

TO: Members, County of Santa Barbara Legislative Committee

FROM: Cliff Berg, Legislative Advocate  
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RE: 2017 March Update

DATE: March 28, 2017

The deadline for bill introductions was on February 17, 2017, and all legislation has to be in print for 30 days. The Legislature has now started to rapidly pick up the pace and is now starting the process of moving legislation through policy committees in the first house and working the budget through the budget sub-committee process. The Legislature will break for the Legislative Spring Break which is from the adjournment of session on April 6<sup>th</sup>-April 16<sup>th</sup>, with the first policy committee deadline to hear and report to fiscal committees the fiscal bills from their house of origin, which is set on April 28<sup>th</sup>.

In February, Governor Jerry Brown held a news conference announcing a series of immediate longer-term actions to bolster dam safety, improve flood protection and fix the state's aging transportation infrastructure due to the extreme weather causing erosion in roads and bridges. Although SB 1 (Beall) passed the Senate Governance and Finance Committee on March 8<sup>th</sup> to go forward to the Senate Appropriations Committee, the bill has currently slowed down its momentum due to the large push from the Governor's office to figure out a solution before April 6<sup>th</sup>. The Assembly and Senate transportation legislation will likely be merged with the Governor's plan and will range somewhere between \$6.1-4.2 billion, for an approximately a slight higher figure than \$5 billion in transportation funding. Although the proposal has not come out yet, the Governor is pushing for a deal that would get support from the 2/3rds majority.

The County's new Assemblymember Monique Limon (D-Santa Barbara) has introduced the County's sponsored legislation, AB 556, which would allow Counties to impose larger administrative fines for one-time violations of the County's ordinances specifically where permits are available and when knowledgeable businesses chose to ignore the required permit. The bill will focus on one-time events that have over 80 people in attendance and purposely don't acquire a permit due to the fee of the permit costing less than the violation fine. We are working with the Author's office on specific amendments to the bill, which will likely be set for a hearing in the Assembly Local Government Committee in early-mid April.

Our office has reviewed all of the introduced legislation, and has specified which bills could be of possible interest to the County and will now work with staff to see which bills to take to the legislative committee for positions.

### **Transportation**

Caltrans, the state's Transportation Department, maintains 50,000 lane-miles of highway and nearly 13,000 state-owned bridges. While the repair, maintenance and efficient operation of the

state's highway system are vital to the state's continued economic growth, current funding fails to adequately fund this necessary work. The Governor's proposed budget is set to fund only \$4.3 billion of work—leaving \$1.4 billion in unfunded repairs each year.

The County has taken the support position on both AB 1 (Frazier) and SB 1 (Beall) which proposes an additional \$6 billion annually for road repairs and mass transit, by readjusting the state's obsolete gas tax and reform the user-pays system to ensure all motorists contribute their fair share to the maintenance of the roads. SB 1 (Beall) passed the Senate Governance and Finance Committee on March 8<sup>th</sup> to go forward to the Senate Appropriations Committee, the bill has currently slowed down its momentum due to a large push from the Governor's office to figure out a solution before April 6<sup>th</sup>.

Despite the bills moving forward it has been apparent that they do not have the 2/3rds vote necessary to pass, therefore the governor is working on a new hybrid that will hopefully get the votes to pass the Floor. SB 1 (Beall) and AB 1 (Frazier) will likely be combined and be merged with the Governor's plan and will range between \$6.1-4.2 billion, for an approximately \$5 billion transportation plan that will differ from the transportation legislation.

