



November 26, 2012

To: Monterey County Board of Supervisors
From: John Arriaga, President, JEA & Associates
Re: 2012 Annual State Legislative Report to Board of Supervisors

Introduction and Overview

The resumption of the second and final year of the 2011-12 Legislative Session began January 4, 2012. With the state's job and economic landscape still in recovery mode, a widening state budget deficit, and many still unresolved reform efforts (state and local governance, public employee pensions, workers compensation, enterprise zones, etc.) to address, both houses spent their first day back girding for the many challenges ahead:

- A presidential and legislative election year when every bill would be viewed through a political or partisan prism
- New—and in the case of the Senate, still up-in-the-air—congressional, legislative and local districts in which to run
- A “top two” primary election in June, where the top two vote getters, irrespective of political party would face off in the General Election in November
- A November ballot with potentially dozens of competing measures for voters to decide—from tax increases to “paycheck protection”
- A budget with a \$13 billion deficit, a governor seeking to shrink state government and bring it closer to the people through realignment of state services to the local level
- What to do in the aftermath of the dissolution of redevelopment agencies in the state? What new economic development “tools” might they create to help locals with their dire need for revenues and jobs?
- The push-pull of Governor Brown's insistence that the much-maligned High-Speed Rail program was a path to economic growth, not a train to nowhere
- Foreclosure relief for homeowners prompted by the promise of federal assistance due the state in June
- A sense of urgency to pass some form of pension reform lest the voters pass a less union-friendly version on the ballot
- Growing criticism that the June ballot water bond was still the right idea but coming at the wrong time and should be postponed
- The need to work overtime to meet the January 31, 2012 deadline to pass all the bills introduced in 2011 from their house of origin or see those bills die

Just a day later, January 5, and five days early, Governor Jerry Brown found himself scrambling to roll out the 2012-13 budget after the budget documents were inadvertently posted on the Internet. The budget was Brown's attempt to balance painful cuts with hoped for new revenues proposed by his sponsored November 2012 ballot measure. That measure (Proposition 30), as passed by the voters on November 6, 2012, will raise taxes on higher income individuals, and sales taxes to pay for realignment costs that will also be guaranteed to counties in the state Constitution.

In announcing his budget, Governor Brown continued to focus on moving government closer to the people, improving government efficiency, and paying down the state's "wall of debt." Brown also referred to the slow economic recovery that still plagued the state and hamper the ability to fund core services. Baseline General Fund revenues were projected to total \$89 billion in 2012-13, and were not expected to return to their 2007-08 levels until 2014-15. The Governor referred several times to significant risks and uncertainty to the state's fiscal health, including ongoing debt obligations, pension liabilities, and uncertainties associated with the continuing debate on addressing the federal budget deficit.

The budget deficit for 2012-13 was estimated to be \$9.2 billion, including a current year (2011-12) deficit of \$4.1 billion. The current year fiscal problem was exacerbated by court challenges, delays in federal approvals, and lower-than-anticipated economic performance.

To address the deficit, Brown proposed a combination of spending reductions and temporary taxes (via ballot initiative) totaling \$10.3 billion to both balance the budget and establish a \$1.1 billion reserve. The Governor also proposed a new round of trigger cuts slated to take effect if his ballot initiative fails. The triggers would fall mostly on K-12 education and the college and university systems.

The Governor also proposed a reorganization of state government, including the elimination and consolidation of 48 boards, commissions, programs, and departments. Over the course of legislative and Hoover Commission hearings, most of the changes to the Governor sought were allowed to go into effect, changing the state's bureaucratic structure considerably.

Summary of the 2012-13 Budget

- The 2012–13 budget was enacted on time. Governor Brown signed the 2012–13 Budget Act on June 27, three days before the fiscal year began on July 1. The budget appropriates \$143 billion, including \$91.3 billion from the General Fund. General Fund spending is 11% lower than 2007–08, which was the high point for the budget before the recession, but almost 10% higher than last year's budget. Revenues are expected to reach \$96 billion, up \$12.5 billion from 2011–12.
- The adopted budget reflects the need to address a large budget gap. The Governor and Legislature agreed to \$16.6 billion in cuts and other measures to close the state's budget gap. The solutions include about \$6 billion in new revenues, spending cuts of about \$5 billion, and \$5.6 billion of funds redirected from other sources. Virtually all of the new revenues are generated via an initiative the Governor qualified for the November ballot that raises taxes on upper incomes and sales by about \$8.5 billion (per Proposition 98, \$2.5 billion of this additional revenue will automatically go to schools and community colleges). If voters reject the Governor's initiative, there will be \$6.1 billion in "trigger" cuts, most of which would be absorbed by K–12 and higher education. The budget does not specify how the remaining \$2.4 billion would be absorbed.

