

TO: Members, County of Santa Barbara Legislative Committee

FROM: Cliff Berg, Legislative Advocate  
Kristina Gallagher

RE: 2017 June Update

DATE: July 3, 2017

The deadline to pass the bills introduced in the house of origin was June 2<sup>nd</sup> and Legislators are now hearing bills in policy committees in the second House. The fiscal bills that made it out of suspense in house of origin will now have to pass the other house's policy committees before the July 14<sup>th</sup> deadline which is the last day for policy committees to hear and report fiscal bills for referral to fiscal committees. All bills without a fiscal impact have to be out of policy committees by July 21<sup>st</sup>, which is when the Legislature breaks for Summer Recess.

On June 15<sup>th</sup> the Legislature sent their budget package to the Governor that consisted of the main budget bill and over a dozen trailer bills. The Governor signed the 2017-18 state budget without any line-item veto actions on June 26<sup>th</sup> upon agreement with Senator Pro Tem Kevin de Leon and Assembly Speaker Anthony Rendon, which consisted of \$125.1 billion in general fund spending. In his statement, the Governor emphasized the uncertainty from the Federal Administration and therefore added \$1.8 billion to the state's Rainy Day Fund, bringing the fund to a total of \$8.5 billion in 2017-18, as well as paying down debt and liabilities from past borrowing and state employee pension liabilities.

The In-Home Supportive Service (IHSS) maintenance of effort (MOE) was introduced in trailer bill form, SB 90/AB 106 which remained in the May Revision form that CSAC and the Administration negotiated on. The 2017-18 State Budget will give counties time to ease into the costs by phasing in the costs to counties year by year, as well as bring down the overall cost shift from \$623 million to \$592.2 million. As negotiated, the budget will include \$400 million in state funding for 2017-18, and an overall of \$1.1 billion in state general fund contributions to mitigate the cost shift to counties over the next four years, with a provision to reopen the conversation for funding in later years.

The Governor is still waiting to sign the budget trailer bill, AB 114, that would ensure that the MHSA funds are being used to provide critical community mental health services. The County is in strong support of the MHSA trailer bill because it would preserve critical MHSA funding that might otherwise be clawed-back to the state, which would reduce the local control granted in MHSA to implement the local plan to address Santa Barbara County mental health needs.

The County's 3<sup>rd</sup> District Supervisor Joan Hartmann visited Sacramento on June 28<sup>th</sup> to provide testimony on the County's sponsored legislation AB 556 (Limon). Cliff Berg and Supervisor Hartmann also went to meet with the Governor's Office on AB 556 (Limon) in order discuss the Governor's veto of AB 514 (Williams), and any concerns they might have with AB 556 (Limon).

The Supervisor also met with Legislators and Counsel to discuss a variety of other County issues.

The Supervisor and Cliff Berg testified at the Senate Governance and Finance Committee hearing on June 28<sup>th</sup>, in support of AB 556 (Limon). The Chair of the Committee, Senator Mike McGuire (D-Healdsburg) spoke in favor of the legislation, which the committee voted in support of with a 6-1 vote, with only one Republican voting against the bill.

In its current form, AB 556 (Limon) would change the current \$100 maximum fine for a single occurrence or \$500 maximum after multiple violations of local zoning codes or permit conditions, to allow the County the option to increase these fines to \$150 for a first time violation and up to \$2,500 per violation after three or more violations, and would allow counties to impose larger administrative fines for professionally organized special events that are held on private property and are commercial in nature. The bill will now go to the Senate Floor.

### **2017-18 State Budget**

The Governor signed the 2017-18 state budget on June 26<sup>th</sup> that is a total of \$183 billion, and consists of \$125.1 billion in general fund spending. The Governor's priorities were to provide funds to roads and bridges, pay down debt, invest in schools, fund the earned income tax credit and provide Medi-Cal health care for Californians.

