

To: The Humboldt County Board of Supervisors
CC: Amy Nilsen, County Administrative Officer
Sean Quincey, Deputy County Administrative Officer
From: Karen Lange and Paul Yoder, Shaw / Yoder / Antwih, Inc.
Date: September, 2019
RE: Mid-year Budget and Legislative Update

The first half of the 2019-2020 Legislative Session will adjourn on Friday, September 13, 2019. Many legislative matters of interest to Humboldt County remain pending as of this writing. Any updates will be provided to the Board by Paul Yoder and Karen Lange verbally at the September 17, 2019 Board of Supervisors meeting.

Below is a summary of Governor Newsom's first enacted budget (which included many important funding appropriations and Administration-initiated changes to the State-County relationship that should be considered successes for Humboldt County) along with specific measures we have identified as of interest to the County that we have tracked and reported on over the Course of 2019.

The 2019-20 State Budget was enacted on July 11, 2019, just after the legislature adjourned for summer recess. Housing, homelessness and the In Home Supportive Services (IHSS) program were three of the most important components of the budget for counties. Details are as follows:

HOUSING AND HOMELESSNESS IN THE BUDGET

Homelessness

The Homeless Housing, Assistance, and Prevention Program provides for the distribution of \$650 million in funds to assist local governments in addressing homelessness. The allocation is as follows:

- \$275 million to be provided to cities with a population greater than 300,000;
- \$175 million distributed to counties;
- \$190 million to Continuums of Care.

The County-by-County breakdown is not yet available and will be driven by the point-in-time (PIT) counts that counties are still conducting.

Housing

The enacted budget includes new funding and significant changes to housing laws; the intent is to get more housing built in all jurisdictions. Details are as follows:

- Creates expanded judicial remedies that the State can seek against jurisdictions that have engaged in a sustained pattern and practice of failing to adopt or implement a housing element and have been determined by a court to be out of compliance. A jurisdiction will have at least one year following a court order to come into compliance prior to a court imposing enhanced penalties.
- The Court may impose fines on the jurisdiction and require the jurisdiction to deposit any fines collected into the Building Homes and Jobs Fund. The fine shall be in a

minimum amount of \$10,000 up to \$100,000 per month and may be increased further if the jurisdiction fails to comply in a prompt manner.

- For any jurisdiction that fails to pay the court ordered fines, the Court may direct the State Controller to intercept any state or local funds for the purpose of paying the fines. Only funds that could be used to pay the fines under the California Constitution are subject to being intercepted
- An agent of the court may be appointed with all the powers necessary to bring the jurisdiction's housing element into compliance.

Planning, Production, and Infrastructure:

Local Government Planning Support Grants Program included in the Budget provide for the division of \$250 million in planning grants between regions and local jurisdictions. The bill provides \$125 million to regional entities and \$125 million to local jurisdictions for technical assistance, preparation and adoption of planning documents, and process improvements to accelerate housing production and facilitate compliance to implement the sixth cycle of the Regional Housing Need Assessment (RHNA) process.

The Infill Infrastructure Grant Program of 2019 provides;

- \$500 million in grant funds for housing related infrastructure;
- ***\$90 million to be set aside for an over-the-counter program for counties with a population of less than 250,000 as of January 1, 2019, or any city within those counties;***
- \$410 million for a competitive grant program for larger jurisdictions.

The Low-Income Housing Tax Credits Program will provide for the allocation of \$500 million in new state low-income housing tax credits for new construction projects that receive the federal 4 percent tax credit, and increases the eligible basis for these projects to 30 percent. The program will require at least \$300 million of this to be available to new construction projects receiving the federal 4 percent tax credit and allows up to \$200 million to be available to projects receiving assistance from the California Housing Finance Agency (CalHFA)

The Mixed Income Program appropriates \$500 million for CalHFA's, which provides financing for mixed-income housing developments.

