

## State Budget Update: Early Actions, Release of TBL, and Kick-off of Subcommittee Hearings

Lots of state budget action to share from this week. First, the Legislature unveiled a package of bills comprising the first round of early budget action. A new Budget Bill, Jr. (No. 5) – which makes additional adjustments to the 2021-22 (current year) budget – along with four trailer bills were released. The full Senate budget committee met yesterday to discuss and vote on the five measures identified below.

Bill No.	Subject
<a href="#">AB 147/SB 115</a>	Budget Bill, Jr. #5 (additional adjustments to 2021-22 main budget bill, <a href="#">AB 128</a> )
<a href="#">AB 84/SB 114</a>	Employment: COVID-19 Supplemental Paid Sick Leave
<a href="#">AB 87/SB 113</a>	Economic Relief: COVID-19 Pandemic
<a href="#">AB 139/SB 116</a>	Human Services
<a href="#">AB 142/SB 117</a>	State Bargaining Units MOUs

HBE has prepared a detailed [summary](#) of the provisions for each of these measures. Look for the Assembly Budget Committee to hear and presumably approve these same budget and trailer bills in a [hearing](#) on Monday morning.

Additionally, the Department of Finance has begun to [post](#) trailer bill language (TBL), which are provisions necessary to implement the Governor's various 2022-23 budget proposals. The chart found at this [link](#) tracks all the specific programs/issue that require accompanying trailer bill provisions; note that many of the issues in the second-to-last column to the right note that TBL is "pending." Keep checking back for updates if there's a particular item of interest ... or do not hesitate to reach out to us as well with any questions.

Finally, we wanted to report out on two budget subcommittees meetings from this week.

### ► **Senate Budget Subcommittee No.5 Discusses \$100 million for County Juvenile Facilities**

On February 1, the Senate Budget Subcommittee No. 5 on Corrections and Public Safety convened their first meeting of the year. Of particular interest, the [agenda](#) included a discussion of the Governor's proposal to dedicate \$100 million toward county juvenile facility improvements to appropriately assume the responsibilities recently shifted to counties in SB 823 and SB 92 (Division of Juvenile Justice Realignment). The subcommittee heard from the Executive Director of the Board of State and Community Corrections, Kathleen Howard, and the new Executive Director of the Office of Youth and Community Restoration (OYCR), Judge Katherine Lucero. Both described the new responsibilities counties will assume, the unique treatment needs of the population, and the impact the shift will have on facility needs and planning. The Urban Counties of California, Rural County Representatives of California, and California State Association

of Counties submitted a [coalition support letter](#) ahead of the hearing. No action was taken, and the issue was held open for future discussion.

The subcommittee also heard from Judge Lucero about the status of efforts to fully establish OYCR, which was created pursuant to SB 823. She stated that all 58 counties submitted their DJJ Realignment implementation plans by the statutory deadline of January 1, 2022, and OYCR has begun their review. Additionally, the Director of DJJ, Heather Bowlds, spoke about the challenges DJJ is facing as they approach their statutory closure date of June 30, 2023. A plan to outline the department's closure is now past due.

► ***Packed Senate Budget Subcommittee No. 3 Agenda Includes Workforce Discussion***

February 3 marked the first meeting of the Senate Budget Subcommittee No. 3 on Health and Human Services. The [agenda](#) included overview and Budget Change Proposal discussions with the California Health and Human Services Agency, Emergency Medical Services Authority, Department of Health Care Access and Information, Department of Managed Health Care, Mental Health Services Oversight and Accountability Commission, and the California Health Benefit Exchange (Covered California).

Discussions surrounding the Governor's proposals to address workforce shortages were the main attraction. In presenting their Workforce for a Healthy California for All proposal, the Department of Health Care Access and Information acknowledged the state is facing a real health care crisis and that there is an imminent need to recruit, train, hire, and advance an ethnically diverse health care workforce. The department stated that hospitals are short-staffed and paying high registry rates for a temporary workforce. There is a short supply of workers across all classifications and a need to diversify demographics. The Department also discussed a Social Work 2030 Initiative for trained social workers through the idea of a "4 + 1" accelerated masters in social work program. Senator Pan was particularly interested in the forecasted reduction in Primary Care Physicians due to a lack of entry compared to retirements. He suggested the state needs to reconsider policies that devalue primary care physicians.

