*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 21, 2024

## Summer Recess Looms; Much Work to Be Done!

The Legislature will begin its four-week summer recess upon adjournment on Wednesday, July 3. In the meantime, there are four major categories of activities – what we have coined The Big Bs – that policy makers need to contend with:

- **Bills**: All measures must move out of policy committee before July 3. Given the approximately 1,200 bills still in play, the next several weeks will feature long policy committee hearings, active engagement on behalf of stakeholders, and lots of behind-the-scenes negotiations on amendments. Once members return to Sacramento in August, the focus will shift to fiscal (i.e., Appropriations Committee) hearings. With a range of consequential legislative proposals still alive – many with considerable fiscal impacts, the Legislature will be challenged with making decisions about the most costly and complex bills in the context of ongoing budget deficits, upcoming elections, and the general priorities of legislators.
- **Budget**: Capitol observers continue to await the white smoke signaling a three-way deal between the Governor and two legislative leaders. It appears that the two major issues keeping the sides apart are the Managed Care Organization (MCO) tax and implementation of the $25 per hour healthcare minimum wage enacted in last year's SB 525 (Durazo). Very little publicly facing movement on landing a final 2024-25 spending plan was evident this week, with two budget committee hearings being quietly cancelled in recent days. The Legislature's two-party agreement (AB 107) was presented to the Governor on June 15, which kicks off the Governor's 12-day signing period. Keep in mind that if the Legislature intends to take action on additional budget measures by next Thursday, bills will have to be in print by Monday. Stay tuned!!!
- **Bonds** and **Ballot**: Lastly, we have the intersecting "Bs" of bonds and ballot. In recent months, the Legislature has been considering three potential bonds for the November ballot: resources (e.g., drought, flood, wildfire and sea level rise), affordable housing, and school facilities. Although nothing has been publicly announced, news reports suggest that only two of these bond measures will move forward, with investments in affordable housing drawing the short straw. Private conversations continue on the level of specificity – meaning how tightly the bond measure will describe eligible expenditures – as well as the amount of borrowing for each the public will be asked to authorize. The

Governor has been clear about his interest in limiting the overall number of measures put before the voters in November. In addition to the major news from early this week reported below, it is also possible that other measures may be removed from the ballot prior to the June 27 deadline. See more below!

## November Ballot Slims Down

The California Supreme Court unanimously ruled this week that the California Business Roundtable's "Taxpayer Protection Act" (TPA) must be removed from the November 2024 ballot. The Court ruled that the measure was a constitutional *revision* rather than a constitutional *amendment*. Constitutional revisions must be approved during a constitutional convention process, as opposed to putting the question to voters via initiative. The measure sought to (1) require voter approval for statewide taxes passed by the Legislature and (2) raise the voter approval threshold for some local taxes to two-thirds.

While the Court's decision essentially eliminates the opportunity for proponents to pursue the measure this year, TPA backers have said that they will return in 2026. Notably, this is the second time that the Court has removed a measure because it constituted a constitutional revision, rather than an amendment, in a pre-election challenge to a ballot measure. This week's decision has the potential to set a new precedent for pre-election challenges before the high court.

In other news, business and labor interests negotiated a deal that would reform the Private Attorneys General Act (PAGA), while removing a ballot measure to repeal the 2004 law from the November ballot. The agreement comes after many weeks of negotiations between proponents and labor organizations.

Finally, this week, Assembly Member Cecilia Aguiar-Curry introduced ACA 10, a measure that would amend the previously-approved ACA 1 by removing special taxes from the reduced vote requirement. If ACA 10 is enacted, the 55 percent vote requirement in ACA 1 would apply *only* to bond measures. Recent polling has indicated that the electorate is more likely to approve the reduced vote threshold for bonds, rather than bonds and special taxes.

The deadline for the Legislature to make changes to the November ballot or for proponents to remove measures is June 27.

## Covered California Board Digs In on Impacts of Federal Premium Subsidies

The Covered California Board met on June 20 to discuss and act on several items (agenda, meeting materials). The most interesting agenda item was a presentation on the federal Inflation Reduction Act. Passed in 2022, the Inflation Reduction Act provides enhanced federal premium subsidies for marketplace consumers; these subsidies are set to expire at the end of 2025. If subsidies are allowed to lapse, Covered California enrollees would experience substantial increases in their monthly premium costs. More than 150,000 middle-income consumers would no longer be eligible for subsidized coverage, and Californians would lose an estimated $1.7 billion in federal tax credits that lower premiums for 2025. Covered California staff provided an overview of the detailed data they recently released documenting the impact of the expiration of Inflation Reduction Act subsidies to consumers.

Highlights of the presentation include the following:

- Consumers with incomes less than 400% of the federal poverty level are estimated to see, on average, a $70 increase in monthly net premiums without the extension of Inflation Reduction Act Subsidies.
- Middle income consumers would no longer receive federal financial assistance and would pay the full premium cost. Currently, about 150,000 middle income Californians save an average of $345 per month in premium costs due to the Inflation Reduction Act. Otherwise, average premiums would run $700 to 900 per month.
- Under the Inflation Reduction Act, 28% of subsidy receiving enrollees are in $0 to $10 premium plans. If the subsidies were to expire, this level would drop to 7%, and approximately two-thirds of marketplace enrollees would pay over $100 per month.
- While enrollees across the state may face an increase in premium costs, some regions could be more impacted than others as highlighted below.

    - Counties such as Imperial, Humboldt, and Shasta would see average premiums more than double.
    - In Merced County, enrollee premiums are anticipated to increase up to 229%.
    - The heat map by county on slide 15 shows expected premium increase impacts by county; average net premium increases per member per month are expected to range from 48% to 229%.

Board members and the public found the presentation sobering. Displaying the information by dollar amount allows advocates and the public to contextualize premiums for people's monthly budgets. Advocates also appreciated the geographic look at the data. Policymakers will likely have to grapple with the end of the federal premium subsidies in the context of the 2025-26 state budget. Providers should also be aware of the expiration of the federal subsidies and what it may mean for the rates of uninsured in California.