Although some cuts remain from the January Budget, the 2017-18 budget offers funding on a couple of previously approved programs. Some highlights include:

- Augments the Rainy Day Fund by \$1.8 billion bringing the fund to a total of \$8.5 billion in 2017-18
- Provides an additional \$1.4 billion next year for the Local Control Funding Formula for K- 12 schools and a total of \$14.5 billion General Fund for higher education, with additional funds provided in the next year to expand capacity for California students at the state's public institutions.
- Reduces pension liability with a \$ 6 billion supplemental payment to the California Public Employees' Retirement System (CalPERS) through a loan from the Surplus Money Investment Fund, which is estimated to save the State \$11 million by 2020.
- Accelerates \$2.8 billion toward improving commutes, fixing roads, strengthening overpasses and bridges and building mass transit.
- Expands California's Earned Income Tax Credit for people who are self-employed and for outreach services.
- Continues investments in Medi-Cal, including \$546 million for Proposition 56 programs.

### **Discontinuing of the County IHSS MOE**

The Administration brought down the \$623 million in IHSS costs to the counties to \$592.2 million. CSAC has been in negotiations with the Administration since the beginning of the year

in order to try to bring the number down from \$623 and give counties time to ease into the new county costs.

The 2017-18 state budget kept the May Revision, which includes an overall \$1.1 billion in state general fund contributions over the next four years to mitigate the \$592.2 million cost shift to counties. The trailer bill reinstates a county MOE structure with no inflator in 2017- 18, rising to five percent in 2018-19, and seven percent in 2019-20 and so on:

- Year One (2017-18) – \$400 million state general fund
- Year Two (2018-19) – \$330 million state general fund
- Year Three (2019-20) – \$200 million state general fund
- Year Four (2020-21) & Every Year Thereafter – \$150 million state general fund

As previously stated, the Governor’s original proposal in January would have shifted more than \$600 million in IHSS costs back to counties. As approved, the overall state cost shift is now \$592 million, with \$400 million in state funding for 2017-18, and the provision to revisit the idea of getting more funding for the out years.

### **CalWorks Single Allocation Budget Cut**

The 2017-18 state budget provides \$108.9 million in one-time state General Fund to augment the Single Allocation in 2017-18. This funding will help counties mitigate the impact of the Governor’s proposed \$248 million cut from the Single Allocation and reduce the potential service and staff reductions at the county level.

The May Revise proposed cuts will result in negative effects in the County’s welfare-to-work programs and will enact service reductions, such as elimination of subsidized employment programs and positions, which will result in many layoffs. Although the amount was not restored, the Single Allocation of \$108.9 million will help reduce some of the impact.

### **Tribal Tax Issues**

AB 653 (Ridley-Thomas) is legislation sponsored by the Chumash Tribe, which states that beginning the 2018-19 fiscal year, property owned in fee by a federally recognized Indian Tribe is exempt from taxation if the following conditions are met: The tribe has submitted an initial written request or trust application to the US Department of the Interior and the department has determined that the initial written request trust application is complete, and that the tribe has submitted both of the following to the assessor: documents establishing that the tribe is federally recognized and documents establishing that the initial written request or trust application is under consideration by the US Department of the Interior. The legislation passed the Assembly Revenue and Taxation Committee on May 8<sup>th</sup> and then the Assembly Appropriations Committee on May 17<sup>th</sup>. The bill passed the Assembly Floor on June 1st with a 75-1 vote, and has been referred to the Senate Governance and Finance Committee, but has not been scheduled for a hearing.

We have discussed Santa Barbara County's potential concerns with the author's staff. The amendments on May 30<sup>th</sup> have changed the bill to provide the tax exemption from date of application to some kind of determination by the US Department of the Interior.

We also discussed the bill with CSAC, they are still focused on possible amendments, rather than taking a position. They see two issues that need to be addressed: 1) the assessor's ability to verify the application and 2) paying back the country if the application is denied.

### **Transportation**

At the end of April, the Governor signed SB 1 (Beall/Frazier), which is now the Road Repair and Accountability Act of 2017. The 2017-18 state budget implements the Road Repair and Accountability Act of 2017, which returns the gas tax's purchasing power to 1994 levels and provides \$54 billion in new funding over the next decade, split evenly between state and local funding. The first \$2.8 billion of new funding will:

- Focus on "fix-it-first" investments to repair neighborhood roads and state highways and bridges (\$1.3 billion).
- Make key investments in trade and commute corridors to support continued economic growth and implement a sustainable freight strategy (\$450 million).
- Match locally generated funds for high-priority transportation projects (\$200 million).
- Invest in passenger rail and public transit modernization and improvement (\$635 million).