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

The Governor's state budget stated that it will return Collective Bargaining to Counties and will reestablish the state-county share of cost arrangement for the IHSS program that existed prior to the implementation of the Coordinated Care Initiative. Counties will be responsible for the payment of 35% of the nonfederal portion of program costs through 1991 Realignment. Based on current estimates, growth in 2017-18 realignment revenues alone will not be sufficient to cover the additional IHSS costs. As a result, according to the Governor's proposed 2017-2018 State Budget plan, this change is likely to result in financial hardship and cash flow problems for counties. The Administration says it is prepared to work with counties to mitigate, to the extent possible, the impact of returning a share of the fiscal responsibility for IHSS to counties. CSAC and a multitude of other county representatives have stated their opposition to the dismantling of the county In Home Supportive Services (IHSS) Maintenance of Effort (MOE) cost sharing arrangement and the dissolution of the Statewide IHSS Authority to all 58 counties. This issue has become one of the heaviest issues for Counties to oppose due to the massive cost shift and negative impacts to the counties.

On March 8<sup>th</sup>, the Assembly Budget Subcommittee No. 1 on Health and Human Services discussed the unwinding of the Coordinated Care Initiative and the In-Home Supportive Services (IHSS) Maintenance of Effort (MOE). After delaying the vote for three weeks after the March 8<sup>th</sup> hearing, the Assembly Budget Subcommittee No. 1 is scheduled for a vote-only hearing on March 29<sup>th</sup> on the Assembly's proposal which would add in the \$623 million in IHSS costs and create a special fund to provide supplemental funding to counties to mitigate the gap between the cost shift and 1991 Realignment revenues until Realignment revenues exceed the new level of MOE costs.

The Assembly's proposal is not a loan and does intend to hold counties harmless from the cost shift by setting up a revolving account at the state level, but it does not address the potential loss

of growth from realignment sales taxes for health and mental health. CSAC will support the plan on March 29<sup>th</sup> with the intent to set an approach to address the cost shift. However, they are still not in supporting the \$623 million shift from the state to the county. Meanwhile, Senate Leadership is staying on the sidelines of the IHSS MOE issue, and currently siding with the Governor's plan without creating their own proposal.

The Santa Barbara County has stated its opposition to the Governor's budget proposal of the discontinuing of the IHSS Maintenance of Effort (MOE). We will continue to oppose Governor's budget proposal and advocate for a change in the Governor's May Revision.

### **Budget**

The Governor released his 2017-18 budget in January, which proposed \$122 billion in state General Fund expenditures, and an overall \$179 billion budget for the 2017-18 fiscal year. The Governor's budget assumes that there are no Federal changes. The Legislature has begun the process of hearing the budget through the sub-committees.

Highlights include:

**Rainy Day Fund:** With a \$1.15 billion deposit in the budget, the Rainy Day Fund will total \$7.9 billion by the end of 2017-18. While a full Rainy Day Fund might not eliminate the need for further spending reductions in case of a recession or major federal policy changes, placing money in the Rainy Day Fund will allow the state to soften the possibility of necessary cuts.

**Transportation** - The budget reflects the Governor's transportation package which was first proposed in September 2015, which would provide \$4.2 billion annually to improve the maintenance of highways, local roads, and expand public transit.

**Cap and Trade** - The state has appropriated \$3.4 billion in cap-and-trade auction proceeds to help reduce greenhouse gas emissions, with funding prioritized in disadvantaged communities. The Administration proposes two-thirds urgency legislation to confirm the program's continued authority beyond 2020. Assuming approval, the budget proposes \$2.2 billion in expenditures from auction proceeds, with a continued emphasis on low-income and disadvantaged communities.

**Emergency Drought Response** – The proposed budget includes an overall amount of \$178.7 million in emergency drought funding for a variety of different program areas, including local assistance for small water systems, tree mortality and enhanced fire protection and funding to implement the Governor's Executive Order on water conservation.

**Tree Mortality** – The state specifically appropriated \$91 million for 2017-18 budget, opposed to the \$90 million from the 2016-17 budget. The state is continuing the California Disaster Assistance Act (CDAA) Funding.

**Health Care Expansion** - Under the optional expansion provisions of the federal Affordable Care Act, the budget increases enrollment of this Medi-Cal population to 4.1 million Californians, with the state's General Fund share of cost increasing from \$888 million to nearly \$1.6 billion.

