The Legislature returned to Sacramento from their districts on January 3, 2018 for the second year of the 2017-18 Session. Bill introductions are off to a slow start compared with last year, although the bill introduction deadline is not until February 16th. The end of January was the deadline for 2017 bills to pass the house of origin. The Senate Democrats have selected Senator Toni Atkins (D-San Diego) to replace current Senator Kevin de Leon as President Pro Tempore in March.

**Fires and Floods**

Since the County of Santa Barbara was hit by devastating fires and floods, we are focused on ensuring maximum state assistance in the Legislature and in the state budget. The Governor already issued multiple executive orders that declared a state of emergency, and was able to secure federal aid from FEMA in January that would aid recovery efforts from wildfires in December. The County was then able to secure further federal aid after the request was approved by the federal government to expand the already approved Presidential Major Disaster Declaration to include federal funds for areas affected by the mudslides, flooding, and debris flows. On January 12th, the Governor requested another executive order to continue expediting recovery efforts in communities impacted by wildfires and mudslides in order to ensure there are enough resources to respond to the disaster in the affected areas.

On January 25th, Governor Brown also recognized the efforts of firefighters and first responders in his State of the State Address. The Governor mentioned that the devastating forest fires and mudslides are a profound and a growing challenge, stating that, “Eight of the state's most destructive fires have occurred in the last five years. Last year's Thomas Fire in Ventura and Santa Barbara Counties was the largest in recorded history. The mudslides that followed were among the most lethal the state has ever encountered…” The Governor continued to explain the need to be ready with the necessary firefighting capability and communication systems to warn residents of danger, and stated that he will convene a task force composed of scientists and knowledgeable forest practitioners to review thoroughly the way our forests are managed and suggest ways to reduce the threat of devastating fires.

The 2018-19 state budget includes $2.3 billion, including $1.4 billion out of the General Fund, and adds to CalFire’s budget for equipment, training and personnel due to the recent disasters. The northern counties including Lake, Mendocino, Napa and Sonoma, who suffered the devastating fires in the fall, are requesting several additional appropriations in the state budget to assist them with disaster relief. The Santa Barbara County is also currently working on requesting our own budgetary wildfire-related requests through the state budget.
CalFire response costs will require a 2017-18 budget augmentation of $469.3 million, which will be provided through the state’s Emergency Fund. The state is currently also seeking a federal supplemental disaster-related appropriations bill that would amount to $4.4 billion to support disaster recovery efforts. Meanwhile, the Assembly Committee on Natural Resources created a small working group that will routinely meet to discuss wildfire prevention.

Insurance Commissioner Dave Jones and a group of lawmakers introduced six bills and two proposals in hopes to strengthen consumer protections for wildfire survivors making insurance claims. The package of bills, which was proposed to help wildfire survivors with insurance claims was introduced on January 16th and was in direct result of the wildfire damaged communities in California. The following bills include:

SB 894 (Dodd) After a declared disaster, this bill will allow an insured the option to combine unused primary structures, other structures, contents, and additional living expenses coverage amounts to rebuild their home - protecting insureds who may be underinsured for the Primary Structure yet have unused coverage in the Other Structures coverage or Contents coverage. Also, this proposal extends policy renewal protections for an insured from one renewal to two renewals or 24 months, whichever is greater. After a declared disaster, this bill extends the time to collect Additional Living Expenses (ALE) benefits from 24 months to 36 months.

SB 897 (McGuire) This proposal clarifies the scope of ALE Coverage. After major events, unique situations arise that should be covered under ALE. For example after a wildfire there may be a lack of hotels or other traditional forms of housing, this proposal would require insurers to cover expenses for Airbnb, short-term rentals, or renting an RV while the policyholder’s home is being rebuilt.

