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Issue #48

FY 2017-18 State Budget Package and Trailer Bills Passed

Major Shift in Board of Equalization Jurisdiction Approved; Several Items Pending

The Legislature adopted its FY 2017-18 budget package today, which largely tracked Gov. Jerry Brown's framework in his May Revise with total spending of \$125.1 billion for the state's General Fund, and \$9.9 billion in total reserves. By the end of FY 2017-18, the Rainy Day Reserve Fund is projected to have a balance of \$8.5 billion, equivalent to 66 percent of the Constitutional target.

Important issues for cities within the package include the allocation of \$2.8 billion in transportation funds under the recently passed SB 1 and a recent agreement on the cannabis trailer bill, SB 94, which reconciled existing medical marijuana law with recently enacted Proposition 64, and incorporated numerous amendments requested by the League and Police Chiefs.

Other major issues that have yet to come together include funding for affordable housing, proposed extensions to the state's Cap-and-Trade program, and reforms to the state's recycling programs via a "bottle bill."

A seismic shift in tax administration occurred with the passage of AB 102, where disputes over politics and mismanagement at the State Board of Equalization (BOE) culminated in a proposal by the Governor, legislative leaders with the support of the State Controller and Treasurer to transfer the many tax programs BOE oversees, including the collection and allocation of local sales and use taxes, to a newly created Department of Tax and Fee Administration.

As the budget came together, some controversial items included the expenditure of recently passed Prop. 56 funds derived from a new \$2 per pack increase in tobacco taxes. The budget agreement shifted approximately half of the funds expected to be allocated to increase reimbursement rates for doctors treating medical patients, for other health care purposes. Another provision included in SB 96 imposed more rigorous signature verification requirements and additional processes on legislative recall requirements, with the debate touching on the pending effort to recall Sen. Josh Newman (D-San Dimas). Not included in the final package was the Administration's proposal to make water conservation a way of life, which has now been shifted to a policy discussion.

Several trailer bills were ineligible to be heard due to the recently enacted 72-hour print rule and are likely to be taken up next week. One trailer bill the Legislature has yet to take action on is AB 121/SB 106, opposed by the League and the California Association for Local Economic Development (CALED) due to provisions that undermine small cities and counties access to economic development set-aside funds from Community Development Block Grants allocated by the Department of Housing and Community Development (HCD).

Below is a listing of the various budget-related bills passed by the Legislature Thursday.

2017-18 Budget Bills

AB 97 (Ting) Budget Act of 2017

Transportation Funding

- Includes \$1.5 billion in local assistance and capital funding for projects for transportation programs under SB 1.

- Revises the Governor's ten-year annual expenditure and funding proposals for transportation programs from \$4.2 billion to \$5 billion annually.
- Modifies the Administration's proposed provisional language that will provide initial funding of up to \$20 million State Highway Account funds (matched with up to \$20 million federal funds) for its zero-emission vehicle project.
- Approves \$3.8 million in 2017-18 and \$7.8 million in 2018-19 from the Road Maintenance and Rehabilitation Account for additional costs of credit card transaction fees due to the implementation of SB 1.

Housing

- Provides \$20 million for navigation centers, which are flexible dormitory style facilities where case managers connect individuals experiencing homelessness to permanent housing.
- Provides funding to HCD, State Treasurer's Office, and the California Health Facilities Financing Authority to continue to implement the No Place Like Home program.
- Includes \$8 million to the Weingart Center Association in Los Angeles, for permanent supportive and transitional housing to serve homeless and low-income individuals and families.
- Provides \$250,000 to the Napa County Housing Authority for the support of migrant worker housing.
- Provides additional resources for addressing homelessness including: \$20 million for the Emergency Solutions Grant Program; \$40 million for navigation centers; \$7.5 million for Sam and Bonnie Pannell Community Center; Youth and Wind Services, and Emergency Youth Shelter; and \$250,000 for the Napa County migrant worker housing program.

Economic Development: Small Business Assistance

- Provides \$3 million for Go-Biz to draw down federal funds made available to the California Small Business Development Center network efforts to expand small businesses in California, \$1 million above the May Revision.

Public Employment Relations Board

- Provides \$750,000 General Fund monies to address the board's budgetary pressures and provide appropriate level of funding to support existing permanent positions.

