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Date: December 1, 2017

Re: **2017 Legislation and Legislative Issues**

In the early hours of the morning of September 16th, both houses of the California State Legislature adjourned the first year of the 2016-2017 legislative session. As is typical of the end of session in Sacramento, the legislature wrestled with a few incredibly important issues until the very last moment. When the dust settled, along with approving and sending Governor Brown hundreds of bills, they managed to concur on a few issues that had remained unresolved from the 2015-2016 session. Along with approving a long awaited \$4 billion housing bond for the November General Election Ballot, they passed a \$4 billion parks and water bond for the June 5th Statewide Primary Election Ballot and SB 54 (dé Leon), the so called “Sanctuary State” bill. Also, in a major victory for California local governments, a months long campaign by mostly local government entities and non-profits was able to force the brakes on AB 1250 by Assemblyman Jones-Sawyer, that would have dramatically changed and complicated the way local governments establish personal services contracts.

And so it began...

2017 started out on some rocky footing. Governor Brown’s initial budget offering included a \$4.4 billion IHSS cost shift to counties. To make matters worse, his proposed budget included no revenues to pay for the added costs to counties. Counties were also dealt another significant blow as the Governor’s budget also outlined an end to the IHSS MOE as a result of the discontinuation of the Coordinated Care Initiative. The resulting \$625 million cut, combined with the IHSS cost shift set the stage for a very busy year. It is also worth mentioning that the 2015-2016 legislative session ended without resolution on three of California’s biggest issues/priorities, addressing California’s affordable housing crisis, its chronic homelessness problem and the critical need for repair of California’s local roads and streets. 2017 was going to be a year of challenges for both the Legislature and California’s local governments.

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Just a few weeks later, on January 24th, in front of a joint session of the legislature, Governor Brown swore in the State's 33rd Attorney General, Xavier Becerra. Becerra was appointed by the Governor to fill the void left by Kamala Harris, who was elected to fill outgoing Senator Barbara Boxer's seat. Becerra's congressional seat (CD 34) was filled by then Assemblyman, Jimmy Gomez. Gomez' 51st Assembly District seat remains vacant, and is currently contended by an incredibly crowded field of more than a dozen, mostly Democratic, candidates. In his brief tenure, Becerra has already waded into high profile battles with the Trump Administration on U.S. – Mexico Border Wall construction, federal immigration enforcement and greenhouse gas regulation.

In the first week of April, the logjam of big ticket items that the legislature had not been able to resolve in the last legislation seemed to break. On April 6th, both houses passed SB 1 (Beall) and ACA 5 (Frazier). Together, these bills increased several taxes and fees to generate roughly \$52 billion over 10 years to pay for deferred maintenance on state highways and local streets and roads, and to improve the state's trade corridors, transit and active transit facilities. Further, ACA 5 added a constitutional protection for the funding to ensure that it will be used solely for transportation purposes. While this victory was not a panacea for all of the issues plaguing California's aging transportation infrastructure, it was a significant step forward for the state and local governments.

On May 11th, Governor Brown released his much anticipated \$124 billion May Revise Budget document. The Governor's proposal included an appropriation (over 4 years) to counties for mitigating the impacts of the aforementioned IHSS cost shift. Though this proposal was far better than the Governor's initial proposal to immediately shift a \$623 million dollar obligation to counties, it still leaves local governments with a significant financial and administrative burden going forward. The Governor's revised proposal also proposed a \$500 million child care package, and a \$6 billion pay down for unfunded CalPERS pension obligations that relied on the Proposition 2 Rainy Day Account. The May Revise was slightly larger than last year's \$122.3 billion budget. The overall increase came from an increase in the capital-gains revenue. Despite the increase in revenue, the budget still predicts a \$3.3 billion shortfall for 2017-2018 (down from a predicted \$5.8 billion shortfall predicted when the Governor's initial budget was proposed in January).

Yet another on time budget...

The legislature passed another on-time state budget on June 15th, and Governor signed the document on the 27th. The total budget package (including GF, Special and Bond Funds) topped out at just over \$183 billion. Among other things, the plan included \$74.5 billion for K-12 education, expanded the earned income tax credit, used \$1.26 billion in tobacco tax revenue to raise Medi-Cal provider rates, increased childcare provider reimbursement rates and included \$8 million to

provide access to full-day preschool for 2,059 children from low income working families.

Along with the Budget and associated trailer bills, the legislature passed several other significant pieces of legislation on a number of subjects. They passed bills that 1.) curtailed the powers of the Board of Equalization 2.) lengthened the amount of time available to qualify a recall ballot measure, in hopes thwarting the effort to recall Senator Josh Newman 3.) reconciled portions of Proposition 64 with previously passed marijuana regulatory legislation 4.) strengthened dam safety rules.

The final push...