This proposal also codifies the voluntary Expedited Claims/Billing Procedures triggered by a total loss to an insured. This proposal would automatically trigger and make mandatory expedited claims and billing procedures after a major wildfire to help policyholders facing total losses begin recovery sooner. Issues addressed include: payment of up to 4 months of advanced ALE, standard contents advance payment of at least 25% of policy limits without a completed inventory list, grouping categories of personal property instead of a detailed itemized list, contents coverage settlement where the policyholder could settle for 80% of the contents limit without having to compile a home inventory, and an insurance billing grace period.

AB 1772 (Aguiar-Curry) The bill would extend the time to rebuild and collect full replacement cost from 24 to 36 months after a declared disaster. After a major event, there is often a shortage of qualified workers in the construction industry coupled with a demand surge for construction workers needed to rebuild structures. This law will give wildfire survivors additional time to rebuild and collect replacement costs from insurers.

AB 1797 (Levine) The bill requires an insurer to conduct a Replacement Cost Estimate for new residential insurance policies and at each annual renewal. Currently insurers are not required to conduct replacement costs estimates or to update the estimates on a regular basis to keep up with the rising costs of construction over the life of the insurance policy.
AB 1800 (Levine) The bill clarifies an insured’s right to collect the full replacement cost of their home in the event of a total loss, whether they decide to rebuild, replace at another location or purchase an already built home at a new location. It also ensures policyholders receive full replacement costs, including additional Extended Replacement Cost coverage purchased by the insured, which is currently being withheld by insurers if an insured decides to purchase property in a new location.

AB 1875 (Wood) The bill requires residential property insurers to provide a mandatory offer of extended replacement cost coverage of no less than 50% upon issue or renewal of a residential property insurance policy to ensure policyholders are adequately insured and protected from the dangers of being underinsured.

AB 1923 (Limón) In order to expedite the debris removal process for the health and safety of the public, this proposal would add the Consolidated Debris Removal program to the insurance code, requiring insurers to participate after a declared disaster. The proposal also clarifies the two main types of property coverage and how the Consolidated Debris Removal program will work with each.

Additional Proposal #1 - The proposal will extend an insured’s right to sue after a declared disaster from 12 months to 24 in order to match the ALE extension coverage, which is also extended from 12 to 24 months.

Additional Proposal #2 - The proposal provides automatic additional replacement cost coverage after a declared disaster. Additional coverage would be equal to 50% of the actual coverage available under the insured’s primary structure and other structures on the property. When insureds are not offered or do not purchase Extended Replacement Cost Coverage, and in some cases even when they do, they may find themselves underinsured after a major event, the automatic additional replacement cost coverage will protect survivors from being underinsured.

Multiple other Members of the Legislature also introduced a number of bills that would help communities that were burdened with wildfires and mudslides, including legislation from our delegation, Senator Hannah Beth Jackson (D-Santa Barbara) and Assemblymember Monique Limon (D-Santa Barbara). Senator Jackson introduced SB 917 (Jackson), which would clarify that under current law, an insurance policy will cover loss or damage resulting from a landslide if that landslide was attributable to a condition already covered by the policy, such as wildfires. Assemblymember Monique introduced AB 1877 (Limon) which would require the Office of Emergency Services to translate any emergency communication of the office into the language other than English that is spoken by a majority of the public in the impacted county or counties, and would make that translation available during the emergency communication.

Other introduced legislation related to wildfires, disasters and insurance claims include:

SB 821 (Jackson) This bill would specify that the Office of Emergency Services may assist county jurisdictions in developing effective public emergency warning systems.
SB 824 (Lara) Current law requires an insurer to comply with procedures relating to cancellation of insurance policies in case of total loss to the primary insured structure - procedures such as an insurer may not cancel coverage while the primary insured structure is being rebuilt, nor use the fact that the insured structure is in damaged condition as a result of total loss as the sole basis for a decision to cancel policy, and must offer at least once to renew the policy if total loss insured structure was caused by a disaster. This spot bill would express the intent of the Legislature to clarify this provision is applicable to all insured properties located within a county for which a state of emergency has been declared.

