitive disadvantage to various online retailers. Further, over the next several years, most telecommunications and cable services will transition to broadband. As a result, the scope of the services that the current Internet access tax moratorium immunizes from state and local taxation will rapidly expand. A temporary extension of the ITFA would allow time to understand and more meaningfully assess what the transition from telecommunications and cable to broadband means for state and local governments, consumers and other industries.

STATUS

Currently, the legislative initiatives described above remain separate measures. There remains a strong possibility that a bill combining an extension of the ITFA with remote sales tax legislation, like the Marketplace Fairness Act or Remote Transactions Parity Act, will be introduced in the coming months.

TALKING POINTS:

- **Urge your Senators to support state and local governments by cosponsoring the Marketplace Fairness Act (S. 698). In the House of Representatives, urge your member to support H.R. 2775, the Remote Transactions Parity Act and consider signing on as a cosponsor.**
- Enacting legislation like the Marketplace Fairness Act or the Remote Transactions Parity Act does not create a new tax. It simply allows state and local governments to enforce existing sales and use tax laws.
- The initiatives would enable states and local governments to collect an estimated $26 billion owed in sales taxes each year that could be dedicated to providing important public services such as infrastructure, education, health and public safety.
- Enacting remote sales tax legislation would level the playing field for Main Street businesses. These businesses are at an estimated five to ten percent competitive disadvantage to remote sellers because of their inability to collect existing sales taxes. Main Street businesses contribute to local economies and are active participants in local communities.
- The technology to help businesses track varying tax rates and collect from customers already exists, reducing the concern that once existed for business. The software that keeps track of tax rates is no more complicated than calculating real-time-shipping, a feature that already exists on most retail websites.
- The Internet of 2015 does not need the same level of protection that the Internet of 1998 required. The original intent of ITFA was to encourage the development of the Internet, since the technology was fairly new. Now that the Internet is weaved into countless aspects of daily life, this justification is no longer applicable given the substantial advancements in technology since 1998.
- Counties would prefer to temporarily extend ITFA, including extending the status of grandfathered states, rather than permanently extend the moratorium on taxing Internet access. A temporary extension

DELIVERING UNCOLLECTED REVENUE

SUPPORT THE MARKETPLACE FAIRNESS ACT

Congress should act now on this critical legislation for counties by combining the Marketplace Fairness Act (MFA) and a temporary extension of the Internet Tax Freedom Act (ITFA) and passing the measure by the end of the year.

- **MFA is not a new tax** it would allow state and local governments to collect existing sales and use taxes on remote sales.
- MFA would enable state and local governments to collect sales taxes that are already owed each year that could be dedicated to providing important local services such as infrastructure, public safety, education and economic development.
- The ITFA was originally intended to be a temporary measure to provide a boost to the then-fledgling Internet. A temporary extension of the ITFA would preserve the intent of the original bill.

Source: NACo Analysis of data from U.S. Census Bureau; U.S. Bureau of Economic Analysis; Federal Communications Commission; University of Tennessee.

MISSING REVENUE IS CRITICAL FOR SERVICES INCLUDING:

ROAD AND BRIDGE MAINTENANCE

LAW ENFORCEMENT

PUBLIC HEALTH

EDUCATION

ECONOMIC DEVELOPMENT

SOLID WASTE DISPOSAL

ENVIRONMENTAL COMPLIANCE

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should preserve ITFA's longstanding grandfather clause that protects an estimated $500 million in annual revenues in seven states - Hawaii, New Mexico, North Dakota, Ohio, South Dakota, Texas and Wisconsin - and recognizes that the Internet access tax moratorium should not be made permanent in the midst of enormous technological change, particularly when telecommunications and cable services are rapidly transitioning to broadband services subject to the ITFA.

RELEVANT COMMITTEES (FIND YOUR MEMBER):

- House Judiciary Committee
- Senate Finance Committee

NACo RESOURCES

- To view your county's individual MFA profile, click here
- To view NACo's MFA Policy Brief, click here
- To view NACo's ITFA Policy Brief, click here

TAX-EXEMPT STATUS *of* MUNICIPAL BONDS

BACKGROUND

Tax-exempt bonds were included in the first tax code in 1913 and are a well-established financing tool. They are predominantly issued by state and local governments for governmental infrastructure and capital needs purposes. The debt issued for capital projects helps governments pay for public projects, such as the construction or improvement of schools, streets, highways, hospitals, bridges, water and sewer systems, ports, airports and other public works.

Tax-exempt bonds are a critical tool for counties that facilitate the budgeting and financing of long-range investments in the 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 the taxpayers through means such as reduced spending on the roads and bridges that counties are responsible for, decreased economic development or higher taxes or user fees.

COUNTY INTEREST

Deficit reduction efforts have already resulted in cuts in aid to local governments from the states and reduced funding for federal programs that support counties. Now counties face the additional risk of not having a low-cost, market-driven means of financing to support local needs.

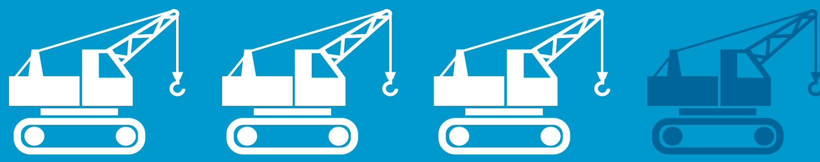
STATUS

Over the last several years, various proposals have recommended measures that would eliminate or limit the benefit of the tax exemption for municipal bond interest. The proposals date back to the 2010 National Commission on Fiscal Responsibility and Reform Recommendations, which would have eliminated the exemption. The last four Presidential Budget Requests would have capped the benefit of the exemption at 28 percent.

