

TO: Members, County of Santa Barbara Legislative Committee

FROM: Cliff Berg, Legislative Advocate
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RE: June 2015 State Update

DATE: June 29, 2015

The Governor and Democratic legislative leaders reached a final budget agreement after the legislature sent the Governor their budget on June 15, 2015 that failed to address any of his priorities and spent more money than he was prepared to spend. The legislature then took up the “baby budget” and the budget trailer bills on Friday, June 19, 2015. This package was then signed on June 24, 2015.

The highlights of the budget agreement are listed below. Keep in mind he also called two special sessions that will be of interest to the County, one on transportation and one on Medi-Cal, which seems to be ever expanding as it relates to health care in general.

Counteracting the Effects of Poverty: The agreement implements the first-ever California Earned Income Tax Credit (\$380 million) to help the state’s poorest working families.

Paying Down Debt: The agreement pays down billions in debts, including completely paying off school deferrals (\$1 billion) and debts owed to local governments since 2004 (\$765 million). The agreement also completely retires \$15 billion in Economic Recovery Bonds used to cover budget deficits as far back as 2002, as well as \$3.8 billion in mandate debt owed to K-14 schools.

Saving for a Rainy Day: The agreement saves \$1.9 billion in the state’s Rainy Day Fund as required by Proposition 2, bringing the balance to \$3.5 billion.

Some other highlights include

- \$40 million to expand Medi-Cal to cover all low-income undocumented children effective May 1, 2016 (\$132 million when fully implemented).
- \$265 million to fund 7,000 additional preschool slots and 6,800 child care slots, plus a rate increase for all providers.
- \$97 million over the January budget for the California State University to expand enrollment and focus on increased success.
- \$226 million on a one-time basis to restore the 7 percent reduction in service hours for In-Home Supportive Services.
- \$500 million (Proposition 98) for a one-time teacher effectiveness block grant.

Special Sessions

Transportation:

Caltrans, the state's Transportation Department, maintains 50,000 lane-miles of highway and nearly 13,000 state-owned bridges. While the repair, maintenance and efficient operation of the state's highway system are vital to the state's continued economic growth, current funding fails to adequately fund this necessary work. The state's current fuel excise tax is sufficient to fund only \$2.3 billion of work—leaving \$5.7 billion in unfunded repairs each year.

The Governor proposes that the Legislature enact permanent and sustainable funding to maintain and repair the state's transportation and critical infrastructure, improve the state's key trade corridors and complement local infrastructure efforts.

The Republican Caucus in both houses announced their own deal on June 29, 2015, details are not available yet, but will update staff once we can review their proposal.

Medi-Cal/Health Care:

The Governor also called a special session to address the financing of the state's core health program – Medi-Cal. The state's recent expansion of health care coverage under the Affordable Care Act has resulted in more than four million additional Californians receiving coverage through Medi-Cal.

Since 2005, the state has levied a tax on Medi-Cal managed care plans. The revenues are matched by the federal government and used to both increase payments to Medi-Cal providers and offset health care costs that would otherwise be paid from the General Fund. This funding mechanism has helped the state pay for the increased number of Californians receiving coverage under federal health care reform.

Unfortunately, the state's current managed care organization (MCO) tax structure fails to comply with new federal requirements that such a tax be broad-based and not limited narrowly to Medi-Cal plans. The current structure, which expires at the end of fiscal year 2015-16, generates \$1.1 billion. The Governor's January budget proposed a modified MCO tax that would be levied on a per-enrollee basis and cover most health care plans regulated by the Department of Managed Health Care.

In the special session, the Governor proposes that the Legislature enact permanent and sustainable funding to provide at least \$1.1 billion annually to stabilize the state's General Fund costs for Medi-Cal, sufficient funding to continue the restoration of the 7 percent of In-Home Supportive Services hours and funding for additional rate increases for providers of Medi-Cal and developmental disability services. The funding could come from the proposed MCO tax and/or alternative sources and is necessary to prevent over \$1 billion in program cuts next year.

Bills of Interest to the County

AB 3 (Williams) This bill would express the intent of the Legislature to clarify and establish the necessary authority for the creation of the Isla Vista Community Services District within the unincorporated area of Santa Barbara County. The substance of the bill has been amended into the measure and we understand that the county is reviewing the language currently in order to provide additional input and potentially take a position. The County is in support of the bill. The bill has been referred to the Senate Governance and Finance Committee and will be heard on July 8, 2015.

