SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

ITEM
2.7
(ID # 6320)

MEETING DATE:
Tuesday, February 6, 2018

FROM : EXECUTIVE OFFICE:

SUBJECT: EXECUTIVE OFFICE: January 2018 Legislative Update Report , All Districts. [$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file the January 2018 Legislative Update Report.

ACTION: Consent

Brian Nestande 1/31/2018

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Ashley, seconded by Supervisor Jeffries and duly carried by unanimous vote, IT WAS ORDERED that the above matter is received and filed as recommended.

Ayes:	Jeffries, Tavaglione, Washington, Perez and Ashley
Nays:	None
Absent:	None
Date:	February 6, 2018
xc:	EO

Kecia Harper-Ihem
Clerk of the Board
By: Cecilia Gil
Deputy

SUBMITTAL TO THE BOARD OF SUPERVISORS COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost
COST	$0	$0	$0	$0
NET COUNTY COST	$0	$0	$0	$0
SOURCE OF FUNDS:			**Budget Adjustment: No**	
			For Fiscal Year:	

C.E.O. RECOMMENDATION: Approve

BACKGROUND:

Summary

As per Board Policy A-27, the County's Legislative Advocates provide monthly reports to the Board of Supervisors on the progress of County-sponsored legislation and issues at the forefront of discussion at State/Federal levels that may have a fiscal and/or operational impact on the County. Included in the reports are the formal positions of notable associations/organizations of elected County department heads.

LEGISLATIVE REPORTS

STATE:

The Legislature returned to Sacramento on January 3, 2018 for the second year of the 2017-18 legislative session. As the houses returned for business, legislators faced three vacancies in the Assembly, while one Senator has been directed to take a leave of absence while he's under investigation. Special elections for the three Assembly seats (all in Los Angeles County, with one picking up a small piece of Ventura County) will be held over the next few months, with primaries in April and the general consolidated with the June statewide election.

As required under the Constitution, Governor Jerry Brown released his proposed 2018-19 state budget on January 10, bearing his trademark fiscal prudence and caution. HBE provided a detailed summary of the Governor's spending plan and will continue to monitor budget committee and subcommittee discussions in the weeks to come.

While two-year bills are facing imminent deadlines to move out of their house of origin, legislators are preparing their bill packages, and measures are slowly being introduced. Given the ascendancy of Senator Tony Atkins (D-San Diego) to Senate President pro Tempore expected on March 21, some Capitol observers are wondering how much the leadership change will slow activities in the Senate until her formal appointment.

The County's legislative platform has been distributed to Riverside County's legislative delegation and discussed with all offices. Legislators are currently assisting your Sacramento-based advocates by requesting bill language from legislative counsel, and we will continue to work to secure authors for the County's sponsored bills, covering topics including human trafficking of at-risk adults (elderly and dependent adults), increasing the limit on no-bid contracting authority for the County parks district, and seeking state support for Children of Incarcerated Parents (CIP). The bill introduction deadline is February 16. At the time of this writing, we are reviewing newly introduced legislation and will continue to update you as to legislative matters of interest to evaluate for potential action.

Governor Brown presented his State of the State address on January 25, marking the last State of the State he will offer given that he leaves office this year due to term limits. The Governor spoke of the general prosperity in California at this time as well as the accomplishments the Legislature had achieved

on a bipartisan basis during his most recent two terms in office. He also discussed his continued concerns about the effects of climate change and the efforts underway through the Cap-and-Trade program to mitigate environmental impacts of greenhouse gases. The Governor indicated during his address that he would be releasing an expenditure plan for cap-and-trade auctions in the coming days; the plan was released January 26 and is summarized later in this memo.

GOVERNOR'S PROPOSED 2018-19 STATE BUDGET

The Governor released his 2018-19 state budget with an estimated $6 billion surplus. The Governor proposes to utilize the state's budget surplus by bringing the Rainy Day Fund to 100 percent of its constitutional target, fully funding the Local Control Funding Formula (LCFF) for K-12 schools two years early, and investing in state infrastructure.

While recent federal actions will most definitely impact the state's budget, many of them occurred too late in 2017 to be incorporated into the Governor's 2018-19 budget estimates. The May Revision will include preliminary analyses of any changes to the state's economy and revenues on federal tax changes, the reauthorization of the Children's Health Insurance Program (CHIP), and other federal cost shifting, particularly in the area of health care or other entitlement costs that Congress considers. Of course, the Governor's budget is a general outline, and we anticipate much more to come into focus over the coming months.

For the County of Riverside, there are a number of items of interest, including the following:

- **340B Drug Billing Reimbursement within the Medi-Cal Program.** The state budget proposes to prohibit the use of 340B drugs in the Medi-Cal program effective July 1, 2019. This proposed action is anticipated to impact Riverside University Medical Center and result in reduced revenues.
- **Salton Sea Restoration.** The budget provides $30 million from SB 5 for the Natural Resources Agency to construct water management infrastructure and habitat conservation and dust mitigation projects, consistent with the Phase I ten-year plan. This funding is in addition to existing appropriations from Propositions 1, 84, and 50.
- **Court Facility Construction.** The budget renews activity on courthouse construction by making a transfer of $32.2 million from the Immediate and Critical Needs Account to complete the design of three courthouse projects, including one in Riverside (Mid-

County). Additionally, the budget commits to completing construction over the next two years for the next ten courthouse projects ready to proceed, which include both Indio and Mid-County facilities in the County.

- **Military Institute funding.** The Governor's proposed budget includes $2.4 million General Fund to establish a Porterville Military Institute College Preparatory Academy in Tulare County to serve 500 students beginning in the fall of 2018, and $1.2 million General Fund to provide military personnel at the California Military Institute in Riverside County.

Proposed trailer bill language to implement the Governor's proposals will be in print on February 1 for review. We anticipate that budget subcommittees begin meeting in earnest later in February or perhaps early March.

Cap-and-trade. As mentioned above, the Governor release his proposed expenditure plan for cap-and- trade funds on January 26. It proposes to spend $1.25 billion in available cap-and-trade auction revenues across four main initiatives:

- **Zero-Emission Vehicle Investment Initiative.** This new eight-year initiative to accelerate sales of zero-emission vehicles through vehicle rebates and infrastructure investments with a total of $2.5 billion over eight years to assist in meeting and exceeding the goal of 1.5 million ZEVs on California's roadways by 2025.
- **Sequestration and Resilience Initiative**. The Administration is proposing a series of actions to increase carbon sequestration and storage and improve resilience. The initiative is focused on appropriate management of California's forests and ranchlands.
- **California Integrated Climate Investment Program**. The Administration is proposing directing cap and trade funds to investments in climate smart infrastructure that reduces GHG emissions and improves climate resilience.
- **California Climate Change Technology and Solutions Initiative**. This proposal is designed to assist in bridging the gap to new technologies, modeling, and analysis, leading to deeper GHG emission reductions and greater resilience statewide.

HBE's detailed write-up of the Governor's proposed $1.25 billion Cap and Trade Expenditure Plan was sent previously. The HBE team will continue to advocate for a more equitable allocation of cap and trade resources to Riverside County during legislative debate on the Governor's proposed plan.

TWO-YEAR BILLS

AB 329 (Cervantes) – Trafficking of At-Risk Adults SPONSOR Assembly Member Cervantes introduced AB 329 in 2017 to address an issue raised in Riverside County's platform related to human trafficking of elderly and dependent adults. While the measure was slated to be heard in Assembly Aging and Long-Term Care Committee earlier this month, the author decided to reintroduce a spot bill in 2018 to allow additional time to refine the approach and language in the measure. The new bill number is AB 1946 (Cervantes). AB 1946 is currently a "spot bill" containing placeholder language; once the bill amended, it is expected to be double referred to Assembly Aging and Long-Term Care Committee and Assembly Public Safety Committee. We are working with Assembly Public Safety Committee to see if potential concerns can be addressed. AB 329 was drafted to enhance penalties and create a new crime as a deterrent to the criminal behavior; the Public Safety Committee typically approves very few bills with penalty enhancements and/or new crime provisions.