Although tax reform efforts stalled in the 113th Congress, new efforts have already begun in the 114th. Components of the numerous proposals that have been released thus far will likely find their way into future reform efforts. Further, as Congress continues to struggle to find a long-term solution for transportation and infrastructure funding, tax-exempt financing will inevitably arise in the debate seeking innovative ways for state and local governments to fund those investments.

TALKING POINTS:

- 75 percent of all national infrastructure projects are completed using bond financing. Counties, localities, states and state/local authorities invested $3.2 trillion in infrastructure using municipal bonds from 2003-2012.



75% *of* NATIONAL **INFRASTRUCTURE PROJECTS** *are* COMPLETED USING **BOND FINANCING**

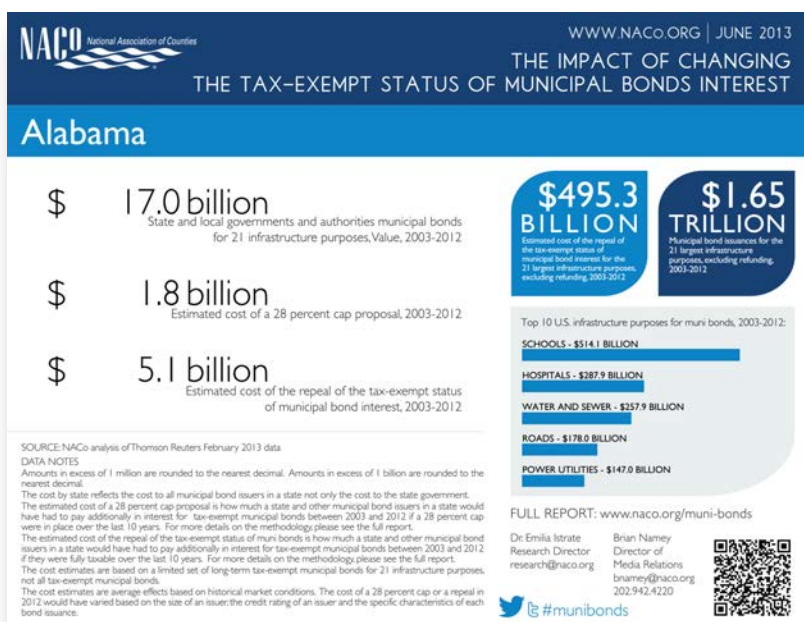
- If municipal bonds were fully taxable during the 2003-2012 period, financing the 21 largest infrastructure projects would have cost state and local governments an additional $495 billion of interest expense. If the 28 percent cap were in effect, the additional cost to state and local governments would have been approximately $173.4 billion.
- The municipal bond tax-exemption represents a fair allocation of the cost of projects between federal and state/local levels of government. Through the use of tax-exempt municipal bonds, state and local governments invested 2.5 times more in infrastructure than the federal government.
- Tax-exempt bonds are vital for infrastructure, justice and health needs because counties own and operate 45 percent of public roads and highways, own almost a quarter of the nation's transit systems and a third of the airports, own 976 hospitals, manage 1,592 health departments and own or operate 2,592 of the nation's jails.

RELEVANT COMMITTEES (FIND YOUR MEMBER):

- House Ways and Means Committee
- Senate Finance Committee

NACo RESOURCES:

- To access the Municipal Bonds research report, click here
- To access your county's individual state profile on the impact of changing the tax-exempt status of municipal bond interest, click here



NACo National Association of Counties

WWW.NACo.ORG | JUNE 2013

THE IMPACT OF CHANGING THE TAX-EXEMPT STATUS OF MUNICIPAL BONDS INTEREST

Alabama

$ 17.0 billion
State and local governments and authorities municipal bonds for 21 infrastructure purposes, Value, 2003-2012

$ 1.8 billion
Estimated cost of a 28 percent cap proposal, 2003-2012

$ 5.1 billion
Estimated cost of the repeal of the tax-exempt status of municipal bond interest, 2003-2012

$495.3 BILLION
Estimated cost of the repeal of the tax-exempt status of municipal bond interest for the 21 largest infrastructure purposes, excluding refunding, 2003-2012

$1.65 TRILLION
Municipal bond issuances for the 21 largest infrastructure purposes, excluding refunding, 2003-2012

Top 10 U.S. infrastructure purposes for muni bonds, 2003-2012:

SCHOOLS - $514.1 BILLION
HOSPITALS - $287.9 BILLION
WATER AND SEWER - $257.9 BILLION
ROADS - $178.0 BILLION
POWER UTILITIES - $147.0 BILLION

SOURCE: NACo analysis of Thomson Reuters February 2013 data

DATA NOTES

Amounts in excess of 1 million are rounded to the nearest decimal. Amounts in excess of 1 billion are rounded to the nearest decimal.

The cost by state reflects the cost to all municipal bond issuers in a state not only the cost to the state government.

