



County of San Mateo

Inter-Departmental Correspondence

Department: COUNTY MANAGER

File #: 21-640

Board Meeting Date: 8/3/2021

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: Michael Callagy, County Manager
Connie Juarez-Diroll, Legislative Officer

Subject: 2021 State and Federal Legislative Update #5

RECOMMENDATION:

Accept this informational report on the 2021 State and Federal legislative sessions.

BACKGROUND:

On July 14th, the Legislature faced a deadline to pass bills out of policy committees in the second house. The State Legislature is currently on Summer Recess until August 16th. Their next major deadline is the Appropriations Committee deadline of August 27th. Subsequently, both houses will have until September 10th to pass all bills.

In addition, throughout mid-June and into the start of the Summer Recess, the Legislature and Governor continued their piecemeal process of advancing additional components of the 2021-22 State Budget.

At Federal level, discussions continued on the development of a national infrastructure package.

DISCUSSION:

2021 State Update

Legislative Update - The Legislature has advanced a variety of bills aimed at closing the digital divide. The bills would modify the California Advanced Services Fund (CASF), which is a fund administered by the California Public Utilities Commission to fund broadband infrastructure in unserved areas. The California State Association of Counties has advocated in support of all the following broadband-related bills. Notably, these bills complement the State's recent budget actions that invest approximately \$6 billion in broadband infrastructure:

- **AB 14 (Aguiar-Curry)** would make a number of efforts related to closing the digital divide,

including authorizing the ability to issue a revenue bond of up to \$1 billion, and allowing for Boards of Supervisors to approve the construction and operation of broadband infrastructure and services.

- **SB 4 (Gonzalez, Lena)** would modernize and increase the CASF in multiple ways, including enabling local governments to bond finance more than \$1 billion to build local infrastructure.
- **SB 28 (Caballero)** would require the state to identify resources that can aid broadband deployment and would reform the Digital Infrastructure Video Competition Act of 2006 to require broadband providers to provide more detailed information and serve more residents in their service footprints.

The Legislature is also acting on measures that would expand voting access. Members of the San Mateo County delegation are leaders in this area:

- **AB 37 (Berman)** would require county elections officials to mail a ballot to every active registered voter for any election and makes additional changes to expand vote by mail (VBM) access and operability.
- **SB 503 (Becker)** would require an elections official to apply certain presumptions to help standardize signature verification. It would codify the emergency regulations put in place by the Secretary of State for the November 3, 2020 election.
- **SB 504 (Becker)** would require the Secretary of State and the California Department of Corrections and Rehabilitation to share information in order to determine voter eligibility for certain justice-involved individuals. It also requires county elections officials to make conditional voter registration available to military and overseas voters, and voters with disabilities via a certified remote accessible VBM system.

Further, the Legislature and Administration continue to advance a multi-year initiative to reform the Medi-Cal program through California Advancing and Innovating Medi-Cal, or CalAIM. CalAIM's primary goals are: 1) to better manage Medi-Cal member needs through whole person care approaches and addressing social determinants of health, 2) to create a more consistent and seamless system; and, 3) to improve quality outcomes, reduce health disparities, and drive delivery system transformation and innovation through value-based initiatives, modernization of systems, and payment reforms. CalAIM's implementation was originally scheduled for January 1, 2021 but was delayed due to COVID-19. The following bills include various pieces of CalAIM that were negotiated through the legislative process, but have now been incorporated into the State budget agreement:

- **AB 1132 (Wood)** would help standardize Medi-Cal benefits by implementing a dual eligible special needs plan to coordinate the delivery of covered Medicare and Medicaid services. It would also revise the Medi-Cal behavioral health delivery system to expand access to certain mental health and substance use disorder services. AB 1132 would require counties to assist certain justice-involved individuals in enrolling in Medi-Cal and Covered California.
- **SB 256 (Pan)** would implement the Population Health Management model of care to address member health needs throughout the continuum of care, would implement Enhanced Care Management and In Lieu of Services to enable an interdisciplinary approach to meeting both the clinical and non-clinical needs of members in a more cost-effective manner, and would implement new payment mechanisms to incentivize quality and performance improvements across the Medi-Cal health care delivery system.

