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Legislature Adopts Most, But Not All, Remaining Budget Trailer Bills

Vote on No Place Like Home Program, and Several Other Trailer Bills Still Pending

Following [Wednesday's action](#) to adopt the main budget bill (SB 826) and five trailer bills, the Legislature acted today on most of the remaining trailer bills. These bills are representative of the budget agreement outlined on [Thursday, July 9](#). The Legislature had delayed action by one day to allow for more public review before the final vote.

In a break from typical practice, today the Assembly passed 10 trailer bills while the Senate passed only eight. This inconsistency appears to be due to an agreement between Democrats and Republicans in the Senate on the timing of budget bill votes rather than a disagreement on policy. Votes on the remaining two bills in the Senate are expected next week.

No action was taken on the trailer bill that would have established the [No Place Like Home program](#). Unlike most budget-related bills, this measure will take agreement of two-thirds of the Legislature, and negotiations with the Republicans to supply the needed votes have not concluded.

Summaries below focus on aspects of the bills of most interest to cities. Bills marked with an asterisk (*) have been adopted by the Assembly but not the Senate. For more details, bill language can be found at www.cacities.org/billsearch.

AB 1602 (Committee on Budget) — Higher Education

Makes various changes and appropriations to the community college, California State University and University of California systems. Also makes changes to the library system including:

- No longer reimbursing libraries for specified costs associated with interlibrary loans; and
- Deleting grants available to library systems that choose to consolidate.

AB 1603 (Committee on Budget) — Public Social Services Omnibus

Makes various changes to social service programs including: repeals the Maximum Family Grant and increases the Maximum Aid Payment for CalWorks; establishes the Bringing Families Home to support families who are homeless and receiving child welfare services; repeals the once-in-a-lifetime ban for the Homeless Assistance Program (HAP); expands eligibility and increases rates for Aid to Families with Dependent Children–Foster Care; and establishes the Housing and Disability Income Advocacy Program that will assist the homeless in applying for disability benefits.

AB 1606 (Committee on Budget) — Developmental Services

Makes various changes to developmental services, which includes expanding the reporting requirement for regional center vendors to include vendors that provide crisis services. Also requires regional center vendors to report any unexpected or suspicious death; any allegation of sexual assault in which the alleged perpetrator is an employee, service provider, or contractor; and, any report to the local law enforcement agency involving abuse in which the alleged perpetrator is an employee, service provider, or contractor.

AB 1607 (Committee on Budget) — Medi-Cal: Hospitals: Quality Assurance Fee

Extends and continuously appropriates the Hospital Quality Assurance Fee through Jan. 1, 2018. The fee is used for several purposes including paying for health care coverage for children and making supplemental payments for certain services to private hospitals.

SB 836 (Committee on Budget and Fiscal Review) — State Government

- Makes changes to the SB 90 state mandate claims reimbursement process related to the use of a reasonable reimbursement methodology (RRM). Specifically, a representative sample of claims data will have to be audited by the State Controller to be used in the development of any new RRM. A RRM developed through means other than claims data will not face the same requirement.
- Appropriates \$1.3 billion to replace or improve the State Capitol Annex building. Provides a CEQA exemption similar to those provided to entertainment and sports complexes over the past few years.
- Creates the State Project Infrastructure Fund to pay for the construction, improvement, or replacement of state office buildings that are in a state of disrepair.
- Makes various technical changes to state contracting authority; to the composition and duties of the State Board of Optometry and optical companies; to elevator and amusement park rides permitting; and to work permits for minors in the entertainment industry.