The estimated cost of a 28 percent cap proposal is how much a state and other municipal bond issuers in a state would have had to pay additionally in interest for tax-exempt municipal bonds between 2003 and 2012 if a 28 percent cap were in place over the last 10 years. For more details on the methodology, please see the full report.

The estimated cost of the repeal of the tax-exempt status of muni bonds is how much a state and other municipal bond issuers in a state would have had to pay additionally in interest for tax-exempt municipal bonds between 2003 and 2012 if they were fully taxable over the last 10 years. For more details on the methodology, please see the full report.

The cost estimates are based on a limited set of long-term tax-exempt municipal bonds for 21 infrastructure purposes, not all tax-exempt municipal bonds.

The cost estimates are average effects based on historical market conditions. The cost of a 28 percent cap or a repeal in 2012 would have varied based on the size of an issuer, the credit rating of an issuer and the specific characteristics of each bond issuance.

FULL REPORT: www.naco.org/muni-bonds

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#munibonds

PAYMENTS IN LIEU *of* TAXES (PILT)

BACKGROUND

The Payments in Lieu of Taxes (PILT) program was created in 1976 and provides payments to counties and other local governments to offset losses in tax revenues due to the presence of substantial acreage of federal land in their jurisdictions. As federal land is not taxable by local governments, public land counties have struggled to provide adequate services to the public in light of the annual losses in tax revenue. Counties with public lands in their jurisdictions often provide critical services on those lands including law enforcement, search and rescue, fire management, solid waste disposal, and emergency medical services. Today, the U.S. Department of the Interior makes PILT payments to over 1,850 counties in 49 states, the District of Columbia, Guam, Puerto Rico and the U.S. Virgin Islands.

COUNTY INTEREST

The federal government owns roughly 635-640 million acres, or 28 percent, of land in the U.S. Approximately 62 percent of counties have federal public land within their jurisdictions. As federal land is not taxable by local governments, PILT provides payments to counties to offset losses in property tax revenues and also to reimburse counties for the critical services they provide on that land.

STATUS

For FY 2015, PILT was extended with $70 million in appropriations provided by the FY 2015 National Defense Authorization Act (P.L. 113-291) and $372 million in appropriations provided by the FY 2015 Consolidated and Further Continuing Appropriations Act (P.L. 113-235). Together the two bills provided full discretionary funding of $442 million for PILT in FY 2015. In FY 2014, PILT was extended through the farm bill (P.L. 113-79) as a fully funded, mandatory entitlement program at $425 million. Mandatory funding for FY 2013 was achieved through the Moving Ahead for Progress in the 21st Century Act (MAP-21) (P.L. 112-141) and provided $399 million in PILT funding. Previously, the enactment of the Emergency Economic Stabilization Act (P.L. 110-343) provided full funding for PILT from FY 2008 through FY 2012. From 1995 to 2007, PILT remained an appropriated program, and as a result was underfunded year after year. **PILT is a top priority for NACo and counties across the country, and we continue to urge lawmakers to support a fully funded, sustainable, long-term solution.**

TALKING POINTS:

- Without further mandatory funding, PILT will revert to a discretionary program subject to the annual appropriations process. Counties require a public commitment from the administration and Members of Congress to support long-term predictable funding at its full authorized levels for FY 2016 and beyond.

- As local governments are unable to tax the property values or products derived from federal lands, PILT payments are necessary to support essential government services (mandated by law) such as education, first responders, transportation infrastructure, law enforcement and healthcare in over 1,850 counties in 49 states, the District of Columbia, Guam, Puerto Rico, and the U.S. Virgin Islands.
- While the U.S. Senate and U.S. House of Representatives continue to discuss legislative solutions for funding the PILT program, NACo will continue to urge leadership in both chambers and on both sides of the aisle to act in a spirit of bicameral and bipartisan cooperation to work together to pass a final legislative solution.

RELEVANT COMMITTEES (FIND YOUR MEMBER):

- Senate Energy & Natural Resources Committee
- House Natural Resources Committee

NACo RESOURCES

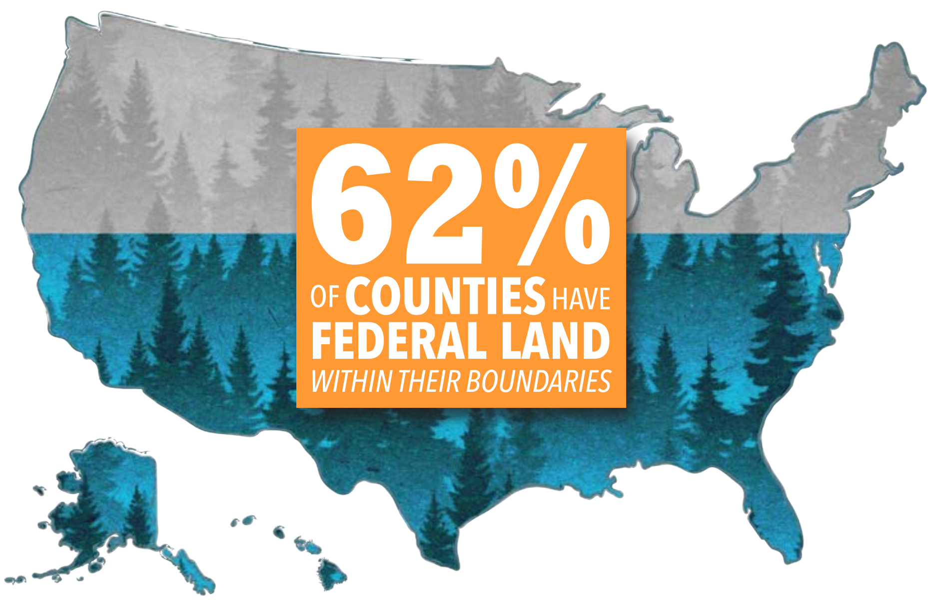
- To view NACo's PILT presentation, click here
- To view NACo's Policy Brief, click here
- To view NACo's PILT advocacy video, click here