- Health and welfare programs are experiencing significant spending cuts. The final budget reduces spending on health and human services programs by \$1.8 billion. The cuts include savings of \$612 million from moving individuals who receive services from both Medi-Cal and federal Medicare into a managed care program. An additional \$13 million will be saved by moving children covered by the Healthy Families insurance program into Medi-Cal. Finally, the state will save \$470 million by reducing job training and child care services for recipients of California Work Opportunity and Responsibility to Kids (CalWORKs). The budget also includes a CalWORKs reform that will take effect in 2015: assistance for families that do not meet federal work requirements will be reduced from four to two years.
- Education programs are mostly protected from cuts—unless voters reject the governor’s tax initiative. The budget generally will allow schools to continue operations at the same levels as 2011–12—assuming the tax initiative is approved by voters. New revenues to K–12 education are intended primarily to reduce the amount of late state payments to schools, support the growth in the student population, and pay for technical fixes needed to maintain ongoing programs. If the Governor’s initiative fails, the budget authorizes schools to offset the trigger cuts by reducing the school year by up to 15 days. The legislature rejected the Governor’s proposal for a weighted-pupil formula, which would have consolidated most K–12 funding streams into a single grant. But the budget includes many of the Governor’s higher education proposals, including major reductions to financial aid for students attending private or nonprofit colleges that will be implemented over the next two years.
- With only a small reserve, the budget could easily be thrown out of balance. The Legislative Analyst’s Office has expressed concern that the budget’s revenue assumptions may be overstated by \$550 million. The LAO also believes that the estimate of property tax revenues that will be redirected from now-closed redevelopment agencies to schools and community colleges may be \$900 million too high. And, as noted above, if the Governor’s tax initiative fails, a \$2.4 billion revenue gap will open up. The budget maintains a reserve estimated at \$950 million, so the state has little to fall back on if these assumptions prove to be incorrect.
- The state ended the last fiscal year June 30, 2012 with a cash deficit of \$9.6 billion. As of July 31, that cash deficit totaled \$18 billion, and is being covered with temporary loans from special funds. The Budget passed and signed in June was based, in part, upon assumptions that the anticipated trades in Facebook stock would be around \$35 per share and yield approximately \$1.2 billion by November. The Legislative Analyst’s estimated \$45 per share, to yield \$2.1 billion.
- As of August 17, Facebook shares were trading at 54% of the amount the Brown administration wanted them to be in November and 42% of the price the LAO predicted the shares will trade at in 90 days. That means, as of August 17, the tax receipts Brown expected the state to receive were \$648 million rather than \$1.2 billion and \$882 million instead of the \$2.1 billion the LAO initially expected. As of August 21, Facebook shares were trading at \$19 so it is unlikely that the State will realize the anticipated revenue gains. This puts all the more pressure on the passage of Governor Brown’s Proposition 30 tax hike initiative, to be decided in the November 6, 2012 election.
- The latest data on the condition of the State’s cash balance is from State Controller John Chiang’s monthly report covering California’s cash balance, receipts and disbursements in October 2012. His report shows that total revenues were \$207.9 million above projections contained in the 2012-13 State budget. Personal income taxes in the month of September rose \$378.4 million above projections, while sales taxes were up by \$28.8 million relative to

projections. Corporate taxes were down for the month, coming in \$131.3 million below projections. The State ended the last fiscal year with a cash deficit of \$9.6 billion. As of October 31, that cash deficit totaled \$24.7 billion, and is being covered with \$14.7 billion of internal borrowing (temporary loans from special funds), and \$10 billion of external borrowing.

- On November 14, 2012, The Legislative Analyst's Office issued its annual Fiscal Outlook report, "The 2013-14 Budget: California's Fiscal Outlook."

The Executive Summary

- ***Budget Situation Has Improved Sharply.*** The state's economic recovery, prior budget cuts, and the additional, temporary taxes provided by Proposition 30 have combined to bring California to a promising moment: the possible end of a decade of acute state budget challenges. Our economic and budgetary forecast indicates that California's leaders face a dramatically smaller budget problem in 2013-14 compared to recent years. Furthermore, assuming steady economic growth and restraint in augmenting current program funding levels, there is a strong possibility of multibillion-dollar operating surpluses within a few years.

The Budget Forecast

- ***Projected \$1.9 Billion Budget Problem to Be Addressed by June 2013.*** The 2012-13 budget assumed a year-end reserve of \$948 million. Our forecast now projects the General Fund ending
- 2012-13 with a \$943 million deficit, due to the net impact of (1) \$625 million of lower revenues in 2011-12 and 2012-13 combined, (2) \$2.7 billion in higher expenditures (including \$1.8 billion in lower-than-budgeted savings related to the dissolution of redevelopment agencies), and (3) an assumed \$1.4 billion positive adjustment in the 2010-11 ending budgetary fund balance. We also expect that the state faces a \$936 million operating deficit under current policies in 2013-14. These estimates mean that the new Legislature and the Governor will need to address a \$1.9 billion budget problem in order to pass a balanced budget by June 2013 for the next fiscal year.
- ***Surpluses Projected Over the Next Few Years.*** Based on current law and our economic forecast, expenditures are projected to grow less rapidly than revenues. Beyond 2013-14, we therefore project growing operating surpluses through 2017-18—the end of our forecast period.
- Our projections show that there could be an over \$1 billion operating surplus in 2014-15, growing thereafter to an over \$9 billion surplus in 2017-18. This outlook differs dramatically from the severe operating deficits we have forecast in November *Fiscal Outlook* reports over the past decade.

