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 15, 2023

Legislature Returns in Early January; Two-Year Bills Await
On January 3, the Legislature will reconvene in Sacramento to kick off the second year of the 2023-24 legislative session. As we have reported previously, members face immediate legislative deadlines related to two-year bills, meaning measures introduced in 2023 that remain in the house of origin. Any such bill that has not been approved in the first house by the end of January is dead.

Below we highlight a pair of two-year measures of particular interest that will be heard in early January. Please do not hesitate to reach out with questions on these or any other measures of interest. The bill introduction deadline for new measures introduced in 2024 is Friday, February 16. We will be keeping you apprised on new legislative proposals of interest as they emerge in the weeks ahead.

AB 702 (Jackson) – Juvenile Justice Crime Prevention Act Funding Redirection
AB 702, by Assembly Member Corey Jackson, proposes 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). AB 702 is now set for hearing in the Assembly Public Safety Committee on Tuesday, January 9.

UCC, RCRC, and CSAC have weighed in with joint opposition to this measure, primarily because of provisions that would require redirection of 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 our juvenile probation departments; these expenditures have been and continue to be wholly eligible and lawful under JJCPA.

The county coalition continues to raise as part of its opposition advocacy that the proposed 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. The proposal also is especially troubling given that counties now have responsibility for the entire juvenile justice system, pursuant to **SB 823** (2020), including support for several hundred young people who remained in the jurisdiction of the Department of Juvenile Justice (DJJ) once all state facilities close on June 30, 2023 and who have since transitioned to county care.

AB 817 (Pacheco) – Remote Meetings for Subsidiary Bodies
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 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.

We understand that the author intends to hear AB 817 in the Assembly Local Government Committee early next year and is hopeful that the Committee will consider the bill with only minor amendments.

DOF Tells State Departments to Reduce Current Year Spending Given Fiscal Picture
This week, the Department of Finance sent a **letter** to state departments directing them to limit current year spending, given the state's projected budget deficit for 2024-25. The letter directs state entities under the Governor's control "to take immediate actions to reduce current-year General Fund expenditures." Departments also are directed to "ensure more prudent spending from other state funds given the fiscal outlook." Such letters are typical for California and other governments during budget downturns.

As a reminder, the Legislative Analyst's Office (LAO) released last week its eagerly anticipated ***Fiscal Outlook***, revealing an estimated $68 billion budget deficit, largely due to dramatic revenue shortfalls in 2022-23.

Recall that the state has only recently received information about 2022-23 tax collections due to federal tax filing extensions. The LAO estimates that 2022-23 state revenue will be $26 billion below budget estimates. Because this significant shortfall was not already accommodated in the preparation of the 2023-24 state budget, the state is further limited in its options for addressing the problem.

To that end, the LAO notes that the Legislature does have options to address the deficit. Specifically, the state has nearly $24 billion in reserves available to address the budget problem. Additionally, the state could reduce spending on schools and community colleges by nearly $17 billion. Other options, including reductions to one-time spending, could address about $10 billion. These options and others would allow the Legislature to solve most of the deficit largely without impacting the state's core ongoing service level.

Looking to the future, however, the state's budget challenges become more daunting. While the LAO recommends utilizing general purpose reserves, it urges the Legislature to do so with caution, as the state's reserves are insufficient to cover multiyear deficits, which average about $30 billion per year. These deficits will likely require ongoing spending reductions or revenue increases to manage. As a result, maintaining a substantial portion of reserves (the LAO suggests up to half) would provide a helpful cushion for anticipated revenue shortfalls in the near term.

As a reminder, the Governor and his Administration are putting final touches on his proposed 2024-25 state budget, due to be released by January 10, 2024.

LAO Report Highlights Transportation Revenue Impacts of California Climate Policies

The Legislative Analyst's Office **released a report** this week raising a red flag about the impending impacts of the state's efforts to reduce the carbon footprint from the transportation sector on transportation revenue sources. The key finding of the report was not unexpected: the adoption of zero-emission vehicles (ZEVs) will decrease the consumption of gasoline and diesel fuels, and consequently reduce the associated state tax revenues that currently provide about one-third of the revenue for the state and local multimodal transportation system.

Specifically, the LAO's analysis found, compared to current levels, that over the next decade the state's gasoline excise tax revenue will decline by $5 billion (or 64 percent), the diesel excise tax will decline by $290 million (or 20 percent), and diesel sales tax by $420 million (or 20 percent). The $100 annual ZEV registration fee established by SB 1 – the Road Repair and Accountability Act of 2017 – will offset some of the revenue losses, but only minimally. The LAO projects a net reduction in state transportation revenues of $4.4 billion (31 percent) over the next decade as compared to current levels.

The report details how the projected losses will impact specific state highway, transit, and local street and road projects. The LAO also discusses options for addressing the issue, including: (1) increasing existing fuel taxes and vehicle fees, (2) shifting transportation costs to other fund sources, (3) reducing and reprioritizing spending for transportation programs, and (4) generating revenues from new transportation-related charges (such as implementing a road charge or new taxes on alternative fuels). On the latter option, the LAO recommends that the Legislature monitor this issue closely in the coming years and to begin to develop a plan for how it will address impending declines in state transportation revenues.

Newsom Administration Staff Updates
On December 8, the Governor announced the appointment of Sarah Brooks as Chief Deputy Director for Health Care Programs at the Department of Health Care Services (DHCS). Ms. Brooks is returning to DHCS after three years of working as a Managing Director at Sellers Dorsey. Prior to that, she served at DHCS for eight years, as Deputy Director of Health Care Delivery Systems, Chief of the Managed Care Quality and Monitoring Division, and Chief of the Program Monitoring and Medical Policy Branch. She also worked at the California Association of Public Hospitals and Health Systems prior to state service. Ms. Brooks' first day will be on January 2, 2024.

DHCS also announced that going forward the Chief Deputy Director for Health Care Programs and State Medicaid Director will be two separate roles. The Chief Deputy Director for Health Care Programs will focus on internal program implementation and operations in our health care programs, whereas the State Medicaid Director will focus on Medi-Cal policy development and relationships with our external partners, including the federal Centers for Medicare & Medicaid Services (CMS). Recruitment efforts are ongoing for a State Medicaid Director.

On December 1, Secretary Ghaly also shared the news that Melissa Stafford Jones will be stepping down as Director of the Children and Youth Behavioral Health Initiative (CYBHI). She will be moving in the new year to serve as President & CEO of the Public Health Institute.

Dr. Sohil Sud will be the next Director of CYBHI. Dr. Sud is currently the Assistant Deputy Director at the California Department of Public Health (CDPH), where he oversees school health and chronic disease programs. He has experience as a pediatrician and Associate Clinical Professor at UCSF and was a key leader at CDPH during the pandemic on the Safe Schools initiative working across state government and with local school partners to provide policy guidance and support implementation practices for health and safety in California’s schools regarding COVID-19.