#### **The Road Repair and Accountability Act of 2017 - Purposes and Allocations**

The package allocates \$5 billion per year in funding at full implementation

- \$1.5 billion for the SHOPP to maintain state highways and freeways
- \$1.5 billion directly allocated to cities and counties equally for local streets and roads
- \$750 million for transit operations and capital
- \$685 million in General fund loan repayments by June 2020, split approximately evenly between state highways, local roads, and transit.
- \$400 million for bridge repair and maintenance allocated to Caltrans
- \$300 million for goods movement/freight projects
- \$200 million in local partnership funding for the 24 self-help counties (CTC guidelines will be developed to allocate funding)
- \$250 million for the new "Solutions for Congested Corridors" program (a competitive program to funding project nominated by regional transportation planning agencies or county transportation commissions)
- \$100 million for the Active Transportation grant program for bike and pedestrian facilities (counties are eligible applicants for these grants)
- \$25 million for Freeway Service Patrol
- \$25 million for local planning grants for local and regional agencies to implement state goals related to regional transportation planning, including SB 375

- \$7 million for UC and CSU Transportation Research
- Repayment of \$706 million in outstanding General Fund Transportation loans from prior to Proposition 22:
- \$550 million split evenly between the state and local governments
- \$236 million for transit

#### Revenue Sources Timeline for Phasing In

- New gasoline fuel excise tax of 12 cents/gallon beginning **November 2017**
- End Board of Equalization Price-Based gas tax adjustment and reset rate to 17.3 cents in **July 2019**
- New diesel fuel excise tax of 20 cents/gallon beginning **November 2017**
- Diesel sales tax increase of 4% starting **November 2017**
- Transportation Improvement Fee: \$25-175 per vehicle starting in **spring 2018**:
  - \$25/year for cars valued less than \$5,000 (46% of all cars)
  - \$50/year for cars valued between \$5,000 and \$25,000 (41% of all cars)
  - \$100/year for cars valued between \$25,000 and \$35,000 (7% of all cars)
  - \$150/year for cars valued between \$35,000 and \$60,000 (5% of all cars)
  - \$175/year for cars valued over \$60,000 (1% of all cars)
- Zero emission vehicle (ZEV) fee of \$100/year, starting in **2020**

#### Local Road Maintenance and Rehabilitation Funding

- Road Maintenance and Rehabilitation Account Funding will be allocated to state highways and local road projects by formula.
- \$3 billion/year will be split evenly between the state and local governments, with cities and counties evenly sharing the local funding.
- Eligible projects for local Road Maintenance and Rehabilitation funding include, but are not limited to, the following:
  - Road maintenance and rehabilitation
  - Safety projects
  - Railroad grade separations
  - Complete street components, including active transportation purposes, pedestrian and bicycle safety projects, transit facilities, and drainage and stormwater capture projects in conjunction with any other allowable project
  - Traffic control devices
  - Funds may also be used to satisfy a match requirement in order to obtain state or federal funds for allowable project.
  - Cities and counties with average pavement condition index scores exceeding 80 could use funding for transportation priorities other than those listed above.

### Cannabis

The passage of Prop 64 allowed the recreational use of marijuana in California which created a number of cannabis bills, trailer bill language and regulations by the Bureau of Marijuana

Control and CalCannabis, which will shape cannabis cultivation, retail sale, manufacturing, and distribution in California.

In addition to Prop 64 which was approved in 2016, the Governor signed into law the Medical Cannabis and Regulatory Safety Act (MCRSA) in 2015. These two laws contain several differences, therefore in addition to the \$94.6 million appropriated in the budget to implement California's cannabis laws, the budget package included an updated trailer bill, SB 94, that reinforced the medical and adult-use cannabis regulatory frameworks that were established under the Medical Cannabis and Regulatory Safety Act (MCRSA) and Proposition 64, into one single regulatory system for commercial cannabis activity, known as the Medicinal and Adult-Use of Cannabis Regulatory and Safety Act (MAUCRSA).

The new package includes a number of priority items for local governments, including maintaining comprehensive local control and taxation authority while also creating a more streamlined approach for the state-local licensure process.

Although the Department of Food and Agriculture and CalCannabis published their proposed draft regulations for implementing the Medical Cannabis Regulation and Safety Act (MCRSA) in April, the 2017-18 state budget passed trailer bill legislation changed current law. In order to be consistent with changes in the law, the Bureau will have to withdraw proposed regulations and propose a set of new regulations.

