



TO: City of Cupertino, Legislative Review Committee

FROM: Anthony, Jason & Paul Gonsalves

SUBJECT: Legislative Update

DATE: Monday, June 27, 2022

STATE LEGISLATIVE UPDATE

The month of June is focused on wrapping up the State Budget and progressing legislation through the other house (Assembly bills in the Senate and Senate bills in the Assembly). June 15th marks the Constitutional Deadline for the Legislature to adopt a State Budget and June 30th is the last day for a legislative measure to qualify for the November 2022 ballot. Additionally, July 1st is the last day for policy committees to act on bills and is also the start of the Legislative Summer Recess, which runs through August 1st.

When the Legislature returns from Summer Recess, they will have until August 31st to pass all remaining bills to Governor Newsom for his consideration. The Governor will then have until September 30th to act on the legislation sent to him.

BUDGET

On June 13, the Legislature approved SB 154 (Skinner), a \$300 billion State Budget, however, it is far from final as legislative leaders 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 the constitutional requirement that the Legislature pass a balanced budget by June 15th and if they fail to do so they forfeit their pay. The bill has been sent to Governor Newsom, who has 12 days to sign or veto it as the negotiations continue.

The main budget bill represents a package that authorizes General Fund expenditures of \$235.9 billion and assumes \$243.7 billion in total General Fund resources. Under this budget act, there are combined total reserves in the Budget Stabilization Account (BSA), the Special Fund for Economic Uncertainties (SFEU), the Public School System Stabilization Account (PSSSA) and the Safety Net Reserve of approximately \$37.8 billion.

The start of the next fiscal year looms on July 1, yet the budget process will extend well beyond that date, as lawmakers adopt budget trailer bills to reflect compromises with the Governor. This is not uncommon practice, as this is what happened last year when Governor Newsom and legislative leaders announced an agreement in late June and continued to pass budget trailer bills into August.

The following will provide you with the major budget package highlights in SB 154 (Skinner):

Better For Families Rebates

Provides \$8 billion for the Better For Families (BFF) Rebates plan to provide relief to Californians from the impacts of high gas prices and other growing costs due to inflation. The BFF rebates provide \$200 per taxpayer and dependent for taxpayers with up to \$250,000 annual income for joint filers and \$125,000 for single filers.

Infrastructure Investments

Provides more than \$40 billion for infrastructure investments throughout the budget forecast period. The investments will be throughout the budget including transportation; housing; school facilities; higher education facilities, deferred maintenance, and student housing; climate and energy; dam safety; and broadband.

Climate and Energy Package

In lieu of the Governor's various Resources- and Energy-related packages, this bill adopts a Climate-Energy Budget Plan that appropriates \$21 billion in General Fund revenues over multiple years, with details subject to ongoing negotiations and trailer bills. The Plan is expected to include items related to drought resilience, wildfire resilience, sea level rise, extreme heat, biodiversity and outdoor access, energy, zero-emission vehicles, and other climate-related actions.

State Library

Provides \$50 million in 2022-23, for a second round of the Library Infrastructure Grants. Funding under this agreement would grow to \$100 million General Fund in each of 2023-24 and 2024-25 budgets.

Housing and Homelessness

The budget provides \$1.55 billion for a variety of investments in affordable housing, including:

\$350 million for the CalHome program

- \$50 million for CalHFA's down payment Assistance program
- \$125 million for the Multifamily Housing Program
- \$300 million for the Housing Accelerator program
- \$50 million to provide financing assistance to produce ADUs
- \$200 million for the new Community Anti-Displacement and Preservation Program (CAPP), to assist in the preservation of affordable housing.
- \$100 million for the Joe Serna Jr. Farmworker Housing Program
- \$225 million for the Infill Infrastructure Grant Program
- \$50 million for the new Adaptive Reuse program
- \$50 million for the additional preservation of affordable housing
- \$25 million for mobile home housing

The budget bill provides \$875 million for various homelessness programs, including:

- \$300 million for the Encampment Resolution Program
- \$500 million in additional funding for the Homeless Housing, Assistance, and Prevention Program. This is in addition to the \$1 billion in baseline funding provided for this program in the 2022-23 budget.
- \$75 million for the Veterans Housing and Homelessness Prevention program.
- \$50 million in startup and administrative funding for the newly established California Dream For All program to make homeownership more achievable for first-time home buyers.
- \$65 million for the Office of Planning and Research to establish the Office of Community Partnerships and Strategic Communications, which is intended to coordinate statewide communications campaigns and build ongoing relationships with community-based organizations that can help in those efforts.

