



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](#).

January 5, 2024

Legislature Returns for Second Year of Session; Big Challenges Await

The Legislature returned to Sacramento this week having wrapped up a several-month interim recess. Members will immediately face legislative deadlines associated with “two-year bills,” meaning measures introduced in 2023 that currently remain in their house of origin. Any such bills must pass out of the house of origin by the end of this month. To meet associated progress milestones – a policy committee deadline on January 12 and a fiscal committee deadline on January 19, there will be considerable policy committee activity next week and fiscal committee activity the following week.

Additionally, new bill introductions for the 2024 legislative year have begun and will continue through the February 16 deadline. In perusing the first few days' worth of bill introductions, regulating artificial intelligence and addressing organized retail theft seem to be two principal issues the Legislature will be seeking to tackle this year. The other major activity for the month is the release of the Governor's 2024-25 January budget proposal next Wednesday. As we have observed previously, this year is the first time that the vast majority of sitting legislators will be faced with a true budget deficit situation that will require difficult choices and, as we all assume, real cuts to services and programs. As is our normal practice, HBE will release a comprehensive summary of the Governor's January spending plan by close of business on January 10. Should you have any questions about bills or the budget, do not hesitate to reach out. We will continue to keep you informed as the year progresses.

Below we have highlighted several two-year bills of interest.

AB 702 (Jackson) – Juvenile Justice Crime Prevention Act Funding Redirection

AB 702, by Assembly Member Corey Jackson, has been pulled from the Assembly Public Safety Committee hearing next week, despite amendments that came into print this week. Effectively, because the measure will not move out of its assigned policy committee by the January 12 deadline, AB 702 no longer will be viable as a legislative vehicle in 2024.

As a reminder, this measure proposed to establish a Request for Proposal process that, in its application, would redirect Juvenile Justice Crime Prevention Act (JJCPA) funds away from probation departments; revise the leadership, composition, and meeting requirements of local Juvenile Justice Coordinating Councils (JJCC); and recast various elements of required multiagency juvenile justice plans. This measure largely mirrors previous legislative efforts – **AB 1007** (Jones-Sawyer, 2020) and **SB 493** (Bradford, 2021).

UCC, RCRC, and CSAC weighed in with joint opposition to AB 702, primarily because of provisions that would require redirection of – pursuant to recent amendments – 80 percent (down from a previously specified 95 percent) of JJCPA funds to community-based organizations or non-law enforcement public entities. These changes would considerably destabilize core probation support of local juvenile justice programs and services at the local level. JJCPA funding is in many jurisdictions dedicated to staffing and personnel costs that make up the backbone of counties' juvenile probation departments; these expenditures have been and continue to be wholly eligible and lawful under JJCPA. The county coalition also raised as part of its opposition advocacy that the proposed funding redirection in AB 702 appears to ignore constitutional protections enacted under Proposition 30 (2012) that ensure resource certainty and stability for all programs realigned in 2011, including JJCPA.

AB 817 (Pacheco) – Remote Meetings for Subsidiary Bodies

AB 817 is scheduled for its first hearing in the Assembly Local Government Committee next week. As we've previously reported, AB 817 would authorize non-legislative local boards, commissions, subcommittees, etc. to meet remotely. When the bill was initially slated for hearing in 2023, the Committee had requested the following amendments: a sunset of January 2026, a physical location where the public could participate in the meeting, and a quorum of the membership in that physical location. In addition, any member of a board, commission, or subcommittee that receives compensation beyond

reimbursement of expenses must participate in person. Because these amendments moved the bill so far away from its original intent, the author pulled it from consideration. As of this writing, it is unclear how discussions regarding amendments to the bill will play out, so Wednesday's hearing should be an interesting one.

AB 817 is sponsored by the California Association of Recreation and Park Districts (CARPD), the League of California Cities (CalCities), the California State Association of Counties (CSAC), Rural County Representatives of California (RCRC), the Urban Counties of California (UCC), and the California Association of Public Authorities for In-Home Supportive Services (CAPA-IHSS).

AB 1047 (Maienschein) – Firearms Purchase Notification Registry

AB 1047 (Maienschein), as amended on January 3, now assigns responsibilities to county behavioral health in the context of a new firearms purchase notification registry. This two-year bill is set for hearing on January 9 in the Assembly Public Safety Committee.

