



COUNTY OF SAN MATEO

COUNTY MANAGER'S OFFICE

November 17, 2015

2015 Legislative

Deadlines

Sept. 11: Last day for each house to pass bills.

October 11: Last day for Governor to sign bills or veto bills passed by the Legislature on or before Sept. 11 and in the Governor's possession after Sept. 11.

Jan. 1, 2016: Statutes take effect.

Jan. 4, 2016: Legislature reconvenes

County Sponsored Legislation

1. **Senate Bill 598 (Hill) *Volunteer Fire Brigade Sales Tax Exemption***—was signed into law on September 2. This legislation will exempt all-volunteer fire departments from sales tax liability based on total gross receipts. The tax exemption will sunset in 2021. SB 598 was the winner of Senator Hill's 2015 "Oughta Be A Law... Or Not" contest.
2. **Assembly Bill 901 (Gordon) *Solid waste: reporting requirements; enforcement***—was signed into law on October 10. This law revises the information recycling and composting operations and facilities are required to report to CalRecycle. It also provides CalRecycle with enforcement ability, if required recycling, composting and disposal information is not provided by specified operations and facilities.

Priority Legislation

1. **Senate Bill 350 (de León) *Clean Energy and Pollution Reduction Act of 2015***—was signed into law by Governor Brown on October 7. The new law requires the amount of electricity generated and sold to retail customers on an annual basis to be increased to 50% from eligible renewable energy sources by December 31, 2030. This bill also requires the State Energy Resources Conservation and Development Commission to (1) establish annual targets for statewide energy efficiency savings and (2) mandate reductions that will achieve a cumulative doubling of statewide energy efficiency savings in electricity and natural gas consumption by retail customers by January 1, 2030.
2. **Assembly Bill 1482 (Gordon) *Climate adaptation***—was signed by Governor Brown on October 8. The new law requires the Natural Resources Agency to update the state's climate adaptation strategy by July 1, 2017 and every three years thereafter. This legislation also requires state agencies to promote the use of the climate adaption strategy to inform planning decisions and ensure that state investments consider the impacts of climate change. Lastly, it promotes the use of natural systems and natural infrastructures to address climate change adaptation when developing physical infrastructure.



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3. **Assembly Bill 35 (Chiu) *Income taxes: credits: low-income housing: allocation increase***—was vetoed by Governor Brown. This legislation would have increased the cumulative housing credit dollar amount that may be allocated among low-income housing projects by \$100,000,000 through 2021 and the amount of state tax credits awarded to a project that is also receiving 4% federal tax credits from 13% to 50% of the qualified basis in order to generate greater affordability for low-income housing projects.
4. **Assembly Bill 47 (McCarthy) *State preschool program***—was vetoed by Governor Brown. This legislation would have required that by June 30, 2018 all eligible children who are not enrolled in transitional kindergarten have access to the State Preschool Program the year before enrolling in kindergarten contingent upon the appropriation of sufficient funding in the annual Budget Act.

Transportation Special Session

In June, Governor Brown called for a Special Session to enact permanent and sustainable funding sources to maintain and repair the state's failing transportation and critical infrastructure, improve the state's key trade corridors and support the rehabilitation of local infrastructure. According to recent studies, approximately \$6 billion annually is needed to fund the state's 10-year highway restoration plan focused on roadway/bridge preservation and maintenance. Additionally \$7.8 billion annually in new funding is needed by cities and counties to maintain 143,000 centerline miles of local streets and roads.

The Democrats primary legislative proposal is SBx1 1 (Beall), which would increase the gas tax by 12 cents and diesel tax by 22 cents as well as increase the vehicle registration fee by \$35 and create a \$100 vehicle registration fee for zero-emission vehicles. The proposal would generate approximately \$6 billion annually and constituted a permanent funding package.

Republicans in both chambers have expressed opposition to any proposal consisting of tax and fee increases. Upon becoming evident that Senator Beall's proposal would not gain the 2/3 support needed to pass, Governor Brown released a proposal that would generate approximately \$3.6 billion annually, share the funds evenly between local and state uses and constitutionally protect the increased revenues for transportation related uses. The proposal, which would be funded through an 11 cent increase in the diesel excise tax, \$65 highway user fee for all vehicles and adjustments to the gas excise tax formula also failed to receive the support needed to pass. Governor Brown briefly considered introducing a significantly smaller package, approximately \$600-\$700 million in transportation funding, but it was quickly rejected by many, including CSAC, as the funding was significantly insufficient.

Leadership has appointed members from both chambers and parties to a conference committee to hold hearings throughout the fall to work toward possible solutions. Assembly Member Kevin Mullin has been appointed to the committee.