SB 833 (McGuire) The bill would require the red alert system to incorporate a variety of notification resources and developing technologies that may be tailored to the circumstances and geography of the underlying evacuation. The bill would require a local government agency or state agency that uses the federal Wireless Emergency Alert (WEA) system to alert a specified area of an evacuation order to use the term “red alert” in the alert and notify OES of the alert.

SB 896 (McGuire) The bill would extend the operation of the former aggravated arson offense until January 1, 2024 and would increase the threshold of property damage and other losses constituting an aggravation factor for arson to $7,300,000.

SB 897 (McGuire) This bill would specify that additional living expense coverage shall include all reasonable expenses incurred by the insured in order to maintain a comparable standard of living and would provide a list of expenses that shall be covered.

SB 901 (Dodd) The bill would require investor and municipal electric utilities to update their wildfire mitigation plans to include policies and procedures for determining if, when and where to temporarily de-energize a power line during extreme weather events for the purpose of preventing a wildfire. The utilities would have to assess meteorological conditions, mapping of fire risk zones, observations of vegetation conditions around and near power lines, and establish a protocol for notifying impacted customers.

AB 1740 (Daly) The bill would delete current provisions regarding actual cash value of an insurance claim of total loss to structure, and would instead require that the actual cash value of the claim, for either a total or partial loss to the structure, would be the amount it would cost the insured to repair the thing lost or injured less a fair and reasonable deduction for physical depreciation based upon its condition at the time of the injury or the policy limit, whichever is less.

AB 1799 (Levine) The bill would specify that a copy of the policy provided shall include the full policy, any endorsements to the policy, and the policy declarations page, and would authorize the insurer to provide these documents in electronic form if agreed to by the insured.

State of the State Address

On January 25th, the Governor gave his final annual state of the state address, and spoke on climate change, infrastructure investment, health care, education and criminal justice. The Governor noted several bipartisan efforts that were passed from previous years that helped the state recover from the recession, including SB 1 - the Road Repair and Accountability Act of
2017, the Cap and Trade program that was narrowly passed last session, the Rainy Day Fund and the Water Bond.

**Budget**

On January 10, 2018 the Governor released his 2018-19 Budget, which proposed $131.7 billion in state General Fund expenditures. Similar to past years, the Governor continued to pay down debts and save for a Rainy Day Fund, allocating a supplemental amount of $3.5 billion to the Rainy Day Fund along with the constitutionally required amount, which brought it to 100 percent of its constitutional target. The Department of Finance Director Michael Cohen spoke at the CSAC caucus meeting on January 16th and claimed that although the revenues are estimated $4.7 billion better than June’s estimates, the revenue forecast was finalized before the federal tax package was passed in December, meaning it remains inconclusive of what it will mean for future revenues.

Highlights include:

**Rainy Day Fund**
The budget proposes a $3.5 billion supplemental payment in addition to the constitutionally required transfer to the Rainy Day Fund for 2018-19. The two payments would bring the total Rainy Day Fund to $13.5 billion.

**Courts**
The budget proposal provides $4.2 billion for the judicial branch that includes $150 million in new funding to support efforts by the Judicial Council to improve and modernize trial court operations.

For 2018-19, the budget includes a $150 million package out of the general fund for courts, which includes:

- **Support for Trial Court Operations**
  The Budget includes an increase of $122.8 million General Fund for trial court operations and an increase of $25.9 million General Fund for trial court employee benefit costs.

- **Trial Court Trust Fund Revenue**
  The Budget includes an increase of $34.1 million General Fund to reflect a further reduction of fine and penalty revenues expected in 2018-19.

- **Self-Help Centers in Trial Courts**
  The Budget includes an increase of $19.1 million General Fund to expand self-help services in trial courts to assist the increasing number of self-represented litigants and achieve court efficiencies.

- **Language Access**
  The Budget includes an increase of $4 million General Fund to enable the continuation and expansion of interpreter services for civil matters in all courts.

