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CALIFORNIA STATE SENATE

COMMITTEE ON BUDGET AND FISCAL REVIEW

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Agenda

May 2, 2023

9:30 a.m. – 1021 O Street, Room 1200

<u>BILL</u>	<u>AUTHOR</u>	<u>SUBJECT</u>
1) AB 100	Ting	Budget Acts of 2021 and 2022
2) AB 110	Committee on Budget	Early Childcare and Education
3) AB 111	Committee on Budget	Personal Income Tax Law: Exclusion: Student Loan Debt
4) AB 112	Committee on Budget	Distressed Hospital Loan Program
5) AB 113	Committee on Budget	Agricultural Labor Relations

SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW

Senator Nancy Skinner, Chair
2023 - 2024 Regular

Bill No:	AB 100	Hearing Date:	May 2, 2023
Author:	Ting		
Version:	April 28, 2023 As amended		
Urgency:	No	Fiscal:	Yes
Consultant:	Elisa Wynne		

Subject: Budget Acts of 2021 and 2022

Summary: This bill amends the 2022 Budget Act (Chapters 43, 45, and 249, Statutes of 2022) to make changes necessary to implement a mid-year budget package. It also makes clarifying changes to one section of the 2021 Budget Act related to legislative priorities.

Proposed Law: Specifically this bill:

- 1) Provides \$15.4 million in additional funding to CalRecycle for clean-up and debris removal associated with the McKinney fire in Siskiyou County.
- 2) Makes technical and clarifying changes to legislative priorities appropriated in the 2022 and 221 budget acts.
- 3) Clarifies the allowable use of funding provided to the Tahoe and Baldwin Hills Conservancies in the 2022 budget.
- 4) Extends the encumbrance period for funding provided for the St. Paul's Program for All-Inclusive Care for the Elderly in the 2022 budget.
- 5) Allows funding provided in 2022 for early care and education family fee waivers to be available until September 30, 2023.
- 6) Adjusts and clarifies allowable administrative cost levels for the State Water Efficiency and Enhancement Program operated by the Department of Food and Agriculture.

Fiscal Effect: This bill includes funding for unexpected state costs from the McKinney fire that occurred in the current fiscal year. This bill also helps facilitate the continuation of the early care and education family fee waiver until September 30, 2023 by including funds for three additional months. In addition, this bill makes technical changes to a variety of items.

While this bill amends sections for legislative priorities contained in the 2021-2022 Budget Act, there is no change to any of the funding amounts for these items.

Support: None on File

Opposed: None on File

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SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW

Senator Nancy Skinner, Chair

2023 - 2024 Regular

Bill No:	AB 110	Hearing Date:	May 2, 2023
Author:	Committee on Budget		
Version:	April 28, 2023 As amended		
Urgency:	No	Fiscal:	Yes
Consultant:	Yong Salas and Elizabeth Schmitt		

Subject: Early childcare and education

Summary: This bill provides for statutory changes necessary to enact the child care statutory provisions of the Budget Act of 2022.

Proposed Law: This bill makes statutory changes to implement the 2022-23 Budget Act. Specifically, this bill:

- 1) Reappropriates one-time federal funds for child care from the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSA), which are required under federal law to be expended by September 30, 2023.
- 2) Provides an additional, temporary rate supplement for all state-subsidized child care and preschool programs, including all child care programs administered by the Department of Social Services (DSS), and the California State Preschool Program, administered by the Department of Education (CDE).
- 3) Authorizes DSS and CDE to extend the family fee waiver from July 1, 2023 to September 30, 2023 for all child care full day preschool programs.

Support: None on file.

Opposed: None on file.

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SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW

Senator Nancy Skinner, Chair
2023 - 2024 Regular

Bill No:	AB 111	Hearing Date:	May 2, 2023
Author:	Committee on Budget		
Version:	April 28, 2023 As amended		
Urgency:	No	Fiscal:	Yes
Consultant:	Elisa Wynne		

Subject: Personal Income Tax Law: exclusion: student loan debt: discharge of fees: higher education emergency grants

Summary: This budget trailer bill makes necessary changes to personal income tax law to implement the Budget Act of 2022 and to clarify that student loan debt relief and other pandemic relief provided to students through post-secondary education institutions would not be taxed as personal income.

Proposed Law: Specifically this bill would:

- 1) For taxable years beginning on or after January 1, 2021, and before January 1, 2026, excludes from an individual's gross income the amount of certain student loans discharged, in whole or in part, after December 31, 2020, and before January 1, 2026, in conformity with exclusions in existing federal law.
- 2) For taxable years beginning on or after January 1, 2022, and before January 1, 2027, excludes from an individual's gross income, any amount relating to the discharge of unpaid fees due or owed by a student pursuant to existing law that authorizes the Chancellor of the California Community Colleges to discharge unpaid fees due or owed by a student to a community college district.
- 3) For taxable years beginning on or after January 1, 2020, and before January 1, 2028, excludes from an individual's gross income specified higher education emergency grants received by a student in postsecondary education, as specified. Existing federal law authorizes various specified higher education emergency grants to support students and higher education institutions with expenses and financial needs related to the COVID-19 pandemic.
- 4) Appropriates \$20,000 General Fund to the Franchise Tax Board for the purpose of administering the provisions of this bill.
- 5) Requires reporting from the Legislative Analyst's Office on the number and total dollar amount of individuals benefiting from the provisions of this bill by November 1, 2028, to the extent data is available.

