



May 4, 2015

To: Nicholas E. Chiulos, Assistant County Administrative Officer

Fr: Laurie Johnson, JEA & Associates

Re: State Report

State Budget Update

The State's fiscal health remains very strong just shy of two weeks before the Governor releases his May Revision. Like in the prior months, March receipts for the state's General Fund continued to show strength, coming in \$547 million higher than anticipated in the Governor's proposed budget.

The respective budget committees have been meeting regularly, however most budget items remain open in anticipation of the May Revise, which is expected the week of May 10th.

Democrats on both sides of the Legislature are still urging the Governor and their colleagues to use the state's increased revenue to restore, what they term "draconian" cuts to social services and health care during our recent recession. However, at the same time, the Governor is standing firm on being fiscally prudent. Stakeholders are anticipating some interesting budget plays and deep compromises in the next seven weeks.

Legislative Update

We are over five months into the first year of the 2015-16 legislative session, and the County has taken positions on seventeen bills and three budget items. Thus far, the County has taken the following positions:

- Support AB 43 (Stone) Personal income taxes: credit: earned income
- Oppose AB 45 (Mullin) Household hazardous waste
- Support AB 48 (Stone) Cigarettes: single-use filters
- Support AB 203 (Oberholte) State responsibility areas: fire prevention fees

- Support AB 238 (Stone) Telecommunications: California Advanced Services Fund
- Support AB 394 (Stone) Alcoholic beverage control: wine labels: Monterey County
- Support AB 514 (Williams) Ordinances: violations: fines
- Support AB 1347 (Chiu) Public contracts: claims
- Support SB 23 (Mitchell) CalWORKs eligibility
- Support SB 203 (Monning) Sugar-sweetened beverages: safety warnings
- Support SB 317 (DeLeon) The Safe Neighborhood Parks, Rivers, and Coastal Protection Bond Act of 2016
- Support SB 407 (Morrell) Comprehensive Perinatal Services Program: licensed midwives
- Support SB 408 (Morrell) Midwives assistants
- Budget Item: Support Adult Protective Services: \$5 million Training
- Budget Item: Support Assembly Aging Package (including adult protective services)
- Budget Item: Support CalWORKs Housing Support Program Funding

As of the time of this report, the following letters are pending:

- Oppose AB 193 (Maienschein) Mental Health: conservatorship hearings
- Support AB 690 (Wood) Medi-Cal: federally qualified health centers and rural health clinics
- Support AB 858 (Wood) Medi-Cal: federally qualified health centers and rural health clinics
- Support SB 16 (Beall) Transportation Funding

There are two other bills that need to be raised to the Legislative Committee for the purpose of discussion:

- **AB 1315 (Alejo)** - This bill would prohibit a public entity, charter city, or charter county from delegating to a contractor the development of a plan used to prevent or reduce water pollution or runoff on a public works contract. The bill would also prohibit a public entity, charter city, or charter county from requiring a contractor on a public works contract that includes compliance with a plan to assume responsibility for the completeness and accuracy of a plan developed by that entity. The bill would also declare that this is a matter of statewide concern.

AB 1315 raised concerns with the County and other local agencies and in response, County staff, JEA & Associates and a representative from the Transportation Agency for Monterey County spoke with Alejo's staff regarding this shift in responsibility from the contractor to the local agency. In the course of the conversation, Alejo's staff stated their willingness to work with the County and others on amendments. Additionally, Bob Murdoch, Public Works Director followed-up with an email to Alejo's staff outlining the County's arguments and reasoning. (***Fact Sheet Attached***)

The bill is sponsored by Associated General Contractors, Construction Employees Association, Southern California Contractors Association, National Electrical Contractors Association (CA Chapter). In opposition is CSAC, the League of Cities, Urban County Caucus, Association of CA Water Agencies, Association of Healthcare Districts and so on. The bill will be heard on April 29th in Assembly Local Government.

- **AB 1390 (Alejo)** - Streamlines legal processes used during a legal action to assign rights in a groundwater basin and, upon a final judgment, makes the adjudicated basin exempt from all provisions of the Sustainable Groundwater Management Act (SGMA) except annual court-mandated reporting.