- **Pilot Project for Online Adjudication of Traffic Violations**
  The Budget includes $3.4 million to establish an online adjudication system for traffic violations in five pilot courts.
Transportation Infrastructure
For 2018-19, the budget includes $4.6 billion in new transportation funding, which includes:
- A focus on “fix-it-first” investments to repair neighborhood roads, state highways and bridges ($2.8 billion).
- Making key investments in trade and commute corridors to support continued economic growth and implement a sustainable freight strategy ($556 million).
- Matching locally generated funds for high-priority transportation projects ($200 million).
- Investing in local passenger rail and public transit modernization and improvement ($721 million).

Statewide Voting Systems Replacement
The budget includes $134.3 million General Fund for the purchase of all necessary hardware, software, and initial licensing for the replacement of voting systems and technology in all of the 58 counties.

Libraries
For 2018-19, the budget includes $9 million for libraries, which includes:
- Augmentation for Literacy Program—An increase of $2.5 million General Fund ongoing to expand the existing California Library Literacy Services program.
- One-Time Funding for Broadband Grants—$5 million General Fund one-time for broadband equipment grants, with the expectation that $2 million would support connection for public libraries who lack access to the broadband network and $3 million would expand capacity for libraries already connected.
- One-Time Funding for Online Service System—$1.5 million General Fund one-time for online systems for use by public libraries to support efficient access to resources.

Public Safety Communications
The state budget proposes $11.5 million in State Emergency Telephone Number Account (SETNA) funds to modernize the state’s system and improve public safety during emergency events.

Property Tax Backfill
The state budget provides $23.7 million in backfill to counties and other local jurisdictions for lost property taxes in 2017-18 and 2018-19 resulting from the October 2017 fires. This is a preliminary number that will be updated to capture full losses in counties in both northern and southern California in the May Revision.

SB 5 - California Drought, Water, Parks, Climate, Coastal Protection and Outdoor Access for All Act (2017)
If approved by the voters, SB 5 will add $4 billion in general obligation bonds to implement its provisions, including $175 million for Coastal protection with $85 million for state coastal...
conservancy. The state budget proposes $1.02 billion for the first year of SB 5 implementation, should the measure be approved. The budget also allocates $95.5 million from SB 5 for flood control projects that achieve public safety and fish and wildlife improvements.

State and Local Parks
The state budget allocates $472 million in funding from SB 5 for various park programs and projects, which includes four million in grants for deferred maintenance projects to county fairgrounds and $464 million for improving and increasing access to local neighborhood parks.

Groundwater Sustainability
The state budget proposal includes $61.8 million in SB 5 funding for the Department of Water Resources to support SGMA Groundwater Sustainability Agency (GSAs) activities. The budget also proposes $84 million to the State Water Board to support regional groundwater treatment and remediation activities, including $10 million in technical assistance for drought and groundwater investments.

Cap and Trade Funding
In result of the extension of the cap and trade program, the state will have $1.25 billion in cap and trade funds available for appropriation in 2018-19.

In-Home Supportive Services (IHSS)
The state budget contains no changes to the structure of the new county In-Home Supportive Services (IHSS) maintenance of effort (MOE) that was negotiated last year.

Health Care Expansion
California continues to implement the optional expansion of ACA with nearly 3.9 million Californians covered in 2018-19.

2011 Realignment
The state budget updates revenue assumptions for 2011 Realignment programs. For the Community Corrections Subaccount (AB 109) the 2017-18 statewide base remains $1.241 billion, with growth funding estimated at $84.3 million. The 2011 Realignment estimates will be revisited and revised in the Governor’s May Revision.

Proposition 47
Proposition 47, which was passed in November of 2014, requires misdemeanor rather than felony sentencing for certain property and drug crimes and permitted inmates previously sentenced for these reclassified crimes to petition for resentencing. Based on fall projections, the Department of Finance (DOF) currently estimates a net savings of $64.4 million when comparing 2017-18 to 2013-14, an increase of $18.8 million over the estimated 2016-17 savings.

