

ALAMEDA COUNTY BOARD OF SUPERVISORS' PERSONNEL/ADMINISTRATION/LEGISLATION COMMITTEE

Monday, May 12, 2025

1:30 p.m.

Supervisor Lena Tam, Chair
Supervisor Nikki Fortunato Bas

Location: *Board of Supervisors Chamber – 5th Floor*
County Administration Building
1221 Oak Street, Oakland, CA 94612

Summary/Action Minutes

I. Federal Legislative Update – CJ Lake

Schedule

The House and Senate are both in session this week. Legislative activity is ramping up across both chambers with the House Ways & Means, Energy & Commerce, and Agriculture Committees all expected to hold reconciliation mark ups this week. Additionally, a number of House and Senate committees will hold hearings on the FY26 budget request.

Reconciliation

This week, several House committees are expected to begin markups on the Republican reconciliation package, currently titled the “Renewing the American Dream Act.” Energy and Commerce, Ways and Means, and Agriculture Committees are slated to consider their legislative text. Committee work was delayed by one week to allow for additional internal negotiations.

Over the weekend, Ways & Means released a shell bill. The draft legislation focuses on making several provisions from the 2017 Tax Cuts and Jobs Act permanent, including:

- Extended individual income tax brackets and standard deduction.
- Increased and indexed Child Tax Credit through 2028.
- Permanence of the 20% qualified business income deduction (Section 199A).
- Permanent increase to estate and gift tax exemption levels.
- Continued tax exemption for student loan discharges due to death or disability.
- Retirement-related adjustments, including 529-to-ABLE account transfers.
- Special tax treatment extensions for military personnel in Kenya and Jordan.

The updated bill would impose a special tax on university endowments, eliminate clean energy tax credits created or expanded by the Inflation Reduction Act, and make it more difficult for undocumented immigrants to claim tax credits. The bill would also create new tax breaks that President Donald Trump campaigned on for overtime pay, car-loan interest, and tips. The bill would also give seniors an additional tax deduction, in place of a special tax break on social security income, and extend several breaks set to expire at the end of the year.

Debate continues around the state and local tax (SALT) deduction, with Members seeking consensus on income thresholds and caps. SALT Republicans have indicated they oppose lifting the cap to \$30,000 with an income phase-down above \$400,000. A cost estimate for the tax section has not yet been produced by Ways & Means.

Last night, the House Energy and Commerce Committee released its draft, which notably includes changes to a series of major health care provisions focused on structural changes to Medicaid. Key elements include:

- Work requirements for Medicaid beneficiaries between the ages of 19 to 64. (To take effect January 1, 2029).
- Moratorium on new State Direct Payments that exceed the Medicare rate.
- Moratorium on new or increased provider tax.
- Reduce FMAP for expansion population for states that cover undocumented immigrants with state funds. (This will impact 12 states including California and Washington, DC and would begin October 1, 2027)
- Places cost sharing requirements on Medicaid beneficiaries who became eligible under expansion.
- Budget neutrality requirement for Medicaid 1115 waiver demonstration projects.
- Delays implementation of Biden-era Medicaid eligibility renewals.

The committee was tasked with cutting approximately \$880 billion in federal outlays, and early estimates from the Congressional Budget Office estimate that the proposals would reduce the deficit by \$912 billion between 2025 and 2034. However, the CBO also projects that the impacts on Medicaid would likely lead to 8.6 million people becoming uninsured by 2034. At least \$715 billion of the proposed savings would come from impacts in healthcare, per the CBO's preliminary estimates.

Purpose:

- ☐ Report progress
- ☐ Advocacy or Education
- ☐ Request PAL Committee Recommendation or Position
- ☒ **Other: Federal Legislative Update**

II. State Legislative Update

Legislative Deadlines

Last week was the deadline for policy committees in both the California State Assembly and Senate to hear and report non-fiscal bills introduced in their respective houses. Bills that advanced by the May 9th cutoff will now proceed to their next stages in the legislative process. The Appropriations Committees in both houses will hold their Suspense File hearings on or around May 23rd, where fiscal bills will be considered for advancement. It is likely that the Governor's May Revision will drive what is left on the Suspense File as lawmakers garner a better understanding of the State Budget situation for the budget year.

May Revision

The Governor's May Revision of the 2025-26 State Budget will be released on Wednesday, May 14th at 10:30 a.m., providing an updated fiscal outlook based on the latest revenue projections and caseload updates. Financial conditions have worsened since the January Budget release. Tariff-driven price hikes and reduced tax receipts, particularly from wealthy Californians, are contributing to slowing revenues. The slower revenues and increased expenditures are driving a deficit. Lawmakers have been briefed on a projected shortfall between \$10-\$25 billion, which could deepen further. Legislators have commented that a deficit running into the tens of billions would not be surprising, given the economic challenges posed by President Donald Trump's tariff policies. In January, the multi-year projection already showed deficits in the out-year, which are likely exacerbated by sluggish revenues and higher caseloads.

