



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](#).

December 4, 2023

LAO: State Revenues Fail to Meet Budget Targets (by a lot)

Dealing a blow to state budgeteers, the Legislative Analyst's Office (LAO) [reported](#) that November state revenues were significantly below budget estimates, with delayed 2022 tax receipts coming in about \$26 billion short. The shortfall represents the impact of general economic weakness and last year's financial market distress; overall, the LAO is anticipating that state revenue collections miss budget estimates by \$58 billion across 2022-23 to 2024-25. The LAO's eagerly anticipated *Fiscal Outlook*, which was delayed in order to include data about deferred tax receipts, will be released later this week.

Recent economic events appear to have triggered a downturn beginning in 2022. The Federal Reserve's actions to increase interest rates have outsized impacts on California's economy, as they have made mortgages more costly, resulted in fewer Initial Public Offerings (IPOs) by California startups and technology companies, and generally reduced the capacity of California businesses to expand operations or hire new workers.

Additional signs of revenue weakness over the past year include reduced year-over-year personal income tax withholding and flat sales and use tax collections despite above-average growth in consumer prices. However, new tax data now show a severe revenue decline with total income tax collections down 25 percent in 2022-23, an amount like those seen during the Great Recession and dotcom bust. There is, of course, a significant risk that this revenue weakness could continue into 2024; the LAO's revenue shortfall estimate incorporates its estimate of this risk but acknowledges that the forecast is highly uncertain.

The Newsom Administration will release its own independent revenue and spending estimates in January with the release of the Governor's 2024-25 budget proposal.

Leadership Transition Timeline for Senate President pro Tempore Announced

Today, the Senate announced that Senator Mike McGuire will be sworn in as the next Senate President pro Tempore on February 5, an expedited time frame from what had been initially discussed. Further details will be released soon.

Speaker Rivas Announces Additional Round of Changes to Leadership Team and Committee Chairs

In preparation for the new year, Assembly Speaker Robert Rivas recently announced changes to his Assembly leadership team as well as to various committee chair positions and policy committee composition. Importantly, these changes are not effective until January 22, 2024, which means that the current committee structure and composition will remain in place through committees' review and deliberations on two-year bills (i.e., legislative measures introduced in the Assembly in 2023 that remain in the house of origin in 2024). There are specific legislative deadlines in January associated with two-year bills: all policy committees must dispose of these measures by Friday, January 12, and all fiscal committees must dispose of these measures by Friday, January 19. With leadership and committee chair changes being effectuated Monday, January 22, the house will have a long week – through Wednesday, January 31 – to consider bills on the floor. Any Assembly bill introduced in 2023 that does not clear these hurdles for passage to the Senate by the end of January are dead.

As for his leadership changes, the biggest surprise was the replacement of Assembly Member Isaac Bryan as Majority Leader by Assembly Member Cecilia Aguiar-Curry. Although Speaker Rivas' team asserts that this particular leadership change should not be interpreted as punishment to Assembly Member Bryan, a recent *Politico* [post](#) asserts that: "Majority leader is a major role, and whoever holds the position is often seen as an extension of the speaker's office, making Bryan's transition to a committee chair a conspicuous change as Rivas heads into his first full term leading the lower chamber." To accommodate Assembly Member Aguiar-Curry's ascension to Majority Leader, Assembly Member Jim Wood will take over as Speaker pro Tempore.

Notable among the policy committee chair changes announced by the Speaker are the following:

- Assembly Member Buffy Wicks takes over from Assembly Member Chris Holden as **Appropriations** Committee chair;
- Assembly Member Jesse Gabriel takes over from Assembly Member Phil Ting for **Budget** Committee chair;
- Assembly Member Mia Bonta takes over from Assembly Member Jim Wood for **Health** Committee chair;
- Assembly Member Chris Ward takes over from Assembly Member Buffy Wicks as **Housing and Community Development** Committee chair;
- Assembly Member Alex Lee takes over from Assembly Member Corey Jackson as **Human Services** Committee chair;
- Assembly Member Ash Kalra takes over from Assembly Member Brian Maienschein as **Judiciary** Committee chair;
- Assembly Member Kevin McCarty takes over from Assembly Member Reggie Jones-Sawyer as **Public Safety** Committee chair; and
- Assembly Member Lori Wilson takes over from Assembly Member Laura Friedman as **Transportation** Committee chair.