Transportation

The budget includes \$600 million from the General Fund for investments in port and freight infrastructure along with \$176 million from the State Highway Account for Caltrans to begin the process of replacing its fleet of trucks and construction equipment with zero-emission or low-emission vehicles. Additionally, the budget provides the California Highway Patrol \$5.5 million to establish a task force to address sideshows, \$6 million to expand and make permanent the Organized Retail Crime Task Force, and \$4 million to establish the Highway Violence Task Force at the California Highway Patrol.

The Legislature and Governor say they are 95% in agreement, however, Governor Newsom still wants more immediate and direct relief to help millions more families bear the rising prices of gas, groceries and rent, as well as more money to pay down debts, build reserves, and shore up the state's energy supply. He also remains opposed to the ongoing massive spending.

We will continue to keep you apprised as the negotiations continue.

CARE COURT UPDATE

Last month, we reported on Governor Newsom's Community Assistance, Recovery and Empowerment (CARE) Court, a plan to get Californians in crisis off the streets and into

housing, treatment, and care. CARE Court is aimed at helping the thousands of Californians who are suffering from untreated mental health and substance use disorders that can lead to homelessness, incarceration, or worse.

On June 20, California announced \$518.5 million in grants to help provide services and housing options to persons with severe mental illness or substance abuse problems, including those who are living on the streets. This will fund Governor Newsom's CARE Court proposal, which takes a new approach to homelessness with stronger action to get people off the streets and into a place where they can get the care they need.

The funding will provide treatment beds for more than 1,000 people at a time, plus behavioral health services for many more. It is part of a \$2.2 billion effort to expand mental health housing and services across California, especially for the homeless.

The Governor announced the latest grants during a meeting in Sacramento with members of the National Alliance on Mental Illness (NAMI), which included families with loved ones struggling with behavioral or mental health disorders and could be helped by CARE Court.

CARE Court will provide Californians suffering from untreated schizophrenia spectrum and other psychotic disorders with community-based treatment, services, and housing, and is intended to serve as an upstream intervention for the most severely impaired.

The awards are delivered through the Department of Health Care Services' (DHCS) Behavioral Health Continuum Infrastructure Program (BHCIP) Round 3: Launch Ready grants. In all, \$2.2 billion was provided by the Legislature and the Governor to construct, acquire, and expand behavioral health facilities and community- based care options while investing in mobile crisis infrastructure.

Grants were awarded in the following counties:

- Alameda County \$18,405,122
- El Dorado County \$2,852,182
- Humboldt County \$4,170,560
- Kern County \$3,138,065
- Los Angeles County \$155,172,811
- Madera County \$2,035,512
- Mendocino County \$7,711,800
- Monterey County \$3,558,670
- Nevada County \$4,458,799
- Orange County \$10,000,000
- Placer County \$6,519,015
- Riverside County \$103,181,728
- Sacramento County \$30,553,889
- San Diego County \$30,874,411
- San Francisco County \$6,750,000
- Santa Barbara County \$2,914,224

- Santa Clara County \$54,074,660
- Solano County \$14,332,411
- Sonoma County \$9,751,915
- Stanislaus County \$33,369,900
- Yolo County \$12,500,000

Recipients of BHCIP Launch Ready grants include cities, counties, Tribal entities, nonprofits, and for-profit organizations statewide that serve target populations. The next round of funding will include more than \$480 million focused on children and youth behavioral health issues. Awards will be made this fall.

DEVELOPMENT IMPACT FEES

The Legislature introduced two bills, AB 2186 by Assemblymember Grayson and AB 2063 by Assemblymember Berman, both deal with development impact fees. AB 2063 was held on the Assembly Appropriations Committee Suspense file due to the fiscal impact to the state's affordable housing financing programs.