2014 PAYMENT IN LIEU OF TAXES (PILT)

U.S. COUNTIES AND PILT

PILT RECEIVED, FY 2014:	PERCENT OF COUNTIES WITH FEDERAL LAND:	MEDIAN PROPERTY TAX GENERATED PER TAXABLE ACRE:	MEDIAN PILT AMOUNT PER FEDERAL ACRE:
$423 M	61.9%	$13.59	$2.58

FEDERAL LANDS, LOCAL COMMUNITIES



- **61.9% of counties have federal land** within their boundaries. Even though they are not able to collect property taxes on federal land, county governments must still provide essential services for their residents and those who visit these public lands each year. Such services include road and bridge maintenance, law enforcement, search and rescue, emergency medical, fire protection, solid waste disposal and environmental compliance.
- Our ask: **Counties urge Congress to provide full funding for PILT in FY 2015 and to support a sustainable long-term approach to financing essential local services in America's public lands counties.**

NOTES: NACo Analysis of Department of the Interior data and Census Bureau Census of Governments data. Taxable acres exclude federal land, but not tribal land.

PILT FUNDING CRITICAL FOR SERVICES INCLUDING:

- ROAD AND BRIDGE MAINTENANCE
- LAW ENFORCEMENT
- SEARCH AND RESCUE
- EMERGENCY MEDICAL
- FIRE PROTECTION
- SOLID WASTE DISPOSAL
- ENVIRONMENTAL COMPLIANCE

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SECURE RURAL SCHOOLS ("SRS" *or* REVENUE SHARING PAYMENTS *to* FOREST COUNTIES)

BACKGROUND

The Secure Rural Schools (SRS) program provides assistance to rural counties and school districts affected by the decline in revenue from timber harvests on federal lands. Historically, rural communities and schools have relied on a share of receipts from timber harvests to supplement local funding for education services and roads. During the 1980s, national policies substantially diminished the revenue-generating activity permitted in these forests. The resulting steep decline in timber sales decreased the revenues that rural counties and school districts received from these timber sales.

COUNTY INTEREST

The SRS program was enacted to provide funding for counties and schools to compensate for steep reductions in revenues from timber harvests. The enactment of a program to share revenues generated from the management of designated federal lands with forest counties and schools would ensure that students receive essential education services and that rural communities have funding for roads, conservation projects, search and rescue missions, and fire prevention programs.

STATUS

On April 16, 2015, SRS was reauthorized retroactively (P.L. 114-10) for FY 2014, providing $285 million to 729 rural counties, parishes and boroughs across the nation. The SRS program is set to expire at the end of FY 2015.

TALKING POINTS:

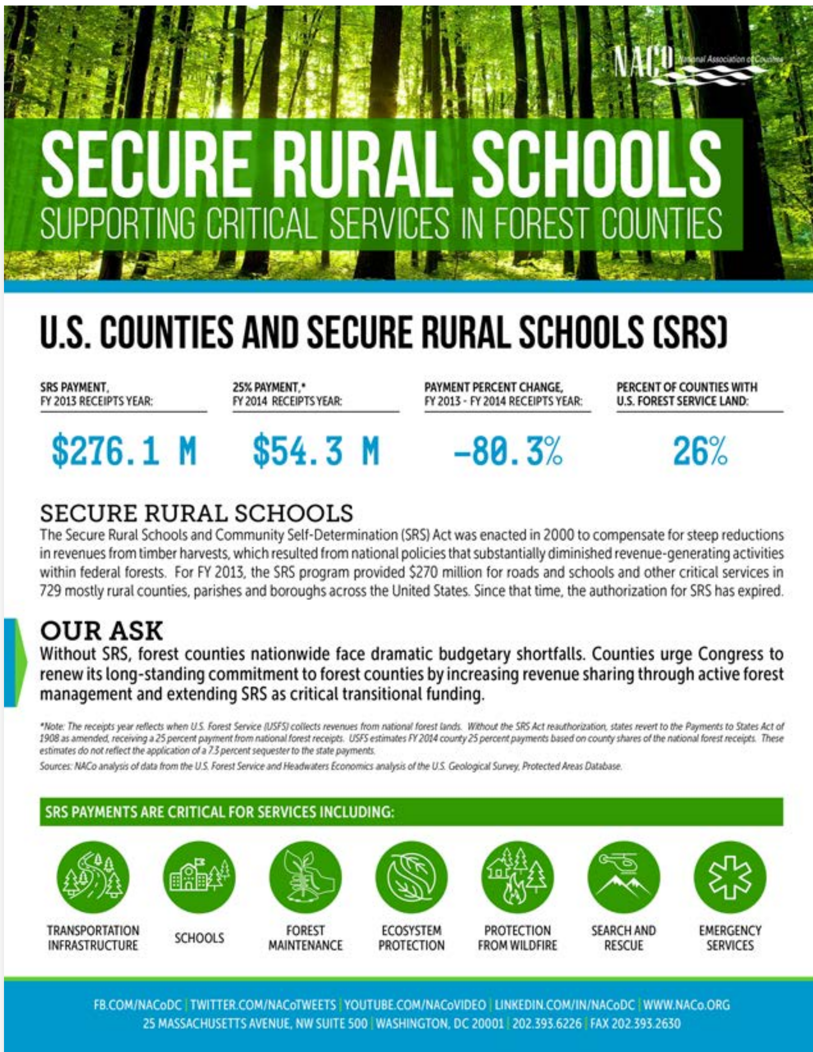
- The expiration of the Secure Rural Schools and Community Self-Determination (SRS) Act at the end of FY 2015 will create dramatic budgetary shortfalls for 729 rural counties unless Congress renews this federal obligation to rural county governments.
- New legislation should be enacted that provides payments to counties and promotes active natural resource management for the stability and well-being of forest counties and communities. NACo supports a forest trust model that would designate specific Forest Service land to be managed by the states on behalf of counties and schools according to state land management practices and federal and state laws as they apply to state land.
- While the U.S. Senate and U.S. House of Representatives continue to discuss legislative solutions for funding the SRS program, NACo will continue to urge leadership in both chambers and on both sides of the aisle to act in a spirit of bicameral and bipartisan cooperation to work together to pass a final legislative solution.