Additionally, Assembly Speaker Rivas created separate health (No. 1) and human services (No.2) budget subcommittees (previously a combined jurisdiction in Assembly Budget Subcommittee No. 1) and announced the following chairs of the newly recast subcommittees as follows:

- No. 1 – Health; Assembly Member Akilah Weber – chair
- No. 2 – Human Services; Assembly Member Corey Jackson – chair
- No. 3 – Education Finance; Assembly Member David Alvarez – chair
- No. 4 – Climate Crisis, Resources, Energy, and Transportation; Assembly Member Steve Bennett – chair
- No. 5 – State Administration; Assembly Member Sharon Quirk-Silva – chair
- No. 6 – Public Safety; Assembly Member James Ramos – chair
- No. 7 – Accountability and Oversight; Assembly Member Avelino Valencia – chair

Finally, Assembly Member Rivas highlighted the diversity in his leadership team and committee chair appointments, noting the following:

- 23 women in leadership including chairs of Appropriations, Privacy, Rules and Utilities
- 14 women of color in leadership including chairs of Health, Labor and Transportation
- 31 Assembly members of color in leadership including nearly two-thirds of committee chairs
- 18 California Latino Legislative Caucus members in leadership: including chairs of the Labor, Rules and Caucus Chair

- Every Assembly Black Legislative Caucus member who will return after the 2024 session appointed to leadership including chairs of Budget Subcommittees, Health, Transportation, Natural Resources and Public Safety
- Four members of the California Legislative LGBTQ Caucus in leadership including Housing, Human Services and Budget Subcommittee on Human Services, and Caucus Chair
- 30 leaders from Southern California

Legislature, Little Hoover Commission to Focus on Retail Theft

Assembly Speaker Richard Rivas announced in late October the creation of an Assembly Select Committee on Retail Theft. Assembly Member Rick Zbur, who represents portions of Los Angeles County, will chair the committee, which is meant to create a policy forum in which impacted stakeholders – including large retailers, small businesses, criminal justice reform advocates, law enforcement, and representatives of workers and the public – can discuss and identify solutions to this crisis. In his announcement, Assembly Speaker Rivas noted that representatives on the select committee hail from the areas most impacted by retail theft. The 11 Assembly Members appointed to the Select Committee include:

- Rick Chavez Zbur (D-Los Angeles) – Committee Chair
- Juan Alanis (R-Merced & Stanislaus)
- David Alvarez (D-San Diego)
- Mia Bonta (D-Alameda & San Francisco)
- Vince Fong (R-Kern & Tulare)
- Matt Haney (D-San Francisco)
- Kevin McCarty (D-Sacramento)
- Liz Ortega (D-Alameda)
- Blanca Pacheco (D-Los Angeles & Orange)
- Cottie Petrie-Norris (D-Orange)
- Pilar Schiavo (D-Los Angeles)

Although no hearing dates have yet been announced, the Select Committee on Retail Theft is expected to convene in December and will continue its work through the 2024 legislative year.

Additionally, the Little Hoover Commission (LHC) has launched a study into retail theft as well, as [requested](#) by the Legislature in June. Signed by more than 60 members representing both houses and both parties, the legislative request references efforts to link the increase in retail theft to the impacts of Proposition 47, the 2014 ballot measure that, among other provisions, (1) reduced the penalties for certain lower-level drug possession and property offenses (for goods valued at less than \$950) and (2) created a misdemeanor offense for

shoplifting. The Legislature notes in its request different perspectives on whether Proposition 47 is directly tied to the uptick in retail theft. It effectively concludes that the LHC's assessment is necessary because "[w]ith convincing arguments from both support and opposition as well as a lack of concrete information on retail theft, it is difficult to ascertain the actual impact of Prop 47."

The Legislature specifically requests that the LHC review retail theft, shoplifting, and organized crime and produce a report that covers all of the following:

- Information on the number of retail thefts, shoplifting, and organized retail thefts, including the size of the impacted businesses, the type of property reported stolen, and the monetary value of the stolen goods;
- Information on law enforcement's response to retail theft, shoplifting, and organized crime, including average time to respond, whether an investigation was undertaken, whether arrests were made, and whether referrals were made to the district attorney for prosecution;
- Information on district attorney follow-up on reports of retail thefts, including whether charges were filed and – if not – the reason that no charges were filed; and
- Countywide statistical theft information, law enforcement response, number of citations, number of cases referred for prosecution, and disposition of each case referred.

The LHC held its first hearing on November 16 and will convene again on December 14 and January 25 to continue its policy discussion. For those who have an interest in following these conversations, track the LHC's retail theft study [here](#).

California Supreme Court Will Review Challenge to Business Roundtable Initiative

The California Supreme Court has agreed to review Governor Newsom's and the Legislature's challenge to the so-called "Taxpayer Protection and Government Accountability Act," a measure sponsored by the California Business Roundtable slated for the November 2024 ballot. The Governor and Legislature argue that the measure violates the state's constitution by fundamentally restructuring the state's balance of power in a manner 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.

