



September 1, 2012

Big Issues Tackled in Closing Night of 2011-12 Legislative Session

Closing down in the early morning hours after more than 15 hours of floor debate and a smattering of committee hearings, the California Senate and Assembly wrapped up their work for the 2011-12 session. Facing an ambitious and weighty list of policy issues in its final week of session, the Legislature dealt with topics ranging from college scholarships to workers' compensation and cap and trade to public pensions reform. We will be issuing a round-up of end-of-session action on Tuesday in *The CSAC Bulletin*, which will detail the disposition of dozens of key bills over the last several weeks. In the meantime, we have summarized the principal measures of interest to counties that the Legislature voted on in the last 24 hours.

Diversion of 2011 Realignment VLF Revenue

AB 1098, by Assembly Member Carter, is a rehash of SB 1566, which died on the Senate Appropriations suspense file earlier this year. It diverts VLF money to cities that either incorporated or annexed land since 2005. As this amount grows, it will cut into the VLF money that would otherwise flow to 2011 Realignment, specifically to the public safety subventions funded as part of that deal. Putting this promised money in jeopardy, especially in the early stages of 2011 Realignment, is a cause of great concern. CSAC worked hard with the proponents of this measure this spring to fund the newly incorporated cities without also extending an open-ended benefit to any new incorporations and annexations in the future. The language was amended into AB 1098 late Thursday night, then passed the Senate on Friday and the Assembly in the early hours of Saturday morning.

Pension Reform

The Legislature passed AB 340 (Furutani) and AB 197 (Monning), two bills to enact the California Public Employees' Pension Reform Act of 2013. AB 340 makes several changes to the pension benefits that may be offered to employees hired on or after January 1, 2013, including, setting as new maximum benefit, a lower-cost pension formula for safety and non-safety employees with requirements to work longer in order to reach full retirement age and a cap on the amount used to calculate a pension. Among other things, AB 340 also enacts pension spiking reform, requires 3-year averaging of final compensation, and provides counties with new authority to negotiate cost-sharing agreements with employees. AB 340 also contains limitations on the use of retired annuitants, requiring that an annuitant have a six month break in service prior to returning to work. Public safety officers and firefighters are exempted from the annuitant restrictions and a county could bring a retiree back to work, if approved by the Board of Supervisors in a public meeting. AB 197 contains corrections to two drafting errors discovered in AB 340. A full list of the provisions of AB 340 can be found [here](#). CSAC will prepare a more detailed analysis in the coming days.

Workers' Compensation Reform

SB 863 (de León) is the workers' compensation reform bill negotiated by labor organizations and several large employers that will increase permanent disability benefits by 30 percent for injured workers while reducing litigation and frictional costs within the workers' compensation system. Among other things, the bill specifically eliminates the adjustment factor for diminished future earning capacity as well as add-ons of ratings for sleep disorders, sexual dysfunction and psychiatric disorders; implements an independent medical review process to reduce ongoing medical disputes; and requires the production of non-medical fee schedules. Recent amendments establish a program within the Workers' Compensation Administration Revolving Fund for the purpose of making supplemental payments to workers whose permanent disability benefits are too low in comparison to their lost earnings. The eligibility and payment amounts for the fund would be determined through future Department of Industrial Relations regulations and access to the funds would take place through an application process. CSAC will provide a detailed analysis of SB 863 next week in *The CSAC Bulletin*.

Cap and Trade

AB 1532, Assembly Speaker John Pérez's Cap and Trade bill, passed off the Senate Floor tonight and is on its way to the Governor for signature. This bill would establish the eligible uses of revenues generated from the Cap and Trade auction of emissions allowances authorized under Assembly Bill 32. CSAC took a support position on the bill and was able to negotiate amendments that support the expenditure of auction revenues on local government investments in a variety of different sectors, including transportation, housing, infrastructure, local and regional sustainable development efforts, natural resource management programs, flood protection, sustainable agriculture, urban greening, and open space programs.

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