State Retirement Contributions

- Includes \$5.2 billion (\$2.8 billion General Fund) for state contributions to California Public Employees Retirement System (CalPERS) for state pension costs.
- Adopts the recommendation outlined in the Governor's May Revision which allocated a one-time \$6 billion (loan from the Surplus Money Investment Fund) supplemental payment to CalPERS in 2017-18. This action doubles the state's annual payment and will mitigate the impact of the increasing pension contributions and the CalPERS board's recent action to lower its assumed investment rate of return from 7.5 percent to 7 percent.

After School Program Funding

- Provides \$50 million in ongoing Prop. 98 funding for the After School Education and Safety program to address the increased costs due to the minimum wage.

Drought Response Concluding Activities

- Decreases appropriations for drought response proposed by the Governor in January due to the end of the statewide drought. Major proposed appropriations include the following:

Safe Drinking Water

- \$8 million for the State Water Resources Control Board (SWRCB) for the following safe drinking water activities:
 - Replace failed wells;
 - Emergency repairs to community water systems that lack the funds to make immediate repairs or for replacement of failed system components; and
 - Connect homes to public wastewater treatment, including construction of wastewater mains and wastewater service, fees charged by wastewater systems,

onsite connection of homes, and abandonment of septic or other waste disposal infrastructure.

- \$4 million to the Department of Water Resources (DWR) for the replacement of domestic wells from drought and other emergencies. This includes connecting homes to community water systems if a private well has failed or is contaminated.

Air Resources Board

- \$15 million ongoing to DWR to assist the implementation of the Sustainable Groundwater Management Act and supporting local agencies to achieve regional sustainability.

Emergency Response

- \$10 million to Department of Forestry and Fire Protection (CALFIRE) for fire prevention grants including grants to local entities to address tree mortality.

Protecting Fish and Wildlife

- \$2.6 million to the Department of Fish and Wildlife for legacy drought response activities including at-risk fish acoustic monitoring in the Delta and maintenance of infrastructure procured during the drought.
- \$3.5 million to DWR for Delta Smelt Resiliency Strategy implementation.

Enhancing Dam Safety and Flood Control

Flood Control and Repair

Appropriates \$111 million in additional funding is provided to DWR for flood protection and repair. This funding must be spent in accordance with the 2017 Central Valley Flood Protection Plan update and the Central Valley Flood Protection Plan Conservation Strategy. Eligible project types shall include levee setbacks, repairs or enhancements to existing levees and other flood management infrastructure, creation or enhancement of floodplains and bypasses, groundwater recharge projects in floodplains, and land acquisition and necessary easements for these projects. Funding allocations include the following:

- \$20 million for Delta Levee Subventions;
- \$10 million for Delta Special Projects;
- \$20 million for Delta "Systemwide" Flood Risk Reduction;
- \$5 million for Delta Emergency Response;
- \$9 million for Coastal Watershed Flood Risk Reduction;
- \$40 million for Central Valley Tributary Program; and
- \$7 million for Central Valley "Systemwide" Flood Risk Reduction.

Enhancing Dam Safety

Loans \$6.5 million to the Dam Safety Fund for DWR to carry out dam safety activities. This loan will be repaid by revenues collected by the Dam Safety Program.

The resources trailer bill (SB 92) requires dams (except for low-risk dams) to have an emergency action plan that is updated every ten years, updated inundation maps every ten years, or sooner if specific circumstances change, and provide DWR with enforcement tools, including fines and operational restrictions for failure to comply.

Department of Parks and Recreation

Includes a number of appropriations related to parks. Among the major allocations is \$52 million to the State Parks and Recreation Fund for the following activities: \$26.6 million in reimbursement authority; \$1 million from the Off-Highway Vehicle Trust Fund; and \$1 million from the Abandoned Watercraft Abatement Fund to fix parks, establish partnerships to improve access to parks, build a recruitment and training program, fund local parks, and to support off-highway vehicle recreation. Additional allocations include \$32.4 million on a one-time basis and \$119.2 million ongoing from special and federal funds for various local assistance programs. State park assistance to maintain the existing level of service includes \$12.6 million from the State Parks

Recreation Fund and \$4 million from the California Environmental License Plate Fund, on a one-time basis.