HEALTH AND HUMAN SERVICES IN THE BUDGET

The enacted 2019-20 budget includes investments in wraparound services to assist individuals with their housing needs and to mitigate the factors that may be contributing to individuals' homelessness, or to keep people from becoming homeless. Specifically, the Budget provides:

- \$331.5 million one-time General Fund and federal Temporary Assistance to Needy Families block grants in the California Work Opportunity and Responsibility to Kids Program to assist low-income families with paying for housing, food and other necessities.
- \$120 million one-time General Fund for expanded Whole Person Care pilots.
- \$25 million ongoing for the Housing and Disability Advocacy Program, to assist homeless, disabled individuals apply for disability benefit programs.

- \$25 million one-time General Fund, available over three years, for the Bringing Families Home Program to provide housing-related support to eligible families served by county child welfare agencies.
- \$14.7 million General Fund in 2019-20 and \$27.6 million ongoing General Fund for the CalWORKs Homeless Assistance Program to eliminate the requirement that the 16 allowable days of temporary homeless assistance be used consecutively in a year-long period.

IHSS Maintenance of Effort:

Of great relief to all counties, the Human Services Omnibus trailer bill, SB 80, was signed by the Governor on June 27, 2019. The State Budget Package resets the base for counties' share of IHSS program costs and adjusts the MOE annual inflation factor. Specifically, the State Budget Package revises the MOE that was negotiated in 2017, including: 1) adjusting the annual inflation factor down from 7% to 4% beginning in 2020- 21; 2) restoring 1991 Realignment growth revenue for health and mental health; and, 3) reducing counties' IHSS MOE to \$1.56 billion. Additionally, once the state minimum wage reaches \$15 per hour, state participation in future county negotiated IHSS wage and/or health benefit increases will be 35 percent and the implementing county will be responsible for 65 percent. Currently, the cost-sharing ratio is 65-percent state/35-percent county for wage/health benefit increases negotiated by counties.

IHSS Collective Bargaining Agreements:

As part of the IHSS rate relief described above, organized labor representing IHSS workers successfully sought to include penalties for counties that fail to come to a collective bargaining agreement with IHSS workers. Components of the State Budget Package add a new requirement in state law that any county that goes to mediation must hold a public hearing within three days of the fact-finding panel's public release of its findings and recommended settlement terms. Additionally, the State Budget Package authorizes a withholding of 1991 Realignment funds when all the following conditions are met:

- The parties have completed mediation and fact-finding;
- The fact-finding panel has issued findings of fact and recommended settlement terms that are more favorable to the employee organization than those proposed by the public authority or nonprofit consortium;
- The parties do not reach a collective bargaining agreement within 90 days after the release of the fact-finding panel's recommended settlement terms; and,
- The collective bargaining agreement for IHSS providers in the county has expired.

Beginning July 1, 2019, any county that has not reached an agreement after the release of the fact-finding panel's recommended settlement terms released prior to June 30, 2019, shall have 90 days to reach an agreement with the employee organization. If no agreement is reached within 90 days, the withholding shall occur on October 1, 2019. The amount of the 1991 Realignment funding withholding shall be equivalent to 1 percent of the county's 2018-19 fiscal year IHSS Maintenance of Effort requirement. The Public Employment Relations Board shall provide written notification to the county and the employee organization within 15 days of determining that the county is subject to a 1991

Realignment withholding. The board shall also notify the Department of Finance and the State Controller of the withholding assessment. By January 10, 2020, the department shall report to the fiscal committees of the Legislature on the status of all IHSS bargaining contracts in each county. The Department of Finance (DOF) shall also provide an update to the report on the status of the bargaining contracts no later than May 14, 2020. The DOC shall consult with the appropriate employee organizations and the California State Association of Counties to determine the status of bargaining contracts in each county for purposes of producing the reports required pursuant to this subdivision. The provisions sunset on January 1, 2021.

An early version of the proposal from the IHSS workers was markedly more severe and through coordinate county advocacy, the proposal was vastly improved for counties – most of which are not in contract currently.