Health Special Session

A second Special Session was called to focus on legislation that would enact permanent and sustainable funding from a new managed care organization (MCO) tax and/or alternative funding sources to provide: 1) at least \$1 billion annually to stabilize the state General Fund's costs for Medi-Cal; 2) sufficient funding to continue the 7 percent restoration of In-Home Supportive Services hours beyond 2015-16; and 3) sufficient funding to provide additional rate increases for providers of Medi-Cal services.

The number of individuals enrolled in California's Medi-Cal program has almost doubled in a very short period of time, increasing from 6.6 million in 2007-08 to 11.9 million in FY 2014-15; in part due to the successful implementation of the Affordable Care Act. The current MCO tax, which has been determined to be out of compliance with federal regulation, expires June 30, 2016.



The Brown Administration proposed a new, broader MCO tax on most health plans to continue support for children's health services as well as provide ongoing funding for the restoration of the 7 percent cut in IHSS recipient hours. The Brown Administration has also signaled a desire to prepare for increases in the state's share of Medi-Cal costs under the Affordable Care Act as nearly one-third of the state's population receive health care services through the expanded Medi-Cal program. Moreover, the federal reimbursement rate for new Medi-Cal recipients will step down from 100 percent to 90 percent in 2020.

Despite negotiations led by the Department of Health Care Services, health plans and Republicans were not willing to support any proposal including an increase in existing taxes or new taxes. No legislation was passed before the close of the regular session. The special session will remain open, and while bills have been moved to conference committee, it is unlikely that a tax increase would be passed during next session. Leadership has appointed members from both chambers and parties to a conference committee to hold hearings throughout the fall to work toward possible solutions.

The Senate and Assembly also introduced a package of bills focused on increasing regulations and reducing consumption of tobacco products. The bills would increase the minimum legal age to purchase tobacco products, define e-cigarettes as tobacco products, close loopholes in smoke-free workplace laws, require all schools to be tobacco free, and allow local jurisdictions to tax tobacco distributors.

The most controversial of these are adding e-cigarettes to existing tobacco products definition and raising the smoking age from 18 to 21. These have drawn hundreds of individuals in opposition at the hearings, many of them e-cigarette

Federal Update

The spending caps set at \$523 billion for defense programs and \$493.5 billion for non-defense programs in the Fiscal Year 2016 conference budget resolution remain unchanged in the coming fiscal year. Partisan spending disagreements regarding the spending caps, sequestration and Republican-targets such as defunding Planned Parenthood and the Affordable Care Act continue. In an open and vocal disagreement, Republican leadership and the party's conservative members disagreed with one another about avoiding a federal government shutdown. Democrats remained unified in opposition to targeted defunding proposals and adamant that a Continuing Resolution with no amendments should be brought to the floor for a vote.

On September 24, the Senate began deliberations on a Continuing Resolution for Fiscal Year 2016 that kept federal spending at Fiscal Year 2015 levels and included an amendment to defund Planned Parenthood. The subsequent vote of 52 to 47, along party lines, demonstrated that a Continuing Resolution with this amendment could not pass. Additionally, President Obama publicly stated that a Continuing Resolution including an amendment to defund Planned Parenthood would be vetoed.

On September 25, the issues were temporarily set aside with the announcement by Speaker John Boehner that he will retire as Speaker of the House and from Congress at the end of October. Analysts from both parties suggested that Boehner's resignation would help ease the passage of a short term Continuing Resolution.

On September 30, a Continuing Resolution with no amendment to defund Planning Parenthood was adopted to fund the federal government through December 11. The President signed the measure into law the same day, thereby avoiding a federal government shutdown.

After House Majority Leader Kevin McCarthy withdrew his bid to succeed John Boehner as Speaker of the House, Republican leadership urged Paul Ryan, Chair of the House Ways and Means Committee to seek the position. After initially stating that he would not be running for Speaker, Paul Ryan announced his candidacy on October 22. On October 29, the House elected Paul Ryan Speaker of the House.

In a September 10th letter, U.S. Treasury Secretary Jacob Lew asked House Speaker John Boehner to raise the debt limit as soon as possible. His last letter to the Speaker was written in July 2015 to inform Congress that the Treasury Department was undertaking extraordinary measures to pay the nation's debts through the end of October. On November 2, President Obama signed a two year, bipartisan budget bill that sets domestic and defense spending limits, increases federal funding by \$80 billion and suspends the national debt limit until March 2017. Congress has until December 11 to pass individual appropriation bills to fund government operations next year. If Congress is unable to pass appropriation bills by the deadline, a short term Continuing Resolution will be needed.