Local Public Safety

CalGRIP Funding

Provides \$9.5 million General Fund for the California Violence Intervention and Prevention Grant Program (CalVIP, formerly named CalGRIP) and requires that the Board of State and Community Corrections report to the Legislature once per funding cycle on the overall effectiveness of the program.

Post Release Community Supervision

Includes an increase of \$4.4 million (for a total of \$15.4 million) General Fund for county probation departments to supervise the temporary increase in the average daily population of offenders on Post Release Community Supervision as a result of the implementation of court-ordered measures and Prop. 57. Defines residence for the purpose of Post Release Community Supervision Clarification as one or more locations at which a person regularly resides, and requires that if a person has no residence, he or she must inform the supervising county agency that he or she is transient.

Arts Programming

Includes \$750,000 General Fund for the California Arts Council's JUMP StArts program to increase programs in the community and provide arts programming at the state's three juvenile facilities.

Local Violence Reduction Programs

Provides \$20 million to Orange County for local violence reduction programs.

Local Public Safety Funding

Includes \$100,000 to the city of Lone for maintenance of local public safety efforts.

Construction/Renovation of Local Jail Facilities

Requires that specified conditional funding to a participating county for the construction or renovation of a local jail facility or adult local criminal justice facility be used to construct or renovate a facility that meets or surpasses the minimum number of weekly visits as required by state regulations. Requires a scope change to be submitted to include in-person visitation, as specified, for any proposals submitted previous to these requirements that only provided for video visitation.

Corrections and Rehabilitation

Total Funding

Provides total funding of \$11.4 billion (\$11.1 billion General Fund and \$308 million other funds) for department operations.

Planned Decline in Inmate Population

Projects the average daily adult population to be 129,275 in the current year and 127,693 in the budget year, an increase of 260 in 2016-17 and a decrease of 466 inmates in 2017-18.

Planned Decline in Parolee Population

Projects the average daily parolee population to be 44,445 in the current year and 47,274 in the budget year, an increase of 759 in 2016-17 and 2,513 parolees in 2017-18.

Planned Decline in Juvenile Population

Decreases the juvenile population by 22 wards in the current year and 43 wards in the budget year, resulting in a decrease of \$813,000 General Fund in 2016-17 and \$3.3 million General Fund in 2017-18.

Net Savings from Proposition 57

Estimates that Prop. 57 will result in net savings of \$38.8 million in 2017-18, growing to net savings of approximately \$186 million in 2020-21. These estimates will be updated in the 2018-19 Governor's Budget based on the final regulations.

Proposition 57 Implementation

Includes \$6.7 million General Fund to implement Prop. 57. Also includes resources for additional case records staff to review and make various changes to inmate classification files related to the new credit earning structure and parole process, parole workload due to additional releases from prison, and Board of Parole Hearings workload for the increased number of inmates considered for release.

This reflects the accelerated implementation dates proposed in the emergency regulations of Prop. 57, which results in a revised estimated population impact of 2,675 inmates in 2017-18, growing to an inmate reduction of approximately 11,500 in 2020-21. Although these numbers are preliminary, the Administration expects this reduction of inmates to allow the department to remove all inmates from one of two remaining out-of-state facilities in 2017-18, and begin removing inmates from the second facility as early as January 2018.

Approves \$7 million General Fund and 44 positions to address high vacancy rates in the state prisons by hiring telemedicine providers and creating regional support teams.

Rehabilitation Funding

Includes \$5 million to provide equipment and technology to meet the needs for career technical education for incarcerated adults. Continues \$5.5 million General Fund, ongoing, for restorative justice and offender responsibility programming targeted at long-term offenders.

Proposition 47 Savings

Estimates the Prop. 47 net savings to be \$45.6 million when comparing 2016-17 and 2013-14, an increase of \$3.5 million over the estimated savings in 2015-16 and an increase of \$2.6 million over the January estimate for 2016-17. Savings are currently estimated to increase to approximately \$75 million by 2019-20.

Board of Parole Hearings

Increases the number of Commissioners for the Board of Parole Hearings from 14 to 15 and revises the term of office for existing commissioners.

Budget Trailer Bills

AB 98 (Committee on Budget) — Supplemental Appropriations

This measure provides a supplemental appropriation from the General Fund to address unexpected state expenses. Notably:

- Allocates \$29,693 to pay local governments for the costs of homicide trials in Lassen and Maricopa counties;
- Allocates \$14.6 million to California Department of Corrections and Rehabilitation (CDCR) for medical services to adults; and
- Allocates \$216,000 to CDCR for ancillary health care services.