- ***Status***: AB 329 is no longer moving; the new vehicle for the county-sponsored legislation is AB 1946.

It was introduced as a spot bill on January 29, with double-committee policy referral expected in the Assembly.

- ***Support***: County of Riverside (sponsor); additional supporters unknown but potentially the Attorney General's Office

AB 1250 (Jones-Sawyer) – County Contracting Out Authority **OPPOSE** AB 1250 would considerably restrict county governments' ability to contract out for personal services. The County of Riverside – along with virtually every other county, other statewide county associations, and a significant swath of the non-profit community, among others – opposed the bill in 2017. As a result of the active and organized grassroots opposition campaign, the sponsors parked the bill at the end of the 2017 session in the Senate Rules Committee. CSAC and the county caucus in particular remain vigilant in monitoring developments on this measure. While AB 1250 in its current form may not move this year, we do anticipate the broad issue of county contracting authority remains an area of interest and priority of employee union sponsors. We will keep the County well informed about developments with AB 1250 and any similar legislative measures that may arise this year.

- ***Status***: In the Senate Rules Committee.
- ***Support***: SEIU and AFSCME (co-sponsors), along with a number of other employee organizations
- ***Opposition***: County of Riverside; CSAC; Urban Counties of California; Rural County Representatives of California; Howard Jarvis Taxpayers Association; Retailers Association; American Planning Association, California Chapter; California Business Properties Association; California Chamber of Commerce; dozens of additional individual counties; and hundreds of non-profit organizations and service providers

SB 38 (Roth) – Judgeship Funding **SUPPORT**

Addressing the shortage of judicial resources – both at the trial court and appellate court level – in Riverside County has been a priority for the Board of Supervisors; the magnitude of judgeships shortfall is significant and well-documented. In 2007, 50 trial court judgeships were authorized by the Legislature (AB 159) but have yet to be funded. In its introduced version, SB 38 did the following: 1) authorized and funded one appellate court justice in the 4th District, Division Two (hearing appeals from the Riverside and San Bernardino Superior Courts) and 2) funded 10 of the 50 previously authorized trial court judgeships. SB 38 was taken up by the Senate Judiciary Committee and passed unanimously earlier this month. However, the Senate Appropriations Committee stripped out the appropriations from the bill before passing it out of its committee. The sole provision that remains in the bill is the language to statutorily create the appellate court justice.

- ***Status***: In Senate Third Reading awaiting action by the full Senate; it is subject to a January 31 deadline to move to the Assembly.
- ***Support***: Judicial Council (sponsor), County of Riverside, California Judges Association, Greater Riverside Chambers of Commerce
- ***Opposition***: None

AB 862 (Maienschein) – Pay for Success Programs
SUPPORT The County of Riverside is supporting Assembly Member Brian Maienschein's effort to authorize and provide $5 million in funding to support three additional counties' participation in a pay-for-success

(PFS) program. AB 1837 (Atkins, 2014) authorized an initial PFS program administered by the Board of State and Community Corrections; three counties successfully competed for the funds and are currently implementing programs that focus on reducing recidivism among a targeted group of the adult criminal justice population. AB 862 would create a pay-for-success funding option for which Riverside County could compete; it is viewed as an opportunity to seek financial support for the County's efforts to establish a program to deliver wrap-around services to reduce risk factors and develop resiliency among children whose parents are incarcerated.

- ***Status***: AB 862 passed the Assembly Public Safety Committee (1/9/18) and the Assembly Appropriations Committee (1/18/18) on unanimous votes. It awaits a vote by the full Assembly and is subject to a January 31 deadline to move to the Senate.
- ***Support***: Sacramento Regional Builders Exchange (sponsor); County of Riverside; Californians for Safety and Justice; Federation of California Builders Exchanges; Bay Area Builders Exchange; Central California Builders Exchange; Valley Contractors Exchange
- ***Opposition***: None

NEWLY INTRODUCED LEGISLATION OF INTEREST

The Legislature has been slow in its introductions of new measures in 2018. The bill introduction activity will ramp up in the coming weeks, given the February 16 bill introduction deadline. In next month's update, we will provide additional information about the County's new slate of 2018 sponsored bills and other newly introduced measures of consequence.

A number of measures have been introduced to respond the state's recent devastating wildfires, assist in recovery, and improve response to such disasters. These measures are summarized below:

- <u>AB 1765</u> (Quirk-Silva): Waives the $75 real estate transaction fee imposed by last year's SB 2 for real estate documents filed for repairs or reconstruction as a result of a declared disaster.
- <u>AB 1772</u> (Aguiar-Curry): Would provide three years (instead of two years) for homeowners to rebuild and collect insurance benefits after a declared disaster.

- AB 1797 (Levine): Would require insurers to provide a replacement cost estimate annually so that long-term homeowners can keep up with the rising cost of construction and adjust their coverage accordingly.
- AB 1799 (Levine): Would require insurers to provide a complete copy of policy documents upon request.
- AB 1800 (Levine): Would ensure that policyholders who have lost their homes can collect their home's full replacement cost whether they decide to rebuild or buy a new home.
- AB 1875 (Wood): Would require insurance companies to offer homeowners the option of purchasing a policy that covers up to 50 percent above the policy limits. Insurance companies must offer and disclose the additional cost of such a policy every time a homeowner purchases or renews a policy.
- AB 1877 (Limon): Requires the Office of Emergency Services to provide a translation of an emergency communication to a county (or counties) into the language other than English that is spoken by the majority of the population.
- AB 1919 (Wood): Makes it a misdemeanor to increase monthly rental prices by more than 10 percent during an emergency or disaster declaration. It would also make it a misdemeanor to evict a tenant for the purpose of renting the house out under an increased rental price during the same period.
- SB 819 (Hill): Prohibits an energy company from recovering a fine or penalty, as well as any uninsured expense resulting from damages caused by its own facility, through a rate approved by the California Public Utilities Commission (CPUC).
- SB 821 (Jackson): Authorizes the state Office of Emergency Services to assist counties in developing effective public emergency warning systems.
- SB 833 (McGuire): Implements a new "red alert" requirement for emergency alerts.
- SB 894 (Dodd): Would require insurers to authorize policy renewals twice for properties destroyed in a disaster and provide living expenses for three years. (Current law requires renewals only once and only requires two years of living expenses.)
- SB 897 (McGuire): Would simplify the process of claiming personal property losses by authorizing homeowners to settle for 80 percent of their policy's limit without having to complete an inventory of personal property.
- SB 901 (Dodd): Requires energy companies to include a plan for de-energizing electrical lines in its wildfire mitigation plan.
- SB 917 (Jackson): Requires insurance companies to cover losses associated with mudslides even if mudslide damage is not articulated in their insurance policies if they are associated with a previous covered event.

FEDERAL REPORT

Overview: Budget/Appropriations; Healthcare; DACA; Infrastructure; and SOTU

January was dominated by three things:

1-Most of Congress' time and attention were spent on a budget impasse leading to the expiration of the Continuing Resolution on January 20 and a three-day federal government shutdown. Budget negotiations broke down over the issues of how to resolve the DACA issue and questions over the amount of funding for and nature of border security features. The government is operating on another CR which will expire on February 8, 2018. The Omnibus remains unresolved (the Senate and House did not establish a joint overall budget topline so cannot complete their FY18 appropriations business).