### **Cannabis Related Legislation**

AB 64 (Bonta) contains a variety of provisions. It adds clarity about for-profit and non-profit types of businesses operating under the Medical Cannabis Regulation and Safety Act (MCRSA), and makes changes to storefront access requirements and restrictions on advertising. AB 64 also makes changes to trademark laws and certain marks related to cannabis that are lawful under state law, and advances a \$3 million loan from the state's general fund to the California Highway Patrol for adopting protocols to determine driver impairment.

#### **Licensing and Testing**

AB 171 (Lackey) requires reporting on conditional licenses issued by the state.

AB 238 (Steinorth) relates to collective bargaining agreements and employees of licensed distributors.

AB 1527 (Cooley) would prohibit a former employee of a state or local licensing authority from being employed by a person or entity licensed under AUMA or MCRSA for at least one year.

SB 311 (Pan) relates to testing, and would authorize a licensee to perform testing of cannabis or cannabis products obtained from another licensee for the purpose of quality assurance.

#### **Packaging and Advertising**

AB 175 (Chau) would require manufacturers of edible cannabis products to submit packaging and labeling to the state for review of compliance with requirements of Prop 64, including child resistant packaging and labels that do not appeal to children.

AB 350 (Salas) specifies that cannabis products are deemed to appeal to children or easily confused with commercial candy if the product is in the shape of a person, animal, insect, fruit, or any other shape associated with candy.

SB 663 (Nielsen) specifies that a package or label of cannabis or cannabis products is deemed to be attractive to children if the package or label has specific characteristics, including resembling any candy, snack food, baked good, or beverage commercially sold without marijuana.

AB 420 (Wood) requires advertisements for medical cannabis to identify the responsible licensee.

### **State Requirements**

AB 389 (Salas) would require the state to post a consumer guide on the regulation of medical and recreational cannabis online.

AB 1002 (Cooley) would rename the existing California Marijuana Research Program as the Center for Cannabis Research and would expand the purview of the program, including cultivation for research purposes and examining testing methods for detecting harmful contaminants in marijuana, including mold and bacteria.

AB 1135 (Wood) relates to public stakeholder input on disbursements to the Department of Health Care Services from the California Marijuana Tax Fund. This bill is now a two-year bill.

AB 1627 (Cooley) transfers the regulation of testing laboratories under AUMA from the State Department of Public Health to the Bureau of Marijuana Control.

### **Finance and Tax Issues**

AB 963 (Gipson) addresses various aspects of taxation related to cannabis. It would require distributors to provide retailers with evidence of prepayment tax amounts collected, and then allow the retailers to credit the prepayments against the amounts due for the same period. AB 963 would authorize a system for prepayment of the excise tax that utilizes stamps or other markings. It also makes changes to taxable sales of medical cannabis products to persons with identification cards, including requiring county health departments to issue identification cards with the capability of storing data, and would limit the sales and use tax exemption for medical purchasers to only sales made with these types of cards. AB 963 would adjust the suspension, revocation, or denial of state permits in some cases related to taxation. Finally, the bill would extend the pilot program for combating criminal tax evasion until January 1, 2020 – with a Cannabis Criminal Enforcement Team to work on these issues specifically. The bill is on the inactive file per the Author's request.

AB 844 (Burke) would change requirements for grantees applying for funding through the California Marijuana Tax Fund.

AB 1410 (Wood) relates to taxation and would require licensed distributors to collect cultivation taxes at the time of completion of quality assurance, inspection, and testing. It would require the licensed distributor to file the tax return, instead of the licensed cultivator, and all licensed distributors would need to obtain a separate permit for that work.

## **Public Safety**

SB 698 (Hill) sets standards for driving under the influence, and would make the first violation punishable as an infraction, requiring successful completion of a three-month program and installation of an ignition interlock device for six months. This bill is now a two-year bill.

AB 903 (Cunningham) would amend AUMA by requiring the Highway Patrol to use funding from the California Marijuana Tax Fund to study the viability of standards for marijuana impairment. This bill was held on the suspense file.

