



Joe A. Gonsalves & Son

Anthony D. Gonsalves

Jason A. Gonsalves

Paul A. Gonsalves

PROFESSIONAL LEGISLATIVE REPRESENTATION

925 L ST. · SUITE 250 · SACRAMENTO, CA 95814-3766

916 441-0597 · FAX 916 441-5061

Email: gonsalves@gonsalvi.com

TO: City of Cupertino, Legislative Review Committee

FROM: Anthony, Jason & Paul Gonsalves

SUBJECT: Legislative Update

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STATE LEGISLATIVE UPDATE

The Legislature passed a budget on June 13, 2022, and while this budget allowed the Legislature to meet its constitutional deadline to adopt a budget by June 15th, it was opposed by the Governor and did not represent a negotiated compromise between the Assembly, Senate, and Administration. Consequently, the Governor did not sign the budget bill.

Given the start of the state's budget year on July 1, the Governor and legislative leadership continued to negotiate behind the scenes. Just before the Legislature was scheduled to adjourn for summer recess on July 1, 2022, the Governor and Legislative Leaders reached an agreement on a \$300 billion budget. The centerpiece for this budget agreement is a \$9.5 billion "inflation relief package." Under the agreement, 95% of California taxpayers will be eligible for stimulus payments ranging from \$200 up to \$1,050 for some families. The budget proposal will also suspend the state's diesel tax.

In addition to the budget, the Legislature had until July 1, 2022, to pass all bills out of Policy Committees. When the Legislature returns from Summer Recess, they will have until August 12, 2022, to pass all bills out of the Appropriations Committees and until the end of the month to pass all remaining legislation to Governor Newsom for his consideration. The Governor will then have until September 30th to act on the legislation sent to him.

BUDGET

As previously mentioned, on June 13, 2022, the Legislature approved SB 154 (Skinner), a \$300 billion state budget bill. However, legislative leaders had to continue to negotiate

with Governor Newsom over numerous items, including a proposed multibillion-dollar rebate to taxpayers. The Legislature adopted the record spending plan to meet a constitutional requirement that the Legislature pass a balanced budget by June 15th or forgo their pay.

On June 27, 2022, Legislative Leaders and Governor Newsom announced they reached an agreement on the 2022-23 budget, which includes total spending of \$308 billion, of which \$234.4 billion is from the General Fund. The budget contains total reserves of \$37.1 billion, including \$3.4 billion in the regular operating reserve.

The following will provide you with the highlights of the newly agreed upon budget:

Middle-Class Tax Refund:

Part of the newly agreed upon budget is the Middle-Class Tax Refund, totaling \$9.5 billion, which provides direct tax refunds for 23 million Californians based on 3 tiers:

- First Tier: 14.2 million tax filers with incomes up to \$75,000/\$150,000 (Single Filers / Joint Filers):
 - \$350 per tax filer, plus an additional \$350 if tax filer has at least one dependent.
- Second Tier: 2.1 million tax filers with incomes above First Tier, but below \$125,000/\$250,000 (Single Filers / Joint Filers):
 - \$250 per tax filer, plus an additional \$250 if tax filer has at least one dependent.
- Third Tier: 1.1 million tax filers with incomes above Second Tier, but below \$250,000/\$500,000 (Single Filers / Joint Filers):
 - \$200 per tax filer, plus an additional \$200 if tax filer has at least one dependent.

\$3.35 Billion for Emergency Rental Assistance and Past-Due Utility Bill Relief:

The budget provides additional \$1.95 billion to ensure qualified low-income tenants who requested rental assistance before March 31, 2022, get the support they need.

Additionally, the budget expanded on last year's utility relief program by providing \$1.4 billion to continue covering past-due electricity and water bills.

\$439 Million to Pause the State Sales Tax on Diesel for 12 Months:

The suspension of the State's Diesel tax is an effort to bring relief to the commercial sector and drivers by pausing the General Fund (3.9375 percent rate) portion of the sales tax rate on diesel fuel that will provide an estimated \$439 million in relief.

\$53.9 Billion California Climate Commitment

- Drought and Water Resilience: The budget invests another \$2.8 billion (on top of last year's \$5.2 billion) to ensure water security for Californians and focuses on near- and long-term actions to build water resilience and promote conservation.