2- The next relevant event in January was the release/leak of a six-page outline of the Administration's Infrastructure package. Quick analysis found much promising programmatic potential, but no specific funding sources were identified. The proposal was lacking in the specific mention of mitigation and clean air issues generally but was robust on the issue of water and wastewater infrastructure primarily through the expansion of the Water Finance Infrastructure and Innovation Act (WIFIA) loan program administered through the EPA. Clearly, whatever the Administration proposes, how Congress disposes of it will be critical to achieving the County's goals for the Infrastructure package.

3-*President Trump is to make his State of the Union (SOTU) address on January 30.

CONTINUING RESOLUTION

Government funding was restored through Feb. 8 under the final version of H.R. 195 – the Continuing Resolution (CR) – signed by the President. The measure would extend funding for most federal agencies at the reduced fiscal 2017 spending levels initially provided by Public Law 115-56 to keep spending in line with the fiscal 2018 caps. It is the fourth CR passed since the fiscal year began on Oct. 1.

Congressional leaders are also negotiating a deal to increase the spending caps for fiscal 2018 and 2019, which would pave the way for a full-year omnibus spending package. The legislation also would extend most "anomalies" and program extensions from the previous continuing resolutions, such as the National Flood Insurance Program. The measure would allow emergency missile defense funding provided under the last CR to be used for intelligence activities that haven't been specifically authorized by Congress. It also includes other anomalies that would allow funding for summer food programs for kids, NASA space exploration, the Energy Department inspector general, and small-business loans, to be apportioned at the rate needed to maintain operations and meet scheduling and other requirements. *Additionally, the Housing and Urban Development Department could adjust funding for public housing agencies to administer Section 8 Housing Choice Vouchers in areas where the president declared a disaster in 2017 or 2018.*

The House passed the original version of H.R. 195 on May 17 by voice vote. The Senate added provisions and returned the bill to the House on Dec. 21 by unanimous consent. The initial Senate amendment would reauthorize Justice Department grants to locate missing people with

Alzheimer's disease and extend the grants to cover missing children with developmental disabilities. Those provisions were dropped when the House amended the bill with an initial continuing resolution that would have run through Feb. 16. It also added the CHIP and tax language. The House advanced its amendment on Jan. 18 by a vote of 230-197. Senate leaders didn't obtain the 60 votes needed to advance the House version and clear it for the president. Five Democrats voted for cloture, while five Republicans voted against, including Majority Leader Mitch McConnell (R-Ky.) for procedural reasons.
McConnell subsequently teed up an amendment to change the CR date to Feb. 8. The Senate passed that version on Jan. 22 by a vote of 81-18, and the House cleared the bill for the president's signature later in the day by a vote of 266-150. The back pay provisions for government employees were added when both chambers adopted a separate resolution (S. Con. Res. 33) that modified the text of the CR.

INFRASTRUCTURE
President Trump is to mention issue during his State of the Union speech, but release his plan later, while his top White House adviser signaled an openness to negotiate with Congress on details. The Administration's plan won't detail how infrastructure will be paid for.

The president will mention the issue in the Jan. 30 State of the Union address and then release the full plan to Congress "one to two weeks" later, per DJ Gribbin, a special assistant to President Donald Trump for infrastructure policy. The administration's goal with the plan is to kickstart $1 trillion in infrastructure projects and to reduce the time required for the average federal permitting process for these projects to two years, Gribbin said Jan. 25 at a meeting of the U.S. Conference of Mayors in Washington.

The plan will contain a list of suggestions for achieving these two goals, but ultimately the White House would be open to signing off on measures Congress chooses as long as they would accomplish these two aims, he said. "We want to create opportunities for states and local governments to receive federal funding when they're doing what is politically hard," Gribbin told the assembled mayors. "We want to fund infrastructure, you decide what to spend it on."

Funding --

However, the plan will not contain any details about how to pay for the infrastructure. That issue will instead be left up to lawmakers. Gribbin did say the White House would not support funding the plan by cutting any core federal infrastructure programs that already exist, such as the Transportation Department's highway trust fund or the EPA's state revolving loan funds. The federal government would provide limited new matching funds for infrastructure projects under a draft infrastructure plan. The plan also proposes new funding for rural infrastructure, expansion of federal credit programs, and enhancements to private activity bonds. President Trump promised to invest $1 trillion in infrastructure. His fiscal 2018 budget request proposed spending $200 billion in federal funds over a decade, which would leverage state, local, and private dollars for a total of $1 trillion. The document doesn't specify a proposed amount or source of funding. Most of the new programs would be subject to appropriation.

It also doesn't address the Highway Trust Fund's long-term insolvency. The fund's outlays for roads and transit exceed the revenue it collects, primarily from the motor fuels tax. It's projected to run out of money in fiscal 2021, after being boosted by a five-year infusion from the general fund in the 2015 FAST Act (Public Law 114-94). House Transportation and Infrastructure Committee Chairman Bill Shuster (R-Pa.) said infrastructure will be his top priority for 2018.

Almost half of the plan's proposed new appropriation would be for an "infrastructure incentives initiative" that would cover as much as 20 percent of the cost of a wide variety of projects, including hydropower, flood control, and contaminated site cleanup. The non-federal partner -- which could include a public utility or non-profit in addition to a state or local government -- would be responsible for finding the rest of the funding. The program would prioritize projects with a new, non-federal, long-term funding source. Another 10 percent would be available for grants -- ranging from 30 percent to 80 percent of eligible costs based on the project stage -- for "transformative" projects, including commercial space, telecommunications, energy, and water in addition to standard infrastructure. Projects would have to include private or nonprofit investors. A quarter of the appropriation would be available for rural infrastructure, including broadband. Projects would have to be in areas with a population of less than 50,000. The plan proposes additional appropriations to expand existing credit programs, and a new account to manage federal infrastructure.

In addition to new programs that would require appropriations, the plan proposes creating an "interior maintenance fund" that would support public lands infrastructure using revenue from drilling and mineral exploration on federal lands and waters. It also proposes an executive order that would let the federal government dispose of real property, which would "improve the overall allocation of economic resources in infrastructure investment."

The plan would provide additional funds for existing lending programs for transportation, railroads, water (i.e. WIFIA), and rural utilities, which would remain available until 2028. If the plan's total appropriation was $200 billion over a decade, it would boost the lending programs' capacity by $15 billion. It would expand the potential uses of private activity bonds, which are issued by state and local governments to finance projects conducted with a private partner. It would also lift issuance caps and allow the bonds to be used for advanced refunding, in which issuers take advantage of lower interest rates by refinancing an existing bond issue with a new one. A refunding bond is considered "advance" if it is issued more than 90 days before the redemption of the refunded bond. It's not clear how the change would work in light of the 2017 tax overhaul law (Public Law 115-97), which eliminated advance refunding bonds' tax advantages. The document lists additional "principles" for infrastructure, which include a variety of suggested modifications to, or expansions of, existing programs. Legislative or regulatory action would likely be required for many of the changes.

GAS TAX
One potential funding solution putting Republicans in Congress and conservative interest groups at odds is a gas tax. The motor fuels tax -- 18.4 cents per gallon on gasoline and 24.4 cents on diesel -- hasn't been increased since 1993. Interest groups are hoping to sway the president on the fuels charge, but Congressional Republicans are waiting to see where the administration falls on the issue.