AB 729 (Gray) would require license suspension for certain types of violations. It would also require licensees to post signs visible from public entrances to indicate “No Person Under 21 Allowed,” among other security measures; AB 729 also prohibits the sale or distribution of cannabis or cannabis products in a vending machine. The bill would authorize licensees and employees to refuse to sell cannabis to a person unable to produce adequate identification, and would authorize peace officers or local and state licensing authorities the ability to enter and conduct inspections. AB 729 also contains zoning restrictions, and would prohibit licensees from being located within a 600-foot radius of a playground, hospital, or church, unless a local authority or licensing authority specifies a different radius. This bill did not pass the Assembly.

## **Interactions with the Federal Government**

AB 845 (Wood) would, if federal law authorizes the prescription of a controlled substance containing cannabidiol, a physician to prescribe that substance in accordance with federal law.

AB 1578 (Jones-Sawyer) would prohibit a state or local agency from taking certain actions to assist a federal agency investigate, detain, detect, report or arrest a person for cannabis activity that is authorized by the state of California, unless ordered by a judge.

## **Bills of Interest to the County**

AB 18 (E. Garcia) The bill would enact the California Parks, Water, Climate, and Coastal Protection and Outdoor Access For All Act of 2016, which, if approved by the voters, would authorize issuance of State General Obligation bonds, in the amount of \$3.105 billion, to finance parks, water, climate adaptation, coastal protection, and outdoor access programs. The legislation passed the Assembly Floor 54-19 on March 20th, and was referred to Senate Natural Resources and Senate Governance and Finance Committees. The bill has not yet been set for a hearing. We are in discussions about including the Gaviota Coast.

AB 114 (Public Health) The County is in strong support of the MHSA trailer bill because it would preserve critical MHSA funding that might otherwise be clawed-back to the state, which would reduce the local control granted in MHSA to implement the local plan to address Santa Barbara County mental health needs. The trailer bill is enrolled and is awaiting action from the Governor.

AB 334 (Cooper) Federal VAWA legislation passed in 2011 mandated the provision of free sexual assault forensic medical exams for patient/victims who do not want to cooperate with law enforcement agencies. The original California statute passed in 1977 mandating that local law

enforcement agencies pay for sexual assault exams was amended after 35 years to comply with VAWA. The amended statute specified that law enforcement agencies could be reimbursed \$300 by Cal OES out of their State VAWA appropriation for exams involving the non-cooperative patient/victim. The legislation passed the Senate Judiciary Committee with a 6-1 vote, and will now be heard in the Senate Public Safety Committee on July 11<sup>th</sup>. The County is in support of the bill.

AB 556 (Limon) The bill would allow Counties to impose larger administrative fines for one-time violations of the County's ordinances specifically where permits are available and when knowledgeable businesses chose to ignore the required permit. The bill will focus on one-time events that purposely don't acquire a permit due to the fee of the permit costing less than the violation fine. The County is sponsoring the bill. The bill passed the Senate Governance and Finance Committee on June 28<sup>th</sup> with a 6-1 vote, and will now be heading to the Senate Floor.

AB 653 (Ridley-Thomas) legislation sponsored by the Chumash Tribe, which states that beginning the 2018-19 fiscal year, property owned in fee by a federally recognized Indian Tribe is exempt from taxation if the following conditions are met: The tribe has submitted an initial written request or trust application to the US Department of the Interior and the department has determined that the initial written request trust application is complete, and that the tribe has submitted both of the following to the assessor: documents establishing that the tribe is federally recognized and documents establishing that the initial written request or trust application is under consideration by the US Department of the Interior. The legislation passed the Assembly Floor with a 75-1 vote, and has been referred to the Senate Governance and Finance Committee, but has not been scheduled for a hearing. The County does not have a position.

AB 722 (Limon) The bill would allow a member of the Santa Barbara County Board of Supervisors or by any public officer of the County of Santa Barbara or his or her deputy to serve on the board of directors of the Isla Vista district. The bill passed the Assembly Floor 60-13, and has been referred to the Senate Governance and Finance Committee, but has not been scheduled for a hearing. The County's position is still pending.