Continuum of Care Reform:

The State Budget Package provides over \$300 million General Fund for Continuum of Care-related activities, including: \$21.6 million (\$26.7 million total funds) to extend funding on one-time basis to counties for Foster Family Recruitment, Retention and Support; \$14.4 million General Fund (\$20.3 million total funds) to support county child welfare administration activities association with the Resource Family Approval (RFA) process; \$54.5 million GF (\$74.4 million total funds) in 2019-20, of which \$49.5 million General Fund (\$67.6 million total funds) for continued implementation of Child and Family Teams; and, \$4.1 million for to continue Emergency Caregiver Funding at the time of placement. In 2015, Assembly Bill 403 enacted a comprehensive reform foster care system, commonly known as Continuum of Care reform.

JUVENILE JUSTICE REFORM

The Budget moves the Division of Juvenile Justice from CDCR to a new department, the Department of Youth and Community Restoration, under the California Health and Human Services Agency (CHHS), effective July 1, 2020. The Governor proposed this change because of his policy position that the CHHS is better positioned to provide trauma-informed and developmentally appropriate services in order to support a youth's return to their community, preventing them from entering the adult system, and further enhancing public safety.

To begin the transition, the Budget includes \$1.2 million ongoing General Fund for key staff to plan for the transition and launch of a new independent training institute that will train all staff on best practices so they can further the new Department of Youth and Community Restoration's rehabilitative mission. In addition, on or before October 1, 2019, the Secretary of California Health and Human Services must convene a committee of the California Child Welfare Council to provide input and recommendations related to the new Department's policies and programs. The committee shall be comprised of those with experience in trauma-responsive and therapeutic care of youth, youth justice advocates and county probation department representatives.

In addition, the Budget includes \$1.4 million ongoing General Fund to establish a partnership between the Division of Juvenile Justice and the California Conservation Corps to develop and implement an apprenticeship program. This program will provide skill building and job training opportunities to participating members and support them in accessing career pathways upon returning to their communities.

The Budget also includes \$8 million ongoing General Fund to establish therapeutic communities to provide youth with opportunities to discuss, demonstrate, and practice values and skills related to building positive and supportive relationships that transcend racial and gang grouping and mentality, intended to reduce violence and improve program participation.

CANNABIS

AB 97 is the Cannabis trailer bill, and there are substantial changes and improvements made to assist local agencies and cannabis-related businesses in complying with the law. Local agencies have been granted key additional authorities and discretion. It also extends some CEQA provisions that are critical for local ordinance development. The key changes in the bill are as follows:

- Authorizes a licensing authority (including local agencies) to issue a citation to a licensee or unlicensed person for any violations of existing law or regulations related to Control, Regulate and Tax Adult Use of Marijuana Act of 2016.
- Authorizes licensing authorities to assess administrative fines not to exceed \$5,000 per violation for licensees and \$30,000 per violation for an unlicensed person, per day, with due considerations to the appropriateness of the amount, as specified.
- Requires proceeds from citations to be used for the recovery of investigation and enforcement costs and be deposited into the Cannabis Control Fund, and the remaining proceeds to be deposited directly into the Cannabis Fines and Penalties Account, and be available upon appropriation by the Legislature.
- Clarifies that the Cannabis Control Appeals Panel is established in the Business, Consumer Services, and Housing Agency and authorizes the panel to hold a closed session for the purpose of holding a deliberative conference, as specified.
- Extends the repeal date for the provisional license provisions to January 1, 2022, and modifies the applicant requirements to provide evidence of compliance with local ordinances (this is extremely important for local agencies working through a substantial number of applications.)
- Requires provisional license to be valid for no more than 12 months from the date it was issued.
- Authorizes a licensing authority, in its sole discretion, to renew the provisional license annually until the licensing authority issues or denies the provisional license. If the licensing authority renews a provisional license, requires the licensing authority to include the outstanding items needed to qualify for an annual license.
- Authorizes a licensing authority, in its sole discretion, to revoke or suspend a provisional license if the licensing authority determines the licensee failed to actively and diligently pursue requirements for an annual license. Requires a licensing authority to cancel a provisional license upon issuance of an annual license, denial of an annual license, abandonment of an application for licensure, or withdrawal of an application for licensure.
- Removes the requirement that the Department of Food and Agriculture be the sole determiner of designation and certification.
- Requires that not later than July 1, 2021, the State Department of Public Health establish a certification program for manufactured cannabis products that is comparable to the National Organic Program and the California Organic Food and Farming Act.