Fiscal Effect: This bill provides statutory clarification that California's tax treatment for loan forgiveness will conform to that of the federal government. The state did not project or anticipate that individuals receiving federal student loan forgiveness would be taxed by the state, and the baseline revenue estimates for the 2023-24 budget do not assume revenue from the federal loan forgiveness program. If the state had intended to tax this

forgiveness as income, the impact could have been as much as \$850 million in 2023-24 and \$450 million in 2024-25. This bill clarifies that the State will conform to federal tax treatment of the loans, and no impact on the revenues has been assumed in the Governor's 2023 budget proposal.

The fiscal impact of excluding fee waivers and other post-secondary pandemic relief from taxable income is estimated to be minor, but potentially up to the low tens of millions. In, addition, this bill appropriates \$20,000 in General Fund for the Franchise Tax Board to implement the program.

Support: None on File

Opposed: None on File

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SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW

Senator Nancy Skinner, Chair

2023 - 2024 Regular

Bill No:	AB 112	Hearing Date:	May 2, 2023
Author:	Committee on Budget		
Version:	April 28, 2023 As amended		
Urgency:	No	Fiscal:	Yes
Consultant:	Scott Ogus		

Subject: Distressed Hospital Loan Program

Summary: This bill establishes the Distressed Hospital Loan Program, to provide interest free cashflow loans to not-for-profit and public hospitals in significant financial distress, or to governmental entities representing a closed hospital, and authorizes a General Fund transfer to support the program from General Fund savings to be identified in the 2022 Budget Act.

Proposed Law: This bill establishes the Distressed Hospital Loan Program, to support not-for-profit or public hospitals in financial distress to remain in operation, or to reopen closed hospitals. Specifically, this bill:

- 1) States the intent of the Legislature to find offsetting statewide General Fund savings to support costs associated with the Distressed Hospital Loan Program.
- 2) Establishes the Distressed Hospital Loan Program, administered by the Department of Health Care Access and Information (HCAI) under an interagency agreement with the California Health Facilities Financing Authority (CHFFA), to provide interest free cashflow loans to not-for-profit and public hospitals in significant financial distress, or to governmental entities representing a closed hospital, to prevent the closure or facilitate the reopening of those hospitals.
- 3) Requires HCAI to establish a methodology to evaluate a hospital's eligibility for a loan, in collaboration with the Department of Health Care Services (DHCS), Department of Managed Health Care (DMHC), and Department of Public Health (DPH).
- 4) Requires the methodology to consider whether the hospital is:
 - a) in financial distress, as determined by the department;
 - b) small, rural, or a critical access hospital;
 - c) a trauma center;
 - d) an urban hospital providing access for an underserved area;
 - e) a hospital that serves a disproportionate share of Medi-Cal patients;
 - f) a hospital that serves a rural catchment area;
 - g) publicly owned; or
 - h) at risk of significantly impacting access to services in the region were it to close.

- 5) Allows the methodology to also consider a hospital's prior and projected performance on financial metrics.
- 6) Requires a hospital to provide a plan to CHFFA and HCAI detailing how the hospital proposes to return to financial viability and continue to operate as a hospital.
- 7) Requires HCAI to verify the plan is likely to help the hospital regain financial viability and continue operating as a hospital, prior to issuing a loan.
- 8) Prohibits loans to not-for-profit hospitals and public hospitals that belong to integrated health care systems with more than two separately licensed hospital facilities.
- 9) Authorizes HCAI to impose service provision requirements on the hospital in approving, and for the duration of, loans, which must consider the impact of changes in a hospital's service delivery on access to necessary medical care, particularly for Medi-Cal beneficiaries.
- 10) Requires a hospital that receives a loan to begin repayment after 18 months, and discharge the loan within 72 months of the date of the loan.
- 11) Authorizes HCAI and CHFFA to securitize cashflow loans against Medi-Cal reimbursements to the hospital, to the extent permissible under federal rules.
- 12) Authorizes an application and approval process for loan forgiveness or modification of the terms of the loan.
- 13) Requires, prior to loan forgiveness or modification of loan terms, approval by the Department of Finance and notice to the Joint Legislative Budget Committee and relevant policy and fiscal committees of the Legislature.
- 14) Establishes the Distressed Hospital Loan Fund, continuously appropriated to support the Distressed Hospital Loan Program.
- 15) Authorizes the Department of Finance to transfer up to \$150 million of General Fund expenditure authority to the fund.
- 16) Authorizes HCAI and CHFFA to require any hospital receiving a loan to provide an independent financial audit in any fiscal year in which a loan is outstanding.
- 17) Expands hospital financial and utilization data submission requirements to include:
 - a) Quarterly balance sheet reporting detailing assets, liabilities, and net worth of the hospital; and
 - b) Revenue and utilization attributable to patients with commercial coverage, including total inpatient gross revenues, total outpatient gross revenues, total

net patient revenues, total number of inpatient days, total number of outpatient visits, and total number of discharges.