SB 837 (Committee on Budget and Fiscal Review) — General Government

Includes the following items:

Medical Cannabis Regulation and Safety Act: Makes various changes to the Medical Cannabis Regulation Safety Act including:

- **Name Changes:** Changes Bureau of Medical Marijuana Regulation to Bureau of Medical Cannabis Regulation — BMMR is now BMCR; “Medical Marijuana Regulation and Safety Act” is now “Medical Cannabis Regulation and Safety Act;” changes phrase “medical marijuana” to “medical cannabis” throughout the statute; and adds the term “harvest batch” to the definitions section.
- **General Changes to Regulatory Structure:** Provides each licensing authority the discretion to adopt emergency regulations to implement the Act and gives each licensing authority the discretion to work with state and local law enforcement on investigation and enforcement duties.
- **Changes to Regulation of Licensees:**
 - Adds failure to maintain safe conditions for inspection by a licensing authority and failure to comply with any operating procedure previously submitted to the licensing authority by the licensee to specified grounds for discipline of licensees.
 - Provides that licensing authorities may recover the costs of investigation and enforcement of a disciplinary proceeding.
 - A licensing authority has discretion to revoke a license when a local agency notifies the licensing authority that a licensee or applicant within its jurisdiction is in violation of state rules (including failure to comply with local ordinances), and the licensing authority upon investigation determines that the violation is ground for revocation of the license.
 - Requires all applicants for state licenses to provide proof of a bond to cover the costs of destruction of medical cannabis if necessary due to a violation of the licensing requirements.
 - Directs licensees to provide and deliver records to licensing authorities upon request.
 - Provides that cultivators may only transport medical cannabis from a cultivation site to either a manufacturer or a distributor.
 - Provides that manufacturers shall only transport medical cannabis from a cultivation site to a manufacturing site, between manufacturing sites, and between a manufacturing site and a distributor.
 - Adds and defines the unlawful activity of misbranding, which entails improper labeling of a product.
 - Adds and defines an adulterated medical cannabis product, and provides that manufacture, sale, delivery or receipt of such a product is unlawful.
- **Changes to Regulatory Structure (Testing):** In the case of manufactured products (cannabis edibles, ointments, oils, extracts, etc.), eliminates requirement for pre-manufacture testing. Requirement for post-manufacture testing remains. Also makes changes to the content of the certificate of analysis to be issued by testing labs.

- Changes to the Regulatory Structure (Environment): Requires that all cultivation license applications shall identify the source of the water supply. Contains additional regulations regarding water use.
- Changes to the Regulatory Structure (Edibles): Requires that all manufactured and edible cannabis products be sold in special child-resistant packaging.
- Department of Consumer Affairs: Provides Gov. Jerry Brown the discretion to appoint a deputy chief and an assistant chief counsel. Specifies that both positions will serve at the pleasure of the Governor. Also adds licensing of testing laboratories and developing of testing procedures to the Bureau's responsibilities.
- Department of Food and Agriculture:
 - Provides the department authority to create additional licenses other than those already specified in the Act.
 - Specifies that the department is the lead agency on all questions of California Environmental Quality Act (CEQA) compliance and applicability to licensing of cannabis cultivation.
 - Adds the department to the consultation required between the State Water Resources Control Board and the Department of Fish and Wildlife to ensure that any water diversion does not adversely affect California's fish population.
 - Provides that license fees shall cover the cost of administering the track and trace program managed by the department.
- Department of Public Health (DPH):
 - Directs the department to establish minimum security requirements for storage of medical cannabis at a manufacturing site.
 - Transfers responsibility for licensing of testing laboratories from DPH to BMCR within the Department of Consumer Affairs.
 - Directs the department to take charge of regulations governing the licensing of manufacturers.
 - Directs the department to provide assistance to the bureau in developing regulations, as requested.
 - Provides the department with specific regulatory tools (citations, abatement orders, and administrative fines).
 - Authorizes the department to take specific actions in response to adulterated products, including but not limited to an embargo, a mandatory recall order, or supervision of the destruction of the product pursuant to a corrective action plan.
- Department of Pesticide Regulation: Directs the department to provide assistance to the bureau in developing regulations, as requested.
- Department of Fish and Game: Empowers the department to adopt regulations for requirements for agreements related to cannabis cultivation.

New Local Siting Grant Program for Corrections Re-Entry Facilities: Establishes a \$25 million Community-Based Transitional-Housing Program which offers cities or counties which agree to site transitional housing connected with support services for recently released offenders with incentive grants of up to \$2 million, depending on the size of the facility.