Community Corrections Planning (CCP) Grants
The state budget continues with a round of Community Corrections Planning (CCP) grants totaling $7.9 million for Community Corrections Partnerships (CCPs) to support work associated with ongoing AB 109 implementation efforts.
**Affordable Housing**

The timing of SB 2 (Chapter No. 364, Statutes of 2017) appropriations is still unclear, but the state budget does project that $258 million in tax revenues will be generated through SB 2’s recording fee in 2018-19.

**Sexual Harassment**

In continued response to the letter that was signed by hundreds of women last fall on the issue of sexual harassment in the Capitol, Legislators continued to focus on this problem as multiple pieces of legislation were introduced in January, including AB 1870 (Reyes) that was introduced by a bi-partisan group of female lawmakers, which would give victims up to three years after workplace harassment occurs, to file a complaint with the California Department of Fair Employment Housing. Among other pieces of legislation that were introduced include, AB 403 (Melendez), which would expand protections for whistleblowers in the Legislature, AB 1867 (Reyes), which would require employers to maintain records of employee complaints of sexual harassment for ten years after the date of filing and SB 224 (Jackson), which would add investor, elected official, lobbyist, director and producer among those listed persons who may be liable to a plaintiff for sexual harassment.

The Joint Committee on Rules Subcommittee on Sexual Harassment and Prevention and Response held its first hearing of the year on January 24th in order to discuss best practices for changing culture on sexual harassment. The hearing included academic speakers who specialized in human resource management and sexual harassment training, and engaged in conversation with the Legislators about possible new guidelines that will be established to reduce incidents of sexual harassment in the Legislature.

While sexual harassment continues to be an ongoing issue in the Capitol, immediate consequences were the resignation of two Members of the State Assembly - Matt Dababneh (D-San Fernando Valley), and Raul Bocanegra (D-San Fernando Valley). Meanwhile, in the Senate, Senator Tony Mendoza was removed as Chair of the Senate Banking Committee after allegations surfaced regarding his conduct and he was forced to take a leave of absence at the beginning of the session.

**Other Legislation**

We have continued to hear that SEIU will pursue its ongoing moving effort to pursue AB 1250 (Jones-Sawyer), but might consider breaking the bill in several different pieces with similar intent in multiple bills, rather than trying to move AB 1250 as a whole. As of yet, there hasn’t been any actual movement.

The Legislature continues to challenge federal policy this year with California Lawmakers already introducing legislation against the federal offshore drilling plan, the FCC’s decision to repeal net neutrality, legislation about the impact of the federal tax reform, climate change, immigration, and are working on cannabis related legislation as the Federal Administration rescinded the directive to federal authorities that once urged them to not prosecute state-sanctioned cannabis productions and distribution.
State Treasurer John Chiang’s Cannabis Banking Working Group released a report on, Banking Access Strategies for Cannabis-Related Businesses, which showed findings that a definitive solution to cannabis banking will remain unclear until the federal government removes cannabis from its official list of dangerous drugs or Congress approves safe harbor legislation to protect financial institutions that serve cannabis businesses from federal penalties. Assemblymember Jones-Sawyer introduced AJR 28, a measure that would urge the Congress and the President to pass legislation that would allow financial institutions to provide services to the cannabis industry, while Senator Hertzberg introduced SB 930 on January 25th, attempting to work around federal law that restricts financial institutions from conducting transactions with cannabis businesses.

**AB 653 - Tribal Tax Issues**

AB 653 (Ridley-Thomas) was legislation sponsored by the Chumash Tribe, which passed the Assembly last year and was set for hearing in the Senate Governance and Finance Committee on August 30, 2017. After lengthy discussions between the sponsors, the County, our legislative delegation, CSAC and the rural counties, the sponsors and author decided to cancel the hearing. Although the bill is now a two-year bill and is still active, it has not yet been set for hearing and is currently unclear if it will be since the author of the bill, Sebastian Ridley-Thomas (D-Los Angeles) resigned due to health reasons.