RELEVANT COMMITTEES (FIND YOUR MEMBER):

- Senate Energy & Natural Resources Committee
- House Natural Resources Committee

NACo RESOURCES

- To view your county's SRS profile, click here
- To view NACo's Policy Brief on SRS, click here



NACo National Association of Counties

SECURE RURAL SCHOOLS

SUPPORTING CRITICAL SERVICES IN FOREST COUNTIES

U.S. COUNTIES AND SECURE RURAL SCHOOLS (SRS)

SRS PAYMENT, FY 2013 RECEIPTS YEAR:	25% PAYMENT,* FY 2014 RECEIPTS YEAR:	PAYMENT PERCENT CHANGE, FY 2013 - FY 2014 RECEIPTS YEAR:	PERCENT OF COUNTIES WITH U.S. FOREST SERVICE LAND:
$276.1 M	$54.3 M	-80.3%	26%

SECURE RURAL SCHOOLS

The Secure Rural Schools and Community Self-Determination (SRS) Act was enacted in 2000 to compensate for steep reductions in revenues from timber harvests, which resulted from national policies that substantially diminished revenue-generating activities within federal forests. For FY 2013, the SRS program provided $270 million for roads and schools and other critical services in 729 mostly rural counties, parishes and boroughs across the United States. Since that time, the authorization for SRS has expired.

OUR ASK

Without SRS, forest counties nationwide face dramatic budgetary shortfalls. Counties urge Congress to renew its long-standing commitment to forest counties by increasing revenue sharing through active forest management and extending SRS as critical transitional funding.

Note: The receipts year reflects when U.S. Forest Service (USFS) collects revenues from national forest lands. Without the SRS Act reauthorization, states revert to the Payments to States Act of 1908 as amended, receiving a 25 percent payment from national forest receipts. USFS estimates FY 2014 county 25 percent payments based on county shares of the national forest receipts. These estimates do not reflect the application of a 7.3 percent sequester to the state payments.

Sources: NACo analysis of data from the U.S. Forest Service and Headwaters Economics analysis of the U.S. Geological Survey, Protected Areas Database.

SRS PAYMENTS ARE CRITICAL FOR SERVICES INCLUDING:

TRANSPORTATION INFRASTRUCTURE | SCHOOLS | FOREST MAINTENANCE | ECOSYSTEM PROTECTION | PROTECTION FROM WILDFIRE | SEARCH AND RESCUE | EMERGENCY SERVICES

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2015 POLICY BRIEF

NACo NATIONAL ASSOCIATION of COUNTIES

CONTINUE REVENUE SHARING PAYMENTS TO FOREST COUNTIES

Support the Secure Rural Schools Program

WATERS *of the* U.S. (WOTUS) RULE

BACKGROUND

On June 29, 2015, the U.S. Environmental Protection Agency (EPA) and the U.S. Army Corps of Engineers (Corps) published their Definition of Waters of the U.S. Under the Clean Water Act (renamed the Clean Water Rule) in the Federal Register. It will become effective on August 28, 2015, 60 days after publication.

COUNTY INTEREST

Counties are charged with maintaining public safety infrastructure such as roads and roadside ditches, flood control channels, drainage conveyances, stormwater systems and green infrastructure. As co-regulators under the Clean Water Act, counties are not just another stakeholder in this discussion. Despite having provided detailed feedback and congressional testimony on multiple occasions regarding the potential impact of the proposed rule on counties, and despite repeated attempts to have a meaningful consultation process with the federal agencies, many issues remain unsolved. Despite assurances from the agencies that ditches are exempt, actual language of the rule remains unclear, meaning many county owned ditches may still fall under federal authority.