- 18)Deletes obsolete reporting and data availability requirements covered by other existing statutory authority.
- 19)Exempts implementation of the Distressed Hospital Loan Program from state public contracting laws and regulations.
- 20)Abolishes the Distressed Hospital Loan Fund as of December 31, 2031, and sunsets the Distressed Hospital Loan Program as of January 1, 2032.

Fiscal Effect: Establishes the Distressed Hospital Loan Program Fund, to be continuously appropriated, without regard to fiscal years, to HCAI to administer the Distressed Hospital Loan Program. Authorizes the Department of Finance to transfer up to \$150 million of General Fund expenditure authority to the fund in 2022-23 and 2023-24 to support the program.

Support: None on file.

Opposed: None on file.

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SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW

Senator Nancy Skinner, Chair

2023 - 2024 Regular

Bill No:	AB 113	Hearing Date:	May 2, 2023
Author:	Committee on Budget		
Version:	April 28, 2023 As amended		
Urgency:	Yes	Fiscal:	Yes
Consultant:	Christopher Francis		

Subject: Agricultural labor relations

Summary: This bill makes necessary changes to implement labor, workforce, and employment provisions adopted as a part of the Budget Act of 2023.

Background: Existing law provides that agricultural employees have the right to form, join, assist labor organizations, and to bargain collectively through representatives of their own choosing with respect to rates of pay, wages, hours of employment, or other conditions of employment. Prior to AB 2183 (Stone), Chapter 673, Statutes of 2022, the union election process for agricultural workers was done exclusively through secret ballot elections overseen by the Agricultural Labor Relations Board (ALRB). Generally, a union who wishes to represent the agricultural workers of an employer can submit a petition to the ALRB with a number of signatures equal to at least 50 percent of the peak agricultural employment of that employer. If the union meets this threshold, a secret ballot election must commence within seven days. The ALRB oversees this process and investigates any allegations from the employees or the employer about election impropriety; the ALRB is also empowered to certify or decertify labor unions based on its findings about election tampering.

Adoption of AB 2183. In August of 2022, the Legislature passed AB 2183. The bill provides two additional pathways for agricultural workers to select a union representative:

- 1) Through mail-in ballots (referred to as a labor-peace election). In the mail-in ballot / labor peace election process, the employer agrees to make no statements for or against union representation to its employees. Then, agricultural employees may make a choice regarding union representation through a mail ballot election without holding a polling place election. The employees or the union would request voting kits issued by the ALRB that would contain voting instructions for participating in a mail ballot election. The ALRB would verify the validity of the petition for representation and the supporting mail ballots, such as comparing the names on the mail ballots submitted by the labor organization to the names on the list of currently employed employees provided by the employer, before certifying the collective bargaining representative.
- 2) By “cardcheck” (referred to as non-labor peace election). Through the “card-check” / non-labor peace election, the employer does not agree to make statements for or against union representation to its employees. In this process, a union may submit proof of majority support, through authorization cards or

petitions, demonstrating majority support of currently employed employees determined from the employer's payroll. Upon receipt of the proof of majority support, the ALBR verifies the validity of the petition before certifying the collective bargaining representative.

Supplemental Agreement Accompanying AB 2183. In September 2022, Governor Newsom signed AB 2183, and announced that the Governor, the United Farm Workers, and the California Labor Federation agreed on clarifying language to be made to the enacted law to address concerns around implementation and voting integrity. This agreement was memorialized in a published letter and a supplemental agreement language. The supplemental agreement are the provisions contained within this trailer bill legislation.

Proposed Law: This bill makes statutory changes to implement the labor, workforce, and employment provisions of the 2023-24 budget related to agricultural employees collective bargaining. Specifically, this bill:

- 1) Eliminates the option to conduct union elections using mail-in ballots.
- 2) Retains the option to conduct union elections via the "card-check" system, now called the "Majority Support Petition." Similar to the original provisions of AB 2183, a Majority Support Petition is submitted by a union wishing to represent employees to the ALRB, accompanied by proof of majority support through petition cards, petitions, or other appropriate proof.
- 3) Limits the number of card-check / Majority Support Petition elections that result in the certification of a labor organization to 75 certifications.
- 4) Sunsets on January 1, 2028. On that date, Majority Support Petitions would no longer be an available option for union elections. Of note, the original provisions of AB 2183 are also scheduled to sunset on January 1, 2028.

Fiscal Effect: This bill is a budget trailer bill within the overall 2023-24 budget package to implement actions related to labor, workforce, and employment.

Support: None on file.

Opposed: None on file.

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