AB 2186 (Grayson)

This bill proposes to establish, upon appropriation by the Legislature, the Housing Cost Reduction Incentive Program to reimburse cities and counties for development impact fees that are reduced or deferred for affordable housing developments. The bill requires the department to provide grants to applicants in an amount equal to 50% of the amount of development impact fee reduced for a qualified housing development and grants to applicants in an amount equal to the accrued interest on a deferred development impact fee.

The bill proposes to require the department to administer these grants by issuing a Notice of Funding Availability before December 31 of the year that the program receives funding and accepting grant applications after the subsequent year. The bill would require a public entity that receives grant funds under the program to use those funds solely for those purposes for which the development impact fee that was reduced or deferred would have been used. The bill would require the department to adopt guidelines to implement the program and exempt those guidelines from the rulemaking provisions of the Administrative Procedure Act.

AB 2186 passed out of the Senate Housing Committee on June 13, 2022, with a vote of 79-0. The bill will be heard next in the Senate Governance and Finance Committee.

SPECIAL ELECTIONS

On June 7, 2022, the state held 2 special elections to fill the vacancies in the 62nd Assembly District and the 80th Assembly District.

62nd Assembly District

On June 20, 2022, Tina Simone McKinnor was sworn in to represent the 62nd Assembly D, which represents the cities and communities of El Segundo, Gardena, Hawthorne,

Inglewood, Lawndale, Lenox, Los Angeles, Marina del Rey, Venice, West Athens, Westchester and Westmont in Los Angeles County.

Prior to being elected to the Assembly, Assemblymember McKinnor served as Civic Engagement Director for the non-profit LAVoice and previously served as Operational Director for the California Democratic Party and Chief of Staff to several Members of the State Assembly.

80th Assembly District

On June 15, 2022, David Alvarez was sworn in as the Assemblymember for the 80th Assembly District, representing southern San Diego County.

Assemblymember David Alvarez is a small business owner and has served for 15 years in government, including eight years as a San Diego City Councilmember. He has worked in the San Diego County Regional Airport Authority, San Diego Association of Governments, Metropolitan Transit System, the Board of the California League of Cities' Latino Caucus, and the national Board of Local Progress, a nonprofit dedicated to advancing a racial and economic justice agenda through all levels of local government.

INITIATIVE UPDATE

June 30 is the last day for propositions to qualify for the ballot. As of June 21, 24 initiatives and referenda cleared for circulation. Additionally, 10 initiatives are circulating with 25% of the signatures reached; four initiatives and referenda are pending signature verification; three initiatives are eligible for the November 2022 election; one qualified for the Statewide ballot measure; and 10 initiatives and referenda were withdrawn or failed to qualify. Below is a summary of each proposition that either qualified for the Statewide ballot or is eligible for the November 2022 election:

ELIGIBLE STATEWIDE INITIATIVES

1. California Plastic Waste Reduction Regulations Initiative

The California Plastic Waste Reduction Regulations Initiative qualified for the ballot as an initiated state statute on November 8.

Overview

The ballot initiative requires the California Department of Resources, Recycling, and Recovery (CalRecycle), in consultation with other agencies, to adopt regulations that reduce the use of single-use plastic packaging and foodware, which includes:

- requiring producers to ensure that single-use plastic packaging and foodware is recyclable, reusable, refillable, or compostable by 2030;
- requiring producers to reduce or eliminate single-use plastic packaging or foodware that CalRecycle determines is unnecessary for product or food item delivery;

- requiring producers to reduce the amount of single-use plastic packaging and foodware sold in California by at least 25 percent by 2030;
- requiring producers to use recycled content and renewable materials in the production of single-use plastic packaging and foodware;
- establishing "mechanisms for convenient consumer access to recycling," including take-back programs and deposits;
- establishing and enforcing labeling standards to support the sorting of discarded single-use plastic packaging and foodware; and
- prohibiting food vendors from distributing expanded polystyrene food service containers.