Arguments are due to the Court by February of next year, presumably in time for the Court to make a decision by next June when the Secretary of State must formally place measures on the November ballot.

New Grant Opportunities Available Through BSCC

The Board of State and Community Corrections (BSCC) met on Thursday, November 16 ([agenda](#) with links to background materials) and, among other actions, approved the release of Requests for Proposals for a number of grant opportunities, which are summarized [here](#).

The RFP application guides prepared by BSCC staff contain all the relevant information regarding the application process, target populations, eligible grant activities, and other general grant requirements. Please refer to the relevant RFP link above and review those details with care. Additional information can be obtained through the webinars offered for prospective applicants, as noted above.

Also of interest from the November 16 meeting are the BSCC's [slides](#) outlining the provisions of and implementation steps for [SB 519](#) (Atkins, 2023), which established the Director of In-Custody Death Review within the BSCC.

Encampment Resolution Funding – Round 3

On November 27, Governor Newsom announced the next round of funding from the [Encampment Resolution Grant Program](#). This third round makes available \$300 million for Encampment Resolution Funding grants, which are awarded on a competitive basis to counties, cities of any size, and Continuums of Care to assist in moving persons from homeless encampments into safe and stable housing. The Governor indicated these competitive grants were first available in 2021 and so far have provided over \$415 million in one-time General Fund to local jurisdictions in support of 15,000 people. This latest round is expected to serve 10,000 people and funds will go to locals with a match requirement. Additionally, half of the new grants will be prioritized for encampments on the state right-of-way. In the associated press conference, the Governor also reiterated that this is only one of many state homelessness investments, including new accountability measures for the Homeless Housing, Assistance and Prevention program.

Also on the topic of homelessness, on November 28, Governor Newsom [announced](#) the appointment of Tomiquia Moss as Secretary of the Business, Consumer Services and Housing Agency. Moss has prior experience as founder and CEO of All Home, CEO of Hamilton Families, Chief of Staff in the Oakland Mayor's Office, and Executive Director of HOPE SF within the San Francisco Mayor's Office.

Draft Climate Action Plan for Transportation Infrastructure 2023 Annual Progress Report Released

CalSTA issued its [Draft 2023 CAPTI Annual Progress Report](#) (Draft 2023 Progress Report) for 2023 noting that the Newsom Administration has completed nearly all the identified actions (34 in total) to align the state's discretionary transportation funding with climate goals – well ahead of schedule. CalSTA contracted with the Mineta Transportation Institute (MTI) to quantify the impacts of CAPTI implementation, including the development of a vehicle miles traveled (VMT) rating tool (the higher the rating the more VMT generated per dollar invested). The Draft Progress Report notes that the amount of funding going to projects that increase vehicle miles traveled (VMT) has significantly decreased since 2019. Some other important details are as follows:

- There has been a reduction of GHG emissions across the transportation portfolio of programs in the post-CAPTI adoption period timeframe as compared to the pre-CAPTI phase).
- Per dollar invested, the state's VMT rating went from 6.9 pre-CAPTI period to 1.16 post-CAPTI adoption phase.
- There have been improvements to transportation equity outcomes among disadvantaged communities resulting from CAPTI implementation.
- An economic analysis found that jobs creation and jobs quality was maintained in the post-CAPTI adoption phase.
- CAPTI outcomes by program include:
 - **Solutions for Congested Corridors (SCCP)**
 - Of the ten projects funded in Cycle 3, all are multimodal in nature. By comparison, in Cycle 2, four of the seven were multimodal.
 - **Trade Corridor Enhancement Program (TCEP)**
 - Ten of 26 projects in Cycle 3 were projects that support deployment of zero-emission freight transportation system and associated infrastructure.
 - Eleven of the 26 projects included active transportation improvements as part of the overall project.
 - **Interregional Transportation Improvement Program (ITIP)**
 - None of the projects in the 2022 ITIP will induce VMT.
 - The 2018 ITIP allocated 76% of its funding to highway projects; a figure that has decreased to just 32% in the 2022 ITIP.
 - **Local Partnership Program (LPP)**

- There was decreased VMT in rural and urban areas resulting from the LPP program, as well as in areas disproportionately burdened by pollution.
- Large metropolitan areas experienced significant VMT reductions due to LPP-funded projects.
- **Active Transportation Program (ATP)**
 - Cycle 6 funded more projects overall than past cycles and in many new places. The program also funded a greater number of transformative or “network-forming” projects throughout the state.
- **State Highway Operation and Protection Program (SHOPP)**
 - In total, more than \$2.3 billion is being invested in bicycle and pedestrian infrastructure in the SHOPP over the next 10 years.
 - Investments include more than 50 projects for climate adaptation and additional planning efforts for future projects.