AB 1250 (Jones-Sawyer) The bill would establish requirements for a county before it may enter into a contract or renew or extend an existing contract after January 1, 2018 with a "firm" for personal services, with limited exceptions. The term "firm" is defined as corporation, partnership, nonprofit organization, or sole proprietorship. The term "personal services" is not defined in the relevant code sections or any of the cross-referenced code sections. The bill passed the Assembly Floor on July 1<sup>st</sup> with a 45-30 vote, and will be heard in the Senate Governance and Finance Committee on July 5<sup>th</sup>. The County is in strong opposition to the bill.

AB 1472 (Limon) The bill details in statute what the California State Lands Commission (SLC) may take into consideration when reviewing an application to assign, transfer or sublet a lease or permit of state lands for oil and gas production. Assemblymember Limon has asked the County for support of the bill, and the County is currently looking at amendments. The bill passed the Senate Natural Resources Committee 9-0 on June 13<sup>th</sup>, and is currently on the Senate Consent Calendar.

SB 1 (Beall/Frazier) The merged legislation proposes an additional 5.2 billion annually for road repairs and mass transit, by readjusting the state's obsolete gas tax and reform the user-pays system to ensure all motorists contribute their fair share to the maintenance of the roads. The bill was signed by the Governor on April 28<sup>th</sup>.

SB 5 (De Leon) This bill proposes the Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access for All Act of 2018, subject to voter approval in the November, 2018, election. The bill proposes the issuance of \$3.5 billion in general obligation bonds to implement its provisions. The legislation passed the Senate Floor 31-9 on May 30<sup>th</sup>, and was referred to the Assembly Water Parks and Wildlife Committee. The bill has not yet been set for a hearing. We are in discussion of including the Gaviota Coast. We are in discussions about including the Gaviota Coast.

SB 44 (Jackson) The legislation requires that for the fiscal year (FY) 2018-19, out of those funds deposited into the General Fund by the commission from tideland oil revenues that the sum of \$2 million be transferred to the fund and be available, upon appropriation, for the purpose of implementing the coastal hazard and legacy oil and gas well removal and remediation program. The legislation has passed the Senate Floor 33-6, and will be heard in the Assembly Natural Resources Committee on July 10<sup>th</sup>. The County is supporting this legislation.

SB 190 (Mitchell) The proposed bill would have fees related to local home detention programs be only payable by adults. SB 190 would remove the County's ability to send Institution accounts to the FTB COD leaving accounts uncollectible. The bill also repeals the following: \$100 per day fee for parents who refuse to pick up their minor children from the County's Juvenile Hall or Los Prietos Boys' Camp, the public defender fees paid by parents for their minor child's legal representation, and the Foster Parent training fund. The bill passed the Assembly Public Safety Committee on June 27<sup>th</sup> with a 6-0 vote. The County opposes the bill.

SB 588 (Hertzberg) This bill substantially revises the existing state rigs-to-reefs program that allows for the partial removal of oil and gas platforms in state or federal waters if the remaining portion is converted into an artificial reef and certain conditions are met. The bill passed the Senate Floor 30-4, and then passed the Assembly Water, Parks and Wildlife Committee on June 29<sup>th</sup> with a 12-2 vote, and will now be heard in the Assembly Natural Resources Committee on July 10<sup>th</sup>. County opposes the bill.

SB 649 (Hueso) This bill establishes a statewide framework for streamlining the permit siting process of small cell wireless facilities that meet specified requirements. Specifically, this bill requires an administrative permit in lieu of a discretionary permit, limits fees to between \$100 and \$850 for small cell installations in the utility right-of-way, ensures access to most vertical infrastructure in the utility right-of-way and also within a commercial or industrial zone. This bill also requires permits for wireless telecommunications facilities would be automatically renewed for equivalent durations. The bill passed the Senate Floor, 32-1 on May 31<sup>st</sup>, and then passed the Assembly Local Government Committee with a 6-2 vote on June 28<sup>th</sup>. The County is opposed to the bill.

## **Conclusion**

June 2<sup>nd</sup> was the last day for each house to pass bills that were introduced in their house of origin. The Legislature is now hearing bills in the other house's policy committees before the July 21<sup>st</sup> deadline for policy committees to meet and report bills, concurrent to when the Legislature goes on their Summer Recess.

The Governor signed the 2017-18 state budget on June 26<sup>th</sup> which consisted of \$125.1 billion in general fund spending.

We will continue to work with staff on the many legislation items that are moving and keep the committee and Board updated. As always, should you or your staff have any questions, please don't hesitate to let us know.