The ballot initiative also enacts a fee, called the California Plastic Pollution Reduction Fee, on single-use plastic packaging and foodware. CalRecycle determines the fee amount with a maximum amount of one cent per item of packaging or foodware. Beginning in 2030, the fee will be adjusted based on changes in the California Consumer Price Index.

The Legislature is working on a bill to reduce plastic waste. If an agreement is reached by June 30, this initiative will not be on the ballot.

A "yes" vote <u>supports</u> this ballot initiative to require CalRecycle to adopt regulations that reduce the use of single-use plastic packaging and enact a maximum one-cent per item fee on single-use plastic packaging and foodware. Revenue from the fee will be distributed to CalRecycle, the California Natural Resources Agency, and local governments.

A "no" vote <u>opposes</u> this ballot initiative and will not require CalRecycle to adopt regulations that reduce the use of single-use plastic packaging nor enact a fee on single-use plastic packaging and foodware.

Fiscal Impact:

State revenue from new tax on single-use plastic packaging and foodware will likely be in the range of a few billion dollars annually. Revenues willd be used to administer and implement programs intended to reduce waste, increase recycling, and restore habitats. Unknown net effect on local governments. There will likely be increased costs for waste collecting and sorting which might be partially or fully offset by new tax revenue, payments from producers to support recycling, or lower costs associated with a reduction in total plastic waste collected.

Revenue from the fee will be distributed to CalRecycle, the California Natural Resources Agency, and local governments as follows:

- 50% to CalRecycle for implementing and enforcing the measure and providing funds for Statewide recycling, reduction, and composting efforts;
- 30% to the California Natural Resources Agency for State and local grants to address the environmental impacts of plastic pollution, such as habitat restoration; and

 20% to local governments for recycling and composting programs and plastic pollution mitigation.

Support:

Officials

• State Assemblymember. Luz Maria Rivas (D)

Corporations

• Recology, Inc.

Organizations

- Corn Refiners Association
- Natural Resources Defense Council
- Save The Bay
- Surfrider Foundation
- The Nature Conservancy

Opposition:

Corporations:

American Chemistry Council

2. <u>California Legalize Sports Betting on American Indian Lands</u> <u>Initiative</u>

The California Legalize Sports Betting on American Indian Lands Initiative has qualified for the ballot in California as a combined initiated constitutional amendment and state statute on November 8, 2022.

Overview:

The ballot measure would legalize sports betting at American Indian gaming casinos and licensed racetracks in California. The ballot measure would define sports betting as wagering on the results of professional, college, or amateur sport and athletic events, with the exception of high school sports and events featuring a California college team. Individuals would need to be 21 years of age to engage in legal sports betting.

The ballot measure would enact a tax of 10% on profits derived from sports betting at racetracks. The state government would be required to distribute the revenue as follows:

- (a) 15% to the California Department of Health for researching, developing, and implementing programs for problem gambling prevention and mental health and providing grants to local governments to address problem gambling and mental health; (b) 15% to the Bureau of Gambling Control for enforcing and implementing sports
- (b) 15% to the Bureau of Gambling Control for enforcing and implementing sports wagering and other forms of gaming within the state;
- (c) 70% to the General Fund.

The ballot measure would also legalize roulette and dice games, such as craps, at tribal casinos; however, tribal-state compacts would need to be amended before these games can be offered.

A "yes" vote supports this ballot initiative to (i) legalize sports betting at American Indian gaming casinos and licensed racetracks in California; (ii) tax profits derived from sports betting at racetracks at 10%; and (iii) legalize roulette and dice games, such as craps, at tribal casinos.

A "no" vote opposes this ballot initiative, thus continuing to prohibit sports betting in California and roulette and dice games at tribal casinos

Fiscal impact:

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.

Support:

The Coalition to Authorize Regulated Sports Wagering is leading the campaign in support of the ballot initiative. The coalition is supported by several American Indian tribes, including the top donors to the campaign—the Pechanga Band of Luiseno Indians, Yocha Dehe Wintun Nation, Federated Indians of Graton Rancheria, San Manuel Band of Mission Indians, and Agua Caliente Band of Cahuilla Indians. The campaign has raised \$12.93 million.