When the legislature reconvened from its summer recess, the halls of the Capitol were filled with the regular end-of-session chaos that comes with the glut of legislation released (and/or held) from the legislature's fiscal committees. Along with the regular amending and vote wrangling, legislative leaders and the Governor were working behind the scenes to garner enough support to finally move on legislation addressing affordable housing and homelessness, parks / drought / water / conservation and an extension of the state's cap and trade program. When the dust settled, in the wee hours of September 16th, the Legislature also sent Governor Brown:

AB 398 (Garcia) – Extends California's cap-and-trade program until 2030.

SB 2 (Atkins) - Enacts the Building Homes and Jobs Act that requires certain percentages of moneys, collected through a \$75 fee on real estate transaction documents, be made available to local governments and the Department of Housing and Community Development to provide funding for affordable housing.

SB 3 (Beall) – Enacts the Veterans and Affordable Housing Bond Act of 2018, and authorizes the issuance of \$4 billion in general obligation bonds for affordable housing programs and a veteran's home ownership program, subject to approval by the voters in the November 6, 2018 election.

SB 35 (Wiener) - Creates a streamlined, ministerial approval process for infill developments in localities that have failed to meet their regional housing needs assessment (RHNA) numbers.

SB 5 (de León) – Proposes the Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access for All Act of 2018, subject to voter approval in the *June, 2018*, election. This bill proposes the issuance of \$3.5 billion in general obligation bonds to implement its provisions. This bill contains \$52 million for natural community conservation plans.

And also....

There were two significant, if only temporary, victories for CA local governments in the last hours of session. **AB 1250 (Jones-Sawyer)**, which would have established new standards for the use of personal services contracts for counties was never brought up for a vote on the Senate Floor. The bill had been referred to Senate Rules committee earlier in the month and many felt that it was incredibly likely that the bill would resurface as a last minute play as local governments and labor continued to firm up support for final floor votes. Local governments would win the day, as the bill was never referred out of Rules Committee. Though stalled for the year, none expect that we've seen the last of 1250. Advocates on both sides continue to strategize in anticipation of a 2018 push of 1250 or similar legislation.

The second major victory for CA local governments was the stalling of SCA 12 (Mendoza), which would have increased the size of Boards of Supervisors in California's largest counties and forced those counties to have an elected executive and a new budget approval process. In a bit of a surprise, Senator Mendoza, in his floor presentation of the bill, committed to work on the bill in the interim and to remove the elected executive and budget adoption language. The bill was subsequently voted to the Assembly where no further action was taken. Negotiations continue.

But you can't win them all...

Senator Hueso was able to get SB 649 which establishes a statewide framework for streamlining the permit siting process for small cell wireless facilities made its way to the Governor's desk, despite a massive advocacy effort made by scores of local government entities, labor and community groups.

Or maybe you can...

In one of his last bill actions of 2017, on his bill signing deadline date, at 11:56 PM (according to the press release), the Governor announced that he had vetoed SB 649, stating in his veto message that:

"There is something of real value in having a process that results in extending this innovative technology rapidly and efficiently. Nevertheless, I believe that the interest which localities have in managing rights of way requires a more balanced solution than the one achieved in this bill."

The final analysis...

All in all, 2017 was an incredibly productive year for the Legislature and Governor. Along with another on-time budget, they were able to make forward progress on numerous fronts where progress had been elusive. That being said, 2018 will continue to demand their attention and action as policies are implemented and anticipated revenues will need to be allocated. Much as the

end of the 2017 session was focused on legislation that CA local governments were concerned with, 2018 will likely begin in the same manner. And while that is a full plate, 2018 is also an election year. Attention to the regular business of running the largest state in the Union will be challenged by the prospect of a new Governor, legislative members and leaders in both houses, state Constitutional officers and any number of ballot measures that qualify. And, if that wasn't enough, US House and Senate seats will be up for grabs and the field of challengers for both continues to grow every day. Next year will be a test of endurance no matter how you measure it.

Contra Costa County Advocacy Bills:

AB 18 (Garcia) - Enacts the California Clean Water, Climate, Coastal Protection and Outdoor Access For All Act, which would authorize the issuance of bonds to finance a clean water, climate, and coastal protection and outdoor access for all program. Provides for the submission of these provisions to the voters at the statewide direct primary election.

Status: *In Senate Appropriations Committee*

AB 205 (Wood) - Implements provisions regarding federal regulations governing Medicaid managed care plans. Authorizes a person to request a hearing involving a MediCal managed care plan within a specified number of days after receiving a specified notice. Requires the Department of Health Care Services to develop standards for specified provider types to ensure covered services are accessible to enrollees of MediCal managed care plans, and establishes timely appointment standards for MediCal managed care plans.

Status: *Signed by Governor, Chapter 738, Statutes of 2017*

AB 435 (Thurmond) - Authorizes certain counties to develop and implement individualized county child care subsidy plans. Requires the Early Education and Support Division of the State Department of Education to review, and approve or disapprove the plans. Authorizes local policy to supersede state preschool eligibility periods.