- Fighting Wildfires: \$2.7 billion to reduce the risk of catastrophic wildfires and bolster forest health. These projects include forest thinning, prescribed burns, grazing, reforestation, and fuel breaks.
- Accelerating the Zero-Emission Vehicle (ZEV) Transition: \$6.1 billion to expand ZEV access and affordability and support the build-out of infrastructure across the state.
- Bolstering our Energy System: \$4.3 billion to support energy reliability, provide relief to ratepayers, create strategic energy reserves, and accelerate clean energy projects. Additionally, the budget includes \$3.8 billion for clean energy projects to boost affordability and reliability.
- Regional Transit, Rail and Ports: \$14.8 billion for projects to support the continued development of clean transportation projects, including the high-speed rail system and bicycle and pedestrian projects.

Homelessness and Mental Health:

The budget includes \$3.4 billion over two years to build on last year's \$12 billion multi-year investment by continuing progress on expanding behavioral health housing, encampment cleanup grants and support for local government efforts.

COVID-19:

The budget adds \$1.8 billion to continue implementing the state's SMARTER plan, including more funding to support school testing, increase vaccination rates and more. The budget also invests \$300 million from the General Fund for CDPH and local health jurisdictions to permanently expand the state's capacity to protect public health and promote health equity.

Crime:

The budget expands CHP's retail theft task force and includes funding for the Attorney General to prosecute organized retail theft crimes, lead anti-crime task forces throughout the state, and establish a new Fentanyl Enforcement Program. Additionally, the budget expands fentanyl drug interdiction efforts led by the California Military Department.

AB 178 (Ting) is the Budget Bill that amends the Legislature's original budget contained in SB 154. AB 180 is the Budget Bill that amends the 2021-22 budget to make current year allocations. There is also a substantial trailer bill package to make statutory changes needed to implement the budget agreement. The budget and related budget trailer bills include:

- AB 178 by Assemblymember Philip Ting – Budget Act of 2022.
- AB 180 by Assemblymember Philip Ting – Budget Act of 2021.
- AB 181 by the Committee on Budget – Education finance: education omnibus budget trailer bill.
- AB 182 by the Committee on Budget – COVID-19 emergency response: Learning Recovery Emergency Fund.
- AB 183 by the Committee on Budget – Higher education trailer bill.

- AB 186 by the Committee on Budget – Public health.
- AB 192 by the Committee on Budget – Better for Families Tax Refund.
- AB 194 by the Committee on Budget – Taxation.
- AB 195 by the Committee on Budget – Cannabis.
- AB 199 by the Committee on Budget – Courts.
- AB 200 by the Committee on Budget – Public safety omnibus.
- AB 202 by the Committee on Budget – County jail financing.
- AB 203 by the Committee on Budget – Public resources.
- AB 205 by the Committee on Budget – Energy.
- AB 210 by the Committee on Budget – Early childhood: childcare and education.
- SB 125 by the Committee on Budget and Fiscal Review – Public resources: geothermal resources: lithium.
- SB 130 by the Committee on Budget and Fiscal Review – State employment: State Bargaining Units 5, 6, 7, and 8: agreements.
- SB 131 by the Committee on Budget and Fiscal Review – November 8, 2022, statewide general election: ballot measures.
- SB 132 by the Committee on Budget and Fiscal Review – State employment: State Bargaining Units 16 and 18: agreements.
- SB 184 by the Committee on Budget and Fiscal Review – Health.
- SB 187 by the Committee on Budget and Fiscal Review – Human services.
- SB 188 by the Committee on Budget and Fiscal Review – Developmental services omnibus.
- SB 189 by the Committee on Budget and Fiscal Review – State Government.
- SB 191 by the Committee on Budget and Fiscal Review – Employment.
- SB 193 by the Committee on Budget and Fiscal Review – Economic development: grant programs and other financial assistance.
- SB 196 by the Committee on Budget and Fiscal Review – State employment: State Bargaining Units: agreements.
- SB 197 by the Committee on Budget and Fiscal Review – Housing.
- SB 198 by the Committee on Budget and Fiscal Review – Transportation.
- SB 201 by the Committee on Budget and Fiscal Review – Taxation: Earned Income Tax Credit: Young Child Tax Credit: Foster Youth Tax Credit.

