



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](#).

October 6, 2023

Eagerly Awaiting October Tax Receipts; August 2023 Revenues Are Up

Fun fact: California's October 2023 state revenue receipts are expected to be the biggest of any U.S. state in history. Internal Revenue Service delays have resulted in personal and corporate income tax revenues from prior months being held until October, the majority of which related to 2022 income tax liabilities. The 2023-24 state budget reflects the Administration's anticipated \$52.3 billion of personal and corporate income taxes; this would be more than three times the revenue for a typical month in California.

The payments and refunds affected by the IRS's deadline extensions will also affect the Franchise Tax Board's tallies, so we will be eagerly anticipating FTB's daily collections report beginning later this month.

In other revenue news, the Department of Finance has released its September 2023 **Finance Bulletin**, reporting all major General Fund revenue categories exceeding budget estimates. Overall, the three major revenue sources combined for \$1.344 billion above the forecast of \$12.158 billion in August. Personal income tax revenues were \$416 million above the forecast of \$7.298 billion in August, largely due to withholding. Corporation tax cash receipts were also up, \$102 million over the forecasted \$384 million, due to higher Pass-Through-Entity Elective Tax (PTE) payments. Sales and use tax revenues were \$441 million

above the forecast of \$3.557 billion in August. This gain is related to the timing of collections as higher-than-expected cash receipts shifted from July to August. August receipts included a portion of the final payments for second-quarter taxable sales, which were due on July 31, as well as the first prepayment for third-quarter sales.

LAO: Higher Unemployment a Potential Recession Indicator

The Legislative Analyst's Office released an [article](#) this week, noting an uptick in the unemployment rate and its implications for the near-future economy. Economists and federal officials track the so-called "Sahm Rule" to help identify the beginning of a recession. The Sahm Rule – named for Claudia Sahm, the economist who identified the indicator – has accurately predicted the start of each US recession, in real time, since 1970.

The Sahm Rule indicator signals the start of a recession when the three-month moving average of the unemployment rate rises by half a percent above the 12-month low of the unemployment rate. Historically, each time the unemployment rate has climbed quickly enough to trigger the Sahm Rule, an economic downturn had either already begun or followed shortly thereafter. The LAO notes that applying the same rule to California's unemployment rate also accurately indicated (in real time) the prior six economic downturns in California.

The state's unemployment rate has moved upwards since last fall, rising from 3.8 percent in August 2022 to 4.6 percent in August 2023. Given this increase, according to the LAO, the state version of the Sahm Rule triggered first in March 2023 and continues to indicate recession conditions.

Legislature, Governor Challenge November Ballot Measure

The press has reported that the Governor and Legislature have filed an emergency petition with the California Supreme Court, seeking invalidation of a ballot initiative slated for the November 2024 ballot. The so-called "Taxpayer Protection and Government Accountability Act," the state argues, violates the state's constitution by fundamentally restructuring the state's balance of power that amounts to an unlawful constitutional revision.

The California Business Roundtable has qualified the measure that would make it more difficult for the state and local governments to raise taxes, including by requiring voters to approve, by two-thirds votes, any taxes the Legislature passes. It would also require the Legislature to approve executive actions raising fees.

The filing asks for a decision by June of next year, which is the deadline for the Secretary of State to formally place measures on the November ballot.

Newsom Requests SCOTUS Review of Encampment Ruling

Governor Gavin Newsom has requested that the United States Supreme Court review a Ninth Circuit ruling that has prevented local agencies from clearing homeless encampments. The Governor warned the Court that the ruling invalidating anti-camping ordinances in Grants Pass, Oregon had “paralyzed” cities around California by imposing an “insurmountable roadblock” that effectively bars cities from moving people from parks and sidewalks.

The Governor’s statement on the filing can be found [here](#).

Newsom Issues Executive Order on Wildfire Insurance

In September, after legislators could not reach agreement on a measure to address the state’s property insurance crisis, Governor Gavin Newsom **announced** an **executive order** calling on the state’s Insurance Commissioner Ricardo Lara to take regulatory action to stabilize the state’s insurance market. The order requests that Lara “address issues with the insurance market and expand coverage options for consumers, while maintaining strong consumer protections and keeping plans affordable.” Specifically, the Governor requests the following:

- Expand coverage choices for consumers, especially in underserved areas of the state;
- Improve the efficiency, speed, and transparency of the rate approval process;
- Maintain the solvency of the state’s FAIR Plan (the insurer of last resort) by reducing its share in underserved areas; and
- Direct the Department of Finance to help accelerate implementation of new rules.