STATUS

On May 12, the U.S. House of Representatives passed the Regulatory Integrity Protection Act of 2015 (H.R. 1732) by a vote of 261-155. This bill would withdraw the final rule and require the agencies to restart the rule-making process, inclusive of state and local governments. On June 10, the U.S. Senate Committee on Environment and Public Works passed a similar measure, the Federal Water Quality Protection Act (S. 1140). Both the U.S. House of Representatives and the U.S. Senate's FY 2016 Interior, Environment, and Related Agencies appropriations bills contain language to stop the final "waters of the U.S." rule from being implemented. Congress must pass an appropriations bill by the end of the fiscal year on September 30, and it's likely that language will be included. However, President Obama has expressed opposition to both H.R. 1732 and the interior appropriations language and has threatened to veto these measures.

WHAT COUNTIES CAN DO:

While the rule is finalized, there are still several actions counties can take before (and after) the rule is implemented. These include:

- Contact your members of Congress, especially your Senators, and urge them to support any legislative vehicle that would stop the final rule until key issues are resolved.
- Send a letter to the U.S. Senate Committee on Environment and Public Works Chairman James Inhofe (R-Okla.) explaining how the rule will impact your county and why a legislative fix is needed.
- Write a letter to the editor or an op-ed for your local newspaper—NACo can provide you with examples

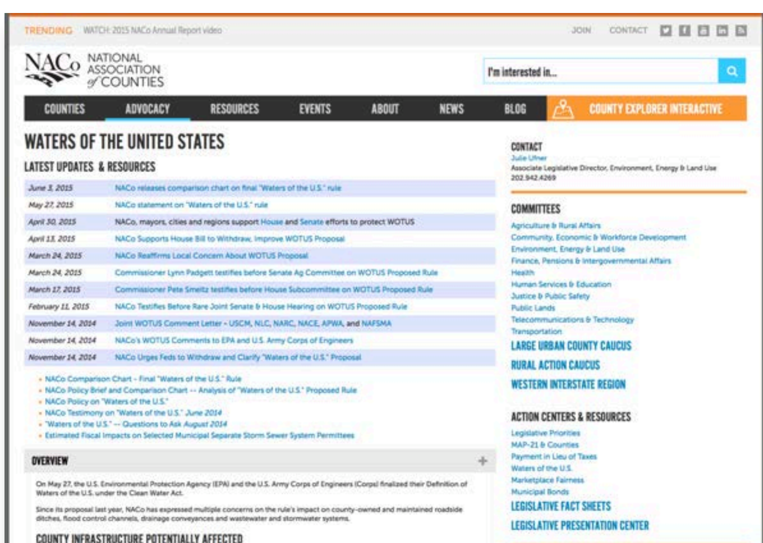
- Talk to other local and state government officials, including elected city and state representatives, and educate them about the potential impacts of the final rule. For example, the National Conference of State Legislatures will be holding their conference in early August and will be debating policy in support of S. 1140. Educate your state representatives about the impact of this rule.
- Plan site visits. Take your Congressional members (or their staff) to see the county's vast network of roadside and drainage ditches, flood control channels, stormwater features or wastewater recycling infrastructure to demonstrate how the final rule would impact your county.
- Urge your county policy and technical staff to engage with the Corps at the local/corps district level. In many cases, regional Corps staff will be the ones providing "on the ground interpretation" of the new regulation, and feedback of this type could:
  - (a) further inform forthcoming implementation guidance and
  - (b) provide opportunities for establishing indispensable working relationships between counties and the Corps.

RELEVANT COMMITTEES

- Senate Environment and Public Works Committee
- Senate Appropriations Committee
- House Transportation and Infrastructure Committee
- House Appropriations Committee

NACo RESOURCES

- To access the NACo policy brief on Waters of the U.S., click here
- To access the WOTUS information hub (which includes comments, letters and other resources), click here



FEDERAL-STATE-LOCAL PARTNERSHIP *for* MEDICAID

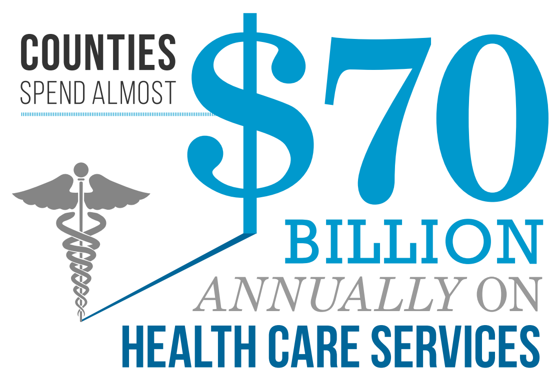
BACKGROUND

Established 50 years ago, Medicaid is a federal entitlement program authorized under the Social Security Act that provides health and long-term care insurance to 70 million low-income families and individuals-one in five Americans. Medicaid is jointly funded by federal, state and local governments, including counties in many states. While the federal government has oversight over the Medicaid program, states administer the program with assistance from counties. Traditionally, Medicaid has served three categories of low income people: (1) families, children and pregnant women, (2) the elderly, and (3) the disabled. However, under the Affordable Care Act, states can choose to expand coverage to a fourth category: low-income adults without children. Currently, 31 states and the District of Columbia have exercised this option.

