



Special Legislative Update ■ June 19, 2020

Tick Tock ... Still Waiting for News on a State Budget Agreement

As we approach early evening on Friday, we still await signals from the state Capitol that a state budget deal has been struck. Although we have been hearing for several days that negotiations were progressing and that parties were closing in on a deal, there is no new information as of late-afternoon today that an overall architecture has come together. We will continue to monitor the situation over the weekend, recognizing that there are a number of critical budget issues of consequence that have been the subject of active negotiation. Once a budget deal is announced, we will begin to see trailer bill language that will outline specific provisions to carry out various elements of the state's spending plan. Stay tuned ...

“Compromise” Property Valuation Transfer Measure Introduced

Senators Cathleen Galgiani, Jerry Hill, and Bob Hertzberg have introduced [Senate Constitutional Amendment 2](#), the Home Protection for Seniors, Severely Disabled, Families, and Victims of Wildfire or Natural Disaster Act, as a proposed compromise between the California Association of Realtors and opponents of the Realtors' [measure](#) currently poised for the November 2020 ballot. Specifically, the compromise measure provides for the following:

- Authorizes a property owner who is 55 years of age or older, severely disabled, or a victim of a wildfire or other natural disaster to transfer the taxable value of their current primary residence to a replacement residence located anywhere in the state, regardless of location or value.
- Eliminates the inheritance exclusion for properties not used as a primary residence effective on and after February 16, 2021. Inherited properties used for any other purpose other than the inheritor's primary residence would be assessed at market value.
- Establishes the California Fire Response Fund and the County Revenue Protection Fund, which would receive any amounts of increased state personal income tax revenue (as a result of lower deductions for property taxes) or state Proposition 98 savings (resulting from increased local property taxes), in the amounts of 75% and 15%, respectively. (Presumably, the remaining 10% stays in the state General Fund.)

The compromise measure does not include language from the original measure that broadened the scope of legal entity ownership changes that would trigger a reassessment, potentially creating confusion for voters when on the same ballot as the split roll ballot measure, which would provide for more frequent reassessment of commercial and industrial properties. (Just for fun, the inheritance issue was profiled in a great [article](#) in the *Los Angeles Times* discussing properties owned by actor Jeff Bridges and his family and the *Gimme Shelter* [podcast](#) in 2018.)

We understand that SCA 2 could be heard in the Assembly Elections and Redistricting Committee next week, should the Assembly return to Sacramento for a budget vote. Recall that the constitutional deadline to remove measures from the ballot is June 25.

Senate Tenant/Landlord Assistance Measure Introduced

[SB 1410](#), by Senator Anna Caballero and Steve Bradford, would implement the Senate's plan for tenant and landlord assistance outlined by Senate leadership earlier this year. The bill would provide tenants who were unable to pay their rent during the pandemic would receive immediate relief from their unpaid rents, which would be deferred to 2024-2033. These tenants would enjoy eviction protections and be able to apply for a reduction or forgiveness of repayment of their eventual payment amounts. Landlords would receive tax credits equal to the amount of lost rents to be used over the same ten-year period. Those tax credits would be transferable, so landlords could sell tax credits for immediate cash.

SB 1410 remains in Senate Governance and Finance Committee.

All-Mail November Election is Official

Just a few hours after receiving it, Governor Gavin Newsom signed [AB 860](#) by Assembly Member Marc Berman into law. In a lopsided bipartisan vote (63-3!), the Assembly voted to send to the Governor the measure that would require county elections officials to mail a ballot to every active registered voter in California for the November 2020. Earlier in the week, the Assembly Elections and Redistricting Committee approved the measure after considerable public testimony, including a number of members of the public, on a 6-0 vote. AB 860 contains an urgency clause and takes effect immediately.

State Appeals Court Blocks TRO on Newsom Election Order

The 3rd District Court of Appeal issued an order this week staying a temporary restraining order issued by a Sutter County court and sought by Assembly Members James Gallagher and Kevin Kiley to stop a recent [Executive Order](#) by Governor Gavin Newsom regarding November 2020 election processes.

At issue in the Executive Order is the option for counties to reduce precincts on Election Day if counties provide in-person voting centers for the weekend prior to the election. However, Assembly Members Gallagher and Kiley have also said that they challenged the Governor's order to push back on his use of executive powers, which they believe the Governor has used unconstitutionally to bypass the Legislature.

CDCR Unveils New Community Supervision Program

Citing an ongoing need to curb the spread of COVID-19 and to protect prison inmates and staff, the California Department of Corrections and Rehabilitation (CDCR) announced this week it will begin implementing an accelerated inmate release program on July 1, 2020.