Supporting American Indian Tribes:

- Agua Caliente Band of Cahuilla Indians
- Barona Band of Mission Indians
- Big Valley Band of Pomo Indians
- Dry Creek Rancheria Band of Pomo Indians
- Federated Indians of Graton Rancheria
- Mechoopda Indian Tribe of Chico Rancheria

- Middletown
 Rancheria of Pomo
 Indians of California
- Morongo Band of Mission Indians
- Pechanga Band of Luiseño Indians
- Rincon Band of Luiseño Indians
- San Manuel Band of Mission Indians
- Santa Rosa Rancheria Tachi-Yokut Tribe

- Santa Ynez Band of Chumash Indians
- Shingle Springs Band of Miwok Indians
- Sycuan Band of the Kumeyaay Nation
- Viejas Band of Kumeyaay Indians
- Wilton Rancheria
- Yocha Dehe Wintun Nation

Supporting Organizations:

California Thoroughbred Breeders Association

Opposition:

Taxpayers Against Special Interest Monopolies is leading the campaign against the proposal. The campaign, along with a terminated PAC No on the Gambling Power Grab, raised \$25.29 million. The top donors to the opposition were gambling-related companies, including the California Commerce Club, Hawaiian Gardens Casino, Park West Casinos, The Bicycle Hotel & Casino, PT Gaming LLC, and Knighted Ventures LLC.

Opposing Corporations:

- Bicycle Casino
- Elevation
 Entertainment
 Group
- Hawaiian
 Gardens Casino
- Hollywood Park Casino
- Knighted Ventures LLC
- PT Gaming LLC
- Parkwest Casinos

3. California Changes to Medical Malpractice Lawsuits Cap Initiative

The California Changes to Medical Malpractice Lawsuits Cap Initiative has qualified for the ballot in California as an initiated state statute on November 8, 2022.

Overview

The ballot initiative would increase California's cap on noneconomic damages in medical malpractice lawsuits based on changes in inflation since 1975, which is when the cap on noneconomic damages was enacted. In 1975, the cap was set at \$250,000. The ballot initiative would require an annual adjustment of the cap based on inflation.

The ballot initiative would allow judges and juries to award damages above the cap for catastrophic injuries, defined as death, permanent physical impairment, permanent disfigurement, permanent disability, or permanent loss of consortium. The ballot initiative would also replace language about noneconomic damages with quality of life damages and survivor damages.

A "yes" vote supports this ballot initiative to increase California's \$250,000 cap on noneconomic damages in medical malpractice lawsuits based on changes in inflation since 1975 and allow judges and juries to award damages above the cap for catastrophic injuries.

A "no" vote opposes this ballot initiative, therefore keeping California's cap on noneconomic damages in medical malpractice lawsuits at \$250,000.

Fiscal Impact:

Increased state and local government health care costs predominantly from raising or removing the cap on noneconomic damages in medical malpractice cases, likely ranging from the low tens of millions of dollars to the high hundreds of millions of dollars annually.

Support:

The Fairness for Injured Patients Act Coalition is leading the campaign in support of the ballot initiative. Through December 31, 2021, the campaign received \$5.41 million, including \$3.81 million from trial lawyer Nicolas Rowley and \$500,000 from Trial Lawyers for Justice.

- Former U.S. Sen. Barbara Boxer
- Consumer Watchdog
- Trial Lawyers for Justice
- Nicolas Rowley

Opposition:

Californians to Protect Patients and Contain Health Care Costs is leading the campaign in opposition to the ballot initiative. Through December 31, 2021, the campaign received \$29.70 million, including \$6.15 million from The Doctors Company and \$5.00 million from Kaiser Foundation Health Plan, Inc.

- Medical Insurance Exchange of California
- The Doctors Company
- California Medical Association
- Kaiser Foundation Health Plan, Inc.

4. Funding For Arts and Music Education in Public Schools

The Funding For Arts and Music Education in Public Schools Initiative has qualified for the ballot in California as an initiated state statute on November 8.

