



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
County Manager



Date: September 18, 2012
Board Meeting Date: October 2, 2012
Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: John L. Maltbie, County Manager

Subject: County Manager's Report #9

RECOMMENDATION:

Accept this report on the 2012 State Legislative Session wrap-up

BACKGROUND:

On August 31, 2012, the State Legislature concluded the second year of the 2011-12 Legislative session. During the final weeks of the two year session, approximately 750 bills were passed and sent to the Governor. The Governor has until September 30th to sign or veto them, or allow them become law without his signature. A number of bills of interest to the County are awaiting the Governor's review and action.

DISCUSSION:

The 2012 Legislative session included action on the following budget- and policy-related issues of interest to the County:

**Redevelopment/Educational Revenue Augmentation Fund—Senate Bill 1030
(Committee on Budget)**

Last minute amendments to Assembly Bill 1484 (FY 2012-13 trailer bill) allowed for the altering of the RDA dissolution process by unconstitutionally shifting property tax dollars from three "excess ERAF" counties, San Mateo, Marin and Napa, to satisfy the state's school funding obligations.

Senate Bill 1030 would eliminate this harmful provision and ensure that the County receives the property taxes it is constitutionally entitled to. In coordination with Marin and Napa Counties, San Mateo County has spent significant time building support for this legislative fix. The work of the County's legislative advocacy team and staff included, convincing Senate and Assembly budget staff to support the legislation; securing the assistance of Assembly Member Jerry Hill to introduce the bill; getting the bill approved by both houses of the Legislature on the last night of the session; and

advocacy efforts with key staff in the Administration and the Legislative Analyst's Office. At the time of the writing of this report, the bill awaits action on the Governor's desk.

Pension Reform

In the final days of the session, legislators passed a two bill package aimed at cutting costs for public pensions. Assembly Bill 340 (Furutani) and Assembly Bill 197 (Buchanan), which was signed by the Governor on September 12th, enact the California Public Employees' Pension Reform Act of 2013 and includes 10 out of 12 points included in the Governor's Pension Reform Plan. The approved changes apply to 1937 Act counties, including San Mateo.

Highlights of the package include:

- New pension formulas for employees hired on or after January 1, 2013 with a lower-cost pension formula for safety and non-safety employees with requirements to work longer in order to reach full retirement age.
- A cap on the amount used to calculate a pension benefit.
- A cap on the contributions to any retirement benefits for employees.
- A restriction on the use of supplemental benefits plans.
- Requirements that all new employees pay 50 percent of the normal costs of the pensions by January 1, 2013; establishing a standard that existing employees pay at least 50 percent of the normal cost of their pension benefits; and prohibiting employers from paying the employee share of that cost.
- Authorizing counties to negotiate cost sharing agreements that include the costs of unfunded pension liability on a unit-by-unit bargaining basis.
- Requiring final compensation for new employees to be calculated based on the highest average annual pensionable compensation earned during a period of at least three years.
- Elimination of pension spiking for new employees with a strict definition of "pensionable compensation."
- Providing 1937 Act retirement boards with new authority to assess and determine whether pension spiking has occurred, including the authority to audit the county.
- Restricting the use of retired annuitants.
- Restricting reciprocity benefits for individuals elected to City Council or Board of Supervisors on or after January 1, 2013.
- Prohibiting retroactive pension benefit increases.
- Prohibiting the purchase of nonqualified service credit (air-time).
- Prohibiting contribution holidays and limiting the ability of individuals who have committed specified felonies from collecting a public pension related to that office or position.

While the most significant portions of the legislation will not apply to existing employees, there are some provisions that will apply. SamCERA issued an analysis of the portions of the legislation that will impact current employees earlier this month to all affected employees.

Worker's Compensation

Senate Bill 863 (de León), and signed by the Governor on September 18, will increase permanent disability payments to injured workers (to be phased-in over two years) with substantial changes in the system to eliminate waste and unnecessary litigation, including the elimination of the adjustment factor for diminished future earning capacity as well as add-ons of ratings for sleep disorders, sexual dysfunction and psychiatric disorders.

In 2012 the County sponsored the following bills and secured payments for:

Assembly Bill 2102 (Hill) AB 900 Local Jail Funding

At the County's request, Assembly Member Hill introduced AB 2102 to expand funding sources available in the state's AB 900 local jail construction program for counties who are project ready. Specifically, AB 2102, which failed in Assembly Appropriations Committee, would have enabled the use of any residual AB 900 funds for counties that could demonstrate project readiness. While the legislation failed, the County was successful securing \$500 million in lease-revenue bond authority in the budget trailer bill (Senate Bill 1022) to finance jail construction using "readiness" as funding criteria. With our advocates, County staff continues to work with state officials in the development of Senate Bill 1022 regulations, as well as the County's application for these newly available funds.

Assembly Bill 2418 (Gordon) Health Care Districts

At the request of the County, Assembly Member Rich Gordon introduced AB 2418, which would have required that health care districts spend 95 percent of tax revenues on a current community health care benefit. The bill was strongly opposed by individual health care districts (HCDs) and the Association of Health Care Districts, particularly the proposed requirement that HCDs submit annual compliance reports to Boards of Supervisors, LAFCO, and the Auditor-Controllers. The bill was held in the Assembly Appropriations Suspense File because fiscal committee staff flagged it as creating a state-reimbursable mandate costing approximately \$1 million to the state's General Fund. Assembly Member Gordon has expressed a desire to pursue similar legislation in 2013 and County staff will continue to work with him on refining the bill.

Department of Mental Health Pharmacy Reimbursement

With the assistance of Assembly Member Gordon, the County was successful in securing \$10 million in funding owed to it for pharmacy services provided through Behavioral Health and Recovery Services.

Juvenile Probation and Camps Funding (JCPF)

With the assistance of Assembly Member Hill, the County was successful in securing \$1 million of \$1.4 million in FY 2008-09 JCPF funding owed to the Probation Department because of over allocations to Madera, Monterey and Tulare Counties. The remaining funds, approximately \$400,000, are scheduled to be sent to the County in October 2012.

December 2012 Special Session and the 2013 Legislative Session

The Governor intends to call a special session in December to continue working on healthcare proposals that failed in the just concluded session. The transition of individuals into Medi-Cal as required by the federal Affordable Care Act (ACA) and other policy proposals to help implement the ACA will be some of the issues to be addressed.

Staff in the Intergovernmental and Public Affairs Unit has already begun planning for the new 2013 Legislative Session and will be meeting with Board members and County departments throughout October and November to refine new policy proposals and make needed changes to the County's Legislative Program.

PERFORMANCE MEASURE(S):

Measure	FY 2012-13 Actual	FY 2013-14 Projected
Federal/State Measures analyzed and acted on	57	100

FISCAL IMPACT:

Unknown.