Agenda Item 6
October 7, 2015

DATE: September 28, 2015

TO: Children and Families Commission of Orange County

FROM: Christina Altmayer, Executive Director

SUBJECT: Legislative Update

ACTION: Receive report on related legislative items

SUMMARY:
This agenda item provides an update on legislative actions being closely monitored by the First 5 Association and the Children and Families Commission of Orange County staff. As previously reported, the Legislature did not take any action related to proposed changes to tobacco tax, tobacco licensing or addressing the gap in health care financing. The Legislature's regular session ended on September 11, 2015. The special session can be convened again, although it is not known whether the Legislature will formally reconvene prior to January 2016.

DISCUSSION
This staff report provides an update on three related areas of legislative activity that are being closely monitored: Tobacco-related special session bills; Health Financing tax alternatives; and Child-related ballot initiatives filed for 2016.

Tobacco-related special session bills
A package of six tobacco-related special session bills failed passage in the Assembly. It is unclear whether lawmakers will revisit tobacco regulation in the special session or reintroduce similar legislation as part of the regular session in 2016. The proposals included increases in the tobacco tax, placing increased restrictions on e-cigarettes similar to tobacco, and imposing increased licensing fees on distributors and retailers of tobacco products. At least two different tobacco related initiatives have been filed for 2016 and both include backfill provisions for Proposition 10. As reported at the September meeting, the Joint Legislative Audit Committee (JLAC) approved an audit of the State Board of Equalization (BOE) administrative charges against Proposition 10. The audit is expected to be completed by March 2016 and will inform any future action by the Legislature. Staff will continue to monitor the progress of the audit.

Health Financing Special Session
The goals of the special session are to find a permanent funding source to cover the costs of $1.1 billion for the Medi-Cal program, fund the seven-percent restoration in hours in the In Home Supportive Services program past the current budget year, and fund rate increases for Medi-Cal providers and disability services. The most likely source of revenue is a revised Managed Care Organization (MCO) tax that would conform to new parameters required by the federal government. California's current MCO tax expires June 30, 2016 and was deemed inconsistent with federal requirements, thereby placing federal Medi-Cal match funding at risk. If the Legislature does not complete the task by January 2016, the Administration will likely reflect a $1 billion deficit in

the Medi-Cal budget in the governor's budget proposal.

Child Related Ballot Initiatives Filed for 2016
In addition to the tobacco-related initiatives filed for the 2016 ballot, two recent ballot initiatives have been filed which related to funding for children' services:

Invest in California's Children Act **-** The California Hospital Association, the Service Employees International Union, United Healthcare Workers West, and Common Sense Kids Action have submitted initiative language to the Attorney General for title and summary with the intent of placing the initiative on the statewide ballot in November 2016. The proposal, would make permanent the higher income taxes set by Proposition 30, which are currently scheduled to expire at the end of 2018, but allow the quarter-cent sales tax hike to expire. The proposal would also set higher levies for households earning more than $2 million a year. Revenue from the taxes is estimated at $10 billion per year dedicated as follows:

- 5 percent for K-12 schools
- 5 percent for community colleges
- 10 percent for early childhood programs
- 40 percent for Medi-Cal.

Lifting Children and Families Out of Poverty Act – This proposal would create state funding to support a series of different program expansions related to addressing child poverty, including home visitation and preschool. The plan is funded through a surcharge on real property, including commercial and residential property, valued at over $3 million on the current tax roll. The measure would set up a number of segregated funds to achieve its goals. Beginning in fiscal year 2017/18, the measure proposes a .3-percent surcharge on assessed value between $3 million and $5 million; on property valued between $5 and $10 million the charge will be .6-percent; over $10 million the charge is scheduled at .8-percent. The new taxes would be effective for 20 years.

Commission staff will continue to monitor relevant legislative activity and provide regular updates to the Commission. The First 5 Association provides significant support to county commissions in tracking related legislative actions.

STRATEGIC PLAN & FISCAL SUMMARY:
No impact on the Commission's Strategic or Annual Budget.

PRIOR COMMISSION ACTIONS
- September & July 2015 – Received report on Legislative actions regarding the Board of Equalization's increasing administrative fees

RECOMMENDED ACTION:
Receive legislative update report and provide direction to staff.

Contact: Christina Altmayer