



Staff Report

File #: TMP-1368, **Version:** 1

MEETING DATE:

May 26, 2020

SUBJECT:

LEGISLATIVE REPORT

Recommendation

NOTE AND FILE updates to legislation with an official City position.

Board or Commission Action

Not applicable

Relevant Council Strategic Theme

Planning for the Future

Good Governance

Relevant Department Goal

Not applicable

Introduction

The City Council adopted the 2020 Legislative Platform to guide the consideration of state and federal bills that affect City operations. In keeping with that direction, this report provides updates on legislation with an official City position.

The League of California Cities has asked cities to send a formal letter to Governor Newsom addressing budgetary shortfalls and supporting suggested actions for the State of California to take to assist cities. This report provides an explanation of the suggested actions and includes a draft letter addressed to the Governor in support for the League of California Cities' efforts.

Discussion

Initially set to return from their regularly scheduled recess on April 13, the Assembly and Senate remained on recess for the entirety of April and slightly into May. On Monday, May 4th, the Assembly returned and began three weeks of hearings. Each policy committee has been allowed one hearing. Legislators have been instructed to put items on hold unless they directly address the COVID-19 situation. The Senate, unlike the Assembly, waited until May 11th to return.

Hearings took place on a limited basis with some members of the Assembly not returning to Sacramento but joining hearings via phone conference lines. The legislative calendar has been turned on its head, with the remainder of this legislative session slated to only focus on the housing policy, wildfire preparedness

legislative, and the response to COVID-19. Staff will return with an update once hearings have taken place and there is a clear picture of which items remain.

While California started 2020 with an anticipated \$5.6 billion budget surplus, COVID-19 has quickly erased that projected surplus and leaves the State instead with an estimated budget deficit of \$54.3 billion. The state is constitutionally required to enact a balanced budget. The Governor's plan to close the budget gap includes the following:

- Cancel \$8.4 billion in program expansions and spending increases, including one-time expenditures included in the 2019 Budget Act.
- Reserves. Draw down \$8.8 billion from the Budget Stabilization Account (\$16.1 over 3 years)
- Borrowing and Transfer \$10.4 billion, including \$4.1 billion from special funds.
- Federal Funds. \$8.3 billion in federal funds (CARES Act).
- \$14 billion in funds that will be not be available without additional federal funding)
- New Revenues of \$4.4 billion

The May Revision proposes to accelerate current Caltrans projects to expand economic recovery. It was noted that the revenues from SB 1's fuel tax is estimated to be reduced by \$1.8 billion, however the Governor has suggested the state will look to sell additional authorized transportation bonds.

Additionally, instead of funding for rental assistance (as was proposed by the Senate Democrats), the May Revision proposes \$331 million for mortgage assistance and mortgage counseling for homeowners struggling to maintain their mortgages. \$31 million of the funds will be allocated towards legal assistance for renters. This approach modifies the January budget proposal for rental assistance.

The May Revision puts a priority on enhancing emergency response and preparedness. Included in this is maintaining \$50 million (one-time, GF) to support measures that bolster community resiliency. The proposal supports a matching grant program to help local governments prepare for, respond to, and mitigate the impacts of power outages.

Additionally, a total of \$38.2 million (one-time, GF) to increase the amount of funding available through the California Disaster Assistance Act, which is used to repair, restore, or replace public real property damaged or destroyed by a disaster or to reimburse local governments for eligible costs associated with emergency activities undertaken in response to a state of emergency proclaimed by the Governor.

Supporting Local Recovery

The League of California Cities has been advocating for cities with populations under 500,000 to receive much needed funding to help us continue to fight COVID-19 and protect our residents through the summer months and beyond. Cities have been asked to send a formal letter to Governor Newsom addressing budgetary shortfalls and supporting the League's suggested actions for the State of California to take to assist cities. Attachment B is a draft letter addressed to the Governor in support for the League of California Cities' efforts.

The League has requested that the state:

1. Establish at least a \$7 billion city revenue stabilization fund for direct aid to all cities to address the

general revenue shortfall over the next two fiscal years;

2. Allocate a share of the State's \$8.4 billion CARES Act funding for cities with populations under 500,000 to support COVID-19 expenses; and
3. Create a COVID-19 financing vehicle that all cities can access to support immediate cash flow needs.

Attachment A provides an update on the status of all bills at the state and federal levels that have been identified to have an approved city position, and includes eight new bills introduced since January.

Environmental Review

There is no environmental impact to this recommendation.

Fiscal Impact

Unknown fiscal impacts are associated with the bills in Attachment A. A more thorough analysis of each bill's implementation requirements is needed to demonstrate total fiscal impact.

Attachment(s)

Attachment A: Status and analysis of legislation with a proposed City position

Attachment B: Letter of Support

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