Key features include:

- Competitive application process beginning Oct. 1, 2016 administered by Department of Finance.
- Additional funding for jurisdictions that site transitional housing and supportive service for ex-offenders released from county jail or state prison for a minimum of 10 years.
- As part of application process, the local agency must include a list of *"all permitted facilities...that in a residential setting, provide transitional housing services, psychological counseling, or cognitive behavioral therapy."* This list must include the number of residents residing in each facility in their jurisdiction, including those on probation or parole. Presumably, state agencies must provide a local agency the information necessary to assemble this information.
- Requires portion of funds to be used to increase public safety around the facility and improve communication with neighbors.
- Sixty percent of the grant may be retained by the approving jurisdiction, and can be used for public safety enhancements, community outreach efforts, or any other community-based activities that the local agency believes will improve community relations or

concerns with the facility. Forty percent of the funding must be shared with nonprofit facility operators to support start-up costs, service provision, security improvements, rehabilitative services and community outreach.

- Participating local agencies and facility operators must submit annual reports, as specified.

Seismic Safety Improvements: Establishes the California Seismic Safety Capital Access Loan Program to cover losses on qualified loans up to \$250,000 to fund seismic improvements for residences and small businesses with a priority for “soft story” and unreinforced brick and concrete buildings. A variety of improvements are eligible for buildings determined by the local building code enforcement authority as hazardous and in danger of collapse during a catastrophic earthquake. The program will be administered by the California Pollution Control Financing Authority within the State Treasurer’s office.

Homelessness — Emergency Solutions Grant Program: Establishes the Emergency Solutions Grant Program to be administered by Department of Housing and Community Development. Funds may be allocated as grants to qualified subrecipients to engage homeless persons and families living on the street, operate homeless shelters, rapidly rehouse homeless individuals and families, and prevent families from becoming homeless.

Home Purchase Assistance Fund: Consolidates remaining funds in several existing homebuyer down payment assistance programs into the Home Purchase Assistance Fund operated by the California Housing Finance Agency.

Improvements to Low Income Housing Tax Credit Program: Expands the financial impact of the Low Income Housing Tax Credit Program by allowing an affordable housing developer to sell credits to an investor without admitting them to an ownership partnership. This change will increase the financial value of the existing credits for private investors via a structure that that avoids increasing the investor’s federal tax liability. This provision reflects changes also supported by the League in SB 873 (Beall).

Public Safety Communications: Establishes a fund to be administered by the Office of Emergency Services to pay for the costs of employing and compensating necessary personnel, expenses such as operating or other expenses of the division, and costs associated with approved public safety communications projects, and to establish reserves.

SB 838 (Committee on Budget and Fiscal Review) — Transportation

- Increases the base Vehicle Registration Fee (VRF) by \$10 (from \$46 to \$56) to address an ongoing operating shortfall in the Motor Vehicle Account, a fund that supports the state’s administration and enforcement of laws regulating the operation or registration of vehicles. Also indexes for inflation the base VRF in future years.
- Requires the Controller use historic formulas when allocating funds from the Public Transportation Account to transportation planning agencies and county transportation commissions while negotiations are happening on a new allocation formula. The Controller’s office began using a new allocation formula in FY 2015-16 that has caused some instability and concerns.
- Removes the cap on the number of low-emission and energy efficient vehicles allowed to use high-occupancy vehicle lanes. Requires Caltrans to report on the degradation status of HOV lanes to the Legislature by Dec. 1, 2017.
- Operative Jan. 1, 2018, defines “Real ID driver’s license or identification card” as a driver’s license or identification card issued by a state that has been certified by the Department of Homeland Security.
- Prohibits the use of a bioptic telescopic or similar lens to meet the minimum visual acuity standards for receiving a DMV issued driver’s license.
- Beginning Jan. 1, 2018, prohibits the DMV from issuing a driver’s license to someone “when it is determined, by examination or other evidence, that the person is unable to safely operate a motor vehicle upon a highway.”
- Reduces from 10 years to eight years the amount of time a one-time online or by mail renewal is valid for persons 62 years or older.

