



TO: Monterey County Legislative Committee

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FROM: Jennifer Capitolo, Senior Policy Advisor, Nossaman LLP
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RE: Legislative Program: State Advocacy Updates

STATUS OF LEGISLATIVE SESSION:

The Legislature convened the second year of its 2017-2018 two-year legislative session on January 3, 2018. All bills that were introduced in 2017, but that did not get passed by the Legislature, remain eligible to be considered during 2018, pursuant to a number of specific legislative deadlines.

This fall, three members of the legislature - Assemblymember (Asm.) Raul Bocanegra (AD 39), Asm. Matt Dababneh (AD 45), and Asm. Sebastian Ridley-Thomas – have resigned. The Governor has called a special election on April 3 and, if necessary, a June 5 runoff. A fourth legislator, Senator Tony Mendoza (D-32), who is also facing sexual harassment charges and an investigation by the Senate, has taken a paid leave of absence, at least through January.

LEGISLATIVE UPDATES:

i. Senate Pro Tem Vote

The Senate Democratic Caucus voted to elect Senator Toni Atkins (D-San Diego) as the next Senate Pro Tem. Senator Atkins will officially assume her leadership position on March 21, 2018. Senator Atkins served as the Speaker when she was in the State Assembly. As with any change in leadership, we anticipate Senator Atkins will announce new committee assignments in late March or early April.

ii. State Budget Update

On January 10, 2018, Governor Jerry Brown released his 2018-19 Budget, which reflects \$131.7 billion in General Fund spending, a 4 percent increase over the 2017-18 state budget. Unlike previous years, the 2018-19 Budget is projected to have a surplus of approximately \$6 billion. The Governor is proposing some additional spending and continued saving for the next recession.

Among some of the major initiatives outlined in the Governor's proposed state budget are:

- Filling up the "Rainy Day Fund" before the next recession. As mentioned above, the proposed state budget identifies \$5 billion for investment in the fund, which would fully meet the constitutional target.

- Implementation of public safety realignment – approximately \$8 billion in flexible funding is proposed for distribution to local governments to address implementation of the 2011 public safety realignment initiative.
- \$3 billion in K-12 local control funding to enhance school district fiscal flexibility to innovate locally and focus improvement on English learners, students from low-income families, and youth in foster care.
- \$3 billion in Prop 98 K-14 school funding, which will result in an increase in funding levels of approximately \$4,600 per student in 2018-19 over the 2011-12 levels.
- \$4.6 billion in new transportation funding, including:
 - Focus on “fix-it first” investments to repair neighborhood roads, state highways, and bridges
 - Make investments in trade and commute corridors to support continued economic growth and implement a sustainable freight strategy
 - Match locally generated funds for high-priority transportation projects
 - Invest in passenger rail and public transit modernization and improvement

Specific to Monterey County's interests, the budget proposes the expenditure of \$1.02 billion in funds from SB 5, if approved by voters in June 2018. The County supported SB 5 when it was moving through the legislature. This funding allocation includes funding for parks, safe drinking water projects, and sustainable groundwater management.

The budget also proposes to fund a new special fund for Safe and Affordable Drinking Water to assist communities in paying for the short-term and long-term costs of obtaining access to safe and affordable drinking water. The Administration intends to introduce trailer bill language, consistent with SB 623, to establish a program that provides grants, loans, and administrator contracts or services to assist eligible communities and households in securing access to safe and affordable drinking water. The County took a support position on SB 623 in 2017. The draft language should be available from the Department of Finance on February 1, 2018.

The budget proposes \$4.7 million for the State Water Board and the Department of Food and Agriculture to take initial steps toward implementation of this new program, including (1) developing and implementing fee collection systems, (2) conducting an assessment to estimate the level of funding needed to assist water systems in the state to ensure the delivery of safe and affordable drinking water, and (3) developing and making available a map of high-risk aquifers used as drinking water sources. It is unknown, at this time, if the budget trailer bill language will include the public goods charge or if it will create the staff and framework for implementing the new funding program. If not, then SB 623 will still be necessary to create the funding mechanism.

Additionally, the budget includes:

\$375 Million for Trial Court Construction: The budget proposes \$375 million for design and construction of trial courts. First, the budget authorizes \$343 million in lease revenue bonds, to

be repaid from the General Fund, for the construction of five courthouse projects. The budget also proposes spending \$32 million from the Immediate and Critical Needs Account to complete the design of three additional courthouse projects. The future costs to complete these three projects, plus two others already in process, would be almost \$1 billion, to be financed by lease revenue bonds supported by the General Fund. Supervisor Salinas and Supervisor Alejo have asked Nossaman to explore opportunities for funding the Greenfield Courthouse. The Supervisors have coordinated a meeting with the Judicial Council on February 8th to discuss the project status and rank on the Judicial Council's priority project list.

\$134 Million for Voting Systems: The budget proposes \$134 million in one-time General Fund spending to purchase new equipment for county voting systems. This equipment includes hardware, software, and initial licensing to replace existing systems and technology. Under the proposal, counties would provide a dollar-for-dollar match to receive the state funding. The \$134 million estimate assumes that there is a widespread shift by jurisdictions to the new "vote center" elections model, as authorized by Chapter 832 of 2016 (SB 450, Allen).