COUNTY INTEREST

Counties play a pivotal role in caring for America's low-income residents, often providing a safety net for those who are unable to afford medical care. In a majority of states, counties are required to provide health care for low-income, uninsured or underinsured residents — care that is often not reimbursed. Counties' ability to raise funds for these obligations is limited in most states since 38 states impose some limitation on counties' property tax rates and property assessments, typically the primary revenue source for counties.

Despite such limitations, counties invest heavily in the health and well-being of local residents. For instance, counties annually invest almost $70 billion in community health. Counties may contribute up to 60 percent of the share of Medicaid costs that are not covered by the federal government in each state (also called the non-federal share). At least 16 states require counties to make such contributions. In FY 2012, local governments, including counties, contributed $28 billion to the non-federal share of Medicaid.



Not only do counties help fund Medicaid, but they also serve as Medicaid providers. Counties deliver Medicaid-eligible services through 976 county-supported hospitals, 692 county-supported and supported long term care facilities, 750 behavioral health authorities, and 1,592 county public health departments. These local health systems increase access to care for all residents, improving health, productivity and quality of life. Medicaid also reduces counties' costs for providing otherwise uncompensated care and helps counties retain doctors and other health professionals, especially in rural and underserved areas.

STATUS

The House and Senate's FY 2016 budget agreement calls for repealing the Medicaid expansion and deeply cutting the rest of Medicaid by approximately $500 billion over the next decade. It also essentially calls for the block granting of Medicaid, which would result in states receiving a fixed amount of federal funding each year, regardless of changes in program enrollment and mandates. Currently, the federal share of Medicaid increases as enrollment in state programs increases. If such proposals are enacted, states will have to increase Medicaid spending to make up for federal cuts or reduce access to care for beneficiaries. Both options would shift costs to taxpayers and reduce counties' capacity to provide for the health and well-being of residents.

TALKING POINTS:

- Medicaid is already a lean program. Medicaid's average cost per beneficiary is significantly lower than private insurance, even with its comprehensive benefits and lower cost-sharing. Counties have made the most of Medicaid's flexibility by leveraging local funds to construct systems of care for populations that private insurance does not cover. New limits on counties' ability to receive supplemental payments or raising the non-federal match would compromise the stability of the local health care safety-net.
- A Medicaid block grant would not reform Medicaid – it would merely shift expenses to state and county taxpayers. According to the Congressional Budget Office, the House FY 2013 budget resolution's block granting of Medicaid would have cut $770 billion over ten years, causing states to either increase health care spending to make up for the federal cut or reduce access to care for beneficiaries. Either option would shift costs to county taxpayers and reduce counties' capacity to provide health care services, including those mandated by state laws.
- Imposing spending caps on Medicaid will not address the underlying drivers of the program's costs. Caps do not account for long-term trends like the aging population and rising health care costs that are projected to drive higher federal entitlement spending in the coming years. Complying with a cap designed to significantly reduce the deficit would require major cuts to the federal contribution. States, and ultimately counties, would absorb this cost shift.

RELEVANT COMMITTEES:

- House Energy & Commerce Committee
- Senate Finance Committee

NACo RESOURCES

- To view NACo's Medicaid presentation, click here

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Please be sure to let NACo know about your advocacy efforts, and share pictures and media coverage with NACo's Legislative Director, Deborah Cox at dcox@naco.org.

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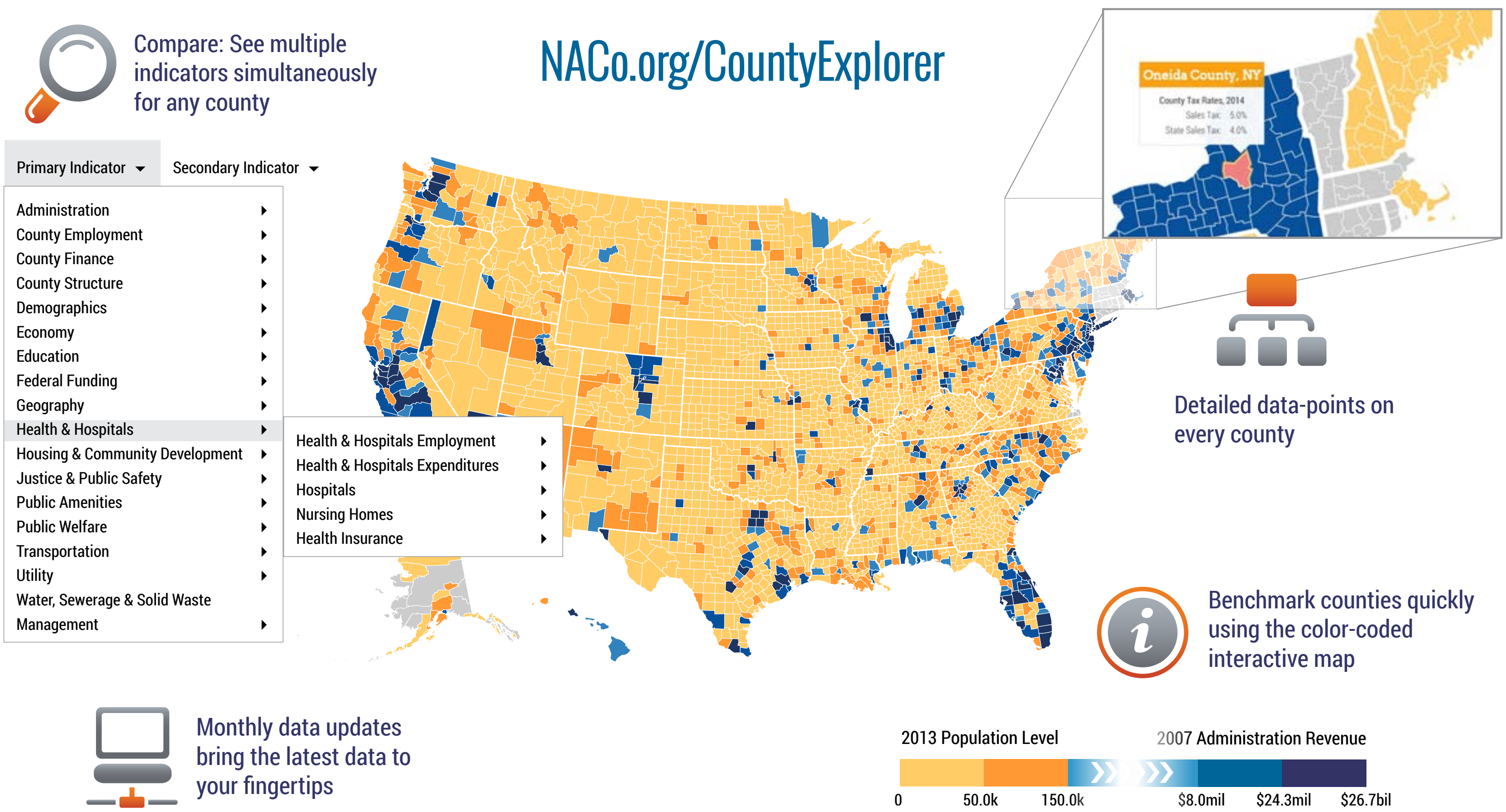