The release of the May Revision serves as the starting point for negotiations with Assembly Speaker Robert Rivas and Senate President Pro Tem Mike McGuire. A budget will be passed to meet constitutional requirements and the start of the fiscal year, but the process could be extended, as federal spending decisions will need to be reflected. Lawmakers may need to return to Sacramento after the regular legislative session to make midyear cuts to accommodate potential federal cuts. At the federal level, safety net programs, such as Medi-Cal, are at risk, and California will need to adjust its budget accordingly.

LAO "Big Three" Revenue Outlook

The LAO updated revenue outlook reflects a complex fiscal picture: while the State is experiencing strong growth in income, corporation, and sales tax revenues this year, driven largely by surging income tax collections, which are up nearly 20 percent over two years, 1 expectations for future growth are muted. The LAO sees strong economic headwinds and notes that the CA economy has been sluggish for the past two years, and additional risks, including expanded federal tariffs, which have dampened consumer sentiment and GDP forecasts, expose the state's fiscal outlook to significant uncertainty.

1991 Realignment Revenues

Counties recently experienced issues with 1991 Realignment revenue distributions, where some months saw higher or lower amounts than expected, and revenues were allocated in the wrong fiscal year. This problem occurred when the State Controller's Office (SCO) initially determined that the CalWORKs MOE sales tax base was unmet for 2023-24, leading to a \$619.97 million withholding of Realignment revenues. The Department of Finance has now directed the SCO to correct this and allocate \$347.06 million in sales tax and \$272.91 million in Vehicle License Fees to 2023-24. Updated documents are available, including reconciliations for FY 2023-24 (August 2024) and FY 2024-25 (September 2024). Additionally, there will be a delay in recouping funds for the 2023-24 mental health subaccount due to these corrections. Adjustments will start with the May realignment payments to ensure accurate distributions for all counties. Model Ordinance to Help Cities and Counties Address

Homeless Encampments

Governor Gavin Newsom today released a model ordinance for cities and counties to address homeless encampments with urgency, calling on all local governments to act immediately using their affirmed legal authority and available resources (including \$3.3 billion in Proposition 1 funding). The ordinance, which builds on Newsom's 2024 executive order, provides a framework for local action by prohibiting persistent camping in one location and encampments that obstruct sidewalks, while requiring jurisdictions to give at least 48 hours' notice, offer shelter and services, and properly store personal belongings before clearing sites. This comes on the heels of the Governor launching a statewide accountability tool (accountability.ca.gov) to track local progress. Earlier this year, the Governor announced plans to establish a new Housing and Homelessness Agency intended to restructure how the state addresses housing and homelessness. According to the proposal, the agency would oversee efforts to plan, produce, and preserve housing, and coordinate homelessness response initiatives. Under the state's governmental reorganization process, the Little Hoover Commission is reviewing the Governor's proposal with a hearing scheduled for tomorrow. The Commission will issue a report to the Governor and Legislature by June 4, 2025.

This afternoon, Governor Gavin Newsom held a virtual press conference to announce Proposition 1 funding. The announcement of \$3.3 billion in health facility infrastructure grants is designed for the development and enhancement of residential beds, outpatient services, and treatment facilities, with an emphasis on rural and underserved areas. According to state officials, the grants are intended to improve access to mental health and substance use disorder services, with a focus on timeliness and evidence-based practices.

Recent & Upcoming Legislative Deadlines

- The fiscal committee deadline for Appropriations Committees to hear and report on bills assigned to their committee is May 23, 2025.

Purpose:

- ☐ Report progress
- ☐ Advocacy or Education
- ☐ Request PAL_Committee Recommendation or Position
- ☒ Other: State Legislative Update

This item was informational only and required no Committee action.

Request for Legislation position – *Action item*

**i. State Budget Request: California Court Appointed Special Advocates (CASA) Association
FY 2025-2026 Funding Request**

Recommendation: Support: Aneeka Chaudhry, Interim Director, Alameda County
Health

Purpose:

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- ☐ Advocacy or Education
- ☒ **Request PAL_Committee Recommendation or Position**
- ☐ Other:

Recommendation from PAL Committee: Support. Move to the full Board of Supervisors.

PUBLIC COMMENT

None.

Board of Supervisors' Committees agendas are available via Internet at: <http://www.acgov.org/>