CALIFORNIA GAS TAX
Gas tax proponents will find an ally in California Gov. Jerry Brown (D), who said he'll fight an effort to ask voters in November to repeal a recent gas tax increase. In his final State of the State address, Brown said the 2017 vote in the Legislature to boost the tax was essential to maintaining and improving roads and transit. "Fighting a gas tax may appear to be good politics, but it isn't," he said. "I will do everything in my power to defeat any repeal effort that gets on the ballot. You can count on that." Increased diesel and gas taxes, and new fees on vehicles, are expected to raise $52.4 billion in new transportation funding over 10 years.

EMISSIONS
California's authority to craft its own greenhouse gas limits for cars may be preserved -- if the state can find agreement with federal regulators on the future of the standards, U.S. EPA's top air official says. "I have no interest whatsoever in withdrawing California's authority to regulate," Bill Wehrum, head of the EPA's Office of Air and Radiation, said. "What I want is one national program. If we can all agree on what needs to be done, then we can all go forward." Wehrum's remarks came as the EPA nears an April 1 deadline to decide the future of greenhouse gas limits for passenger vehicles. Officials from the Transportation Department and the EPA, including Wehrum, are in talks with California regulators in hopes of reaching a solution amenable to all parties.

HEALTHCARE -- CHIP EXTENSION
The Continuing Resolution would extend the CHIP authorization for six years and provide $21.5 billion for fiscal 2018 for CHIP, increasing to $25.9 billion by fiscal 2023. The fiscal 2023 amount would come from two semiannual allotments of $2.85 billion and an additional $20.2 billion for the first half of the year that would remain available until expended. The program received $19.3 billion for fiscal 2016 and $20.4 billion for fiscal 2017 under Public Law 114-10. Congress has since provided some short-term funds to keep the program afloat, most recently under Public Law 115-96. That money was supposed to last through March, though it is expected to run out sooner. The measure would rescind funds already appropriated for fiscal 2018 that haven't yet been allotted or obligated, and proportionally reduce allotments to states for the remainder of the year if they've already received short-term funding. CHIP covers children who don't qualify for Medicaid because their family income is too high. States administer the program and set their own eligibility levels, which range from 175 percent to 405 percent of the federal poverty level (FPL). About 9 million children received health insurance through CHIP at some point in fiscal 2016, with about 6 million enrolled on average throughout the year, according to the Centers for Medicare & Medicaid Services.

Match Rate –
The federal match rate for CHIP, called the enhanced Federal Medical Assistance Percentage (E-FMAP), currently ranges from 88 percent to 100 percent for children from families with income of as much as 300 percent of the FPL. That includes a 23 percentage point increase for fiscal 2016 through 2019 established by the Affordable Care Act. The bill would provide an 11.5 percentage point increase for fiscal 2020. After that, the regular match for CHIP would apply, which is based on the Medicaid FMAP with an increase in the federal share.

Maintenance of Effort --
The bill would extend a maintenance-of-effort requirement through fiscal 2023 for children whose family income is 300 percent of the FPL or less, instead of for all children. The change would still apply to about 98 percent of children currently in the program, CBO previously estimated. Under the requirement, states have to maintain their eligibility levels for CHIP as a condition of Medicaid funding.

Risk Pools --
States could consider, as part of the same risk pool, children enrolled in a state CHIP plan and a CHIP "look-alike" program, which is a state program that provides similar benefits to children who don't qualify for Medicaid or CHIP. Look-alike programs also would satisfy minimum essential coverage requirements under current law.

Other Extensions --
The measure would extend the following provisions through 2023:
-The Child Enrollment Contingency Fund for states with a funding shortfall and enrollment that exceeds a target level.
-An option for qualifying states to use CHIP funds to cover the difference between CHIP and Medicaid match rates if they cover CHIP-eligible children through Medicaid.
-The Medicaid and CHIP "Express Lane," which streamlines CHIP and Medicaid enrollment based on eligibility for other federal programs.
-A childhood obesity demonstration project, with a $30 million total appropriation over the fiscal 2018 through 2023 period.
-The Pediatric Quality Measures Program, for which $90 million would be provided for fiscal 2018 through 2023.
-Outreach and enrollment grants, with a $120 million appropriation from fiscal 2018 through 2023. The measure also would let parent mentors, who are trained to assist families with uninsured children, receive the grants.

Medicaid Improvement Fund --
The measure would deposit $980 million in the Medicaid Improvement Fund for states for mechanized claims processing under Medicaid.

ACA TAXES

The measure would delay three health-related taxes imposed by the Affordable Care Act. MEDICAL DEVICE TAX: The 2.3 percent tax on the sale of medical devices would delayed for 2018 and 2019. The tax initially took effect in 2013 and was suspended for 2016 and 2017 under Public Law 114-113. The tax applies to devices such as hip implants and pacemakers sold by a manufacturer, producer, or importer. There is a retail exemption for items typically purchased by the general public, such as hearing aids and contact lenses.

CADILLAC TAX: The so-called Cadillac tax on high-cost insurance plans would be delayed for two more years, until 2022. It's currently scheduled to take effect in 2020 after being delayed under Public Law 114-113. It was originally supposed to take effect in 2018 and apply to employer-based health plans that cost more than $10,200 a year for individuals and $27,500 for families. The rate will be 40 percent of costs that exceed those thresholds, which will be adjusted annually for inflation.

HEALTH INSURER FEE: An annual fee imposed on health insurance providers would be suspended for 2019. The measure wouldn't affect the fee collection for 2018, which is set by law at $14.3 billion.

The ACA imposed an aggregate fee on insurers beginning in 2014, and it was suspended for 2017 under Public Law 114-113.

BUDGET EFFECTS

The CHIP and tax provisions would increase the deficit by a net $31.3 billion over 10 years, according to a Congressional Budget Office cost estimate of the House-passed CR. The increase would largely come from the tax provisions, which would reduce revenue by $33.2 billion in that time frame, in addition to reducing spending by $1.94 billion. The CHIP provisions and Medicaid Improvement Fund would increase mandatory outlays by $8.2 billion over 10 years, which would be offset by a $8.2 billion increase in revenue. Democrats opposed a five-year CHIP extension (H.R. 3922) that the House passed in November because of disagreements over how to pay for it. At the time, CBO estimated it would cost more than $8 billion. CBO subsequently revised its estimate and found a longer-term extension would save money, in part because of the repeal of individual mandate penalties under the Republican tax bill (Public Law 115-97) and because of proposed changes to the CHIP match rate in later years, which would lower federal costs.

COMMUNUTY HEALTH CENTERS

The Community Health Center Fund (CHCF) is one of the items that could get wrapped up in a future government funding bill, either ahead of the Feb. 8 deadline or in a longer-term spending bill considered later. Democrats have stressed the need for community health center funding. House Energy and Commerce Committee Chairman Greg Walden (R-OR) has said that Republicans are also supportive, noting that community health center funding was in a bill House Republicans passed in November but that the Senate did not take up.

REINSURANCE

GOP leaders from both chambers of Congress want reinsurance, but in different ways. The House iteration sponsored by Reps. Ryan Costello (R-Pa.) and Collin Peterson (D-Minn.) allocates $30 billion over three years at the full discretion of the HHS secretary. It would also consolidate a federal reinsurance program as the House GOP leadership tried to do through their failed attempt to repeal and replace the Affordable Care Act. It also includes retroactive funding of cost-sharing reduction payments for the rest of 2017 and future funding for 2019. Co-authored by Sens. Susan Collins (R-Maine) and Bill Nelson (D-Fla.), the Senate's proposal would leverage "1332" waivers to let states draw down from a $2.25 billion pool—available annually for two years—for their own reinsurance program. For Costello, the advantage of a federal reinsurance fallback instead of the 1332 approach is its "speed, efficiency and certainty." "If you have to go through the waiver process, you don't know whether you can get it or not," Costello said.