AB 99 (Committee on Budget) — K-12 Education Omnibus

This bill contains statutory changes to implement the 2017-18 budget relating to K-12 education.

- Allocates \$1.36 billion in ongoing Prop. 98 funding to further implement the Local Control Funding Formula (LCFF) for school districts and charter schools, bringing the total amount provided for LCFF to \$57.2 billion in the 2017-18 fiscal year.
- Extends the date by which the State Board of Education may revise the Local Control and Accountability Plan (LCAP) template under the state's open meeting law rather than through the formal regulatory process from Jan. 31 to Dec. 31, 2018.

SB 85 (Committee on Budget and Fiscal Review) — Higher Education

This bill contains statutory changes to implement the 2017-18 budget relating to higher education. It creates the "Hunger-Free Campus" program to incentive the University of California, California State University, and California Community College campuses to develop programs to reduce food insecurity among students. This bill also requires the University of California to use UC employees to operate all new buildings built with state funding, with a seven-year sunset.

AB 102 (Committee on Budget) — State Administration

Enacts statutory changes related to the duties and organization of the State Board of Equalization (BOE) and establishes new entities to carry out tax assessment, collection, and appeals.

Specifically:

- Enacts the "The Taxpayer Transparency and Fairness Act of 2017;"
- Removes BOE's elected member oversight of day-to-day operations of the organization. Instead, the board will be focused on its constitutional responsibilities such as reviewing, equalization, or adjusting property tax assessments, assessing taxes on insurers, and assessing and collecting excise on alcoholic beverages;
- Establishes the Department of Tax and Fee Administration to assume all other duties, powers, and responsibilities of the BOE. The state will continue to assess and collect taxes according to current law; and
- Establishes the Office of Tax Appeals to assume all duties, powers, and responsibilities of the board necessary or appropriate to conduct tax appeal hearings. Provides that there shall be three tax appeal panels around the state each consisting of three administrative law judges.

AB 103 (Committee on Budget) — Public Safety

This bill contains necessary statutory and technical changes to implement the Budget Act of 2017 related to Public Safety. Notably:

- **Drivers License Suspension Program:** Removes the ability for courts to impose a driver's license suspension for failure to pay (this is directly linked to a provision in the January Budget, which repealed the Driver's License Suspension Program).
- **State Penalty Fund:** Revises the structure of the State Penalty Fund to work within limits of current revenues. The Governor's January Budget cut off funding from the State Penalty Fund for the following programs:
 - California Gang Reduction, Intervention and Prevention Program (GRIP) with Board of State and Community Corrections;
 - Internet Crimes Against Children Task Forces, Office of Emergency Services (OES);
 - Local Public Prosecutors and Public Defenders Training Program, OES; and
 - Motorcyclist Safety Program, California Highway Patrol.
- The 2017-18 Budget preserved funding for the following programs:
 - Driver Training Program;
 - Peace Officer Standards and Training;
 - Standards and Training for Corrections;
 - Victim Witness and Assistance Programs;
 - Restitution Fund;

- CA Witness Relocation and Protection Program;
 - Traumatic Brain Injury Program; and
 - Fish and Game Prevention Program.
- **Post-Release Community Supervision:** Defines residence for the purpose of Post-Release Community Supervision as one or more locations at which a person regularly resides, and requires that if a person has no residence, he or she must inform the supervising county agency that he or she is transient.
 - **Local Detention Facilities:** Prohibits a local detention facility that provided in-person visitation as of Jan. 1, 2017, from converting to only video visitation. Prohibits a local detention facility from charging for visitation when visitors are onsite and participating in either in-person or video visitation. Requires a local detention facility that does not offer in-person visitation to provide the first hour of remote video visitation each week free of charge.

Requires inspections of local detention facilities to be conducted, at a minimum, every two years and requires that inspections address components relating to the availability of visitation and relating to the receipt of state funds for jail construction.