2012 Legislative Session: Highlights and Challenges

Local and General Government

- **Redevelopment** interests continued to take a beating as the Department of Finance and State Controller took a hard line in approving successor agencies' Recognized Obligation Payment Schedules (ROPS) and a host of other concerns related to dissolution of redevelopment agencies.
- **Economic Development** - There were a number of post-redevelopment informational hearings and subsequent legislation all seeking to forge new "tools" for economic

development and job creation; nearly all of the bills died or were vetoed by the Governor. Here are the most significant:

- AB 1585 (John A. Pérez) – This bill started out as an all-purpose redevelopment “clean-up” bill, sponsored in part by the League of California Cities. When it became clear in June that the Governor was unlikely to support any changes to the current dissolution process, the bill was amended to focus on community development and then later in July, exclusively on affordable house. The bill appropriates \$50,000,000 of bond revenues to the Department of Housing and Community Development (HCD) and from that amount, allocates \$25,000,000 from the Regional Planning, Housing and Infill Incentive Account for infill incentive grants, and \$25,000,000 from the Transit-Oriented Development Implementation Fund for transit-oriented grants and loans. The Governor signed the bill September 29, Chapter 777, Statutes of 2012.
- AB 2037 (Davis) - This bill would have created the \$300 million California New Markets Tax Credit Program, administered through the California Tax Credit Allocation Committee (TCAC), for the purpose of allocating tax credits to qualifying community development entities (CDE) to grow jobs. Allowable investments would be limited to qualified low-income community investments, which include loans and capital investments in businesses, real estate and other CDEs that undertake development projects in eligible low-income areas. The bill died in the Assembly Appropriations Committee.
- AB 2144 (John A. Pérez) - Expands the types of facilities and projects that can be financed under the infrastructure financing district (IFD) law, reduces the voter threshold to 55% for the creation of an IFD and the issuance of bonds for the IFD, authorizes an IFD to utilize the powers provided under the Polanco Redevelopment Act, and renames IFD law to the Infrastructure and Revitalization Financing District (IRFD) Act. The Governor vetoed this bill saying that it is premature until the redevelopment agency dissolution process has been completed.
- AB 2551 (Hueso) - This bill would authorize a legislative body of a city or county to form an Infrastructure Financing District (IFD) in renewable energy zone areas to issue bonds to pay for renewable energy projects. The Governor vetoed this bill saying that it is premature until the redevelopment agency dissolution process has been completed.
- SB 214 (Wolk) - This bill eliminates the voter approval requirement for a city or county to create an infrastructure financing district (IFD) and expands the types of projects that may be financed by an IFD. In addition to existing authorities, the bill would allow IFD revenues to:
 - pay for brownfield (toxic contaminated sites) clean-up
 - to finance “facilities” such as watershed lands used for the collection and treatment of water for urban uses, flood management, including levees, bypasses, and habitat restoration
 - to finance any project that implements a transit priority project, regional transportation plan, or other projects that are consistent with the general use designation, density, building intensity, and applicable policiesThe Governor vetoed this bill saying that it is premature until the redevelopment agency dissolution process has been completed.
- SB 1156 (Steinberg) – This bill authorizes a city and county that included the territory of a redevelopment agency to form a Sustainable Communities Investment Authority (SCIA) to carry out Community Redevelopment Law, using the assets of a former redevelopment agency as well as new revenues that the bill authorizes. Allows an SCIA to function as an agency, with all the rights and responsibilities of an agency as allowed

in Community Redevelopment Law. The Governor vetoed this bill saying that it is premature until the redevelopment agency dissolution process has been completed.