Looking ahead ...

Congressional leaders pursuing a deal to lift budget limits on defense and domestic spending and address the DACA issue face a February 8, 2018 deadline that may force them to seek yet another a stopgap funding measure to avert a second election-year government shutdown. President Trump's FY19 budget will be sent to Congress one week later than initially planned due to recent govt shutdown. The new expected date of release is February 12.

ATTACHMENTS:

- January 2018 Report – State
- January 2018 Report - Federal

Riverside County
January 2018 Federal Legislative Report (as of 1-29-18)
*(Supplement covering 1-30-18 President Trump's State of the Union Address to follow on 2-1-18).**
Kadesh & Associates

Overview: Budget/Appropriations; Healthcare; DACA; Infrastructure; and SOTU

January was dominated by three things:

1-Most of Congress' time and attention were spent on a budget impasse leading to the expiration of the Continuing Resolution on January 20 and a three-day federal government shutdown. Budget negotiations broke down over the issues of how to resolve the DACA issue and questions over the amount of funding for and nature of border security features. The government is operating on another CR which will expire on February 8, 2018. The Omnibus remains unresolved (the Senate and House did not establish a joint overall budget topline so cannot complete their FY18 appropriations business).

2- The next relevant event in January was the release/leak of a six-page outline of the Administration's Infrastructure package. Quick analysis found much promising programmatic potential, but no specific funding sources were identified. The proposal was lacking in the specific mention of mitigation and clean air issues generally but was robust on the issue of water and wastewater infrastructure primarily through the expansion of the Water Finance Infrastructure and Innovation Act (WIFIA) loan program administered through the EPA. Clearly, whatever the Administration proposes, how Congress disposes of it will be critical to achieving the County's goals for the Infrastructure package.

3-*President Trump is to make his State of the Union (SOTU) address on January 30.

CONTINUING RESOLUTION

Government funding was restored through Feb. 8 under the final version of H.R. 195 – the Continuing Resolution (CR) – signed by the President. The measure would extend funding for most federal agencies at the reduced fiscal 2017 spending levels initially provided by Public Law 115-56 to keep spending in line with the fiscal 2018 caps. It is the fourth CR passed since the fiscal year began on Oct. 1.

Congressional leaders are also negotiating a deal to increase the spending caps for fiscal 2018 and 2019, which would pave the way for a full-year omnibus spending package. The legislation also would extend most "anomalies" and program extensions from the previous continuing resolutions, such as the National Flood Insurance Program. The measure would allow emergency missile defense funding provided under the last CR to be used for intelligence activities that haven't been specifically authorized by Congress. It also includes other anomalies that would allow funding for summer food programs for kids, NASA space exploration, the Energy Department inspector general, and small-business loans, to be apportioned at the rate needed to maintain operations and meet scheduling and other requirements. *Additionally, the Housing and Urban Development Department could adjust funding for public housing agencies to administer Section 8 Housing Choice Vouchers in areas where the president declared a disaster in 2017 or 2018.*

The House passed the original version of H.R. 195 on May 17 by voice vote. The Senate added provisions and returned the bill to the House on Dec. 21 by unanimous consent. The initial Senate amendment would reauthorize Justice Department grants to locate missing people with Alzheimer's disease and extend the grants to cover missing children with developmental disabilities. Those provisions were dropped when the House amended the bill with an initial continuing resolution that would have run through Feb. 16. It also added the CHIP and tax language. The House advanced its amendment on Jan. 18 by a vote of 230-197. Senate leaders didn't obtain the 60 votes needed to advance the House version and clear it for the president. Five Democrats voted for cloture, while five Republicans voted against, including Majority Leader Mitch McConnell (R-Ky.) for procedural reasons. McConnell subsequently teed up an amendment to change the CR date to Feb. 8. The Senate passed that version on Jan. 22 by a vote of 81-18, and the House cleared the bill for the president's signature later in the day by a vote of 266-150. The back pay provisions for government employees were added when both chambers adopted a separate resolution (S. Con. Res. 33) that modified the text of the CR.

INFRASTRUCTURE

President Trump is to mention issue during his State of the Union speech, but release his plan later, while his top White House adviser signaled an openness to negotiate with Congress on details. The Administration's plan won't detail how infrastructure will be paid for.

The president will mention the issue in the Jan. 30 State of the Union address and then release the full plan to Congress "one to two weeks" later, per DJ Gribbin, a special assistant to President Donald Trump for infrastructure policy. The administration's goal with the plan is to kickstart $1 trillion in infrastructure projects and to reduce the time required for the average federal permitting process for these projects to two years, Gribbin said Jan. 25 at a meeting of the U.S. Conference of Mayors in Washington.

The plan will contain a list of suggestions for achieving these two goals, but ultimately the White House would be open to signing off on measures Congress chooses as long as they would accomplish these two aims, he said. "We want to create opportunities for states and local governments to receive federal funding when they're doing what is politically hard," Gribbin told the assembled mayors. "We want to fund infrastructure, you decide what to spend it on."

Funding --

However, the plan will not contain any details about how to pay for the infrastructure. That issue will instead be left up to lawmakers. Gribbin did say the White House would not support funding the plan by cutting any core federal infrastructure programs that already exist, such as the Transportation Department's highway trust fund or the EPA's state revolving loan funds. The federal government would provide limited new matching funds for infrastructure projects under a draft infrastructure plan. The plan also proposes new funding for rural infrastructure, expansion of federal credit programs, and enhancements to private activity bonds. President Trump promised to invest $1 trillion in infrastructure. His fiscal 2018 budget request proposed spending $200 billion in federal funds over a decade, which would leverage state, local, and private dollars for a total of $1 trillion. The document doesn't specify a proposed amount or source of funding. Most of the new programs would be subject to appropriation.

It also doesn't address the Highway Trust Fund's long-term insolvency. The fund's outlays for roads and transit exceed the revenue it collects, primarily from the motor fuels tax. It's projected to run out of money in fiscal 2021, after being boosted by a five-year infusion from the general fund in the 2015 FAST Act (Public Law 114-94). House Transportation and Infrastructure Committee Chairman Bill Shuster (R-Pa.) said infrastructure will be his top priority for 2018.

Almost half of the plan's proposed new appropriation would be for an "infrastructure incentives initiative" that would cover as much as 20 percent of the cost of a wide variety of projects, including hydropower, flood control, and contaminated site cleanup. The non-federal partner -- which could include a public utility or non-profit in addition to a state or local government -- would be responsible for finding the rest of the funding. The program would prioritize projects with a new, non-federal, long-term funding source. Another 10 percent would be available for grants -- ranging from 30 percent to 80 percent of eligible costs based on the project stage -- for "transformative" projects, including commercial space, telecommunications, energy, and water in addition to standard infrastructure. Projects would have to include private or nonprofit investors. A quarter of the appropriation would be available for rural infrastructure, including broadband. Projects would have to be in areas with a population of less than 50,000. The plan proposes additional appropriations to expand existing credit programs, and a new account to manage federal infrastructure.

In addition to new programs that would require appropriations, the plan proposes creating an "interior maintenance fund" that would support public lands infrastructure using revenue from drilling and mineral exploration on federal lands and waters. It also proposes an executive order that would let the federal government dispose of real property, which would "improve the overall allocation of economic resources in infrastructure investment."