**Discontinuing of the CCI** - The discontinuing of the Coordinated Care Initiative will not impact directly current benefits and services people with disabilities and seniors receive, including those from In-Home Supportive Services (IHSS), but it will discontinue the enhanced rates for health plans and will return the collective bargaining back to the Counties.

### **No Place Like Home**

No Place Like Home divides potential bond funding into a complete pot of \$1.8 billion and a non-competitive pot of \$200 million, which counties will compete for within their own population tier with Los Angeles being in a tier of their own.

The financing portion of the No Place Like Home program concludes that the California Health Facilities Financing Authority (CHFFA) will sell the bonds and utilize MHSA funding to finance those costs, while the Department of Housing and Community Development (HCD) will receive the bond revenue and develop the guidelines for disbursing the money to the counties, as well as be held accountable for housing built.

On March 23<sup>rd</sup>, HCD had its first NPLH Advisory Committee Hearing where they discussed California's growing homelessness issue, the timeline of the program, some technical aspects and the goals that the department hopes to achieve with the program such as improving the quality of life, access to stable and affordable housing, health and well being. The program will target three kinds of populations which are the chronically homeless, the homeless and at-risk of chronic homelessness. All target population must be adults living with a diagnosed serious mental disorder, children or adolescents with a serious emotional disturbance.

The meeting also provided an overview of the framework and a proposed timeline of the program. HCD stated that in the April of 2017, the department will start to develop draft guidelines for comment, and will try to complete those guidelines in order to start the validation process this summer. The HCD will approximately be releasing Notice of Funding Availability (NOFA) in the winter of 2018.

The NPLH Advisory Committee includes Ben Metcalf, Director of HCD; Mari Cantwell, CA Department of Health Care Services; Karen Baylor, CA Department of Health Care Services; Keith Boylan, CA Department of Veteran Affairs; Alicia Sutton, CA Dept. of Social Services; Vince Brown or Tim Schaefer for the State Treasurer's Office; Toby Ewing, Mental Health Services Oversight and Accountability; Patrick Kennedy, Sacramento County Supervisor; Robert Bendorf, Yuba County Administrator; Alfredo Aguirre, San Diego County Director of Behavioral Health; Jacky Morales-Ferrand, Director at the City of San Jose Housing Department, Va Lecia Adams Kellum, President and CEO at the St. Joseph Center and Maggie Merritt, the Executive Director of the Steinberg Institute.

### **Cannabis**

The passage of Prop 64 allowed the recreational use of marijuana in California which created a number of cannabis bills as well as pending regulations by the Bureau of Marijuana Control and

CalCannabis, which will shape cannabis cultivation, retail sale, manufacturing, and distribution in California. The California Department of Food and Agriculture (CDFA) is currently developing regulations, therefore CSAC has set up a cannabis working group which met on March 16<sup>th</sup> in order to get input and develop a policy on recreational cannabis. The working group anticipates meeting again after the draft of regulations come out in late April. We will be monitoring the regulations closely as they come out of the department.

As previously mentioned, the California Department of Food and Agriculture (CDFA) is now developing regulations to establish cannabis cultivation licensing and a track-and-trace system, referred to as CalCannabis Cultivation Licensing. The Bureau of Marijuana Control, which is an entity within the California Department of Consumer Affairs, will license testing labs, transporters, distributors, dispensaries, and micro businesses. The Office of Manufactured Cannabis Safety which is within the CA Department of Public Health, will license manufacturers of cannabis products, such as edibles.

The State and the Federal Government are still not consistent on the marijuana policy. The Federal Administration and the U.S. Department of Justice have been open about opposing the legalization of marijuana, and have discussed that they will pursue enforcement of federal law against recreational use on states that have approved recreational use of Marijuana. This will create a conflict between Federal and State rules including issues with banking, finance, collecting taxes and the increased risk of crime.

