

State Legislative Update

General Outlook

The Legislature has adjourned for the year. Major legislative action this year included passing a transportation funding measure (SB 1), extending Cap-and-Trade with a 2/3 vote and approving a spending plan for the funds generated, a housing package including a housing bond (to go on the November, 2018 ballot) and a parks / resources bond for the June, 2018 ballot.

Adopted State Budget

The state budget was once again approved on time. There was great uncertainty surrounding the proposal on the In-Home Supportive Services (IHSS) Program proposal to shift cost responsibilities away from the State and back to the counties. A proposal of that magnitude would have had an immediate and immense impact on county budgets, potentially costing nearly \$700 million to counties.

Ultimately, the Governor, the Legislature and counties worked out a phased-in approach to this shift which will occur over the next four years. In the 2017-2018 budget, the agreement increases costs to counties by – on average – 5% for IHSS. While not ideal (in that the State returned the MOE responsibilities to counties), this was the best situation that could be crafted given the Governor's firm stance on shedding the escalating IHSS cost responsibilities.

In addition to what the California State Association of Counties (CSAC) could bargain for with the Administration and the Legislature, Shaw / Yoder / Antwhi, Inc. – in conjunction with the governing board of the California Medical Services Program (CMSP), of which Solano County is a participating county – succeeded in a proposal to allow CMSP revenues to also be utilized by CMSP member counties to further reduce any potential hit in 2017-18 and – hopefully – 2018-19 as well.

A more comprehensive overview of the budget was provided to the County shortly after its passage, noting other matters of interest. CSAC has approved the final formula for the IHSS MOE shift implementation.

In the last week of the legislative year, the Legislature also approved additional budget trailer bills, which the Governor has already signed as follows:

- AB 109 by Assemblymember Philip Y. Ting (D-San Francisco) – Budget Act of 2017.
- AB 129 by the Committee on Budget – Education finance.
- AB 130 by the Committee on Budget – Health and human services.
- AB 131 by the Committee on Budget – Taxation.
- AB 133 by the Committee on Budget – Cannabis Regulation.
- AB 134 by the Committee on Budget – Budget Act of 2017.
- AB 135 by the Committee on Budget – Transportation.

County Sponsored Legislation

Senator Dodd carried SB 365, which authorizes the formation of a county-wide park and open space district in Solano County. The Governor signed SB 365 into law a few weeks ago.

Cannabis Regulation

The Legislature considered dozens of cannabis-related bills in 2017; however, the Administration expressed concern about continued statutory changes during the final stages of recreational cannabis rulemakings, leading up to January 1, 2018. In that vein, the Governor's office asked the Legislature to hold those measures for the year. However, the

Administration did propose, as part of a budget trailer bill, some additional clean-up in anticipation of recreational cannabis being sold in 2018 – those matters were included in AB 133, which is listed above, and intended to be technical and clarifying. There were significant concerns relayed to the Legislature by local governments about the coordination between the State and local agencies regarding the status of locally-issue permits to obtain state licensing. The Administration is committed to resolving these issues through the emergency regulations process this fall.

General Local Government

The two measures that generated the most concern for local governments, including Solano County, were AB 1250 (Jones-Sawyer) and SB 649 (Hueso). The County opposed both measures.

AB 1250 would have created a massive new amount of work for counties that contracted out for any services. It would have required counties conduct analysis on the costs of using in-house staff versus contractors, but prohibited key cost-drivers from being included in the calculation, thus prejudicing the outcome towards using only county staff. A large and diverse coalition of opposition developed, which included small business, non-profits, various county affiliates and county boards of supervisors. The Senate elected to hold the bill in the Senate Rules Committee for the remainder of the year. The County should expect to revisit this issue in 2018, as the proponents of the measure are unlikely to give up.

SB 649 has been sent to the Governor. This measure makes two major changes to how wireless facilities will be permitted for new technology – 1) it makes wireless permits ministerial instead of discretionary, and it caps the fees that any local agency can charge for use of the jurisdiction's vertical infrastructure (utility, telephone, lighting and traffic poles, as well as rooftops, etc.) to \$250 plus costs. Local agencies will be prohibited from charging market rates. The County should send a request to veto the measure to the Governor as soon as possible.

Housing Package

After several stops and starts over the last two years, the Legislature approved a package to create new affordable housing, streamline permitting for housing projects in jurisdictions that have not met their target per their regional housing assessment needs, establish a permanent source of affordable housing funding and a bond for the November 2018 ballot. The full complement of bills that are considered part of the package are as follows:

- SB 2 (Atkins) creates a permanent source of funding for affordable housing.
- SB 3 (Beall) proposes \$4 billion bond measure to kick start the affordable housing construction our state needs.
- SB 35 (Wiener) holds local communities accountable by streamlining housing approvals in cities that aren't meeting their state-mandated housing goals.
- SB 540 (Roth) will incentivize and streamline housing construction to help solve our state's dire housing shortage.
- SB 167 (Skinner) and SB 166 (Skinner) aim to remove barriers to housing construction and increase housing development across all affordability levels.
- AB 1505 (Bloom) restores local governments' ability to increase the supply of affordable housing units in cities across California.
- AB 72 (Santiago) gives the state the authority to enforce California housing element laws.
- AB 73 (Chiu) will streamline and incentivize housing production at the local level.
- AB 678 (Bocanegra) strengthens housing accountability.