- Enterprise Zones came under fire again as efforts to extend the life of the Watsonville and Antelope Valley EZs failed (AB 484-Alejo) to materialize despite a statewide EZ-coalition's concerted efforts. The Department of Housing and Community Development continues its exceedingly slow regulatory efforts to "reform" enterprise zones, with a memo issued in September regarding reporting requirements for Government Targeted Economic Development Areas (G-TEDAs). AB 1411 (V. Manuel Pérez), was to serve as the vehicle for enacting a wide range of reforms to the state's Enterprise Zone program. The provisions were based on two years of hearings by the Assembly Jobs, Economic Development and the Economy Committee. In its final form, the bill would update the State's Geographically Targeted Economic Development Area (G-TEDA) programs by restricting new enterprise zones to low income areas with elevated unemployment, requiring identification of local resources for proposed enterprise zones, identifying rules for zone size, requiring proactive involvement by state agencies, revising the deadlines for Department of Housing and Community Development (HCD) to submit a report to the Legislature, requiring the Employment Development Department (EDD) to provide letters to unemployed prospective employees that could be used to certify their eligibility as a person participating in a program developed pursuant to the federal Workforce Investment Act of 1998, and by requiring the Franchise Tax Board (FTB) to provide zone related data to HCD. The bill died in the Senate Appropriations Committee.
- Governor's Reorganization Plan - On July 2, with no fanfare at all, the Governor's plan to reduce the number of state agencies from twelve to ten, took effect. The Little Hoover Commission, which by law is required to review administrative restructuring proposals, unanimously approved Governor Brown's proposal on May 22. The plan will replace five existing state agencies with three:
 - The Government Operations Agency will administer state operations, such as procurement, information technology and human resources.
 - The Business, Consumer Services and Housing Agency will be responsible for licensing and oversight of industries, businesses and other professionals.
 - The Transportation Agency will coordinate the state's transportation efforts from Caltrans to high-speed rail includes the Department of Motor Vehicles and the California Highway Patrol.

The Legislature also approved a few "tweaks" to the new reorganization, with the Governor's assent, including making the Delta Stewardship Council independent and not under the Natural Resources Agency as Brown had proposed; keeping the California Transportation Commission independent; and approving a separate Department of Technology that would be responsible for all-things technology (e.g., computers and communications) across all state agencies and departments.

- Homeowners' Bill of Rights - With much media fanfare, Democratic leaders from both houses, arm-in-arm with Attorney General Kamala Harris, declared a victory for homeowners by passing the Homeowners Bill of Rights. The two-bill package, AB 278 (Eng), Chapter 86, Statutes of 2012, and SB 900 (Leno), Chapter 87, Statutes of 2012, targets "dual tracking" by prohibiting lenders from starting the home foreclosure process while a loan modification is being negotiated and seeks to curb the use of robo-signed, unverified documents that can speed up the foreclosure process. It also provides homeowners with some legal recourse, such as the ability to seek an injunction blocking the sale of their foreclosed

home, and requires that large financial institutions give borrowers negotiating a loan modification a single point of contact for dealing with their home financing issue.

- Pension Reform - The Legislature passed AB 340 (Furutani), Chapter 296, Statutes of 2012, and AB 197 (Monning), Chapter 297, Statutes of 2012, two bills to enact the California Public Employees' Pension Reform Act of 2013. AB 340 makes several changes to the pension benefits that may be offered to employees hired on or after January 1, 2013, including, setting a new maximum benefit, a lower-cost pension formula for safety and non-safety employees with requirements to work longer in order to reach full retirement age, and a cap on the amount used to calculate a pension. Among other things, AB 340 also enacts pension spiking reform, requires three-year averaging of final compensation, and provides cities and counties with new authority to negotiate cost-sharing agreements with employees. AB 340 also contains limitations on the use of retired annuitants, requiring that an annuitant have a six month break in service prior to returning to work. Public safety officers and firefighters are exempted from the annuitant restrictions and a city or county could bring a retiree back to work, if approved by the City Council or Board of Supervisors in a public meeting. AB 197 contains corrections to two drafting errors discovered in AB 340.
- Workers' Compensation Reform - SB 863 (de León), Chapter 363, Statutes of 2012, is the workers' compensation reform bill negotiated by labor organizations and several large employers that will increase permanent disability benefits by 30 percent for injured workers while reducing litigation and frictional costs within the workers' compensation system. Among other things, the bill specifically eliminates the adjustment factor for diminished future earning capacity as well as add-ons of ratings for sleep disorders, sexual dysfunction and psychiatric disorders; implements an independent medical review process to reduce ongoing medical disputes; and requires the production of non-medical fee schedules. The bill also establishes a program within the Workers' Compensation Administration Revolving Fund for the purpose of making supplemental payments to workers whose permanent disability benefits are too low in comparison to their lost earnings. The eligibility and payment amounts for the fund would be determined through future Department of Industrial Relations regulations and access to the funds would take place through an application process.

Transportation

- Cap and Trade - AB 1532 (John A. Pérez), Chapter 807, Statutes of 2012, is the Assembly Speaker's Cap and Trade bill. It establishes the eligible uses of revenues generated from the Cap and Trade auction of emissions allowances authorized under Assembly Bill 32. Local government advocacy organizations were able to negotiate amendments that support the expenditure of auction revenues on local government investments in a variety of different sectors, including transportation, housing, infrastructure, local and regional sustainable development efforts, natural resource management programs, flood protection, sustainable agriculture, urban greening, and open space programs.
- High-Speed Rail – Touting the “modernizing of California’s transportation system,” and “thousands of new jobs,” Governor Brown signed SB 1029, Chapter 152, Statutes of 2012, on July 18, 2012. The bill squeaked out of the Senate by one vote and served to appropriate (from existing bond funds, not the General Fund) \$4.7 billion to be matched by an additional \$7.9 billion in federal and local dollars for statewide improvements. One of the many infrastructure improvements funded by this legislation includes a two-mile light rail connection that will be built in Southern California to link existing Metro transit and provide a one-seat ride to Union Station. Construction is scheduled to begin in April 2013. In the Bay Area, improvements include more than \$700 million to modernize the Caltrain system with electrified rail that is ready to connect to high-speed rail by 2019. These improvements

leverage more than \$2 billion in additional matching federal and local funding. SB 1029 also includes a \$1.92 billion state investment in local rail projects to improve connectivity across the state:

- Light rail systems including LA Metro in Los Angeles and San Diego's Blue Line;
- Electrification of the Caltrain system in the San Francisco Bay Area;
- Replacing train cars on major commuter services like BART in the San Francisco Bay Area; and
- Positive Train Control, an automated safety system designed to stop train collisions.

Including matching federal and local funds, SB 1029 ensures approximately \$3.6 billion of economic investment in Northern California, \$2.8 billion in Southern California and \$6 billion in the Central Valley.

Water

- Water Bond
In 2009, after much bi-partisan compromise, the Legislature put an \$11.1 billion water bond on the June 2010 ballot. As that election approached, there was concern that the voters would not approve it so the Legislature moved it to the November 2012 ballot. With at least three tax increase measures competing for voter approval this November, including the Governor's \$8 billion tax increase to balance the budget (Proposition 30), the Legislature decided to postpone the water bond again. AB 1422 (Perea), Chapter 74, Statutes of 2012, moves the measure to the 2014 ballot. The measure remains controversial and during debate on AB 1422, there were a number of legislators who called for repealing the bond. If and when the voters ever get to decide the fate of the bond, some of the specific provisions include:
 - \$455 million for drought relief projects, disadvantaged communities, small community wastewater treatment improvements and safe drinking water revolving fund.
 - \$1.4 billion for "integrated regional water management projects"
 - \$2.25 billion for projects that "support delta sustainability options"
 - \$3 billion for water storage projects
 - \$1.7 billion for ecosystem and watershed protection and restoration projects in 21 watersheds
 - \$1 billion for groundwater protection and cleanup
 - \$1.25 billion for "water recycling and advanced treatment technology projects"
- Ex Parte Communications of State and Regional Water Boards
Governor Brown signed SB 965 (Chapter 551, Statutes of 2012) by Senator Ron Wright on September 25, 2012. The bill revises the rules of ex parte communications for members of the State and Regional Boards. The bill will allow ex parte communications when board members invite all interested persons to in-person meetings and copies of written communications are provided to all interested persons. Furthermore, the bill requires all ex parte communications be reported, as specified, by the interested person and would provide the State and Regional Boards with authority to enforce violations of the notification requirement.

This measure will clarify that there is no prohibition on ex parte communications between members of the State Water Resources Control Board or the California Regional Water

Quality Control Boards and the regulated community in connection with specific permit proceedings, including those involving the issuance or modification of general storm water permits. According to the League of California Cities this measure will help interested local government parties communicate with members of the Water Boards as permits are in development. This communication will allow Water Board staff and members to understand more fully how permits will be implemented and what unintended barriers or difficulties may be resolved before the permit becomes finalized.

Advancing and Defending Monterey County's Interests in 2012

I have proudly represented Monterey County and its interests before the California Legislature, the Administration and various regulatory bodies for the last 16 years. I have been a tireless advocate for the county, bringing my many years of experience in the Capitol arena to bear on those most critical issues impacting Monterey County's interests.

Monterey County has expected and received proactive intelligence reporting; in-depth review and reports on the Governor's budgets, the machinations of state-county realignment of public safety and social services programs; vigilance over every piece of legislation impacting California counties; and maintenance of strong, strategic and effective relationships with advocacy organizations and coalitions, key members of the Administration as well as key policy and decision makers in the Legislature.

Each year as part of the county's Legislative Affairs Program, I work closely with the County's Intergovernmental and Legislative Affairs staff, the Legislative Committee, the County's federal advocate, and County department heads to help frame the county's legislative priorities for the coming year, and then allocate my firm's resources to advance and defend those priorities. Through weekly conference calls, monthly Legislative Committee meetings, a weekly-updated and annotated legislative bill track, and rapid response to county requests for information, JEA & Associates helps the County to keep its finger on the state legislative pulse. JEA & Associates' *Capitol Weekly Report* newsletter provides timely stories and analyses on legislation, budget plays, names in the news and any developments of interest or critical to Monterey County's interests.