AB 45 (Mullin) This bill is opposed by the County. The bill would mandate cities and counties that provide residential collection and disposal of solid waste to create a household hazardous waste (HHW) baseline and to meet an unspecified diversion requirement for HHW collection. The bill was opposed by many cities and counties. The bill is now a two-year bill, it will be taken up again in January.

AB 514 (Williams) This bill is the County sponsored bill which was introduced by Assembly Member Das Williams. This measure is an attempt to address the inadequacy of the current fines and penalties system for local governments. Under current law the violations are rather insignificant therefore people are not discouraging from violated them, we are hopeful that this will provide additional incentives to work with the locals to provide the best outcomes for our local communities. The bill has been referred to the Assembly Local Government Committee but has not been set for a hearing at this time. We are continuing to work with the author on some clarifying amendments; the bill will be heard in the Senate Governance and Finance Committee on July 8, 2015.

SB 13 (Pavley) This bill would provide a local agency or groundwater sustainability agency 90 or 180 days, as prescribed, to remedy certain deficiencies that caused the board to designate the basin as a probationary basin. This bill would authorize the board to develop an interim plan for certain probationary basins one year after the designation of the basin as a probationary basin. The bill also state that if the department determines that all or part of a basin or subbasin is not being monitored, would require the department to determine whether there is sufficient interest in establishing a groundwater sustainability plan. The bill will also serve as a vehicle for any necessary clean-up to the major ground water bill package passed and signed into law in 2014. The County does not have a position on this bill, but we are watching it as it moves through the process. This bill passed off of the Senate Floor today and now heads to the Assembly where it will be heard in the Assembly Water Parks and Wildlife Committee where it will be heard on June 30, 2015.

SB 122 (Jackson, Hill and Roth) This bill is a vehicle for potential CEQA reform. The bill would require the lead agency, at the request of a project applicant and consent of the lead agency, to prepare a record of proceedings concurrently with the preparation of a negative declaration, mitigated negative declaration, EIR, or other environmental document for projects. The bill would state the intent of the Legislature to enact legislation establishing an electronic database clearinghouse of notices and environmental document prepared pursuant to CEQA, establishing a public review period for a final environmental impact report, and relating to the record of proceedings for a project for which an environmental impact report is prepared pursuant to CEQA. This County is supporting the bill. The bill has been referred to the Assembly Natural Resources Committee; it will be heard on June 29, 2015.

SB 128 (Wolk and Monning) The bill is the End of Options Act. It is modeled after a law in Oregon that allows a person who has received a life ending diagnosis to work with their physician to determine if they would like to option to end their life in their own manner. The bill is scheduled to be heard in the Assembly Health Committee, however was pulled and put over due to the lack of votes; the author's continue to work with the Committee in an effort to obtain those necessary votes. The County is supporting the bill.

SB 658 (Hill) The County is supporting this measure. This bill revises the maintenance and training requirements for placement of automated external defibrillators (AEDs) in commercial buildings and K-12 schools that are conditions for obtaining qualified immunity from civil liability for the selection, installation, placement, and use of AEDs in those facilities. This bill is scheduled to go the Assembly Floor, it passed out of Assembly Judiciary Committee on June 23, 2015 with no opposition.

SB 788 (McGuire) The County is supporting this measure. This bill eliminates the exception in the California Coastal Sanctuary Act of 1994 (AB 2444, O'Connell) (CCSA) that allows the State Lands Commission (Commission) to issue an offshore oil lease if state oil or gas deposits are being drained by wells on federal lands and the lease is in the best interests of the state. The bill will be heard in Assembly Natural Resources, it is scheduled to be heard on June 29, 2015.

Conclusion

The legislature is working towards the summer recess; they will adjourn on July 17, 2015 and reconvene on August 17, 2015. This will carry them through the end of session, which is September 11, 2015; there is much work to be done in an effort to get the bills moved to the Governor for his action. He will then have until October 11, 2015 to sign or veto any bills that land on his desk. As always, if you or your staff has any questions, please don't hesitate to contact us.