The plan would provide additional funds for existing lending programs for transportation, railroads, water (i.e. WIFIA), and rural utilities, which would remain available until 2028. If the plan's total appropriation was $200 billion over a decade, it would boost the lending programs' capacity by $15 billion. It would expand the potential uses of private activity bonds, which are issued by state and local governments to finance projects conducted with a private partner. It would also lift issuance caps and allow the bonds to be used for advanced refunding, in which issuers take advantage of lower interest rates by refinancing an existing bond issue with a new one. A refunding bond is considered "advance" if it is issued more than 90 days before the redemption of the refunded bond. It's not clear how the change would work in light of the 2017 tax overhaul law (Public Law 115-97), which eliminated advance refunding bonds' tax advantages. The document lists additional "principles" for infrastructure, which include a variety of suggested modifications to, or expansions of, existing programs. Legislative or regulatory action would likely be required for many of the changes.

GAS TAX

One potential funding solution putting Republicans in Congress and conservative interest groups at odds is a gas tax. The motor fuels tax -- 18.4 cents per gallon on gasoline and 24.4 cents on diesel -- hasn't been increased since 1993. Interest groups are hoping to sway the president on the fuels charge, but Congressional Republicans are waiting to see where the administration falls on the issue.

CALIFORNIA GAS TAX

Gas tax proponents will find an ally in California Gov. Jerry Brown (D), who said he'll fight an effort to ask voters in November to repeal a recent gas tax increase. In his final State of the State address, Brown said the 2017 vote in the Legislature to boost the tax was essential to maintaining and improving roads and transit. "Fighting a gas tax may appear to be good politics, but it isn't," he said. "I will do everything in my power to defeat any repeal effort that gets on the ballot. You can count on that." Increased diesel and gas taxes, and new fees on vehicles, are expected to raise $52.4 billion in new transportation funding over 10 years.

EMISSIONS

California's authority to craft its own greenhouse gas limits for cars may be preserved -- if the state can find agreement with federal regulators on the future of the standards, U.S. EPA's top air official says. "I have no interest whatsoever in withdrawing California's authority to regulate," Bill Wehrum, head of the EPA's Office of Air and Radiation, said. "What I want is one national program. If we can all agree on what needs to be done, then we can all go forward." Wehrum's remarks came as the EPA nears an April 1 deadline to decide the future of greenhouse gas limits for passenger vehicles. Officials from the Transportation Department and the EPA, including Wehrum, are in talks with California regulators in hopes of reaching a solution amenable to all parties.

HEALTHCARE -- CHIP EXTENSION

The Continuing Resolution would extend the CHIP authorization for six years and provide $21.5 billion for fiscal 2018 for CHIP, increasing to $25.9 billion by fiscal 2023. The fiscal 2023 amount would come from two semiannual allotments of $2.85 billion and an additional $20.2 billion for the first half of the year that would remain available until expended. The program received $19.3 billion for fiscal 2016 and $20.4 billion for fiscal 2017 under Public Law 114-10. Congress has since provided some short-term funds to keep the program afloat, most recently under Public Law 115-96. That money was supposed to last through March, though it is expected to run out sooner. The measure would rescind funds already appropriated for fiscal 2018 that haven't yet been allotted or obligated, and proportionally reduce allotments to states for the remainder of the year if they've already received short-term funding. CHIP covers children who don't qualify for Medicaid because their family income is too high. States administer the program and set their own eligibility levels, which range from 175 percent to 405 percent of the federal poverty level (FPL). About 9 million children received health insurance through CHIP at some point in fiscal 2016, with about 6 million enrolled on average throughout the year, according to the Centers for Medicare & Medicaid Services.

Match Rate --

The federal match rate for CHIP, called the enhanced Federal Medical Assistance Percentage (E-FMAP), currently ranges from 88 percent to 100 percent for children from families with income of as much as 300 percent of the FPL. That includes a 23 percentage point increase for fiscal 2016 through 2019 established by the Affordable Care Act. The bill would provide an 11.5 percentage point increase for fiscal 2020. After that, the regular match for CHIP would apply, which is based on the Medicaid FMAP with an increase in the federal share.

Maintenance of Effort --

The bill would extend a maintenance-of-effort requirement through fiscal 2023 for children whose family income is 300 percent of the FPL or less, instead of for all children. The change would still apply to about 98 percent of children currently in the program, CBO previously estimated. Under the requirement, states have to maintain their eligibility levels for CHIP as a condition of Medicaid funding.

Risk Pools --

States could consider, as part of the same risk pool, children enrolled in a state CHIP plan and a CHIP "look-alike" program, which is a state program that provides similar benefits to children who don't qualify for Medicaid or CHIP. Look-alike programs also would satisfy minimum essential coverage requirements under current law.

Other Extensions --

The measure would extend the following provisions through 2023:

-The Child Enrollment Contingency Fund for states with a funding shortfall and enrollment that exceeds a target level.

-An option for qualifying states to use CHIP funds to cover the difference between CHIP and Medicaid match rates if they cover CHIP-eligible children through Medicaid.
-The Medicaid and CHIP "Express Lane," which streamlines CHIP and Medicaid enrollment based on eligibility for other federal programs.
-A childhood obesity demonstration project, with a $30 million total appropriation over the fiscal 2018 through 2023 period.
-The Pediatric Quality Measures Program, for which $90 million would be provided for fiscal 2018 through 2023.
-Outreach and enrollment grants, with a $120 million appropriation from fiscal 2018 through 2023. The measure also would let parent mentors, who are trained to assist families with uninsured children, receive the grants.

Medicaid Improvement Fund --
The measure would deposit $980 million in the Medicaid Improvement Fund for states for mechanized claims processing under Medicaid.

ACA TAXES
The measure would delay three health-related taxes imposed by the Affordable Care Act.
MEDICAL DEVICE TAX: The 2.3 percent tax on the sale of medical devices would delayed for 2018 and 2019. The tax initially took effect in 2013 and was suspended for 2016 and 2017 under Public Law 114-113. The tax applies to devices such as hip implants and pacemakers sold by a manufacturer, producer, or importer. There is a retail exemption for items typically purchased by the general public, such as hearing aids and contact lenses.
CADILLAC TAX: The so-called Cadillac tax on high-cost insurance plans would be delayed for two more years, until 2022. It's currently scheduled to take effect in 2020 after being delayed under Public Law 114-113. It was originally supposed to take effect in 2018 and apply to employer-based health plans that cost more than $10,200 a year for individuals and $27,500 for families. The rate will be 40 percent of costs that exceed those thresholds, which will be adjusted annually for inflation.
HEALTH INSURER FEE: An annual fee imposed on health insurance providers would be suspended for 2019. The measure wouldn't affect the fee collection for 2018, which is set by law at $14.3 billion. The ACA imposed an aggregate fee on insurers beginning in 2014, and it was suspended for 2017 under Public Law 114-113.

BUDGET EFFECTS
The CHIP and tax provisions would increase the deficit by a net $31.3 billion over 10 years, according to a Congressional Budget Office cost estimate of the House-passed CR. The increase would largely come from the tax provisions, which would reduce revenue by $33.2 billion in that time frame, in addition to reducing spending by $1.94 billion. The CHIP provisions and Medicaid Improvement Fund would increase mandatory outlays by $8.2 billion over 10 years, which would be offset by a $8.2 billion increase in revenue. Democrats opposed a five-year CHIP extension (H.R. 3922) that the House passed in November because of disagreements over how to pay for it. At the time, CBO estimated it would cost more than $8 billion. CBO subsequently revised its estimate and found a longer-term extension would save money, in part because of the repeal of individual mandate penalties under the Republican tax bill (Public Law 115-97) and because of proposed changes to the CHIP match rate in later years, which would lower federal costs.