JEA & Associates Legislative Activities: 2012

This was the second and final year of the 2011-12 Session. We reviewed, analyzed, tracked, monitored, drafted position letters and/or lobbied hundreds of separate measures this year, guided by Monterey County's 2012 Legislative Platform and as directed by the Legislative Committee or the Board of Supervisors. The following is a summary and status of all bills either sponsored, supported or opposed by Monterey County in 2012 that made their way to the Governor's Desk:

AB 276 (Alejo) – SPONSOR/SUPPORT

Authorizes the Monterey County Board of Supervisors to establish by ordinance the Central Coast Hospital Authority to manage, administer, and control the Natividad Med Center and other health care facilities, as specified. The CCHA would be accountable for all liabilities and assets of NMC and all current benefits, including CalPERS, would be extended to current employees consistent with existing law. Signed by Governor 9/28/12. Chaptered by Secretary of State, CHAPTER 686, STATUTES OF 2012

AB 324 (Buchanan) - SUPPORT

Clarifies the criteria for committing juvenile sex offenders to the State Division of Juvenile Justice be consistent with intent of SB 81 and AB 191 (which shifted responsibility to counties for all but most serious and violent offenders). Signed by Governor 2/29/12. Chaptered by Secretary of State, CHAPTER 7, STATUTES OF 2012

AB 1585 (John A. Pérez) – SUPPORT

Appropriates \$50,000,000 of bond revenues to the State Housing and Community Development Department (HCD) and from that amount, allocates \$25,000,000 from the Regional Planning, Housing and Infill Incentive Account for infill incentive grants, and \$25,000,000 from the Transit-Oriented Development Implementation Fund for transit-oriented grants and loans. Transfers to HCD the responsibility to perform housing functions of a former RDA if, due to specified conditions, there is no local housing authority willing or able to assume those responsibilities. Signed by Governor 9/29/12. Chaptered by Secretary of State, CHAPTER 777, STATUTES OF 2012

AB 1614 (Monning) – SUPPORT

Extends the sunset date for the Fort Ord Reuse Authority from June 30, 2014 to June 30, 2020. The bill also removes the FORA Board's authorization to establish the Redevelopment Agency of Ford Ord and repeals the provisions relating to the continuance of state subventions. Signed by Governor 9/29/12. Chaptered by Secretary of State, CHAPTER 743, STATUTES OF 2012

AB 1842 (Monning) – SUPPORT

Authorizes the Department of Veterans Affairs to enter into any financial agreement to receive and repay cash advances in the California Central Coast State Veterans Cemetery at Fort Ord Endowment Fund. Signed by Governor 9/29/12. Chaptered by Secretary of State, CHAPTER 745, STATUTES OF 2012

AB 1915 (Alejo) – SUPPORT

Permits up to 10% of the state's Safe Routes to School Program funds to be used to assist eligible recipients in making infrastructure improvements, other than school bus shelters, which create safe routes to bus stops that are located outside the vicinity of schools. Signed by Governor 9/27/12. Chaptered by Secretary of State, CHAPTER 640, STATUTES OF 2012

AB 2062 (Davis) – SUPPORT

Expands existing pilot program to allow electronic filing of Form 700's, Statements of Economic Interests, per guidance and oversight by the Fair Political Practices Commission. Authorizes a \$1000 fee to be paid to the FPPC by the agency seeking approval and certification for electronic filing; would also prohibit the agency from charging a person to file electronically. Signed by Governor 9/24/12. Chaptered by the Secretary of State, CHAPTER 500, STATUTES OF 2012

AB 2443 (Williams) – CO-SPONSOR/SUPPORT

Makes legislative findings re: Quagga/Zebra Mussel infestation problem and imposes a registration fee not to exceed \$10 on non-marine vessels to fund implementation and administration of a dreissenid mussel monitoring, inspection and eradication program. The bill would allow the Department of Motor Vehicles to recover "reasonable costs" for collecting and remitting the Quagga/boaters' fee to the Harbors and Watercraft Revolving Fund, with requisite report of actual costs from DMV to the Department of Boating and Waterways (DBW). A stakeholders group, appointed by the Director of the DBW and including boat owners, would be responsible for setting the fee and providing guidance for regulations/criteria for grants to local prevention programs. Signed by Governor 9/23/12. Chaptered by Secretary of State, CHAPTER 485, STATUTES OF 2012

SB 778 (Padilla) - SUPPORT

Authorizes licensees of the California Department of Alcohol and Beverage Control to conduct consumer marketing contests in California, a currently-prohibited activity and proscribes how contests can be conducted and sponsored. Signed by Governor 9/23/12. Chaptered by Secretary of State, CHAPTER 489, STATUTES OF 2012

SB 1066 (Lieu) – SUPPORT

Authorizes the Coastal Conservancy to fund and undertake projects to address climate change, giving coastal-land-related projects—such as the Carmel Lagoon—priority. Signed by Governor 9/27/12. Chaptered by Secretary of State, CHAPTER 611, STATUTES OF 2012

SB 1246 (Hernandez) – OPPOSE

Requires periodic inspections by the Department of Public Health (DPH) to include a review of compliance with nurse staffing ratios and patient classification systems, and eliminates a requirement that DPH promulgate regulations further defining the criteria for assessing administrative penalties, thereby allowing existing fine authority to go into effect. Bill would also add requirement that general acute care hospitals maintain a patient classification system, as specified. Governor VETOED 9/30/12.