PLASTICS INITIATIVE COMPROMISE/SB54

On June 30, 2022, Governor Newsom signed SB 54 (Allen), requiring all packaging in the state to be recyclable or compostable by 2032, cutting plastic packaging by 25% in 10 years and requiring 65% of all single-use plastic packaging to be recycled in the same timeframe. The legislation is a result of negotiations between lawmakers and stakeholders in response to a pending initiative on the November ballot, which has since been removed as a result of this action.

SB 54 shifts the plastic pollution burden from consumers to the plastics industry by raising \$5 billion from industry members over 10 years to assist efforts to cut plastic pollution and support disadvantaged communities hurt most by the damaging effects of plastic waste. This is the most significant overhaul of California's plastics and packaging

recycling policy in history and goes further than any other state on cutting plastics production at the source. A global study in 2018 found that only 9% of plastics actually get recycled, leaving 91% to litter land and pollute oceans.

SB 54 requires all plastic packaging in California to be recycled at the following levels:

- At least 30% on and after January 1, 2028.
- At least 40% on and after January 1, 2030.
- At least 65% on and after January 1, 2032.

NOVEMBER 8, 2022, QUALIFIED STATEWIDE BALLOT MEASURES

Proposition 1

SCA 10 (Resolution Chapter 97, Statutes of 2022) ATKINS. REPRODUCTIVE FREEDOM.

Enacts a constitutional amendment, expressly providing that the state shall not deny or interfere with an individual's reproductive freedom in their most intimate decisions, which includes their fundamental right to choose to have an abortion and their fundamental right to choose or refuse contraceptives. Specifies that the constitutional amendment is intended to further the constitutional right of privacy guaranteed by Section 1 of the California Constitution and the constitutional right to not be denied equal protection guaranteed by Section 7 of the California Constitution. Specifies that nothing herein narrows or limits the right to privacy or to equal protection.

Proposition 26

AUTHORIZES NEW TYPES OF GAMBLING. INITIATIVE CONSTITUTIONAL AND STATUTORY AMENDMENT.

Allows federally recognized Native American tribes to operate roulette, dice games, and sports wagering on tribal lands, subject to compacts negotiated by the Governor and ratified by the Legislature. Beginning in 2022, Prop 26 allows on-site sports wagering only at privately operated horse-racing tracks in four specified counties for persons 21 years or older. Imposes 10% tax on sports-wagering profits at horse-racing tracks; directs portion of revenues to enforcement and problem-gambling programs. Prohibits marketing of sports wagering to persons under 21. Authorizes private lawsuits to enforce other gambling laws. Summary of estimate by Legislative Analyst and Director of Finance of fiscal impact on state and local governments: Increased state revenues, potentially reaching the tens of millions of dollars annually, from payments made by facilities offering sports wagering and new civil penalties authorized by this measure. Some portion of these revenues would reflect a shift from other existing state and local revenues. Increased state regulatory costs, potentially reaching the low tens of millions of dollars annually. Some or all of these costs would be offset by the increased revenue or reimbursements to the state. Increased state enforcement costs, not likely to exceed several million dollars annually, related to a new civil enforcement tool for enforcing certain gaming laws.

Proposition 27

ALLOWS ONLINE AND MOBILE SPORTS WAGERING. INITIATIVE CONSTITUTIONAL AMENDMENT AND STATUTE.

Legalizes online and mobile sports wagering, which currently is prohibited for persons 21 years and older. Such wagering may be offered only by federally recognized Indian tribes and eligible businesses that contract with them. Individuals placing bets must be in California and not located on Indian lands. Imposes 10% tax on sports-wagering revenues and licensing fees. Directs tax and licensing revenues first to regulatory costs, then remainder to: 85% to homelessness programs; 15% to nonparticipating tribes. Specifies licensing, regulatory, consumer-protection, and betting-integrity standards for sports wagering. Summary of estimate by Legislative Analyst and Director of Finance of fiscal impact on state and local governments: Increased state revenues, potentially reaching the mid-hundreds of millions of dollars annually, from online sports wagering-related taxes, licensing fees, and penalties. Some portion of these revenues would reflect a shift from other existing state and local revenues. Increased state regulatory costs, potentially reaching the mid-tens of millions of dollars annually, that would be fully or partially offset by the increased revenues.