Exempts the State Department of Public Health from the Administrative Procedures Act for purposes of administering the section.

- Extends the repeal date from July 1, 2019 to July 1, 2021, for provisions that provides that the California Environmental Quality Act does not apply to the adoption of an ordinance, rule, or regulation by a local jurisdiction that requires discretionary review and approval of permits, licenses, or other authorizations to engage in commercial cannabis activity.
- Authorizes the Governor's Office of Business and Economic Development to administer on behalf of the bureau, the provisions related to the review and granting of funding for cannabis equity programs. Requires an annual report by the bureau to the Legislature regarding the progress of local equity programs funded by these grants and to include a copy of the equity assessment, as defined, and equity program descriptions of each local jurisdiction that applies for grant funding.

Some jurisdictions have expressed frustration regarding their ability to access comprehensive information from the State's regulatory agencies regarding permits issued within the County or City. We have stayed in communication with the Administration and the Governor's Senior Advisor on Cannabis, and can report that the Administration is aware of the need for this data, and possibly the data from adjoining jurisdiction; the Administration is working to improve access to data.

TRANSPORTATION

The transportation budget trailer bill (SB 87) was signed by the Governor on June 27, 2019. The State Budget Package continues to implement the Road Repair and Accountability Act of 2017 (SB 1), which provides monies for state and local transportation infrastructure. Funding for SB 1 is derived from recent increases in motor fuel taxes and vehicle registration fees. The State Budget Package estimates a future average of \$5.4 billion per year over the next ten years for a mix of state and local transportation projects.

The State Budget Package provides \$4.8 billion in new SB 1 funding. Of this amount, **\$1.2 billion is available to all cities and counties for local road repairs**, and another \$1.2 billion is available for the repair and maintenance of the state highway system. \$400 million is available to repair and maintain the state's bridges and culverts. \$307 million is available to improve trade corridors, and \$250 million is available to increase flow throughout congested commute corridors. The State Budget Package also reflects \$458 million for local transit operations, and \$386 million for capital improvements for transit, commuter, and intercity rail.

SB 87 directs the repayment of all outstanding General Fund transportation loans, no later than June 30, 2020. This includes \$236 million from the Traffic Congestion Relief Fund, and \$ 873 million in loaded weight fees. All remaining weight fee revenues are required to be repaid by 2020-21. SB 87 also directs the California Transportation Commission to establish a statewide competitive grant program to fund short-line railroad projects such as railroad reconstruction, maintenance, upgrades, or replacements.

WATER

AB 74 was signed by the Governor on June 27, 2019. This State Budget Package provides funding for flood protection and safe and affordable drinking water. The State Budget Package includes \$92.5 million to the Department of Water Resources (DWR) for multi-benefit flood projects.

The Governor's proposal to establish a new special fund for the State Water Board to assist communities, particularly disadvantaged communities, in paying for the short-term and longer-term costs of obtaining access to safe and affordable drinking water was not included in the final package. This had raised concerns in the past from the County, as a statewide fee on water connections for fund groundwater clean-up in one particular part of the State seemed unfair to some Board members.

In lieu of a statewide fee, the State Budget Package included \$100 million from the Greenhouse Gas Reduction Fund, \$30 million from the General Fund, and \$3.4 million to the State Water Resources Control Board from the General Fund for administrative start-up costs to support SB 200 (Monning). This enacted measures will implement the Safe and Affordable Drinking Water Fund. SB 200 will do the following: identify water systems that consistently fail to provide an adequate supply of safe drinking water; determine the amount of money needed to remedy the situation; facilitate consolidation of failing systems; target aquifers at the greatest risk of water quality issues; and provide operation and maintenance funding for communities unable to do so internally. Additionally, this measure specifies that five percent of the GGRF is continuously appropriated beginning in 2020 with an annual cap of \$130 million. The General Fund will act as a backstop if the Safe Drinking Water Fund falls short. The funding will sunset in June 2030.