- **Sentence Reductions: Not Guilty by Reason of Insanity:** Authorizes a person who is committed to a state hospital after being found not guilty by reason of insanity to petition the court to have the maximum term of commitment reduced to what it would have been had Prop. 36 or Prop. 47 been in effect at the time of the original determination, as specified. The bill would also require the petitioner to show that he or she would have been eligible to have his or her sentence reduced under the relevant proposition and to file the petition prior to Jan. 1, 2031, or at a later date with a showing of good cause.
- **Firearms:** Prohibits a person who has an outstanding warrant for a felony from owning, purchasing, receiving, or possessing a firearm, and would make a violation of this prohibition punishable as a felony. Also prohibits a person who has an outstanding warrant for certain misdemeanors from owning, purchasing, receiving, or possessing a firearm within 10 years of the issuance date of the outstanding warrant. Extends the deadline to register a weapon in order to be exempted from the prohibition of assault weapons that do not have a fixed magazine from Jan. 1 to July 1, 2018.
- **Immigration Detention Facilities:** Increases the Department of Justice's oversight of detention facilities used to detain immigrants. Prohibits a city or county or local law enforcement agency from, on or after June 15, 2017, entering into a contract with the federal government or any federal agency to house or detain an adult noncitizen in a locked detention facility for purposes of civil immigration custody. Prohibits a city, county or local law enforcement agency that entered into such a contract on or before June 15, 2017, from modifying or renewing that contract so as to expand the maximum number of contract beds that may be used to house or detain an adult noncitizen for purposes of civil immigration custody.
- **Court Documents — Disability Access:** Requires a system for the electronic filing and service of documents to be accessible to individuals with disabilities. The bill would require a trial court that contracts with an entity for the provision of a system for the electronic filing and service of documents to include certain requirements in its contract with the entity, including a requirement that the entity test and verify that the entity's system is accessible.

SB 89 (Committee on Budget and Fiscal Review) — Human Services

Makes statutory changes to implement actions taken affecting Department of Social Services, Department of Child Support Services, Department of Community Services and Development, Department of Health Care Services, and the Office of Systems Integration within the Health and Human Services Agency. Notably:

- Establishes the California CalWORKs Outcomes and Accountability Review (Cal-OAR) to facilitate an accountability system that fosters continuous quality improvements in county CalWORKs programs.
- Provides additional flexibility to counties on the use of mental health and substance abuse funding.
- Creates the CalWORKs Educational Opportunity and Attainment Program to provide CalWORKs recipients with a onetime education incentive award of \$100 for completion of a high school diploma and allows recipients to receive a one-time education stipend totaling \$1,000 for enrollment in an education or training program leading to a career technical education program certificate or college degree.
- Creates the Safe Drinking Water Supplemental Benefit Pilot Program to provide additional CalFresh nutrition benefits to residents of disadvantaged communities that are served by failing public water systems.

SB 90 (Committee on Budget and Fiscal Review) — In-Home Supportive Services (IHSS) Maintenance of Effort (MOE)

Makes various statutory changes to implement budget provisions related to the In-Home Supportive Services program administered by the Department of Social Services and implemented by the counties. Notably:

- Eliminates the prior IHSS MOE and replaces with a new MOE that includes a new base for county costs that includes both services and administration costs.
- Returns collective bargaining to counties and maintains the 35 percent county share of negotiated increases.
- Allows IHSS workers to appeal to the Public Employment Relations Board if bargaining stalls.
- Provides a state participation cap \$1.10 above the minimum wage and be tagged to inflation after minimum wage reaches \$15 per hour.

AB 107 (Committee on Budget) — Developmental Services

Makes various statutory changes to implement budget provisions affecting the Department of Developmental Services. Notably:

- Allows an individualized family service planning team for infants and toddlers, eligible under the California Early Intervention Services Act, to determine that necessary medical services, not available through the family's private health insurance policy, can be funded by a regional center.

SB 92 (Committee on Budget and Fiscal Review) — Public Resources

Makes changes to various resources programs necessary to implement the 2017-18 budget. Notable provisions include:

- Dam Safety. Requires dams (except for low-risk dams) to have an emergency action plan that is updated every ten years, updated inundation maps every ten years, or sooner if specific circumstances change, and provide DWR with enforcement tools, including fines and operational restrictions for failure to comply.
- Establishes the Natural Resources Preservation Fund.
- Authorizes the Central Valley Flood Protection Board, after holding at least one public hearing, to set and charge fees sufficient to cover the reasonable cost for the services it provides.
- Small Watercraft Facilities Loan and Grants Program. Removes the requirement that the Division of Boating and Waterways in the Department of Parks and Recreation must submit recommendations to the Governor for inclusion in the budget bill before it makes any loans or grants.
- Revises the purpose of the Agricultural Protection Planning Grant Program to incorporate climate change goals and increases the grant limits from \$500,000 to \$750,000.
- Recycling Programs at State Agencies. Removes the requirement for state agencies to obtain approval from the Department of Resources Recycling and Recovery prior to contracting for recycling services and authorizes state agencies to retain revenues received.