Proposition 28

PROVIDES ADDITIONAL FUNDING FOR ARTS AND MUSIC EDUCATION IN PUBLIC SCHOOLS. INITIATIVE STATUTE.

Provides additional funding for arts and music education in all K-12 public schools (including charter schools) by annually allocating from state General Fund an amount equaling 1% of required state and local funding for public schools. Allocates greater proportion of the funds to schools serving more economically disadvantaged students. Schools with 500 or more students must spend at least 80% of funding to employ teachers and remainder on training, supplies, and education partnerships. Requires audits and limits administrative costs to 1% of funding. Summary of estimate by Legislative Analyst and Director of Finance of fiscal impact on state and local governments: Increased spending likely in the range of \$800 million to \$1 billion annually, beginning in 2023-24, for arts education in schools.

Proposition 29

REQUIRES ON-SITE LICENSED MEDICAL PROFESSIONAL AT KIDNEY DIALYSIS CLINICS AND ESTABLISHES OTHER STATE REQUIREMENTS. INITIATIVE STATUTE.

Requires physician, nurse practitioner, or physician assistant, with six months' relevant experience, on site during treatment at outpatient kidney dialysis clinics; authorizes exemption for staffing shortage if qualified medical professional is available through telehealth. Requires clinics to disclose to patients all physicians with clinic ownership interests of five percent or more. Requires clinics to report dialysis-related infection data to state. Prohibits clinics from closing or substantially reducing services without state approval. Prohibits clinics from refusing to treat patients based on source of payment.

Summary of estimate by Legislative Analyst and Director of Finance of fiscal impact on state and local governments: Increased state and local government costs likely in the low tens of millions of dollars annually.

Proposition 30

PROVIDES FUNDING FOR PROGRAMS TO REDUCE GREENHOUSE GAS EMISSIONS BY INCREASING TAX ON PERSONAL INCOME OVER \$2 MILLION. INITIATIVE STATUTE.

Increases tax on personal income over \$2 million by 1.75% for individuals and married couples and allocates new tax revenues as follows: (1) 45% for rebates and other incentives for zero-emission vehicle purchases and 35% for charging stations for zero-emission vehicles, with at least half of this funding directed to low-income households and communities; and (2) 20% for wildfire prevention and suppression programs, with priority given to hiring and training firefighters. Requires audits of programs and expenditures. Summary of estimate by Legislative Analyst and Director of Finance of fiscal impact on state and local governments: Increased annual state tax revenue ranging from \$3 billion to \$4.5 billion, with the additional revenue used to support zero-emission vehicle programs and wildfire-related activities. Potential increased state administrative costs paid from other funding sources that could reach tens of millions to the low hundreds of millions of dollars annually. Net decrease in state and local transportation revenue of up to several tens of millions of dollars annually in the initial years and growing to up to a few hundreds of millions of dollars annually after several years.

Proposition 31

REFERENDUM CHALLENGING A 2020 LAW PROHIBITING RETAIL SALE OF CERTAIN FLAVORED TOBACCO PRODUCTS.

If the required number of registered voters sign this petition and the petition is timely filed, there will be a referendum challenging a 2020 law on the next statewide ballot after the November 3, 2020, general election. The challenged law prohibits the retail sale of certain flavored tobacco products and tobacco flavor enhancers. The referendum would require a majority of voters to approve the 2020 state law before it can take effect.

LEGISLATIVE DEADLINES

The following will provide you with relevant dates and deadlines for the 2022 Legislative session:

June 30, 2022: Last day for a legislative measure to qualify for the Nov. 8, 2022, General Election ballot

July 1, 2022: Last day for policy committees to meet and report bills

July 1- August 1, 2022: Summer Recess

August 12, 2022: Last day for fiscal committees to meet and report bills

August 15 – 31, 2022: Floor session only. No committee may meet for any purpose except Rules Committee.

August 25, 2022: Last day to amend bills on the floor

August 31, 2022: Last day for each house to pass bills. Final Recess begins upon adjournment