SB 1272 (Kehoe) – SUPPORT

This bill (1) deletes the requirement that county central committee members of the Democratic Party of California, the California Republican Party, the American Independent Party of California, and the Peace and Freedom Party be elected at every statewide direct primary election and instead only permits those members to be elected at every presidential primary election; (2) provides that a county central committee of those parties noted above, in accordance with the rules and regulations adopted by their respective committee, may select its members at any time by holding a caucus or convention, or by using any other method of selection approved by the committee; (3) requires nomination documents to be available to candidates for membership on a county central committee beginning on the 158th day, rather than the 113th day, prior to the primary election; (4) deletes the option for one of these parties' central committees, if the number of its candidates does not exceed the number of offices available, to require elections officials to nevertheless print the names of all candidates on the ballot in order to allow for write-in candidates; and (5) makes the bill's provisions severable. Signed by Governor 9/24/12. Chaptered by Secretary of State, CHAPTER 507, STATUTES OF 2012

SB 1275 (Lieu) – SUPPORT

Requires the Governor to schedule a special election to fill a vacancy in an elected office at least 126 days but not more than 140 days following the issuance of the election proclamation; requires that a special primary election to fill a vacancy be conducted on a Tuesday either nine or 10 weeks prior to the date of the special general election, as specified. It also revises the deadlines relating to the filing of nomination papers for a candidate in a special primary election. Lastly, it requires that an application for a vote by mail ballot in a special election be made in the same manner as for a regular election. Signed by Governor 9/28/12. Chaptered by Secretary of State, CHAPTER 685, STATUTES OF 2012

In addition to dogged pursuit of the County's 2012 Legislative Priorities, and intensive lobbying for County-sponsored measures, AB 276 (Alejo) and AB 2443 (Williams), JEA & Associates was also active on the County's behalf through the following activities (partial list):

- Arranged and participated in meetings between Supervisors Potter and Armenta, Intergovernmental and Legislative Affairs Director Nick Chiulos, County Counsel Charles McKee and Monterey County's legislators and Administration officials to discuss proposed Natividad Medical Center/Salinas Valley Memorial Health Care System merger; support for Carmel Lagoon Flood Prevention Project; support for AB 900 jail construction grant application; support for possible Quagga/Zebra Mussel legislation; Big Sur trash issue; support for SB 659, SB 654 (redevelopment) and special designation for base reuse areas; funding mechanism/legislation for Veterans' Cemetery; extension of Fort Ord Reuse Authority sunset date to June 30, 2024

- Provided Sheriff Miller's Talking Points to Assembly Member Alejo and Senator Cannella who agreed at our request to make calls to Bob Takeshta, Executive Director, Corrections Standards Authority on behalf of County's grant application County's AB 900 grant application
- Provided opposition testimony to the State Water Resources Control Board regarding Special Protections regulations for stormwater runoff into Areas of Special Biological Significance
- Provided copies of the County's analysis of the impacts of Governor's 2012-13 Budget CalWORKS and childcare proposals to the Assembly and Senate Budget Subcommittee members resulting in the committees' rejection of the proposals to (1) shorten time on aid to 24 months; (2) reduce child maintenance grants by 27%; (3) provide financial incentives and work supports to families meeting federal work participation rates; and (4) provide \$50 benefit for eligible CalFresh and child care recipients not otherwise receiving CalWORKS.
- Attended the Corrections Standards Authority Board meeting regarding AB 900 Jail Construction Phase II funding possibilities for County's jail construction efforts and transition of CSA to Board of State and Community Corrections. Provided report to Sheriff, County public works and Intergovernmental and Legislative Affairs staff.
- Worked with California State Association of Counties to convey County's opposition to a 2012-13 budget proposal to invalidate redevelopment agency pass-through agreements with counties. Would have diverted \$2.5 million from Monterey County for core public safety and health and human services programs. Efforts resulted in killing the proposal.
- Coordinated efforts between County and Senate Subcommittee on Invasive Species staff for a day-long tour of County's efforts to address invasive species problems, e.g., Quagga Mussel inspections at Lake Nacimiento and yellow star thistle weed abatement. Also urged Senator Cannella's support of AB 2443 (Williams) and possible co-authorship. Cannella voted for the bill when it reached the Senate Floor, despite his misgivings that it levied a fee on recreational boats.
- Actively participated in all meetings of the California State Association of Counties' Realignment Working Group, attended all related legislative and budget hearings and reported to Intergovernmental and Legislative Affairs staff as requested on the Governor's proposals to realign public safety and health and human services programs from the state to the county level.
- Attended an all-day stakeholder meeting of the Executive Steering Committee of the Board of State and Community Corrections. SB 1022 (Chapter 42, Statutes of 2012) appropriated \$500 million for grants to counties for jail/treatment space construction/renovation. The Executive Steering Committee (ESC) of the Board of State and Community Corrections (BSCC) held an all-day stakeholder meeting October 26, 2012 to develop elements of the RFP and proposal evaluation criteria. The BSCC, with ESC recommendations, will make the final decisions regarding grants. The final RFP is expected in February 2013 with ESC recommendations to BSCC for grant awards in July 2013.
- Attended the Assembly Environmental Safety and Toxic Materials hearing on "Contaminated Drinking Water in California's Disadvantaged Communities" on November 14, 2012. The hearing emphasized the plight of poor, rural and isolated communities who have either no water systems or whose systems are contaminated, primarily by nitrates and arsenic. Committee Chair Luis Alejo emphasized that he and his Assembly colleagues intended to introduce a package of bills that would seek to provide funding and encourage best-practices where possible and that he expected to hold further hearings on the matter over the course of the 2013-14 Session.