\$131 Million for Counties to Address Incompetent to Stand Trial (IST) Waitlist. When a defendant in a criminal proceeding has a mental health condition that renders him or her unable to understand the nature of the proceedings, a trial court can refer that person to the Department of State Hospitals for treatment. These referrals have grown in recent years, resulting in roughly 850 offenders waiting to receive IST treatment. The budget proposes \$131 million (\$128 million General Fund) to work with counties to address the waitlist. Most of these funds would be spent on diversion programs over the next three years to prevent individuals from being referred to IST treatment.

Over \$200 Million in Business Tax Credits: The Governor proposes extending the California Competes tax credit program—which provides tax subsidies to select businesses that agree to expand employment or investment in the state—for five more years. The program would be able to provide \$180 million of credits to businesses each year. Provisions of current law reserved some of these credits for small businesses, but these provisions would be removed. A future proposal is anticipated for a new program to provide \$20 million in annual assistance to small businesses. In addition, the Governor proposes to replace the state's little-used New Employment Hiring Credit with a new business tax credit, budgeted at \$50 million per year, to encourage hiring of parolees, CalWORKs recipients, and veterans.

iii. Update on Research Related to Availability of Cannabis Cultivation Data by County

At the request of Supervisor Alejo, we have researched the availability of data regarding cannabis cultivation by County. We spoke with representatives from State Agencies, State Associations, including CSAC and the California Growers Association, lobbyists that work on cannabis issues, and staff for the County's Legislative Delegation. We also reviewed the cannabis track-and-trace regulations. The most relevant information was provided by CSAC. They are working with the CSAC Finance Corporation to develop a Joint Power Authority for the purpose of developing and managing a statewide data platform that will gather, collect, and analyze data information from a number of sources into one resource. They have stated that this information will be directly tied into the State's track-and-trace database and it will be searchable by County. We look forward to discussing this with you to see if additional research is necessary.

iv. SB 1 Repeal Efforts

The repeal effort lead by Assemblyman Travis Allen is no longer moving forward, after failing to meet a deadline to turn in signatures. The other repeal effort, led by the Howard Jarvis Taxpayer Association and GOP candidate for governor, John Cox, has collected nearly 2/3 of the 550,000 signatures needed to qualify for the ballot. Those signatures are due by May 21.

A December poll by UC Berkeley's Institute of Governmental Studies found 52 percent of likely voters would support an initiative repealing the increases, and 46 percent said they "strongly" support repealing the charges.

CSAC's Executive Committee voted to approve taking an oppose position on the efforts to repeal SB 1, even though the initiative do not yet have the signatures required to qualify for the November ballot. CSAC will be voting on financial participation in the campaign to oppose the initiative efforts at the March Board meeting.

v. SCR 57 (Cannella): Memorial Highways

At the end of session last year, Senator Cannella's office ran into an issue with Caltrans on SCR 57. Caltrans raised issues with the designation markers for Javier Sanchez, Richard Cerros, and Cornado Javier. The Senator's staff worked diligently with Caltrans to resolve the issues and they have sent proposed amendments for the County to review. If the County approves the amendments, the language will be given to legislative counsel for amendments and the bill will then be taken up on the Assembly floor. Staff mentioned the bill will need to go back to Senate Transportation Committee due to the amendments, but we anticipate the bill will be on consent.

vi. Review of Introduced Bills of Interest and Discuss Potential Actions

- **AB 1754 (McCarty): Pre-K for All Act of 2018** – The bill would require the state to provide all 4-year-old children who meet eligibility requirements with access to early care and education programs.
- **AB 1885 (Garcia): Undocumented workers: California Agricultural and Service Worker Act** – The bill would require the Employment Development Department and the Department of Food and Agriculture to convene a working group to address the issues relating to a work permit program for undocumented persons who are agricultural or service industry employees to work and live in the state and to serve as liaison to the United States Department of Homeland Security and the United States Department of Justice to ensure that state departments are not taking on responsibilities in matters dealing with immigration policy that are the jurisdiction of the federal government.
- **SB 829 (Garcia): Employee housing: farmworker housing** – This is a spot bill that states the intent of the Legislature to enact legislation that would expand the Employee Housing Act to (1) further incentivize the creation of farmworker housing in agricultural communities, (2) authorize the Department of Housing and Community Development to partner private agricultural operators with independent nonprofits

that will manage and operate residences, and (3) preserve and protect the civil rights of tenants living in employee housing.

vii. Meetings with Monterey County's California Legislative Delegation

Nossaman met with each of the County's State legislative members to discuss the 2017-2018 updates to the Legislative and Strategic Grants Program. We provided each office with copies of the updated programs. We are working with the Legislative Committee members to schedule a trip to Sacramento to further discuss priority issues for the County with the County's State legislative delegation.

viii. Receive Monterey County State Bill Track

UPCOMING LEGISLATIVE DEADLINES

- January 1, 2018 – Statutes take effect
- January 3 – Legislature reconvenes
- January 10, 2018 – Governor submits budget to the legislature
- January 12 – All two-year fiscal bills must pass out of policy committees
- January 19 – All two-year non-fiscal bills must pass out of policy committees
- January 31 - All two-year bills must pass out of their house of origin
- February 16 – Last day for bills to be introduced
- March 22 to April 2 – Legislature on Spring Recess