**Cannabis**

The passage of Prop 64 allowed the recreational use of marijuana in California which created a number of cannabis policy, trailer bill language and regulations by the Bureau of Marijuana Control, CalCannabis and the Department of Public Health this session. 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 contained several differences; therefore in addition to the $94.6 million appropriated in the budget to implement California’s cannabis laws, the budget package included trailer bill SB 94 that merged provisions of MCRSA together with Prop 64.

Most of the cannabis issues this year were worked through a compromised deal by the Assembly, Senate and Administration through the cannabis trailer bill language in SB 94 and the clean-up cannabis trailer bill AB 133, with a majority of policy bills becoming either two-year bills or receiving a veto from the Governor.

Although the CalCannabis Cultivation Licensing program, the Bureau of Cannabis Control, and the Department of Public Health published their proposed draft regulations for implementing MCRSA in the Spring, SB 94 and changed current law. In order to be consistent with changes in the law, the Bureau had to withdraw proposed regulations and has released new emergency regulations on November 16th, and became effective in December of 2017.

Meanwhile, the CalCannabis Cultivation Licensing program prepared a Draft Program Environmental Impact Report in accordance to CEQA, which provided information of potential environmental effects associated with the implementation of cannabis cultivation regulations.
CalCannabis began issuing state cannabis cultivation licenses on January 1, 2018 and is currently accepting applications for temporary and annual cannabis cultivation licenses for cultivators, nurseries and processors.

**Bills of Interest to the County**

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, but the author pulled the bill out of the Senate Public Safety Committee, therefore the bill is now a two-year bill. The County is in support of the bill.

AB 653 (Ridley-Thomas) The legislation is sponsored by the Chumash Tribe, and was amended on August 23rd to state that beginning the 2018-19 fiscal year, property owned in fee or held in trust by a federally recognized Indian Tribe, or owned in fee or held in trust by a charitable nonprofit organization 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 property is used primarily for tribal housing, an essential governmental function, or other charitable purposes including but not limited to, tribal religious, education, museum, hospital, and cemetery facilities or for the preservation of agriculture and open space. The author of the bill cancelled the Committee hearing, and the bill is now a two-year bill. The County opposed the legislation.

AB 726 (Holden) and AB 813 (Holden) The legislation would have created a freeze on any new forming Community Choice Aggregation (CCA) organizations and restricted the ability to expand existing Community Choice Energy (CCE) programs. The County of Santa Barbara was opposed to AB 726 and AB 813, unless CalCCA’s amendments were adopted. The bills were held in the Senate Rules Committee and are now two-year bills.

AB 1250 (Jones-Sawyer) The County is in strong opposition to the bill. The bill creates specific conditions and requirements that would apply when a county enters into a new contract or renews or extends an existing contract, and also specifies the conditions that must be met in order to permit a personal services contract. The Chair of the Senate Appropriations Committee claimed that there needs to be more negotiations on the bill. The bill was held in the Senate Rules Committee and is now a two year bill.

AB 1603 (Ridley-Thomas) This bill 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-Milias-Brown Act. The bill was ordered to the inactive file, and is now a two-year bill. The County will wait until next year to take a position on the bill.

SB 349 (Lara) This bill would require minimum staffing ratios for dialysis clinics and a minimum transition time between dialysis patients, as follows, commencing January 1, 2020. The bill increases the likelihood of quality care for individuals with End Stage Renal Disease by reducing the risk of infections, cardiac related and other causes of death. The author of the bill announced that this will be a two-year bill on September 8th. The County is in support of the legislation.

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 Assembly Water, Parks and Wildlife Committee on June 29th with a 12-2 vote, and then was referred to the Assembly Natural Resources Committee but didn’t meet the policy deadline, therefore is now a two-year bill. County opposes the bill.

**Conclusion**

The Legislature reconvened for a second year of a two-year session on January 3rd. The last day for bills to be introduced is February 16th. Meanwhile in February, the Legislature will be holding several hearings on large budget items, and after will be breaking off into subcommittee hearings around beginning of March.

We look forward to discussing priorities in the Legislature and the budget as bills continue to get introduced. We will continue to work with staff 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.