- GGRF Clean-up. Clarify that provisional language regarding grants from the 2016 Budget Act in the California Department of Food and Agriculture's budget only applies to dairy digesters grants. Also, provides an Administrative Procedure Act exemption to Greenhouse Gas Reduction Funds appropriated in the 2016 Budget Act.
- PUC Clean-up. Changes the amount of funding available for the Multifamily Affordable Housing Solar Roofs Program as provided for in AB 693 (Eggman, Chapter 582, Statutes of 2015) from 10 percent of the 15 percent of Investor Owned Utilities (IOU) auction allowance revenue to 10 percent of the total IOU consignment allowance auction revenue.
- Delta Stewardship Council Term Extension. Adopts an extension of the length of time a member of the Delta Stewardship Council is authorized to serve as chairperson from four to six years. This extension will revert back to four years in 2019.
- Sacred Lands File Research. Authorizes the Native American Heritage Commission to establish fees to recover the costs of providing Sacred Lands File searches.
- Parks Expenditures Reporting Requirement. Revises the annual report that the Department of Parks and Recreation must submit to the Legislature describing the allocation and expenditure of funds made available to the Department of Parks and Recreation from the Harbors and Watercraft Revolving Fund.
- Dig Safe Act of 2016 Clean-up. Clarifies the intent and requirements for an “area of continual excavation” and extend the dates by which the California Underground Facilities Safe Excavation Board is required to complete their regulations and begin enforcement –from November 2017 to July 2020, and other technical changes.
- Commercial Landing Fees. Renames the “landing tax” as a “landing fee” and revises the rate schedule by increasing certain fees while decreasing other fees to specified amounts.
- Milk Pooling. Authorizes the California Department of Food and Agriculture to establish a stand-alone milk quota program.
- Air Pollution Grants. Requires the Air Resources Board, in addition to UCs, to consider CSUs when awarding contracts for air pollution research.
- Timber Harvest Plan Report. Delays the report required by AB 1958 (Wood, Chapter 583, Statutes of 2016) by one year and specifies that the report shall include an analysis of exemption use, whether the exemptions are having the intended effect, any barriers for small forest owners, and measures that might be taken to make exemptions more accessible to small forest owners.
- Loan Repayment Extension. Extends from June 30, 2019 to June 30, 2020, the repayment date of the loan from the Oil Spill Response Trust Fund.

SB 94 (Committee on Budget and Fiscal Review) — Cannabis

This bill enacts statutory changes related to a single system of administration for state licensing entities to implement a regulatory framework for the cannabis law in California.

- **Medical Cannabis Regulation and Safety Act (MCRSA):** Incorporates various provisions of the MCRSA that do not conflict with Prop. 64, the Adult Use of Marijuana Act (AUMA), including:
 - Retaining statutory definition of “volatile solvent” supporting local regulation and enforcement activities vis-à-vis cannabis manufacturing facilities;
 - Retaining the State Medical Marijuana ID Card Program;
 - Codifying general local regulatory and enforcement authority in re: to the MCRSA and the AUMA, including enforcement of the Fire and Building Codes, right to conduct inspections and audits;
 - Retaining environmental protection provisions to regulate illegal diversion of waterways and use of illegal pesticide in cannabis cultivation;
 - Allowing non-storefront retail operations;
 - Mandating minimum state agency response time once notified of revocation of a local permit;
 - Retention of regulations re: testing laboratories;
 - Impaired Driving Study;
 - Guidance re: reporting requirements in event of inventory discrepancies, theft, breach of security; and