- AB 571 (Garcia) will provide more low-income housing for farmworkers across the state.
- AB 879 (Grayson) requires local governments to collect information on the nongovernmental hurdles to housing development.
- AB 1397 (Low) strengthens local housing planning laws.
- AB 1515 (Daly) strengthens California's housing accountability laws.
- AB 1521 (Bloom) will preserve existing affordable housing stock.

Water/Delta/Flood

As of this writing, we are still anticipating the release of the audit requested by then-Senator Wolk and Assemblymember Eggman in 2016 related to state expenditures in support of the BDCP/WaterFix. The release date has been pushed back twice and is now expected sometime in October. The latest extension on the release followed a report on the federal side that federal agencies had improperly funded work in support of the same proposal.

SB 231 (Hertzberg) is to the Governor. This measure makes critical definitional changes to stormwater to include sewer, which then authorizes counties, cities, and local water agencies to finance storm water projects in the same manner as other public works projects under Proposition 218.

The Legislature passed AB 313 (Gray) in the final hours session. AB 313 requires that unbiased administrative law judges conduct water rights enforcement hearings, instead of the State Water Board. The bill establishes a new water rights management structure, creating a new Water Rights Division in the Office of Administrative Hearings to handle all water rights matters. The shift removes conflicts of interest and built-in biases in the current system. The State Water Board has the power to write regulations, initiate enforcement actions, and conduct hearings in its own courtroom in which Board staff act as the prosecution and Board members act as judge and jury. Under AB 313, administrative law judges in the new Water Rights Division would handle all water rights matters, providing a neutral body for hearings regarding those complicated, and often controversial, issues.

SB 606 (Skinner) and AB 1668 (Friedman), which would have mandated water conservation, were both made into two-year bills.

The Legislature also approved a parks / resources bond for the June 5, 2018 ballot. There were significant last-minute negotiations that whittled down the amount of funding available for Delta interests. The bond total is \$4.1 billion, and of that, about \$250 million will be available for projects in the Delta. Language from Proposition 1, which precluded funds from being used towards the Twin Tunnels, is also contained in the new parks / resources bond. A detailed breakdown of the funding streams proposed in SB 5 has been provided to county staff.

Transportation

Prior to adjourning for Spring Break, the Legislature approved SB 1 (Beall), which was the product of nearly four years' worth of work and negotiation on a transportation package that included funding for local streets and roads. Shortly thereafter, an effort was launched to repeal SB 1 and to unseat one Senate Democrat who voted for the measure. Already, two separate referendums on SB 1 have been cleared for circulation. There may be other efforts to qualify a referendum in the coming months. The recall effort is also underway with a possible election occurring in November, shortly after the increased gas tax takes effect.

Cap and Trade

Budget trailer bills AB 109, AB 134, SB 93, and SB 119 which contain proposed Cap and Trade expenditures were sent to the Governor. See diagram below.

2017-18 Cap and Trade Spending Plan

40% Discretionary Portion
(millions of dollars)

Investment Category	Program	Amount
Air Quality (diesel reduction, low carbon transportation)	Carl Moyer Program, AQIP	\$250
	Agricultural Diesel Engine Replacement & Upgrades	85
	Clean Vehicle Rebate Project	140
	Freight Hubs/Ports: Zero Emission Freight Equipment Pilot	140
	Commercial Deployment Projects	180
	Clean Buses and Trucks	100
	Enhanced Fleet Modernization Program, School Buses & Transportation Equity Projects	(\$895)
Air Quality Related, Local Action	Subtotal, Air Quality	\$12
	AB 617 State and Local Implementation Costs	5
	Technical Assistance to Community Groups	10
	Transformative Climate Communities	(\$27)
Sustainable Agriculture	Subtotal, Air Quality-Related and Local	\$99
	Methane Reduction	60
	Energy Efficiency	6
	Renewable Energy	(\$165)
Sustainable Forests	Subtotal, Sustainable Agriculture	\$200
	Fire Prevention and Healthy Forests	25
	Local Fire Response/Emergency Fire Protection	(\$225)
Short-Lived Climate Pollutants, Carbon Sequestration, Greening	Subtotal, Sustainable Forests	\$40
	Recycling Infrastructure	20
	Urban Forestry	26
	Urban Greening	15
	Wetlands Restoration	(\$101)
Climate Adaptation & Resiliency, Research	Subtotal, Short-Lived Pollutants, Sequestration, Greening	\$18
	Low Income Weatherization	20
	Natural Land Adaptation	6
	Coastal Adaptation	11
	Research	(\$55)
Off-the-top Accounting	SRA backfill (40% share of costs)	\$32
Total		\$1,500

Looking Ahead

The Governor's final term will conclude in 2018, teeing up a crowded field of gubernatorial candidates that will likely oversee either the forward progress or total halt of the California WaterFix.

In addition to AB 1250 being made a two-year bill, many other issues of interest to counties have similarly been rolled over to the second year of the two-year session including, but not limited to, bail reform (e.g. SB 10 - Hertzberg), increased alternative energy goals (SB 100 – de Leon) and the single-payer health proposal (SB 562 – Lara). Undoubtedly many other issues will arise as well prior to or after January 3, 2018 when the Legislature reconvenes.