As amended, AB 1047 would require the Department of Justice to develop and launch a secure internet-based platform to permit individuals residing in the state to voluntarily add their name to a registry that would advise a licensed behavioral health clinician of the person's attempt to purchase a firearm during the 10-day waiting period. The bill would, at the time of registration, require the registrant to list the email address of a licensed behavioral health clinician. However, if the registrant fails to provide an email address, DOJ would be required to provide the email notice to the local county office of behavioral health. The proposed new responsibilities for county behavioral health raise considerable practical, operational, fiscal, and liability concerns.

Federal Government Approves MCO Tax

On Friday, December 15, the Centers for Medicare & Medicaid Services (CMS) approved the MCO Tax federal waiver, paving the way for the Department of Health Care Services (DHCS) to move forward with implementing the MCO Tax for the authorized effective period, subject to any future changes in federal requirements concerning health care-related taxes.

AB 119 (Chapter 13, Statutes of 2023) authorized a MCO Tax effective April 1, 2023, through December 31, 2026. The MCO Tax is estimated to provide \$19.4 billion in net non-federal funding over the 3.75-year tax period. Subject to appropriation and federal approval of applicable payment and rate methodologies, MCO tax revenues will be used to support the Medi-Cal program including, but not limited to, targeted provider rate increases and

other investments that advance access, quality, and equity for Medi-Cal members and promote provider participation in the Medi-Cal program. Previous iterations of the MCO tax were used solely to offset General Fund spending on the Medi-Cal program.

Effective January 1, 2024, rates for primary care (including nurse practitioners and physician assistants), maternity care (including OB/GYNs and doulas), and non-specialty mental health services will be increased to at least 87.5 percent of Medicare rates.

Effective January 1, 2025, there is a planned second phase of rate increases and investments that will focus on additional increases for primary care, maternity care, and non-specialty mental health services, including:

- Specialty care services.
- Community or hospital outpatient procedures and services.
- Family planning services and women's health providers.
- Hospital-based emergency and emergency physician services.
- Ground emergency transportation services.
- Designated public hospitals.
- Behavioral health care for members in hospital/emergency departments and institutional long-term care settings.
- Investments to maintain and grow the health care workforce.

Details of the 2025 rate increases will be included as part of the 2024-25 Governor's Budget.

Proposition 1 Campaign Update

Governor Newsom kicked off the year with the formal launch of the Proposition 1 campaign. The only ballot measure to appear before voters this March, Prop 1 reforms and recasts the Mental Health Services Act as the Behavioral Health Services Act pursuant to select changes enacted in **SB 326** (Eggman, 2023) and authorizes \$6.4 billion in bond proceeds for a behavioral health infrastructure bond as provided for in **AB 531** (Irwin, 2023).

The Governor's ballot measure committee had \$5.4 million on hand as of the end of June and has since raised at least \$6.8 million more. The measure is receiving financial support from health care and labor interests, including \$1 million contributions each from the State Building and Construction Trades Council, the California Correctional Peace Officers Association, and the California Hospital Association.

Recent polling shows strong support from likely voters before the campaign has fully started. Organized and funded opposition has not emerged.

HCD Releases Report on Residential Development Impact Fees

This week the Department of Housing and Community Development (HCD) **released a report** on local government residential development impact fee nexus studies and feasibility analyses in fulfillment of the requirements in **AB 602** (Grayson, 2021). The report includes helpful discussion for policymakers but may also provide fodder for future legislation seeking to limit local residential development impact fees.

HCD commissioned the Turner Center for Housing Innovation to complete the report, which includes a template local agencies can use to develop nexus studies and a discussion of methods to analyze the economic feasibility of impact fees. The template reflects AB 602's changes to the statutory requirements for the development of nexus studies for residential impact fees, including requirements to:

- Update nexus studies used to justify impact fees at least once every eight years.
- Base rate calculations on the square footage of individual units (unless the jurisdiction demonstrates that another metric is more appropriate).
- Incorporate capital improvement plans into nexus studies, which is applicable in large jurisdictions (counties over 250,000 population and all cities within such counties).

AB 602 does not require local agencies to use the report's recommended methodologies for feasibility analyses. The report correctly notes "there is no single way to determine feasibility, and development feasibility is typically fluid in nature as development and economic conditions change over time." Feasibility also varies based on individual project characteristics. Accordingly, the report notes that this type of analysis is a helpful "gut check" for policymakers—but this caveat and others are unlikely to dissuade advocates interested in reducing impact fees from pursuing further legislation.