2013-14 Legislative Session: Looking Forward

- The passage of Proposition 30 takes some of the pressure off education, local government and health and welfare interests as far as balancing next year's budget. Despite the more upbeat report from Legislative Analyst's latest Fiscal Outlook for 2013-14, and despite inevitable pressures from interest groups whose state program interests have been deeply cut over that last several years, expect a Spartan budget from Governor Brown, who has vowed to present a prudent, balanced and restrained spending plan in January 2013.
- Proposition 30 also nails into the State Constitution the guaranteed funding stream to counties for public safety and health and welfare realignment. There may be more shifts coming in the Governor's 2013-14 budget.
- The November 6, 2012 election brings in a number of new and returning legislators from newly drawn districts. The new Members will be the first to be able to serve up to 12 years in either their Assembly or Senate seat, a change to term-limit law enacted in June 2012, when the voters approved Proposition 28.
- Assembly Speaker John A. Pérez and Senate pro Tem Darrel Steinberg now have Democratic Party supermajorities for their respective houses. Expect to see a number of efforts to "reform" the tax code, increase revenues through fees and taxes, lower the voter threshold for passage of taxes and bonds at the local level. Depending on the proposals, the Governor may or may not go along with his party's efforts, especially if they are costly to the state. With supermajorities however, the Legislature can override the Governor's vetoes.
- Given the Governor's veto messages on all of this year's post-redevelopment and economic development bills, expect to see a reintroduction of a number of new-and-improved—and hopefully Governor-friendly—"tools" for local governments to help sustain their communities and grow jobs.
- In the waning days of the Session, there were hurried attempts to craft a CEQA (California Environmental Quality Act) reform measure, something to give relief to businesses and improve California's economic development outlook while also maintaining critical environmental protections. The effort was shelved at the last minute, put over for debate and resolution next year. Expect a number of job-growth and business-friendly measures, including some reforms of the CEQA process.
- On November 14, the Assembly Environmental Safety and Toxic Materials Committee held an informational hearing on "Contaminated Drinking Water in California's Disadvantaged Communities." Committee Chair, Assembly Member Luis Alejo, announced that he will reintroduce AB 403—a measure to appropriate \$2 million for assessment and feasibility studies necessary to develop a plan to address these issues in the Salinas Valley. Alejo also announced that he would join with his legislative colleagues to present a package of bills to focus on challenges identified at the hearing (e.g., scarcity and slow-down of funding, need for regional approaches, consolidation, bureaucratic red tape, private vs. public water systems).
- In January, the State Senate will lose two of its Democratic Members when Senator Juan Vargas (D-San Diego) and Senator Gloria Negrete McLeod (D-Chino) move on to Congress. The Governor will have to call a special election to fill those seats, both of which lean heavily Democratic. No date has been set yet for the election.
- The Executive Steering Committee of the Board of State and Community Corrections (BSCC) is in the process of developing a draft RFP for the release of grants to counties for jail construction/treatment space proposals. SB 1022, a 2012 budget bill, appropriates \$500

million (from bonds) for this purpose. The BSCC is expected to approve a final RFP and issue it in February 2013. The timeline from release to recommendations for funding action/conditional awards is February 2013 through July 2013. We will endeavor to monitor the process where possible and to assist the Sheriff's Department with legislators' support letters, etc. as needed.

- In 2012 Monterey County co-sponsored AB 2443 (Williams), a bill which imposes a non-marine boat registration fee of no more than \$10 per vessel, to be remitted to the Harbors and Watercraft Revolving Fund at the Department of Boating and Waterways (DBW). These permanent and continuously appropriated funds will be used to provide grants to local governments to help them establish or maintain Quagga prevention programs. The fee and the criteria for awarding grants will be determined through adoption of emergency regulations by the DBW, after consulting with a technical advisory group of boat owners, reservoir operators and other interested parties. It will be critical to monitor and engage early with DBW regarding its regulation-making process to ensure Monterey County's quagga prevention program receives its fair share of funding.