



Established in 1991, UCC serves as the representative voice for state legislative advocacy for high-population counties in California. Initially composed of seven counties, the association has grown to 14 today. Just over 80 percent of the state's population reside in UCC counties. Consequently, urban counties carry out critical programs and services to the state's most vulnerable populations. For more information, including details on our Board of Directors, please visit [our website](#).

June 2, 2023

Today's First-House Legislative Deadline: Virtually All Bills Survive Major Hurdle

The Legislature wrapped up its business for the week yesterday, having considered over many days of floor sessions hundreds and hundreds of house-of-origin bills before that were subject to the June 2 deadline. It's far easier to report what did **not** successfully move to the second house (i.e., to the Senate for Assembly bills and to the Assembly for Senate bills) in that only three bills in total failed passage. In the Senate, two bills failed on the floor: (1) [SB 426](#), by Senator Roger Niello, that would have enacted a significant and, as it turns out, fairly controversial terminology change in the context of charter schools (vote: 18 ayes, 8 noes, and 14 abstentions) and (2) [SB 466](#), by Senator Aisha Wahab, that would have given local jurisdictions the authority to limit rent control for housing that is more than 28 years old (vote: 15, 16, 9). In the Assembly, one bill failed passage: [AB 93](#), by Assembly Member Isaac Bryan, that would have prohibited police officers from seeking consent to search a person or their vehicle without an evidence-based legal justification (vote: 36, 21, 23).

Additionally, a number of measures were placed on the Inactive File, preserving the Legislature's ability to take those bills up at a later date. If

a bill is in its house of origin Inactive File, it will not be eligible for hearing until next January and subject to the two-year bill deadlines. If a bill is in the second house Inactive File, it can be taken up at any time this legislative year or next year (in keeping with the normal calendar in the second year of a two-year session). One notable bill that was moved to the Inactive File this week in the Assembly is [AB 742](#), a measure by Assembly Member Corey Jackson that would have placed limitations on law enforcement's use of police canines.

Below we highlight the Legislature's actions on several measures of interest and/or priority. As always, please do not hesitate to reach out with any questions on these or other pieces of legislation.

SB 525 (Durazo) – Health Care Employee Minimum Wage

[SB 525](#), Senator Maria Elena Durazo's measure to create a health care employee minimum wage, squeaked out of the Senate late Wednesday on a bare minimum vote of 21 to 11. The author announced in her opening remarks that she will be working on additional amendments to address concerns raised by other Senators, including a provision to address distressed hospitals, a phased-in approach on imposition of the wage increases, and ways to mitigate clinic concerns. Outside of this verbal commitment to continue working on the bill, no amendments are yet available in writing so it is unclear how the author plans to address these issues in the Assembly.

At least a dozen Senators spoke during the floor debate – raising concerns such as distressed hospitals, rural hospital viability, California Nurses Association's issues with the wage floor, unintended consequences to other sectors, community clinics, and Medi-Cal rates. The Managed Care Organization (MCO) tax was mentioned several times during the debate. It appears that some senators believed the MCO tax would address the costs of the wage increases under SB 525. However, the opposition coalition has estimated an \$8 billion annual cost at full implementation, which is more than the approximately \$5 to 6 billion annual revenue net of anticipated MCO tax revenues.

Prior to the floor debate, SB 525 was amended on May 25 to: (1) revise the implementation timeline to increase the health care minimum wage to \$21/hour in June 2024 and to \$25/hour in June 2025; (2) revise the inflator to the lesser of (instead of greater of) 3.5 percent or CPI; and (3) revise the salary minimum for salaried employees from 200% to 150% of the health care minimum wage (or from \$104,000 to \$78,000). Presumably the author's reference to the phase-in pushes out

implementation further than what is in print. During the five-plus hours that the bill remained on call on the Senate floor, Senator Durazo continued to negotiate with her colleagues to secure the 21 votes, so perhaps there will be additional amendments to come.