The Monterey County Water Agency expressed concerns mirroring those of CSAC's (***Fact Sheet Attached***). It is expressed that AB 1390 has the potential to de-stabilize local agencies efforts to comply with SGMA. At every turn where locals attempt to develop a plan provision that is disliked but necessary - such as charging fees or limiting withdrawals in any way – an dissatisfied minority could pull the rug out from under the plan development by filing an adjudication action and thus enveloping the future of the plan in a cloud of uncertainty as the subsequent action could supersede all SGMA requirements. This is compounded by the fact that locals will still have to develop and implement SGMA plans, even if an adjudication is pending. The Act was purposely drafted that way so that entities could not throw themselves into decades-long adjudications as a way of circumventing sustainable basin management.

AB 1390 has passed unanimously in Assembly Water, Parks and Wildlife and Assembly Judiciary Committee. Numerous agricultural associations are in support and there are a few environmental water groups are oppose unless amended as of the last policy committee.

Drought

In a late-March move mirroring last year, Governor Edmund G. Brown Jr. signed emergency legislation - AB 91 and AB 92 - that fast-tracks more than \$1 billion in funding for drought relief and critical water infrastructure projects.

\$272-million would come from the Proposition 1 water bond passed last November. \$660-million would come from Proposition 1E, passed in 2006, which is for disaster preparedness and flood protection. \$72-million would come from the General Fund, and \$57-million from various other sources.

The legislation would fund emergency drinking water supply for some communities, food assistance for 29 counties most impacted, drought response coordination, water recycling and desalination projects, and protection for fish and wildlife.

Furthermore, for the first time in state history, the Governor has directed the State Water Resources Control Board to implement mandatory water reductions in cities and towns across California to reduce water usage by 25 percent. This savings amounts to approximately 1.5 million acre-feet of water over the next nine months.

Save Water

To save more water now, the order will also:

- Replace 50 million square feet of lawns throughout the state with drought tolerant landscaping in partnership with local governments;
- Direct the creation of a temporary, statewide consumer rebate program to replace old appliances with more water and energy efficient models;
- Require campuses, golf courses, cemeteries and other large landscapes to make significant cuts in water use; and
- Prohibit new homes and developments from irrigating with potable water unless water-efficient drip irrigation systems are used, and ban watering of ornamental grass on public street medians.

Increase Enforcement

The Governor's order calls on local water agencies to adjust their rate structures to implement conservation pricing, recognized as an effective way to realize water reductions and discourage water waste.

Agricultural water users – which have borne much of the brunt of the drought to date, with hundreds of thousands of fallowed acres, significantly reduced water allocations and thousands of farmworkers laid off – will be required to report more water use information to state regulators, increasing the state's ability to enforce against illegal diversions and waste and unreasonable use of water under today's order. Additionally, the Governor's action strengthens standards for Agricultural Water Management Plans submitted by large agriculture water districts and requires small agriculture water districts to develop similar plans. These plans will help ensure that agricultural communities are prepared in case the drought extends into 2016.

Additional actions required by the order include:

- Taking action against water agencies in depleted groundwater basins that have not shared data on their groundwater supplies with the state;
- Updating standards for toilets and faucets and outdoor landscaping in residential communities and taking action against communities that ignore these standards; and
- Making permanent monthly reporting of water usage, conservation and enforcement actions by local water suppliers.

Streamline Government Response

The order:

- Prioritizes state review and decision-making of water infrastructure projects and requires state agencies to report to the Governor's Office on any application pending for more than 90 days.
- Streamlines permitting and review of emergency drought salinity barriers – necessary to keep freshwater supplies in upstream reservoirs for human use and habitat protection for endangered and threatened species;
- Simplifies the review and approval process for voluntary water transfers and emergency drinking water projects; and

- Directs state departments to provide temporary relocation assistance to families who need to move from homes where domestic wells have run dry to housing with running water.

Mental Health Legislation/Conservatorships

Last year, after an appellate court ruling (County of Los Angeles v. Superior Court of Los Angeles), there is legal ambiguity over the counties responsibility for individuals with certain inorganic mental disorders that are in the criminal justice system. Since then County staff has been engaged with CSAC, statewide stakeholders and other counties in a series of calls and meetings to attempt to find a workable and equitable solution. County staff, JEA & Associates and representatives from CSAC will be meeting to discuss this further at the CSAC Legislative Day at the end of May.

JEA & Associates and County staff will continue to work on this issue with CSAC and relevant stakeholders on crafting a workable solution.

Legislative Track

Currently, the County has positions on thirteen (13) bills and three (3) budget items, and is in the process of taking positions on four (4) additional bills. As mentioned in the Legislative Update, the County continues to work with JEA & Associates on monitoring legislative developments and amendments that directly impact the County.