There also was a discussion on the proposal for the Office of Health Care Affordability. The Administration expressed they are committed to getting it done this year with new trailer bill language posted on February 2. The Department gave a detailed comparison of the differences between this year's and last year's language. While it sounds like Senator Pan and others were consulted during the development of this year's language, he noted there is considerable policy in the trailer bill that will require additional robust discussion. Senator Eggman expressed an interest in seeing the proposal come together but wants it to be done the right way.

Lastly, the Covered California item included a presentation on a [report with Milliman](#) to estimate the cost of offering various enhanced cost sharing benefits to low-income enrollees. The report included several potential scenarios, including three surrounding future federal actions: 1) expiration of additional federal subsidies, 2) the Build Back Better Act is enacted to extend premium subsidies *with* additional federal cost sharing support, or 3) premium subsidies are extended *without* additional federal cost sharing support.

Public comment stretched into the early evening. In what appears to be the new normal in public hearings on health issues, a small but vocal group turned out to express displeasure with vaccine mandates, mask requirements, and Senator Pan.

### **Senate President pro Tem Atkins Announced Committee Changes**

Senate President pro Tempore Toni Atkins announced today changes to the Senate committee and chair assignments, many of which are necessitated by the elevation of Senator Mike McGuire to Senate Majority Leader. (Capitol observers have been waiting for news on who would be filling behind Senator McGuire as chair of the Senate Governance and Finance committee.) The recently announced membership changes will go before the Senate Rules Committee for adoption next week. Of note:

- Senator Anna Caballero will replace Senator McGuire as Senate Governance and Finance Committee chair.
- Senator Richard Roth has rejoined the Senate Budget and Fiscal Review Committee; he also will sit on the Senate budget subcommittee No. 4 on state administration.
- Senator Sydney Kamlager will take over as chair of Senate Budget Subcommittee No. 4.
- Senator Monique Limón will replace Senator Tom Umberg on the Senate Transportation Committee.

### **Another Assembly Member Departs; Special Election Already Set**

In another surprise announcement this week, Assembly Member Autumn Burke resigned from the Assembly on Monday, effective Tuesday, February 1. Assembly Member Burke, who represented a portion of the County of Los Angeles, cited family considerations and the personal impacts of the pandemic as the reasons for her early departure. Assembly Member Burke had the opportunity to serve four additional years in that seat. This week's announcement brings the number of vacancies in the Assembly to five – following the departures over the last several months of Assembly Members David Chiu, Ed Chau, Jim Frazier, and Lorena Gonzalez.

Governor Gavin Newsom has already called for a special election to fill the vacancy in Assembly Member Burke's 62<sup>nd</sup> Assembly District seat. The primary is set for April 5, followed by the general special election on June 7. Assembly Member Burke's

departure also will require the appointment of a new Assembly Revenue and Taxation Committee chair.

### **State Proposes to Contract Directly with Kaiser**

The Department of Health Care Services (DHCS) released a proposal this week to enter into a direct contract with Kaiser Permanente as a Medi-Cal managed care plan within new geographic regions of the State, effective January 1, 2024 for a five year contract term, with potential contract extensions. The new contract would be subject to federal approvals. Kaiser will not be a choice through the traditional Medi-Cal plan choice methods.

DHCS will be proposing trailer bill language, which is not yet available, to clarify its statutory authority to maintain and expand direct, full-risk contracts with Kaiser, defined under current state law as an Alternate Health Care Service Plan. Subject to federal approval, the direct contracts would be available in any geographic areas in which Kaiser operates (including COHS/single plan model counties, two-plan model counties, regional model counties and Geographic Managed Care model counties).

On February 9, 2022, DHCS will release a Request for Proposal (RFP) for select commercial Medi-Cal managed care plan contracts. Under this RFP, approved Medi-Cal managed care plans, in the “Two-Plan”, “Regional” or “Geographic Managed Care” model counties, must take all enrollees who wish to enroll with them in their contractual service areas. Kaiser’s proposed contract with the state will not require them to take all enrollees who wish to enroll with them. This [article](#) from Kaiser Health News details the concerns with the contract.