CalSTA intends to update the CAPTI strategies in 2024 through a robust public stakeholder process. The Draft 2023 Progress Report identified some themes for the update process including:

- **The Future of the State Highway System:** Re-envisioning a state highway system where projects are evolved to meet the state’s current and future transportation, climate health and equity needs. This includes further exploring initiatives that more efficiently manage the existing system, prioritize the movement of transit, and better address negative impacts of vehicle travel.
- **Transit Transformation:** Beyond investing in transit infrastructure, coordinating with the Transit Transformation Task Force to commit to actions that set transit agencies up for long-term success and recovery.
- **Improving Housing and Transportation Coordination:** As a transportation agency, finding opportunities to deliver transportation programs that support climate friendly housing in coordination with the efforts of CalSTA partners.
- **Climate Adaptation:** Implementing a comprehensive climate adaptation planning framework to increase resilience.
- **Data Transparency and Accountability:** Increasing transparency on all transportation investments and critical infrastructure projects through more accessible project data that allows decision-makers and the public to better understand the overall impacts of our

investment choices and be accountable towards meeting state climate, health, and equity goals.

- **Embed Equity:** Find opportunities beyond the development of current tools and processes changes to further embed equity in transportation projects and planning.

Caltrans Releases Draft 2024 Interregional Transportation Improvement Program (ITIP)

The [Draft 2024 Interregional Transportation Improvement Program \(ITIP\)](#), which Caltrans released on Friday, October 27, makes strategic investments in multimodal projects that will help improve the interregional movement of people and goods throughout the State of California. We are pleased to report that the Draft 2024 ITIP continues to invest in select highway projects in addition to transit, intercity rail, and active transportation projects. The Department will release the Final 2024 ITIP in December, additional public workshops will be held in January and February, and the CTC will adopt the final suite of investments at their March 2024 meeting.

California Selected as a National Hydrogen Hub

The U.S. Department of Energy announced in October that California was selected as a National Hydrogen Hub and will receive up to \$1.2 billion to accelerate the development and deployment of clean renewable hydrogen. The funding can be used to build or expand hydrogen projects that will power public transportation, heavy-duty trucks, port operations, and more. According to the Governor's Office, the investment will reduce up to 2 million metric tons of carbon emissions every year – equivalent to the pollution of 445,000 gasoline-powered cars annually; create an estimated 220,000 new jobs, including 130,000 in construction and 90,000 permanent jobs; and generate an estimated \$2.95 billion per year in economic value from better health and health cost savings. Moreover, 40% of the benefits from projects will flow to disadvantaged communities.

Medi-Cal Stakeholder Advisory Committee Meeting Highlights

The Medi-Cal Stakeholder Advisory Committee (SAC) and Behavioral Health Stakeholder Advisory Committee (BH-SAC) continue to meet jointly on a quarterly basis. The very full October 19 agenda included updates on the Medi-Cal Member Advisory Committee, the 2023 legislative session, Managed Care readiness and go-live in January 2024, the Department of Health Care Services (DHCS) New Strategic Plan, the status of Medi-Cal redeterminations and January 2024 expansions, Enhanced Case Management (ECM)/Community Supports, data sharing and Authorization to Share Confidential Medi-Cal Information (ASCFI) Pilot, CalAIM Mental Health Screening and Transition of Care Tools, behavioral health payment reform, documentation redesign, CARE Act, and Opioid Settlement Fund ([agenda](#), [materials](#)).

Also notable is that DHCS informed stakeholders that they could not discuss [SB 326](#) (Eggman) – the Behavioral Health Services Act – or [AB 531](#) (Irwin) – the Behavioral Health Infrastructure Bond Act of 2023 – since the measures will appear on the March 2024 ballot, and they are cautious of campaign laws. Please contact HBE [via email](#) for details.

California Submits Two Behavioral Health Proposals to CMS

On October 20, the DHCS submitted to the federal Centers for Medicare & Medicaid Services (CMS) a [proposed amendment](#) to the CalAIM Section 1115 demonstration related to transitional rent services and the new Section 1115 demonstration request, entitled the California Behavioral Health Community-Based Organized Networks of Equitable Care and Treatment (BH-CONNECT) demonstration. The Governor’s letter to U.S. Department of Health & Human Services Secretary Xavier Becerra on BH-CONNECT can be found [here](#). The federal public comment period for both items closed on November 26.