- Includes conforming language to meet federal requirements regarding motor carriers. Allows Caltrans to have motor carriers apply for a carrier identification number online, and requires motor carriers to first obtain an U.S. Department of Transportation number from the Federal Motor Carrier Safety Administration when applying for a California ID number.
- Requires the DMV to pilot and evaluate the California New Motor Voter program to register voters to assist people who do not fully complete the voter registration process. Requires the DMV to report to the Joint Legislative Budget Committee the outcome of the pilot and any proposed process changes to successfully implement the program on Oct. 15, 2016 and Sept. 1, 2016 if the DMV is unable to implement any of the proposed changes. Appropriates \$3.888 million to the DMV for implementation of this program.

***SB 839 (Committee on Budget and Fiscal Review) — Public Resources**

This measure contains a number of changes and appropriations related to Public Resources.

Notable provisions include:

- Establishes a new fee structure, based on project cost, for permits for voluntary habitat restoration projects;
- Establishes the California Orca Protection Act, which prohibits orcas from being held in captivity, prohibits breeding or impregnating orcas, prohibits exporting or importing semen or eggs, and prohibits exporting or transporting orcas out of the state unless authorized by federal law;
- Re-establishes local authority over regulating plants, crops, or seeds within a city's jurisdiction;
- Allows the Secretary of the California Department of Food and Agriculture to declare a plant, seed, nursery stock, or crop as invasive;
- Requires the Department of Toxic Substance Control to revise the FY 2015-17 Priority Product Work Plan to include lead acid batteries for consideration and evaluation as a potential priority product;
- Allows the State Water Resources Control Board to adopt a new fee schedule to recover the cost incurred for the accreditation of environmental laboratories;
- Requires the California Public Utilities Commission to report to the budget committee of each house of the Legislature on the resources needed to develop a plan for tracking natural gas, and a recommendation for developing the plan, considering cost-effectiveness and efficacy;
- Requires the Air Resources Board to develop a model of fugitive and vented emissions of methane from natural gas infrastructure;
- Requires the Natural Resources Agency to annually submit a report to the Legislature and the Legislative Analyst's Office on the status of expenditures and projects funded with Prop 1 Water Bond funds; and
- Requires the Natural Resources Agency to submit a report to the Legislature and the Legislative Analyst's Office regarding the state's response to the ongoing drought.

***SB 840 (Committee on Budget and Fiscal Review) — Public Resources: Energy**

This measure contains a number of changes and appropriations related to Public Resources/Energy. Notable provisions include:

- Requires the State Fire Marshal to submit a report to the Legislature regarding pipeline inspections and installation of emergency shutoff systems; and
- Requests that the California Council on Science and Technology undertake and complete a study analyzing the feasibility and challenges associated with injecting and using biomethane in existing pipeline infrastructure.

SB 843 (Committee on Budget and Fiscal Review) — Public Safety

Makes various changes to public safety programs as described below:

New Law Enforcement Assisted Diversion Program (LEAD): Creates a new grant program administered by the Board of State and Community Corrections (BSCC). The grants will be awarded to up to three local jurisdictions with the following goals:

- Improve public safety and reduce recidivism by increasing social services resources;
- Reduce law enforcement and court costs related to repeated incarceration;
- Provide intensive case management services with individually tailored intervention plan;

- Prioritize temporary and permanent housing including individual support services (this will not include usual conditions of drug or alcohol treatment, or abstinence from drugs/alcohol, in order to obtain services); and
- Use social services resources together with law enforcement to improve outcomes.

Grant recipients will be chosen using criteria set by the BSCC, but must include the jurisdiction's capacity and commitment to coordinate social services, law enforcement, and judicial system processes and the collection and maintenance of data regarding program effectiveness is essential for successful applicants.

Firearms — Transfer Fees: Authorizes the Department of Justice to increase the firearms transfer fees imposed on firearms purchasers or transferees, not to exceed any increase in the California Consumer Price Index. To the degree these funds are deposited into the Firearms Safety and Enforcement Special Fund, the trailer bill directs that the funds are used for maintenance and upgrading of equipment and services needed for firearms dealers to comply with existing law.