- Applying general transportation regulations to cannabis transport.
- **Single Regulatory System:** Creates one regulatory system for all commercial cannabis activity, called the “Medicinal and Adult-Use of Cannabis Regulatory and Safety Act.” Requires all businesses to choose between applying for a license for either Medical or Adult-Use (Recreational) cannabis.
- **Local Control:** Clarifies that the state regulatory structure does not limit the authority of cities, counties, or cities and counties under any provision of law, including Section 7 of Article XI of the California Constitution.
- **Local Verification Process:** Requires local jurisdictions to provide the bureau a copy of any ordinance or regulation related to commercial cannabis activity and a contact to serve as a liaison between the state licensing entities and the local jurisdiction. Outlines a process by which locals and the state licensing authorities will communicate regarding an applicant for licensure.
- **Vertical Integration with Quality Insurance Inspectors:** Allows cannabis businesses to perform their own product distribution and in-house testing, with oversight from state quality insurance inspectors who will perform random inspections.
- **Testing Laboratories:** Requires product testing by independent testing labs. Requires chain of custody protocols and use of standard operating procedure to confirm or refute bad test results. Requires destruction of the remains of the testing samples, and notice to Bureau of Cannabis Regulation within 24 hours of any change in the testing labs accreditation.
- **Advertising:** Requires that technology platforms and outdoor advertising companies ensure that a licensee who wishes to advertise include its state license number on any advertising.
- **Open Container:** Creates a new definition for containers of cannabis or cannabis products in a car. Creates a new infraction if a person has opened cannabis or cannabis products in the car. Creates an exemption for a qualified patient who is carrying either a state Medical identification (ID) card or a physician’s recommendation.
- **Driving Under the Influence of Drugs Task Force:** Creates a DUID Task Force with a balanced membership to make recommendations regarding prevention of impaired driving, means of identifying impaired driving, and responses to impaired driving that reduce reoccurrence.
- **Cultivation and Excise Taxes:** Creates a methodology to implement the two taxes imposed by Prop. 64, the cultivation tax (\$9.35 per dry weight ounce for flowers and \$2.75 for leaves) and excise tax (15 percent of the sales price). Clarifies that the cultivation tax shall be imposed when the cannabis or cannabis products enter the commercial marketplace. Requires the distributor to collect and remit the cultivation tax at the time of distribution and create a tax liability for the excise tax at the same time. Provides that the excise tax is due and payable 90-days after the transfer of the products. Allows BOE, or its successor agency, to determine refund policies to ensure that there is no overpayment of tax. Does not change the incidence of tax and requires that BOE, or its successor agency, determine the actual tax.
- **Cannabis Cooperatives:** Specifies that certain license types may pool their resources for cannabis farming of no more than four acres total, and that all members of the cooperative must be disclosed to the licensing agencies. Specifically, the cooperatives must include three or more members (that have not been licensed to operate a cannabis business in another state or country) and form an association for specific purposes: cultivation, marketing, selling, harvesting, curing, drying, trimming, packing, storing and handling of the product, manufacturing or selling to its members machinery, equipment or supplies.

- **Temporary Event License:** Authorizes the bureau to issue a state temporary event license at a county fair or district agricultural association, where people 21 years of age or older could sample cannabis and cannabis products. Temporary event licenses shall only be issued in local jurisdictions that authorize such events.

AB 111 (Committee on Budget) — General Government

Makes various statutory changes necessary to implement the state administration-related provisions of the Budget Act of 2017, including the following:

- Broadens the purpose for which cities and counties may use funds from the Community Based Transitional Housing Program to allow:
 - Cities and counties to provide a portion of their program funds to the facility operator, if the facility operator agrees to use those funds for facility operations and services to residents. There is no limit on the amount the city and county may provide to the facility operator.
 - Cities and counties to use program funds for other purposes that their governing boards determine are in furtherance of the program's goals as long as the proposed uses are specific in the application.

SB 96 (Committee on Budget and Fiscal Review) — General Government

Requires the Secretary of State to notify a county elections official that a petition received a sufficient number of signatures to initiate a recall election and allows for a 30-day period for voters to withdraw their signatures. Notably:

- If a sufficient number of verified signatures are ultimately obtained, this requires the Department of Finance (DOF) in consultation with affected elections officials and the Secretary of State to estimate the costs of the recall election.
- If it is held as a special election, or as part of the next regularly scheduled election this bill requires the DOF to post this information on its website and requires the Joint Legislative Budget Committee to review this information.
- Appropriates \$5 million to remit specified costs of conducting a recall election to affected counties.