AB 1168 (Bennett) – Prehospital Emergency Medical Services

Assembly Member Steve Bennett's [AB 1168](#) passed out of the Assembly on a 72 to 2 vote this week. The measure was amended on May 26 to: (1) narrow the bill to return the authority for and administration of prehospital emergency medical services (EMS) to the City of Oxnard, and (2) clarify that a city or fire district currently exercising their "201" rights may enter a Joint Powers Agreement (JPA) for the provision of prehospital EMS without automatically losing their 201 rights. The county coalition opposing the bill is reviewing the amendments, but remains opposed.

AB 491 (Essayli) – Animal Shelter 72-Hour Notice for Euthanasia

Assembly Member Bill Essayli has amended the contents of his [AB 595](#) into [AB 491](#), a bill formerly authored by Assembly Member Greg Wallis that had already moved to the Senate. Recall that AB 595 would have required all animal shelters provide online public notice at least 72 hours before euthanizing any animal. The Assembly Appropriations Committee had previously held AB 595, noting the considerable state and local costs associated with the new mandate.

Senate Rules Committee is currently in possession of AB 491. However, because the contents of the bill are identical to what was held by the Appropriations Committee, the bill is considered a "jailbreak." Jailbreak bills are typically not moved to a committee for consideration, so it is unlikely that AB 491 will be referred to a policy committee for a vote.

Assembly Engages in MCO Tax Discussion

The Assembly Health Committee and Assembly Budget Subcommittee No. 1 on HHS issues held a joint informational hearing on maximizing the Managed Care Organization (MCO) tax on Tuesday, May 30. The hearing included several panels: (1) the Legislative Analyst's Office (LAO) providing background and overview of Medi-Cal and the MCO tax, (2) the Administration presenting their proposal, and (3) two stakeholder panels discussing potential investments ([agenda](#), [LAO handout](#), [DHCS MCO Tax Primer](#)).

Several Assembly Members attended the hearing, including Chairs Wood and Arambula, Assembly Members Aguiar-Curry, Weber, Jackson,

Fong, Alanis and Patterson. Assembly Members engaged with the Administration and LAO on several issues, including:

- What role the Legislature will have if the MCO package has to be renegotiated with the federal government
- Why the Administration is not eliminating all of the AB 97 cuts from 2007
- Whether raising rates to 87.5 percent of Medicare is the right number for retaining and attracting providers to Medi-Cal
- Whether the MCO tax revenues should be continuously appropriated
- What guardrails are appropriate for determining how much of the MCO tax is allocated to the General Fund v. provider rate increases
- What the stakeholder process for 2025 looks like and whether there should be additional direction and guardrails in statute
- Whether the \$10.3 billion in rate increases is sufficient
- Whether the federal government will push back on spreading the MCO tax into outyears
- Why the proposal doesn't include targeted investments in small and rural hospitals
- Whether any of the revenue will be put into the Distressed Hospital Loan Program
- Whether to spread the revenue over 3.5 years or 8 to 10 years, as the Administration has proposed
- The LAO's multi-year fiscal outlook.

The first panel included representatives of the Coalition to Protect Access to Care, which has been working on a MCO tax proposal since last fall. This same panel presented at the Senate hearing last week and included representatives from the Local Health Plans of California, the California Association of Health Plans, the California Medical Association, the California Hospital Association, the California Primary

Care Association, Planned Parenthood Affiliates of California, and Service Employees International Union (SEIU) California. The Coalition is pushing that MCO tax revenues be spread over 3.5 years (instead of the longer time horizon of 8 to 10 years being proposed by the Administration); that the revenue be spent immediately (no delays in rate increases to 2025); and that investments are targeted to primary care, specialty care, behavioral health, emergency departments, and workforce, including graduate medical education. The clinics are specifically advocating for: (1) \$250 million for an enhanced access and quality pool via a Medi-Cal directed payment program; (2) \$50 million directed to same day encounters; and (3) \$50 million community health workers as an allowable encounter for federally qualified health centers.

The second panel included representatives from the Pediatric Day Health Care Coalition, the California Association of Air Medical Services, the California Association of Adult Day Services, the California Medical Transportation Association, and the California Association of Health Services at Home. All the panel representatives were seeking rate increases for the services they provide.

The Senate and Assembly actions last week on the MCO tax proposal are not identical and conversations continue between the two houses. The MCO tax revenue is an integral part of the budget architecture, and an agreement on revenue will need to occur in June in order for the Administration to seek federal approval before June 30.