Trial Jury Selection and Management Act: Amends the Act to direct the Judicial Council to conduct a study on the reductions in peremptory challenges, and report to the public safety committees of both houses of the Legislature on or before Jan. 1, 2020. Effective Jan. 1, 2021, specifies that in capital criminal trials, peremptory challenges to potential jurors shall be set at 20 for the state and 20 for the defendant. In all other criminal trials, peremptory challenges to potential jurors shall be set at 10 for the state and 10 for the defendant. Provides that in joint trials where two or more defendants are jointly tried, the peremptory challenges shall be jointly exercised, but each defendant shall receive an additional five challenges, for a total of 20. The state shall have the same number, 20. For misdemeanors punishable by a term of 90 days or less, and for civil cases, both the state and the defendant shall have six peremptory challenges each.

Trial Court Trust Fund Reserve: Directs the Judicial Council to hold a reserve of \$10 million in the Trial Court Trust Fund to be available to trial courts for emergencies. Also directs Judicial Council to develop an application process for the emergency funds. Funding will be administered by the Judicial Council, and replenished annually from trial court base allocations.

Board of Juvenile Hearings: Changes the name of the Youthful Offender Parole Board to the Board of Juvenile Hearings, effective July 1, 2016. Provides that the Governor will appoint three commissioners for a term of five years. Provides that the commissioners will be trained to hear only juvenile matters, and will receive 40 hours of specialized training within 60 days of appointment. Commissioners currently serving on the Board of Parole Hearings to hear only juvenile matters will continue until their current term expires. The remaining vacancies will be staggered to expire on July 1, 2018 and July 1, 2019, respectively.

Diversion and Youth Programming: Directs that funds appropriated by the Legislature to the Youth Authority to expand mental health and substance abuse disorder treatment in its facilities must be used to establish a competitive grant program. Funds will be used to expand mental health treatment facilities, substance abuse disorder treatment facilities, trauma center service facilities, services for sex trafficking victims, domestic violence victims, and victims of violent crimes in local communities via infrastructure grants. Directs the authority to develop criteria to expand local programming resources, and to monitor the grants to ensure the expansion is cost-effective. Authority is directed to report to the fiscal and policy committees of the Legislature by April 1, 2018, and annually until April 1, 2020, regarding specified details of the grant funding.

Corrections — Secure Housing and Inmate Transfer Authority: Extends existing authority of the Secretary of the Department of Corrections and Rehabilitation (CDCR) to enter into agreements to transfer inmates to city or county jails or adult correctional facilities, to secure housing capacity within the state, and to transfer inmates to out-of-state correctional facilities until Jan. 1, 2020. This authority was previously set to expire on Jan. 1, 2017.

Corrections — Rehabilitation Programs: Directs CDCR, upon appropriation by the Legislature, to award funding to nonprofits for innovative grant programs at underserved institutions, as determined by the Director of the Division of Rehabilitative Programs. Grant funds will be

awarded for a three year period, and shall be used to expand rehabilitative programs to all prisons within CDCR's system. Recipients must demonstrate their ability to become self-sufficient or to be funded over the long term by donations or other source of ongoing funding.

Corrections — Inmate Visitation: Prohibits inmates from being denied family visits due to sentences of LWOP (Life Without Possibility of Parole) or Life with no assignment of a parole.

Commission on Peace Officer Standards and Training (CPOST): Transfers authority to select a chair of the commission from the commission itself, from among its members to the Governor. Specifies that the chair serves at the pleasure of the Governor. Also directs CPOST to consider additional training for correctional officers in the areas of mental health and rehabilitation, in addition to theory and history of corrections.

Next Steps

When the Legislature returns on Monday, the Senate is expected to take up the remaining two trailer bills (SB 839 and SB 840) which the Assembly has already passed. The timing on discussions over the No Place Like Home trailer bill (AB1618/SB 846) is unclear.