Due to the recent passage of Prop 64 and the inconsistency between the state and federal government, California Legislators have introduced a combination of legislation on cannabis-related issues that are currently progressing through the legislative process, with CSAC taking support positions on SB 148 (Wiener) which would authorize the State Board of Equalization or a county to collect cash payments on behalf of other entities that are also due tax payments, upon agreement, and SB 175 (McGuire) which would clarify the prohibitions that include the use of similar sounding names that are likely to mislead consumers about the product's origin.

### **Cannabis Related Legislation**

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

#### **Licensing and Testing**

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

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

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

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

### **Packaging and Advertising**

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

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

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

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

### **State Requirements**

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

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

AB 1135 (Wood) relates to public stakeholder input on disbursements to the Department of Health Care Services from the California Marijuana Tax Fund.

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

### **Finance and Tax Issues**

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

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

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

### **Public Safety**

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

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

AB 729 (Gray) would require license suspension for certain types of violations. It would also require licensees to post signs visible from public entrances to indicate “No Person Under 21 Allowed,” among other security measures; AB 729 also prohibits the sale or distribution of cannabis or cannabis products in a vending machine. The bill would authorize licensees and employees to refuse to sell cannabis to a person unable to produce adequate identification, and would authorize peace officers or local and state licensing authorities the ability to enter and conduct inspections. AB 729 also contains zoning restrictions, and would prohibit licensees from being located within a 600-foot radius of a playground, hospital, or church, unless a local authority or licensing authority specifies a different radius.

### **Interactions with the Federal Government**

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

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

### **New Introduced Bills of Possible Interest to the County**

The legislative bill introduction deadline was February 17<sup>th</sup> with 887 bills introduced the last day of the legislative deadline and more than 1,500 introduced in the final week of the deadline. We have flagged over 340 pieces of legislation that are in relation to the County’s platform and could possibly be of interest to the County. Attached to the state report is the list of legislation that we have flagged for the County, and we will work with the County’s staff on getting legislation that directly falls into the County’s 2017 legislative platform to set the County’s positions on the bills.

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

AB 1 (Frazier) The County is in strong support of the transportation funding as a whole that would provide infrastructure funding to maintain and improve local streets, roads and state highways. The legislation proposes an additional \$6 billion annually for road repairs and mass

transit, by readjusting the state's obsolete gas tax and reform the user-pays system to ensure all motorists contribute their fair share to the maintenance of the roads. The bill has been referred to the Assembly Transportation and Assembly Natural Resources Committees with no date yet set. The County supports the bill.

AB 556 (Limon) which would allow Counties to impose larger administrative fines for one-time violations of the County's ordinances specifically where permits are available and when knowledgeable businesses chose to ignore the required permit. The bill will focus on one-time events that have over 80 people in attendance and purposely don't acquire a permit due to the fee of the permit costing less than the violation fine. The County is sponsoring the bill.

AB 722 (Limon) The bill would allow a member of the Santa Barbara County Board of Supervisors or by any public officer of the County of Santa Barbara or his or her deputy to serve on the board of directors of the Isla Vista district. The County's position is still pending.

SB 1 (Beall) The legislation proposes an additional \$6 billion annually for road repairs and mass transit, by readjusting the state's obsolete gas tax and reform the user-pays system to ensure all motorists contribute their fair share to the maintenance of the roads. The bill has been passed through the Senate Transportation and Housing Committee 8-3, and the Senate Environmental Quality Committee 4-2. The bill is set to be heard in Senate Governance and Finance on March 8<sup>th</sup>.

### **Conclusion**

With the bill introduction deadline passed, the committees and subcommittees will be working at a torrid pace after the Members return from the Legislative Spring Break on April 17<sup>th</sup> in order for policy committees to hear and report to fiscal committees fiscal bills in their house of origin on April 28<sup>th</sup>.

As we move into spring legislation will be heard in policy committees before they head to the fiscal committees. As mentioned, we will work with your staff on any legislation that may fall into the County's 2017 legislative platform to the County's legislative committee for positions and priorities. Should you or your staff have any questions, please don't hesitate to ask.