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Governmental Relations & Legislative Advocacy

To: All CLEARS Members

From: Nick Warner, Partner, Nick@warnerandpank.com
Danielle Sanchez, Managing Director, Danielle@warnerandpank.com
Alyssa Silhi, Legislative Analyst, Alyssa@warnerandpank.com

Date: December 1, 2014

Re: Legislative Update

Today, the California Legislature convened for the 2015-16 legislative session. The newly elected legislative class includes 10 freshman Senators and 27 freshman Assembly Members. Their meeting is largely ceremonial in nature as the majority of legislative work will begin, in earnest, in January. The focus of convening in December is mostly operational and serves as an opportunity for new legislators to attend trainings, hire and finalize staffing, and coordinate other logistics in preparation for January.

New Legislative Leadership

Both the Senate and Assembly have new leadership as term limits bring the legislative careers of Senator Darrell Steinberg (D-Sacramento) and Assembly Member John Perez (D-Los Angeles) to a close. The new Senate President pro Tempore Kevin de Leon (D-Los Angeles) is the first Los Angeles resident to lead the Senate in two decades. The Pro Tem has been a proponent of immigration rights and investing in youth education and services.

The Speaker of the Assembly is now Toni Atkins (D-San Diego). Speaker Atkins has been vocal about a legislative agenda that focuses on building affordable housing, increasing enrollment in the state's higher education systems, and restoring more services cut during the state's recent budget woes. The Speaker has already announced her [leadership team](#), which includes four of the newly elected freshman legislators.

Projected Fiscal Outlook

As 2014 nears to a close, a number of finance and fiscal reports are being released in anticipation of the Governor's announcement of his January proposed budget for the 2015-16 Fiscal Year. In general, the economy is reflecting recovery and revenues are looking better than previous years. This, of course, means that there will be additional pressures on spending in the Legislature, but

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1415 L Street, Suite 1000 ▪ Sacramento, CA 95814

Tel: (916) 443-7318 ▪ Fax: (916)446-4318 ▪ www.warnerandpank.com

the Governor has been steadfast in his commitment to spend prudently. Further, with the passage of Proposition 2, the “Rainy Day Budget Stabilization Fund Act,” the State will be required to put aside at least 1.5 percent of the general fund each fiscal year. This proposition was a constitutional amendment put on the ballot with bipartisan support and is intended to use half of the money in a “rainy day” account to mitigate economic downturns with the other half reserved for paying debts and other obligations (e.g. retirement benefits).

The California Department of Finance’s [November Finance Bulletin](#) reflects steady improvements in state revenue. They reported year-to-date revenues that exceed projections by \$1 billion, with General Fund cash for October \$719 million higher than the 2014-15 Budget Act forecasted.

The Legislative Analyst’s Office (LAO) released [The 2015-16 Budget: California’s Fiscal Outlook](#). They project California will close the 2015-2016 budget year with \$4.2 billion in reserves, which includes \$1.6 billion in pre-Proposition 2 rainy day funds, \$641 million in the state’s traditional budget reserve - both possibly accessible to the Legislature by a simple majority vote - and \$2 billion deposited in 2015-16 rainy day funds under the new Proposition 2 reserve rules, accessible to the Legislature only by a Governor declared budgetary emergency that meets specified criteria.

LAO Report on Court-Ordered Debt Collection

The Legislative Analyst’s Office (LAO) recently released a report, [“Restructuring the Court-Ordered Debt Collection Process,”](#) that reviews the collections processes for court-ordered debt and makes a number of recommendations on restructuring. The LAO recommends realigning the current court-ordered debt collection process to trial courts, piloting a new collections incentive model, and improving data collection to enable comprehensive evaluations of the performance of collection programs.

The Year Ahead

Although Democrats will comfortably maintain the majority in both houses, they have lost the 2/3 supermajority they formerly held. That said, the practical result of this may not be overtly tangible. Both the Assembly and Senate Democrat caucuses have had decent numbers of moderate members recently, and the Senate has been operating with only 25 Democrats total due to the suspension of Senators Calderon, Wright, and Yee. In reality, the 2/3 majority has been largely symbolic as numerous factors have kept Democrats from completely marginalizing Republican legislators, and challenging issues often require compromise or face defeat. Democrats will start the new session with a 52-28 majority in the Assembly and a 26-14 majority in the Senate.

Additionally, due to positive fiscal projections noted above, we anticipate that the budget will continue to make investments in existing programs with the discussion to likely center more so around the expansion of programs and funding for new services, particularly in education and health and human services.