### **Two High-Ranking Newsom Appointees Step Down This Week**

On Wednesday, Dr. Nadine Burke Harris – California’s first surgeon general – announced that she was resigning to spend more time with her family. Dr. Burke Harris is an expert on the long-term health effects of trauma and promoted screening for “adverse childhood experiences.” Governor Newsom appointed her to the newly created state surgeon general post in 2019. California’s chief health officer, Dr. Devika Bhushan, will serve as acting surgeon general.

On Thursday, Yolanda Richardson – who currently serves as the secretary of Government Operations (Gov Ops) and who also stepped in as Governor Newsom’s vaccine “czar” during the pandemic – announced that she will be leaving state service to become CEO of the San Francisco Health Plan. Ms. Richardson was appointed as Secretary of Gov Ops – the state agency that oversees the Human Resources Department, the Department of General Services, various technology departments, CalPERS, and CalSTRS, among others – in January 2020.

## Single Payer Measure Stalls on Assembly Floor

[AB 1400](#), Assembly Member Ash Kalra's measure to implement single payer in California, was not taken up for a vote on Monday. Given that AB 1400 did not meet the January 31 constitutional deadline for bills introduced in the first year of the session to make it out of the house of origin, the measure is dead. Assembly Member Kalra acknowledged to the press that he was at least 10 votes shy of the 41-vote threshold to move the measure off the floor, which contributed to his decision not to bring the bill up for a vote.

The California Nurses Association – the sponsor of AB 1400 – released a scathing [statement](#) after the measure failed to move forward: "...elected leaders in California had the opportunity to put patients first and set an example for the whole country by passing AB 1400... Instead, Assembly Member Ash Kalra, the main author of the bill, chose not to hold a vote on this bill at all, providing cover for those who would have been forced to go on the record about where they stand on guaranteed health care for all people in California."

## Behavioral Health Continuum Infrastructure Program RFA Released

At a press conference earlier this week, Governor Newsom announced a request for application (RFA) for the third round of Behavioral Health Continuum Infrastructure Program (BHCIP) funding. This joint RFA from the Department of Health Care Services and Department of Social Services is for launch-ready projects and Community Care Expansion (CCE) program funding. Details on the RFA can be found [here](#). The funding will be available as follows:

- ***BHCIP Launch-Ready Grants.*** \$518.5 million will be available to construct, acquire, and rehabilitate real estate assets to expand the behavioral health continuum of treatment and service resources in settings serving Medi-Cal beneficiaries. Proposed behavioral health infrastructure projects must demonstrate they have been through a planning process and are ready for implementation. These applications will only be accepted from projects that are determined to be launch ready and are submitted according to the timeline in the RFA.
- ***CCE Capitol Expansion Grants.*** \$570 million will be available for acquisition, construction, and rehabilitation to preserve and expand adult and senior care facilities serving Supplemental Security Income/State Supplementary Payment (SSI/SSP) and Cash Assistance Program for Immigrants (CAPI) applicants and recipients, including those who are experiencing or at risk of homelessness.

## 2021 Recall Cost \$200 Million; SOS Seeks Reforms

Secretary of State Dr. Shirley Weber announced this week that the costs of last September's gubernatorial recall election topped \$200 million with most of those costs spent by county elections departments. While the state budget included up to \$215

million for the recall, Dr. Weber took the opportunity to point out that the ultimately unsuccessful recall attempt was “a substantial cost to taxpayers and a significant disruption to governing the state” and suggested that the cost and outcome indicated a need to revisit the recall process and pursue effective reforms.

The Secretary has indicated her recommended change would be to separate the recall question from the choice of successors. When asked by the Legislature about her priority, she said “I would definitely make sure that the recall question would be a single question on the ballot: should we or should we not recall the governor?” She also embraced the concept of having the serving lieutenant governor replace a recalled governor and recommended putting the governor and the lieutenant governor on the same ticket, to avoid the potential incentive for a lieutenant governor to actively undermine a governor.