COMMUNUTY HEALTH CENTERS

The Community Health Center Fund (CHCF) is one of the items that could get wrapped up in a future government funding bill, either ahead of the Feb. 8 deadline or in a longer-term spending bill considered later. Democrats have stressed the need for community health center funding. House Energy and Commerce Committee Chairman Greg Walden (R-OR) has said that Republicans are also supportive, noting that community health center funding was in a bill House Republicans passed in November but that the Senate did not take up.

REINSURANCE

GOP leaders from both chambers of Congress want reinsurance, but in different ways. The House iteration sponsored by Reps. Ryan Costello (R-Pa.) and Collin Peterson (D-Minn.) allocates $30 billion over three years at the full discretion of the HHS secretary. It would also consolidate a federal reinsurance program as the House GOP leadership tried to do through their failed attempt to repeal and replace the Affordable Care Act. It also includes retroactive funding of cost-sharing reduction payments for the rest of 2017 and future funding for 2019. Co-authored by Sens. Susan Collins (R-Maine) and Bill Nelson (D-Fla.), the Senate's proposal would leverage "1332" waivers to let states draw down from a $2.25 billion pool—available annually for two years—for their own reinsurance program. For Costello, the advantage of a federal reinsurance fallback instead of the 1332 approach is its "speed, efficiency and certainty." "If you have to go through the waiver process, you don't know whether you can get it or not," Costello said.

Looking ahead ...

Congressional leaders pursuing a deal to lift budget limits on defense and domestic spending and address the DACA issue face a February 8, 2018 deadline that may force them to seek yet another a stopgap funding measure to avert a second election-year government shutdown. President Trump's FY19 budget will be sent to Congress one week later than initially planned due to recent govt shutdown. The new expected date of release is February 12.

(Report as of 1-29-18; sourced via BGOV and other published sources)

HURST+BROOKS+ESPINOSA

January 29, 2018

To: Brian Nestande, Deputy County Executive Officer
County of Riverside

From: Hurst Brooks Espinosa, LLC

Re: January 2018 – State Legislative Update

The Legislature returned to Sacramento on January 3, 2018 for the second year of the 2017-18 legislative session. As the houses returned for business, legislators faced three vacancies in the Assembly, while one Senator has been directed to take a leave of absence while he's under investigation. Special elections for the three Assembly seats (all in Los Angeles County, with one picking up a small piece of Ventura County) will be held over the next few months, with primaries in April and the general consolidated with the June statewide election.

As required under the Constitution, Governor Jerry Brown released his proposed 2018-19 state budget on January 10, bearing his trademark fiscal prudence and caution. HBE provided a detailed summary of the Governor's spending plan and will continue to monitor budget committee and subcommittee discussions in the weeks to come.

While two-year bills are facing imminent deadlines to move out of their house of origin, legislators are preparing their bill packages, and measures are slowly being introduced. Given the ascendancy of Senator Tony Atkins (D-San Diego) to Senate President pro Tempore expected on March 21, some Capitol observers are wondering how much the leadership change will slow activities in the Senate until her formal appointment.

The County's legislative platform has been distributed to Riverside County's legislative delegation and discussed with all offices. Legislators are currently assisting your Sacramento-based advocates by requesting bill language from legislative counsel, and we will continue to work to secure authors for the County's sponsored bills, covering topics including human trafficking of at-risk adults (elderly and dependent adults), increasing the limit on no-bid contracting authority for the County parks district, and seeking state support for Children of Incarcerated Parents (CIP). The bill introduction deadline is February 16. At the time of this writing, we are reviewing newly introduced legislation and will continue to update you as to legislative matters of interest to evaluate for potential action.

Governor Brown presented his State of the State address on January 25, marking the last State of the State he will offer given that he leaves office this year due to term limits. The Governor spoke of the general prosperity in California at this time as well as the accomplishments the Legislature had achieved on a bipartisan basis during his most recent two terms in office. He also discussed his continued concerns about the effects of climate change and the efforts underway through the Cap-and-Trade program to mitigate environmental impacts of greenhouse gases. The Governor indicated during his address that he would be releasing an expenditure plan for cap-and-trade auctions in the coming days; the plan was released January 26 and is summarized later in this memo.

Governor's Proposed 2018-19 State Budget

The Governor released his 2018-19 state budget with an estimated $6 billion surplus. The Governor proposes to utilize the state's budget surplus by bringing the Rainy Day Fund to 100 percent of its constitutional target, fully funding the Local Control Funding Formula (LCFF) for K-12 schools two years early, and investing in state infrastructure.

While recent federal actions will most definitely impact the state's budget, many of them occurred too late in 2017 to be incorporated into the Governor's 2018-19 budget estimates. The May Revision will include preliminary analyses of any changes to the state's economy and revenues on federal tax changes, the reauthorization of the Children's Health Insurance Program (CHIP), and other federal cost shifting, particularly in the area of health care or other entitlement costs that Congress considers. Of course, the Governor's budget is a general outline, and we anticipate much more to come into focus over the coming months.

For the County of Riverside, there are a number of items of interest, including the following:

- **340B Drug Billing Reimbursement within the Medi-Cal Program.** The state budget proposes to prohibit the use of 340B drugs in the Medi-Cal program effective July 1, 2019. This proposed action is anticipated to impact Riverside University Medical Center and result in reduced revenues.
- **Salton Sea Restoration.** The budget provides $30 million from SB 5 for the Natural Resources Agency to construct water management infrastructure and habitat conservation and dust mitigation projects, consistent with the Phase I ten-year plan. This funding is in addition to existing appropriations from Propositions 1, 84, and 50.
- **Court Facility Construction.** The budget renews activity on courthouse construction by making a transfer of $32.2 million from the Immediate and Critical Needs Account to complete the design of three courthouse projects, including one in Riverside (Mid-County). Additionally, the budget commits to completing construction over the next two years for the next ten courthouse projects ready to proceed, which include both Indio and Mid-County facilities in the County.
- **Military Institute funding.** The Governor's proposed budget includes $2.4 million General Fund to establish a Porterville Military Institute College Preparatory Academy in Tulare County to serve 500 students beginning in the fall of 2018, and $1.2 million General Fund to provide military personnel at the California Military Institute in Riverside County.

Proposed trailer bill language to implement the Governor's proposals will be in print on February 1 for review. We anticipate that budget subcommittees begin meeting in earnest later in February or perhaps early March.

Cap-and-trade. As mentioned above, the Governor release his proposed expenditure plan for cap-and-trade funds on January 26. It proposes to spend $1.25 billion in available cap-and-trade auction revenues across four main initiatives:

- **Zero-Emission Vehicle Investment Initiative**. This new eight-year initiative to accelerate sales of zero-emission vehicles through vehicle rebates and infrastructure investments with a total of $2.5 billion over eight years to assist in meeting and exceeding the goal of 1.5 million ZEVs on California's roadways by 2025.
- **Sequestration and Resilience Initiative**. The Administration is proposing a series of actions to increase carbon sequestration and storage and improve resilience. The initiative is focused on appropriate management of California's forests and ranchlands.
- **California Integrated Climate Investment Program**. The Administration is proposing directing cap and trade funds to investments in climate smart infrastructure that reduces GHG emissions and improves climate resilience.
- **California Climate Change Technology and Solutions Initiative**. This proposal is designed to assist in bridging the gap to new technologies, modeling, and analysis, leading to deeper GHG emission reductions and greater resilience statewide.

HBE's detailed write-up of the Governor's proposed $1.25 billion Cap and Trade Expenditure Plan was sent previously. The HBE team will continue to advocate for a more equitable allocation of cap and trade resources to Riverside County during legislative debate on the Governor's proposed plan.