Status: *Signed by Governor, Chapter 703, Statutes of 2017*

AB 557 (Rubio) - Authorizes, as of July 1, 2018, applicants for and recipients of CalWORKs benefits, who have experienced domestic violence, to be eligible for CalWORKs homeless assistance and good-cause exemptions from school participation and immunization requirements under specified circumstances.

Status: *Signed by Governor, Chapter 691, Statutes of 2017*

AB 732 (Frazier) - Extends indefinitely the operation of the authorization to advance funds to reimburse local agencies under a program for the maintenance or improvement of project or non-project levees.

Status: *Held on Senate Appropriations Committee Suspense File*

AB 818 (Burke) - Permits a CalWORKs recipient to request an extension to the 24-month welfare-to-work time clock in order to obtain a high school education or its equivalent, or to participate in education or activities subsequent to the acquisition of a high school diploma or its equivalent.

Status: *Signed by Governor, Chapter 141, Statutes of 2017*

AB 1250 (Jones-Sawyer) - Establishes specific standards for the use of personal services contracts by counties. Requires the county to demonstrate that the proposed contract will result in costs savings to the county and to show that the contract does not cause displacement of county or city workers. Establishes liability provisions for employment law violations and torts committed in the course of providing services under contract. Imposes disclosure requirements on contracts.

Status: *Held in Senate Rules Committee*

AB 1268 (Reyes) - Creates the Domestic Violence and Sexual Assault Prevention Fund to provide grants to nonprofit organizations for the purpose of funding programs that incorporate comprehensive, evidence-based, and promising practices to prevent domestic violence and sexual assault. Requires grants to be awarded by the Office of Emergency Services according to criteria for funding. Creates specified requirements for organizations receiving funds.

Status: *Held on Senate Appropriations Committee Suspense File*

AB 1404 (Berman) - Revises exemptions from the California Environmental Quality Act to include proposed residential and mixed-use housing projects occurring within an unincorporated area of a county. Requires the Office of Planning and Research to recommend proposed regulatory amendments for the implementation of these provisions.

Status: *Held on Senate Appropriations Committee Suspense File*

AB 1603 (Ridley Thomas) - Provides that persons who are employed jointly by a public agency and any other employer (e.g., a private staffing agency or registry) at specified public clinics or hospitals are public employees subject to the Meyers-Milius-Brown Act. The bill also provides that these public/private jointly-employed employees may be included in appropriate bargaining units without the consent of any agency or joint employer.

Status: *Senate Inactive File*

SB 1 (Beall) - Increases several taxes and fees to raise the equivalent of roughly \$52.4 billion over ten years in new transportation revenues and makes adjustments for inflation every year; directs the funding to be used towards

deferred maintenance on the state highways and local streets and roads, and to improve the state's trade corridors, transit, and active transportation facilities.

Status: *Signed by Governor, Chapter 5, Statutes of 2017*

SB 171 (Hernandez) - Implements various provisions in regard to governing Medicaid managed care plans. Requires the department to determine the remittance amount on a plan-specific basis for each rating region of the plan and to calculate the federal and nonfederal share amounts associated with each remittance. Requires the nonfederal share of amounts remitted by a Medi-Cal managed care plan to be transferred to the Medically Underserved Account for Physicians within the Health Professions Education Fund.

Status: *Signed by Governor, Chapter 768, Statutes of 2017*

SB 231 (Hertzberg) - Relates to a provision of the California Constitution that requires that assessments, fees, and charges be submitted to property owners for approval or rejection after the provision of written notice and the holding of a public hearing.

Status: *Signed by Governor, Chapter 536, Statutes of 2017*

SB 522 (Glazer) - Dissolves the existing elected board of the West Contra Costa Healthcare District. Requires the Board of Supervisors of the County of Contra Costa, at its election, to either serve as the district board.

Status: *Senate Rules Committee*

SB 649 (Hueso) - Establishes a statewide framework for streamlining the permit siting process for small cell wireless facilities that meet specified requirements. Specifically, this bill requires an administrative and encroachment permit in lieu of a discretionary permit for installations in the right-of-way and also within a commercial or industrial zone, limits the fees to these attachments to all costs plus \$250, and establishes other requirements.

Status: *Vetoed by Governor*

SB 704 (Galgiani) - Requires that the Division of Boating and Waterways collaborate with the California Conservation Corps and use members of the corps in implementing its invasive aquatic plants control programs.

Status: *Signed by Governor, Chapter 247, Statutes of 2017*

SCA 3 (Dodd) - Creates an additional exception to the 1% real property tax limit for a rate imposed by a city, county, or special district to service bonded indebtedness incurred to fund public library facilities, that are approved by a certain percentage of the voters of the city, county, or special district.

Status: *Senate Inactive File*

SCA 12 (Mendoza) - Provides that in a county that is found, beginning with the 2020 census, to have a population of more than 5 million, the measure requires a governing body consisting of a sufficient number of members as to ensure that each member represents a district containing a population equivalent to no more than 2 districts in the U.S. House of Representatives. Requires a county that is found to have a population of more than 5 million to have an elected county executive.

Status: *In Assembly*