Additionally, **AB 1130 (Wood)** would establish the Office of Health Care Affordability to analyze the health care market, to create a state strategy for controlling the cost of health care and ensuring affordability, and to enforce cost targets. The Legislature will continue negotiating the establishment of this new office with the Administration through the ongoing budget process upon returning from summer recess.

Finally, the Department of Health Care Services (DHCS) submitted the state's CalAIM proposal on June 30, which includes the: 1) Section 1115 Medicaid Waiver Proposal; and 2) Section 1915(b) Specialty Mental Health Services Waiver. Both waivers are requested for a period starting January 1, 2022 through December 31, 2026. Additional pieces of CalAIM, including a possible waiver request to eliminate or modify the federal Institutes for Mental Disease (IMD) exclusion, may be submitted next June and the public comment period for the proposal runs through mid-August.

Details on bills tracked by the CMO and letters of support or opposition can be found in the attached 2021 Legislative Activity Report.

State Budget Action-Since our last report, significant work has taken place in the development of the 2021-22 State Budget. The Legislature passed and Governor signed 3 Junior Budget Bills (SB 129, AB 161 and AB 164), which clarify, correct or modify the previously enacted Budget Bill (AB 128). They also acted on a total of 26 separate trailer bills (see attached list) ranging from the election recall to broadband to education to human services. The FY 2021-22 State Budget Analysis table included as part of this report provides a comprehensive list of all the state budget issues the County Manager's Office has been tracking in collaboration with our departments.

The following adopted State Budget items are specific to San Mateo County:

- AB 128 (Chapter 21, Statutes of 2021)-\$10 million in one-time state General Fund allocation to San Mateo County and its cities in backfill funds for a FY 2019-20 Vehicle License Fee (VLF) payment shortfall.
- SB 129 (Chapter 69, Statutes of 2021)-\$1 million in one-time state General Funds for the Big Lift Early Learning Initiative secured with the assistance of Senator Josh Becker.
- AB 137 (Chapter 77, Statutes of 2021)-includes language that will hold counties that are close to their Gann Limit harmless in 2020-21 and 2021-22 as a result of the State's adoption of higher appropriations and redefinition of local government subventions (i.e., 1991 and 2011 Realignment) to local "proceeds of taxes" from the previous state "proceeds of taxes."

Select notable elements of the recently adopted 2021-22 State Budget for counties include:

- \$1.45 billion for Project Homekey (\$1.2 billion federal American Rescue Plan Act-ARPA-funds and \$250 million General Fund) in 2021-22 and \$1.3 billion (\$1 billion federal ARPA funds and \$300 million General Fund) in 2022-23.
- \$1 billion General Fund in 2021-22 and \$1 billion General Fund in 2022-23 in Flexible Aid to address homelessness, with robust oversight and accountability requirements.
- \$6 billion for broadband infrastructure, including \$2 billion for last-mile network construction in both rural and urban centers, \$3.25 billion to construct a statewide open-access middle mile network and \$750 million as a loan loss reserve specifically designed to leverage greater broadband infrastructure investments by local governments, tribal governments and non-profits.
- Expansion of the full-scope Medi-Cal program for income-eligible adults age 50 and over,

regardless of immigration status.

- Creation of a state-led IST Solutions Workgroup tasked with identifying short, medium, and long-term solutions for complying with a recent court decision regarding felony defendants who are deemed incompetent to stand trial (IST).
- \$2.2 billion for competitive grants to construct, acquire and rehabilitate real estate assets to expand the community continuum of behavioral health treatment resources. These funds include an allocation of \$150 million of federal funding to support mobile crisis support teams to assist youth and adults experiencing a behavioral health crisis.
- \$300 million annually beginning in 2022-23 to public health systems to build the foundation for a 21st century public health system to address preventable death and disease, reduce health disparities and support an agile public health workforce.
- \$27.5 million for county-school behavioral health partnerships and \$5.5 million for qualifying Medi-Cal managed care plans to implement school interventions that are part of the Children and Youth Behavioral Health Initiative.
- \$600 million for the Regional Early Action Planning Grants Program of 2021 for regional agencies to make grants to cities and counties for transformative planning and housing implementation activities

Given the considerable resources available for expenditures following the May Revision, the Legislature was faced with assessing hundreds of complex and diverse new initiatives and proposed investments. As a result, work remains to finalize implementing legislation and trailer bills of the final budget package in the areas of water, coastal resilience and sea level rise, drought, wildfire prevention, forest resilience, and agriculture resiliency. Budget deliberations will restart when the Legislature returns to Sacramento in mid-August, at which point they will have four weeks to pass any remaining bills-including more budget bills and budget amendments. To this end, the County Manager's Office is continuing to work closely with our cities and state delegation members during the summer recess to advocate for the adoption of a permanent fix in this session for the County's projected and ongoing VLF shortfall.