Two-Year Bills

AB 329 (Cervantes) – Trafficking of At-Risk Adults — SPONSOR

Assembly Member Cervantes introduced AB 329 in 2017 to address an issue raised in Riverside County's platform related to human trafficking of elderly and dependent adults. While the measure was slated to be heard in Assembly Aging and Long-Term Care Committee earlier this month, the author decided to reintroduce a spot bill in 2018 to allow additional time to refine the approach and language in the measure. The new bill number is AB 1946 (Cervantes). AB 1946 is currently a "spot bill" containing placeholder language; once the bill amended, it is expected to be double referred to Assembly Aging and Long-Term Care Committee and Assembly Public Safety Committee. We are working with Assembly Public Safety Committee to see if potential concerns can be addressed. AB 329 was drafted to enhance penalties and create a new crime as a deterrent to the criminal behavior; the Public Safety Committee typically approves very few bills with penalty enhancements and/or new crime provisions.

- ***Status***: AB 329 is no longer moving; the new vehicle for the county-sponsored legislation is AB 1946. It was introduced as a spot bill on January 29, with double-committee policy referral expected in the Assembly.

- ***Support***: County of Riverside (sponsor); additional supporters unknown but potentially the Attorney General's Office

AB 1250 (Jones-Sawyer) – County Contracting Out Authority **OPPOSE**

AB 1250 would considerably restrict county governments' ability to contract out for personal services. The County of Riverside – along with virtually every other county, other statewide county associations, and a significant swath of the non-profit community, among others – opposed the bill in 2017. As a result of the active and organized grassroots opposition campaign, the sponsors parked the bill at the end of the 2017 session in the Senate Rules Committee. CSAC and the county caucus in particular remain vigilant in monitoring developments on this measure. While AB 1250 in its current form may not move this year, we do anticipate the broad issue of county contracting authority remains an area of interest and priority of employee union sponsors. We will keep the County well informed about developments with AB 1250 and any similar legislative measures that may arise this year.

- ***Status***: In the Senate Rules Committee.
- ***Support***: SEIU and AFSCME (co-sponsors), along with a number of other employee organizations
- ***Opposition***: County of Riverside; CSAC; Urban Counties of California; Rural County Representatives of California; Howard Jarvis Taxpayers Association; Retailers Association; American Planning Association, California Chapter; California Business Properties Association; California Chamber of Commerce; dozens of additional individual counties; and hundreds of non-profit organizations and service providers

SB 38 (Roth) – Judgeship Funding **SUPPORT**

Addressing the shortage of judicial resources – both at the trial court and appellate court level – in Riverside County has been a priority for the Board of Supervisors; the magnitude of judgeships shortfall is significant and well-documented. In 2007, 50 trial court judgeships were authorized by the Legislature (AB 159) but have yet to be funded. In its introduced version, SB 38 did the following: 1) authorized and funded one appellate court justice in the 4th District, Division Two (hearing appeals from the Riverside and San Bernardino Superior Courts) and 2) funded 10 of the 50 previously authorized trial court judgeships. SB 38 was taken up by the Senate Judiciary Committee and passed unanimously earlier this month. However, the Senate Appropriations Committee stripped out the appropriations from the bill before passing it out of its committee. The sole provision that remains in the bill is the language to statutorily create the appellate court justice.

- ***Status***: In Senate Third Reading awaiting action by the full Senate; it is subject to a January 31 deadline to move to the Assembly.
- ***Support***: Judicial Council (sponsor), County of Riverside, California Judges Association, Greater Riverside Chambers of Commerce
- ***Opposition***: None

AB 862 (Maienschein) – Pay for Success Programs **SUPPORT**

The County of Riverside is supporting Assembly Member Brian Maienschein's effort to authorize and provide $5 million in funding to support three additional counties' participation in a pay-for-success

(PFS) program. AB 1837 (Atkins, 2014) authorized an initial PFS program administered by the Board of State and Community Corrections; three counties successfully competed for the funds and are currently implementing programs that focus on reducing recidivism among a targeted group of the adult criminal justice population. AB 862 would create a pay-for-success funding option for which Riverside County could compete; it is viewed as an opportunity to seek financial support for the County's efforts to establish a program to deliver wrap-around services to reduce risk factors and develop resiliency among children whose parents are incarcerated.

- ***Status***: AB 862 passed the Assembly Public Safety Committee (1/9/18) and the Assembly Appropriations Committee (1/18/18) on unanimous votes. It awaits a vote by the full Assembly and is subject to a January 31 deadline to move to the Senate.
- ***Support***: Sacramento Regional Builders Exchange (sponsor); County of Riverside; Californians for Safety and Justice; Federation of California Builders Exchanges; Bay Area Builders Exchange; Central California Builders Exchange; Valley Contractors Exchange
- ***Opposition***: None

NEWLY INTRODUCED LEGISLATION OF INTEREST

The Legislature has been slow in its introductions of new measures in 2018. The bill introduction activity will ramp up in the coming weeks, given the February 16 bill introduction deadline. In next month's update, we will provide additional information about the County's new slate of 2018 sponsored bills and other newly introduced measures of consequence.

A number of measures have been introduced to respond the state's recent devastating wildfires, assist in recovery, and improve response to such disasters. These measures are summarized below:

- AB 1765 (Quirk-Silva): Waives the $75 real estate transaction fee imposed by last year's SB 2 for real estate documents filed for repairs or reconstruction as a result of a declared disaster.
- AB 1772 (Aguiar-Curry): Would provide three years (instead of two years) for homeowners to rebuild and collect insurance benefits after a declared disaster.
- AB 1797 (Levine): Would require insurers to provide a replacement cost estimate annually so that long-term homeowners can keep up with the rising cost of construction and adjust their coverage accordingly.
- AB 1799 (Levine): Would require insurers to provide a complete copy of policy documents upon request.
- AB 1800 (Levine): Would ensure that policyholders who have lost their homes can collect their home's full replacement cost whether they decide to rebuild or buy a new home.
- AB 1875 (Wood): Would require insurance companies to offer homeowners the option of purchasing a policy that covers up to 50 percent above the policy limits. Insurance companies must offer and disclose the additional cost of such a policy every time a homeowner purchases or renews a policy.

- AB 1877 (Limon): Requires the Office of Emergency Services to provide a translation of an emergency communication to a county (or counties) into the language other than English that is spoken by the majority of the population.
- AB 1919 (Wood): Makes it a misdemeanor to increase monthly rental prices by more than 10 percent during an emergency or disaster declaration. It would also make it a misdemeanor to evict a tenant for the purpose of renting the house out under an increased rental price during the same period.
- SB 819 (Hill): Prohibits an energy company from recovering a fine or penalty, as well as any uninsured expense resulting from damages caused by its own facility, through a rate approved by the California Public Utilities Commission (CPUC).
- SB 821 (Jackson): Authorizes the state Office of Emergency Services to assist counties in developing effective public emergency warning systems.
- SB 833 (McGuire): Implements a new "red alert" requirement for emergency alerts.
- SB 894 (Dodd): Would require insurers to authorize policy renewals twice for properties destroyed in a disaster and provide living expenses for three years. (Current law requires renewals only once and only requires two years of living expenses.)
- SB 897 (McGuire): Would simplify the process of claiming personal property losses by authorizing homeowners to settle for 80 percent of their policy's limit without having to complete an inventory of personal property.
- SB 901 (Dodd): Requires energy companies to include a plan for de-energizing electrical lines in its wildfire mitigation plan.
- SB 917 (Jackson): Requires insurance companies to cover losses associated with mudslides even if mudslide damage is not articulated in their insurance policies if they are associated with a previous covered event.

Please don't hesitate to reach out to us with your questions or concerns.