Under this plan, CDCR will release eligible inmates – those who have 6 months or less to serve on their prison sentence and whose instant offense is not violent, serious, sex- or domestic violence-related – onto community supervision. Those who are released will be tested for COVID-19 and must have a housing plan in place before they are returned to the community. All released individuals will be supervised by state parole upon release except that those who would normally be subject to post-release community supervision (PRCS) will transition to a probation caseload once they reach the date they otherwise would have been discharged from prison. CDCR notes that those under the newly announced community supervision program may be remanded back to state prison for any reason to serve the remainder of their sentence.

Persons eligible for release to community supervision will be tested for COVID-19 and, if results are positive, CDCR will work with state and local public health and law enforcement officials to find housing where the incarcerated person can be safely isolated and monitored. CDCR also notes that released inmates will also be released with five reusable cloth barrier masks provided by the department with appropriate health and safety measures taken during transportation.

State Issues Guidance on Required Face Coverings in Public Spaces

The California Department of Public Health (CDPH) released [guidance](#) yesterday on the mandatory use of face masks. While the document is called guidance, CDPH's accompanying [press release](#) clarifies that mask use is mandatory in certain settings. The state's COVID [website](#) also clarifies that starting June 18, Californians must wear face coverings in common and public indoor spaces and outdoors when distancing is not possible.

The CDPH guidance document also details exceptions. Schools and child care settings are exempt due to other state guidelines. CDPH acknowledged late Thursday in the press that they are still reviewing the rules by sector (examples include gyms, bars, and retail), and there will be specific language on face coverings forthcoming as updates to existing state sector guidelines.

Updates on Bills of Note

The Senate Appropriations Committee took action on the suspense file yesterday. We have noted outcomes on a variety of measures of note, include the following.

[SB 793 \(Hill\)](#) — Flavored Tobacco Products

Senator Jerry Hill's SB 793 would ban the sale of flavored tobacco products. The bill was amended to exempt hooka products coming out of Senate Appropriations.

[SB 803 \(Beall\)](#) — Peer Support Specialists

Senator Jim Beall is authoring SB 803, which seeks to secure behavioral health peer support specialist certification under Medi-Cal. He authored a similar bill last year that was vetoed by Governor Newsom. To address costs, SB 803 was amended coming out of Senate Appropriations to add a fee schedule to recover administrative costs.

[SB 852 \(Pan\)](#) — Office of Drug Contracting and Manufacturing

SB 852 would create the Office of Drug Contracting and Manufacturing to increase competition, lower prices, and address shortages in the market for generic prescription drugs. The bill was amended coming out of Senate Appropriations to clarify that federally funded drug rebates are allowable. Please note that the Administration anticipates having a proposal on drug manufacturing, as was touted by the Governor in January, later this summer.

[SB 855 \(Wiener\)](#) — Mental Health Parity

Senator Scott Wiener's SB 855 would repeal California's mental health parity law and replace it with a requirement on health plans and disability insurers to cover medically necessary treatment of mental health and substance use disorders under the same terms and conditions applied to other medical conditions. The bill was amended coming out of Senate Appropriations Committee to clarify the California Department of Insurance enforcement language and definitions.

[SB 977 \(Monning\)](#) — Health Care System Consolidation: Attorney General Enforcement

SB 977 would require the Attorney General (AG) to approve an affiliation or acquisition between the health care system and a health care facility or provider. The bill defines health care system as any entity or system of entities that includes or owns two or more hospitals within multiple counties, or three or more hospitals within one county. Previous measures to address hospital acquisitions, mergers and affiliations have not applied to public hospitals; based on the definition currently in SB 977 it would apply to some public providers.

The measure was amended coming out of Senate Appropriations to add an expedited review for academic medical centers and to add conflict of interest provisions for board members. The amendments do not address concerns raised by the California Hospital Association. CHA argues that SB 977 would create a presumption that acquisitions and affiliations are anticompetitive, placing the burden of proof on the purchaser without due process.

[SB 1431 \(Glazer\)](#) – Disaster Reassessment for Properties Affected by COVID-19

Senator Steve Glazer's SB 1431 was held in the Senate Appropriations Committee this week, likely due to state costs. Recall that this measure would require county assessors to reassess certain types of properties based on their ability to generate income from renters during the COVID-19 emergency. Essentially, landlords that have lost income as a result of the eviction moratorium would be able to claim that their property was "damaged" as a result of COVID-19.