Overview:

The law would require a minimum source of annual funding for K-12 public schools, including charter schools, to fund arts education programs. The annual minimum amount established by the law would be equal to, at minimum, 1% of the total state and local revenues that local education agencies received under Proposition 98 (1988) during the prior fiscal year. The minimum under the proposed law would be in addition to the funding required by Proposition 98. According to the Legislative Analyst's Office, the ballot initiative would likely result in increased spending of \$800 million to \$1 billion each fiscal year.

A "yes" vote supports this ballot initiative to require an annual source of funding for K-12 public schools for arts and music education equal to, at minimum, 1% of the total state and local revenues that local education agencies receive under Proposition 98. Additionally, a portion of the additional funding must be allocated based on a local education agency's share of economically disadvantaged students and requires schools with 500 or more students to use 80% of the funding to employ teachers and 20% for training and materials.

A "no" vote opposes requiring an annual source of funding for K-12 public schools for arts and music education equal to, at minimum, 1% of the total state and local revenues that local education agencies receive under Proposition 98.

Fiscal Impact:

Increased spending likely in the range of \$800 million to \$1 billion annually, beginning in 2023-24, for arts education in schools.

Support:

- Superintendent of Los Angeles Unified School District Austin Beutner
- U.S. Secretary of Education Arne Duncan (D)
- Universal Music Group
- California Teachers Association
- California Dance Education Association
- California Educational Theater Association
- Los Angeles Unified School District
- Steven Ballmer Former CEO, Microsoft
- Armalyn De La O President, California Music Educators Association
- Antonia Hernández President and CEO, California Community Foundation
- Michael Lawson President and CEO, Los Angeles Urban League
- Andy Mooney CEO, Fender Musical Instruments Corp
- Ravi Rajan President, California Institute of the Arts

Opposition:

None

QUALIFIED STATEWIDE BALLOT MEASURES

5. <u>California Flavored Tobacco Products Ban Referendum</u>

The California Flavored Tobacco Products Ban Referendum is on the ballot in California as a veto referendum on November 8, 2022.

Overview:

Proponents of the veto referendum seek to overturn Senate Bill 793 (SB 793), which was signed into law on August 28, 2020. SB 793 was designed to ban the sale of flavored tobacco products and tobacco product flavor enhancers, with exceptions for hookah tobacco, loose leaf tobacco, and premium cigars. Retailers would be fined \$250 for each sale violating the law.

The California State Legislature passed SB 793 in August 2020. The legislation received support from most legislative Democrats (84 of 89) and a quarter of legislative Republicans (8 of 30). One legislator voted against the bill, and the remaining legislators were absent or abstained. State Sen. Jerry Hill (D-13), the legislative sponsor of SB 793, said, "Using candy, fruit and other alluring flavors, the tobacco industry weaponized its tactics to beguile a new generation into nicotine addiction while keeping longtime users hooked. SB 793 breaks Big Tobacco's death grip."

The California Fuels & Convenience Alliance, which opposed SB 793, described the flavored tobacco ban as "misguided policy that will do more harm than good" and "hurt small businesses, eliminate necessary tax revenue, and perpetuate dangerous and avoidable police interactions in our communities."

The California Coalition for Fairness is campaigning for the veto referendum to repeal SB 793. Through December 31, 2021, the campaign had received \$21.16 million, including \$10.33 million from R.J. Reynolds Tobacco Co. and \$9.83 million from Philip Morris USA.

A "yes" vote is to uphold the contested legislation, Senate Bill 793 (SB 793), which would ban the sale of flavored tobacco products.

A "no" vote is to repeal the contested legislation, Senate Bill 793 (SB 793), thus keeping the sale of flavored tobacco legal in the state.

Fiscal Impact:

There is no fiscal impact related to this initiative.

Support:

Corporations

- ITG Brands, LLC
- Philip Morris USA, Inc.
- R.J. Reynolds Tobacco Company
- Swedish Match North America, LLC

Organizations

National Association of Tobacco Outlets

Opposition:

Officials

Governor Gavin Newsom

LEGISLATIVE DEADLINES

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

June 15, 2022: Budget Bill must be passed by midnight

<u>June 30, 2022:</u> 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

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

except Rules Committee.

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

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