



July 9, 2024

TO: State Association of County Retirement Systems
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RE: Legislative Update – July 2024

State Capitol Update

On July 3rd, the Legislature adjourned for their summer recess, after passing a budget, and several initiative measures for the November general election ballot. This date also marked the calendar deadline for policy committees to hear bills. With over 2600 bills introduced this session, only a fraction remains active. The state's budget woes forced committees to either pare down or completely stall a good portion of bills this year. When the Legislature returns on August 5th, Appropriations Committees will take up the remaining measures and the Assembly and the Senate will have until August 31st to hear all remaining bills before they adjourn for the 2023-24 legislative session.

Budget

On June 26th, the Legislature passed a budget agreement that was subsequently signed by the Governor on the 29th. This deal represents a compromise between both legislative leaders and the Governor after weeks of negotiations. The \$297 billion spending plan addresses the \$56 billion revenue gap over the next two years. This plan relies on reserves, spending deferrals and claw backs of unappropriated funds. In addition, the plan includes \$16 billion in cuts, including a blanket 7.95% reduction in funding for nearly all state departments and the elimination of thousands of vacant positions, which are collectively expected to save nearly \$3.7 billion.

The Governor and legislative leaders focused their budget on core program priorities, including an expansion of Medi-Cal, behavioral health programs and homelessness funds for local governments. The budget deal also outlines future legislation that will require the state to set aside a portion of future projected surpluses so that it cannot be spent until the money is collected – addressing some of the key structural budget issues the state has faced. The package also includes a 2026 constitutional amendment to increase California's main reserve account.

In addition, the state plans to use its rainy-day fund, pulling out more than \$12 billion over the next two years to address the fiscal shortfall. The budget agreement will also suspend the net operating loss for companies with more than \$1 million in taxable income and limit business tax credits to \$5 million annually.



Initiatives

The Legislature is also putting priority issues before the voters this November. Voters will decide on ten ballot measures (several more were pulled from the ballot at the last minute). In addition, one measure that we have previously reported on – the Business Roundtable sponsored Taxpayer Protection and Government Accountability Act- was pulled from the ballot by the California Supreme Court. This measure would have increased the voter threshold for state, local governments and agencies to raise taxes and revenues. On June 20th, the Court unanimously voted to reject the measure from going to the ballot, citing the proposed language as unconstitutional.

The following are the Initiatives that will go before voters in November:

- Prop 2 – A \$10 billion bond to build schools - \$8.5 billion going to K-12 schools and the remainder to community colleges
- Prop 3 – Reaffirm the right of gay couples to marry
- Prop 4 – A \$10 billion climate bond for water, wildfires and other climate initiatives
- Prop 5 – Lower voter approval thresholds for local housing and infrastructure bonds
- Prop 6 – Limit forced labor in prisons
- Prop 32 – Raise the state minimum wage to \$18/hour
- Prop 33 – Allow local governments to impose rent control
- Prop 34 – Require certain health providers to use nearly all revenue from a federal prescription drug program on patient care
- Prop 35 – Create a permanent tax on managed care health plans
- Prop 36 – Increase penalties for theft and drug trafficking

SACRS Bill Tracking:

- **SB 1189 (Limon)** – This bill authorizes the Ventura County Employees' Retirement Association to appoint a Chief Technology Officer. Status: This bill was enrolled on 7/2 and is awaiting action by the Governor.
- **AB 2284 (Grayson)** – The bill amends the definition of “compensation earnable” to define a work classification “grade” to mean a number of employees considered together because they share similarities in job duties, schedules, unit recruitment requirements, work location, collective bargaining unit, or other logical work-related grouping. The bill was amended on 6/27 to include a provision that requires the Board of Supervisors to pass a resolution to allow for the language to become operational within the jurisdiction. The SACRS Board will be taking this bill



up for a position at their July 18th Board meeting. Status: This bill passed out of the Senate Labor, Public Pension and Retirement Committee and is awaiting action on the Senate Floor.

- **AB 2301 (Nguyen)** – This bill, the Sacramento Area Sewer District Pension Protection Act of 2024, provides for the continuation of benefits and pension obligations for employees transferring from the County of Sacramento to the Sacramento Area Sewer District. Status: This bill was signed by the Governor on 7/2.
- **AB 2474 (Lackey)** – This is a SACRS-sponsored bill and was amended in Committee to allow LACERA-only to deposit retirement allowances into prepaid accounts until January 1, 2028, as a pilot program. The bill also provides clarity regarding the ability of a system to deposit pension payments in a member's living trust bank account. The bill also clarifies potential consequences when a retiree exceeds the 960-hour post-retirement employment limit and provides systems with administrative flexibility on that matter. This bill was enrolled on 7/3 and is awaiting action by the Governor.
- **AB 2770 (Committee on Public Employment and Retirement)** – This is the annual housekeeping bill that includes various technical amendments for CalPERS, CalSTRS, and '37 Act systems. SACRS is a co-sponsor of the bill. The bill removes the "return receipt" requirements as part of current procedures in statute that systems must follow to locate members and beneficiaries. The bill also conforms the sunset date of January 1, 2025, to the Labor Code for the recently added disability presumption for post-traumatic stress disorder. Status: This bill was enrolled on 6/25 and is awaiting action by the Governor.
- **AB 3025 (Valencia)** – This bill creates a framework for making benefit corrections and contribution refunds when disallowed compensation is inadvertently included in pension calculations. This bill includes a penalty to be paid by the employer to the member if compensation is later determined to be disallowed. The bill also includes language that is intended to protect a system's *Alameda* correction process currently underway. The SACRS Legislative Committee is working with the bill's author and sponsor to ensure '37 Act systems can properly implement the bill, consistent with IRS regulations. The bill was amended on 6/27 to expressly state that confidential information is not subject to the California Public Records Act. Status: The bill passed out of the Senate Labor, Public Employment and



Retirement Committee and the Senate Judiciary Committee and is awaiting action on the Senate Floor.

SACRS is also monitoring the following bills that do not impact the '37 Act systems but are of interest:

- **SB 252 (Gonzalez)** – This bill prohibits CalPERS and CalSTRS from making new investments in a fossil fuel company and requires those systems to divest from fossil fuel companies by July 1, 2031, unless the board determines in good faith that the action is inconsistent with the board's fiduciary responsibilities. Status: Dead. This bill was not taken up by the Assembly Public Employment and Retirement Committee.
- **SB 537 (Becker)** – This bill provides flexibility for local government agencies to conduct remote meetings under Open Meeting laws and exempts multijurisdictional, cross county local agencies from certain Brown Act provisions. Status: Dead. This bill was amended into a different measure unrelated to Open Meetings laws.
- **AB 817 (Pacheco)** -. The bill would have provided flexibility for local government agencies to conduct remote meetings under Open Meeting laws. Specifically, this bill would have allowed a subsidiary body of a local agency to teleconference their meetings without having to publicly notice or make all locations publicly available. Status: Dead. This bill did not pass out of the Senate Local Government Committee.
- **SB 1240 (Alvarado-Gil)** – This bill provides for the continuation of pension benefits for employees of El Dorado County Fire Protection District and the Diamond Springs Fire Protection District under a new consolidated district. Status: This bill passed out of the Assembly Public Employment and Retirement Committee and is now awaiting action on the Assembly Floor.
- **AB 2715 (Boerner)** – This bill allows a legislative body to discuss a threat to critical infrastructure controls or critical infrastructure information relating to cyber security during a closed session. Status: This bill passed out of the Senate Judiciary Committee and is awaiting action on the Senate Floor.