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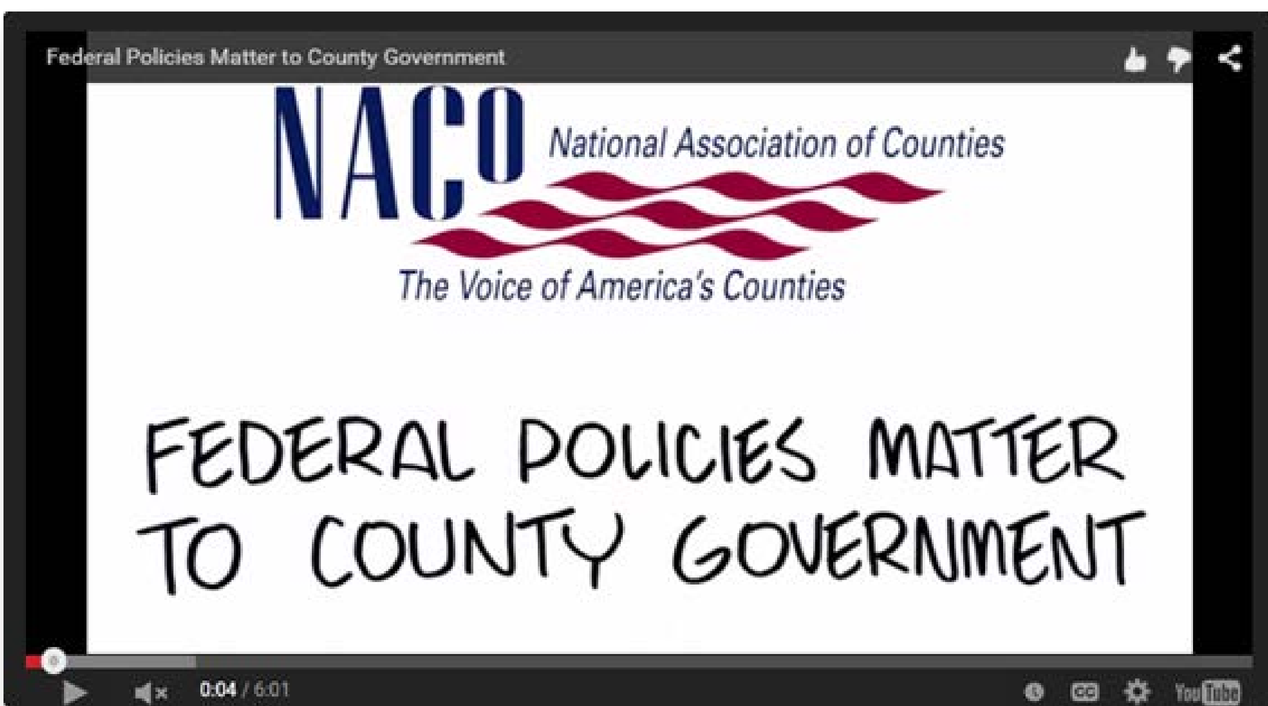
FEDERAL POLICIES MATTER TO COUNTIES *and* COUNTIES MATTER TO AMERICA

Check out NACo's advocacy videos detailing specific county priorities, such as the Payments in Lieu of Taxes (PILT) program, transportation infrastructure investments and the "Waters of the U.S." rule. These videos will provide a short summary of why federal policies matter to counties and reiterate the need for action on these crucial issues. Click on the boxes below to watch.



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