Senator Josh Newman has already introduced [SCA 6](#), which would ask voters to consider approving an amendment to the Constitution to have lieutenant governors succeed recalled governors. Such a measure would require a 2/3 vote of the Senate and Assembly before going to voters in November.

### **Assembly Holds Joint Information Hearing on Agricultural Export and California Port Issues**

The Assembly Agriculture Committee and Assembly Select Committee on Ports and Goods Movement convened this week for an informational hearing to zero in on port-related issues that have specifically impacted the state’s agricultural economy. The agenda and background paper can be [found here for more details](#), but we found the following statistics particularly noteworthy:

- Amplified by government stimulus payments, household savings during the pandemic led to an increase in U.S. consumer spending. The Covid-19 lockdown raised U.S. household savings to historical levels. Savings increased from an average of 8% of disposable income in 2019 to 16% in 2020, reaching as high as 34% in April 2020.
- A study by UC Davis researchers issued late last year found overall state agricultural exports fell by \$2.1 billion from May to September because of difficulties obtaining shipping containers. That’s about a 17% decrease and exceeded losses from the 2018 trade war with China.
- The biggest impact was against California tree nut producers, which were estimated to lose about \$520 million in foreign sales during the period. California’s wine industry lost more than \$250 million in value last summer because of crushing supply chain disruptions at West Coast ports.
- California ports became overwhelmed with the recent growth in imports. U.S. ports outside California handled more than 1.4 million additional loaded import containers (up 23%) from May to September 2021, compared to the average for the same five-

month period from 2017–2019. In contrast, California ports moved only about 0.7 million additional loaded import containers (up 16%) during the same time.

The Governor proposed a variety of investments in his \$2.1 billion supply chain and goods movement package in the 2022-23 state budget. We anticipate the Legislature taking a keen interest in how his proposals can help unclog the supply chain in the coming months and years.

### **White House Releases Infrastructure Guidebook**

This week, the Biden Administration released a [Bipartisan Infrastructure Law guidebook](#) to assist state and local agencies with information about available resources from the Bipartisan Infrastructure package. The guidebook is intended to serve as a roadmap to the funding available under the law, as well as information about direct federal spending by program. The document will continue to be updated and available online at [Build.gov](#).

### **Governor Newsom Makes Sixth Appointment to the California Transportation Commissions**

Governor Newsom filled a vacancy on the California Transportation Commission (CTC) last week with the appointment of Jay Bradshaw, Executive Secretary-Treasurer of the Nor Cal Carpenters Union. This seat had previously been held by Mr. Bradshaw's predecessor Bob Alvarado who has served the CTC since 2006. Mr. Bradshaw's appointment marks Governor Newsom's sixth appointment to the CTC.

Prior to Mr. Bradshaw's election to Executive Secretary-Treasurer in 2021, he served as Executive Director of the Carpenters 46 Northern California Counties Conference Board from 2019 to 2021. Mr. Bradshaw was Director of Organizing for the Northern California Carpenters Regional Council from 2007 to 2019, where he was Assistant Director of Organizing from 2001 to 2007. He is a member of Leadership San Francisco, the California Alliance for Jobs, and Transportation California.

### **SB 1383 Implementation: New CalRecycle Webinars**

As detailed below, CalRecycle is hosting two upcoming webinars of interest on organic materials recycling.

<b>Topic</b>	<b>Date/Time/Link</b>
SB 1383 jurisdiction reporting tools for 2022 to help jurisdictions with the April 2022 Initial Jurisdiction Report and the new format of the Electronic Annual report.	<b>Thursday, February 17, 2022 @ 9 a.m.</b> <b>Webinar <a href="#">link</a></b>
Changes in reporting requirements pursuant to SB 1383, including detailed	<b>Tuesday, March 1, 2022, 10 a.m. to 12 noon</b>

Topic	Date/Time/Link
instructions as to how to report organic material recovery, which commences with the first reporting period starting May 1, 2022.	<b>Webinar <a href="#">link</a></b>

To only watch the webinars, visit the customary webcast available online [here](#). To ask clarifying questions during the webinar, please register using the GoToWebinar link provided for each session above. If you would like to submit questions beforehand, please send to the SLCP [inbox](#).