2021 Federal Update

Infrastructure Deal Update

On July 14th, the Senate Energy and Natural Resources (ENR) Committee approved a draft infrastructure bill - the *Energy Infrastructure Act* - that includes titles addressing grid infrastructure and resiliency, clean energy technology, energy efficiency, wildfire risk reduction, and western water infrastructure. It should be noted that several areas of this legislation reflect portions of the infrastructure framework <<https://www.whitehouse.gov/briefing-room/statements-releases/2021/06/24/fact-sheet-president-biden-announces-support-for-the-bipartisan-infrastructure-framework/>> that President Biden and a bipartisan group of senators recently announced.

With regard to the western water investments, the legislation would provide a total of \$8.3 billion for, among other things, water storage and conveyance projects (\$1.15 billion), water recycling (\$1 billion), desalination (\$250 million), rural water (\$1 billion), and dam safety (\$500 million). This title also includes \$3.2 billion to address aging infrastructure and \$300 million for the Drought Contingency Plan.

In the area of wildfire risk reduction, the bill would authorize \$3.37 billion over four years for the Department of the Interior and USDA/Forest Service to conduct various forest management activities (i.e., hazardous fuels reduction, controlled burns, community wildfire defense grants, landscape forest restoration projects, and additional firefighting resources). The bill also includes \$5 billion for utilities to bury power lines and install fire-resistant technologies to reduce wildfires.

Separately, on July 28th following weeks of discussions, Senate negotiators and the White House announced that they had reached a deal on a bipartisan, 5-year, \$550 billion infrastructure package. A summary released by the White House states that spending would be "financed through a combination of redirecting unspent emergency relief funds, targeted corporate user fees, strengthening tax enforcement when it comes to crypto currencies, and other bipartisan measures, in addition to revenue generated from higher economic growth as a result of investments." Select topline expenditures

include: \$110 billion for roads, bridge and major projects; \$66 billion for passenger and freight rail; \$11 billion for highway and pedestrian safety program; \$39.2 billion for public transit; \$65 billion for grants to states for broadband infrastructure; \$17.3 billion for ports and waterways; \$25 billion for airport improvements; \$55 billion for water infrastructure; \$73 billion for power and grid reliability; \$46 billion for resiliency, including wildfire, drought and coastal resiliency; and \$7.5 billion for low-carbon and zero-emission buses and ferries.

In addition, and on the same day, the Senate voted to advance the bipartisan infrastructure legislation. By a vote of 67-32, the Senate moved to invoke cloture on a motion to proceed to the legislative vehicle (HR 3684) for a bipartisan infrastructure plan with \$550 billion in new spending. Seventeen Republicans-seven more than the 10 needed to invoke cloture in a 50-50 Senate-joined Democrats to vote to move forward. The expectation is that final bill text and an official budget assessment will be available soon, allowing the chamber to begin consideration ahead of the planned August recess. It should be noted that on July 21 GOP lawmakers blocked a similar attempt by Senate Majority Leader Chuck Schumer (D-NY) to start debate on the bill, arguing that they needed to see the final details of the measure before agreeing to move forward. Incidentally, Schumer's decision to force the early test vote may have put the necessary pressure on negotiators to forge an agreement.

Looking ahead, any negotiated package is still expected to face significant hurdles. In the Senate, where 60 votes are needed to advance the bill, the deal may not go far enough for every member of the Democratic caucus. Similarly, House Speaker Nancy Pelosi (D-CA) has vowed not take up the bill until after the Senate also approves a \$3.5 trillion budget reconciliation package-the *American Families Plan* - that includes many of the President's other domestic priorities. At the same time, there are a number of GOP lawmakers who believe the infrastructure bill is too expensive.