Homeless Housing, Assistance and Prevention Round 5 Funding

On September 29, the California Interagency Council on Homelessness released a **Notice of Funding Availability** (NOFA) for round 5 of the HHAP program. This round of funding is the result of the 2023-24 budget negotiations and budget trailer bill language included in **AB 129** outlining changes to the previous programmatic structure. Substantial changes include the new requirement for a

Regionally Coordinated Homelessness Action Plan as discussed in the NOFA. The document also includes important dates and information about an October 18 webinar (register [here](#)) for eligible applicants.

Bill Signings and Vetoes of Note

Governor Newsom has until midnight on October 14 to complete signing and veto decisions on the approximately 900 bills the Legislature sent to him in the closing days of this legislative year. The Governor's attention undoubtedly was divided in the last week since Senator Feinstein's passing, requiring his focus on naming her replacement; see more on our state's newest Senator below. Thus far, the pace of bill signings and vetoes in the three weeks since the Legislature departed has been modest, so we anticipate the flow of activity coming out of the Governor's Office to ramp up substantially in the days ahead. We have highlighted three measures of interest below that the Governor has acted on over the last few days. Stay tuned for more bill signing and veto news ...

AB 268 (Weber): Board of State and Community Corrections (BSCC)

Governor Newsom has signed **AB 268**, by Assembly Member Akilah Weber, into law. This bill makes changes to the composition of the BSCC Board as well as to the scope of its regulatory duties. Specifically, the measure increases – effective July 1, 2024 – the membership of the BSCC from 13 to 15 members. The new Board members, a licensed health care provider and a licensed mental health care provider, will be gubernatorial appointees subject to confirmation by the Senate. Additionally, AB 268 requires the BSCC, beginning July 1, 2024, to develop and adopt regulations setting minimum standards for mental health care at local correctional facilities that either meet or exceed the standards for health care services in jails established by the National Commission on Correctional Health Care, as specified.

SB 519 (Atkins): In-Custody Death Investigations

Governor Newsom also recently signed Senate President pro Tempore Toni Atkins' **SB 519**. This measure (1) requires public disclosure of records relating to investigations conducted into local in-custody deaths, as specified, and (2) establishes within the BSCC the position of Director of In-Custody Death Review. That new position will be responsible for reviewing investigations of any death incident occurring within a local detention facility, as defined; the Director of In-Custody Death Review will be appointed by the Governor, is subject to Senate confirmation, and will serve six-year terms. Note that a previous version of this measure would have authorized counties to establish a department of corrections responsible for jail operations (rather than the sheriff); those

provisions were amended out of SB 519 in favor of creating the state-level position to oversee in-custody death investigation review.

SB 799 (Portantino): Unemployment Benefits for Striking Workers

Governor Newsom has vetoed **SB 799**, Senator Anthony Portantino's measure that would have allowed individuals engaged in a trade dispute to collect unemployment insurance benefits after a two-week waiting period. In his veto message, the Governor cited the instability of the state's Unemployment Insurance Fund and his concern for expanding costs beyond the existing, significant costs associated with an outstanding loan from the federal government to the state for unemployment insurance debt.

Historic Change in California's U.S. Senate Representation

U.S. Senator Dianne Feinstein died on September 29, leaving California with a vacant seat. Senator Feinstein, the first woman elected to the Senate from California in 1992, became one of the most powerful politicians in the Capitol. She established numerous firsts over her decades on Capitol Hill — the first woman to serve on the Senate Judiciary Committee in 1993, the first woman to chair the Senate Rules Committee in 2007, and the first woman to chair the Senate Intelligence Committee in 2009.

Governor Newsom announced on October 1 his intention of appointing Laphonza Butler to serve out the remainder of Senator Feinstein's term. Ms. Butler comes to the role from EMILY's List, where she served as President of the nation's largest organization dedicated to electing women. She was sworn in to the U.S. Senate by Vice President Kamala Harris on October 3.

Ms. Butler will be the first openly LGBTQ person to represent California in the Senate. She will also be the first Black lesbian to openly serve in Congress in American history and the second Black woman to represent California in the Senate following Vice President Kamala Harris.

Prior to joining EMILY's List, Ms. Butler ran political campaigns and led strategy efforts for numerous companies, organizations, and elected leaders — including for Vice President Kamala Harris and Secretary of State Hillary Clinton. For more than a decade, she served as the president of SEIU Local 2015 — a union representing more than 325,000 nursing home and home-care workers throughout the state. Previously, Ms. Butler served as President of SEIU United Long Term Care Workers (ULTCW) and also as SEIU's Property Services Division Director. She also served as an SEIU International Vice President and president of the SEIU California State Council.