AB 115 (Committee on Budget) — Transportation

Makes various technical amendments to the Road Repair and Accountability Act of 2017, SB 1 (Beall, Chapter 5, Statutes of 2017).

- Requires the Department of Transportation and the California State Transportation Agency to post formal draft guidelines, hold at least two public workshops, and notify the fiscal and appropriate policy committees of the Legislature prior to formally adopting any program guidelines related to the Road Repair and Accountability Act of 2017, also known as SB 1 (Beall), Chapter 5, Statutes of 2017).
- Amends the Active Transportation Program to provide authority for the California Transportation Commission to approve "Letters of No Prejudice" that would provide project sponsors with a tool to initiate projects with their own resources prior to the year in which they would receive state funding they had been awarded.

AB 119 (Committee on Budget) — General Government

Requires state and local public employers to provide the exclusive representative access to new employees for the purpose of a new employee orientation.

- Time, place and manner of the orientation including frequency, duration, compensated time, in-person or not would be decided locally through the bargaining process.
- Should impasse occur, parties would then go to binding interest arbitration whereby both parties would evenly split such costs.
- The public employer has the option to go through PERB but would then default to current law whereby the employer is responsible for all costs.
- Employer must provide information for new and existing employees every 30 days or in conjunction with payroll. Information includes: Work phone, work address, email, home

phone and home address. (Note: This information is already available for exclusive representatives under the California Public Records Act).

AB 120 (Committee on Budget) Budget Act of 2017

Makes adjustments to three budget items that will allocate \$1.3 billion in tobacco tax revenue to fund expenditures in the Medi-Cal program pursuant to the California Healthcare, Research and Prevention Tobacco Tax Act of 2016 (Prop. 56). Makes corresponding adjustments to the General Fund and federal fund appropriations for Medi-Cal. Provides that, should certain conditions be met, DOF may augment allocations of tobacco tax revenue for physician payments or dental payment

Big Issues Still on Table

Cap-and-Trade

The budget does not contain a proposal to extend Cap-and-Trade program. Rather, it provides bare-bones funding for staff support to “keep the lights on”. The budget also adopts clean up language related to diary digester grants (see SB 92 description for details). Negotiations continue between the Legislature and the Administration, with the Governor continuing to push for a two-thirds vote to extend and lawmakers considering a variety of reform proposals.

Water Conservation

The legislature rejected the administration’s proposed trailer bill language on long-term water conservation. The trailer bill would have required SWRCB, in consultation with DWR, to set long-term urban water use efficiency standards by May 20, 2021. The trailer bill also would have provided the SWRCB with the authority to issue cease and desist orders to enforce all adopted regulations in the same manner that they have been able to for emergency conservation regulations during the drought. Negotiations about long-term water conservation are ongoing, with a number of policy bills moving forward.

Housing

Unfortunately, the Budget does not include meaningful funding for affordable housing. This issue is expected to remain open and the topic of intense debate throughout the remainder of the legislative session.

Budget Trailer Bills Remaining for Legislative Action

AB 113 (Committee on Budget) — Health

Makes various changes to health programs, including restoring optional Medi-Cal dental benefits; restoring optometric and optician optional Medi-Cal benefits.

AB 114/SB 98 (Committee on Budget) — Prop. 63 and California Health Benefits Review Program (CHBRP)

Makes various statutory changes to implement actions taken affecting the Department of Health Care Services, the Mental Health Services Oversight and Accountability Commission, and the University of California, including the following:

- Reallocates to the county of origin unspent funds reverted to the Mental Health Services Fund.
- Extends the sunset date of the CHBRP for three years which provides the Legislature with cost analyses of pending health care legislation.

AB 116/SB 101 (Committee on Budget) — Resources

Makes a statutory change to implement the 2017-18 budget related to resources. Specifically, the measure requires a report prepared by the Air Resources Board relative to the implementation of a partial consent decree between the Air Resources Board and Volkswagen to include an evaluation of how the investment plan for expenditure of moneys received impacts the competitiveness of the charging infrastructure market.

AB 121/SB 106 (Committee on Budget) — CDBG

Contains changes expanding the Earned Income Tax Credit program, the Supervised Population Workforce Training program and revises provisions related to the administration of Community Development Block Grants by HCD.

Next Steps

The Constitution requires the Governor to sign the budget by July 1. The League will keep its members updated on any developments in the coming days.